



RED ROCKS CHURCH AND AFFILIATE

Consolidated Financial Statements
With Independent Auditors' Report

December 31, 2020 and 2019

RED ROCKS CHURCH AND AFFILIATE

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Red Rocks Church and Affiliate
Littleton, Colorado

We have audited the accompanying consolidated financial statements of Red Rocks Church and Affiliate, which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, 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 Consolidated 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.

Auditors' 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.

Board of Directors
Red Rocks Church and Affiliate
Littleton, Colorado

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Red Rocks Church and Affiliate as of December 31, 2020 and 2019, and the changes in their 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
April 7, 2021

RED ROCKS CHURCH AND AFFILIATE

Consolidated Statements of Financial Position

	December 31,	
	2020	2019
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 7,992,196	\$ 3,769,852
Prepaid expenses and other assets	117,461	130,696
	8,109,657	3,900,548
Life insurance cash surrender value	1,125,959	975,119
Property and equipment–net	37,347,020	38,345,272
	\$ 46,582,636	\$ 43,220,939
Total Assets	\$ 46,582,636	\$ 43,220,939
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	\$ 169,586	\$ 235,534
Construction and retainage payable	-	461,601
Current portion of debt obligations	1,407,253	1,224,351
Accrued expenses	181,101	524,189
	1,757,940	2,445,675
Long-term portion of debt obligations–net	20,716,436	20,956,300
	22,474,376	23,401,975
Net assets:		
Without donor restrictions:		
Operating	8,618,813	4,098,354
Equity in property and equipment–net	15,223,331	15,720,610
	23,842,144	19,818,964
With donor restrictions	266,116	-
	24,108,260	19,818,964
Total Liabilities and Net Assets	\$ 46,582,636	\$ 43,220,939

See notes to consolidated financial statements

RED ROCKS CHURCH AND AFFILIATE

Consolidated Statements of Activities

	Year Ended December 31,	
	2020	2019
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Support and Revenue:		
Contributions	\$ 20,923,340	\$ 18,898,169
Program and other income	392,525	859,934
	21,315,865	19,758,103
Expenses:		
Salaries and benefits	8,672,846	8,845,478
Office and professional services	1,944,489	2,667,704
Depreciation and amortization	1,831,145	1,525,166
Facilities and maintenance	1,098,065	1,084,108
Events and supplies	981,272	1,817,106
Interest	970,127	630,838
Contributions to others	966,071	1,204,062
Travel and conferences	446,196	853,915
Worship production	382,474	499,279
	17,292,685	19,127,656
Total Expenses		
	4,023,180	630,447
Change in Net Assets Without Donor Restrictions		
	266,116	-
Contributions		
Changes in Net Assets	4,289,296	630,447
Net Assets, Beginning of Year	19,818,964	19,188,517
Net Assets, End of Year	\$ 24,108,260	\$ 19,818,964

See notes to consolidated financial statements

RED ROCKS CHURCH AND AFFILIATE

Consolidated Statements of Functional Expenses

	Year Ended December 31, 2020			
	Program Services	Supporting Activities:		Total
		General and Administrative	Fund-raising	
Salaries and benefits	\$ 7,176,310	\$ 1,453,671	\$ 42,865	\$ 8,672,846
Office and professional services	704,207	1,238,880	1,402	1,944,489
Depreciation and amortization	1,721,277	91,557	18,311	1,831,145
Facilities and maintenance	1,031,633	55,616	10,816	1,098,065
Events and supplies	974,684	6,588	-	981,272
Interest	912,440	48,506	9,181	970,127
Contributions to others	966,071	-	-	966,071
Travel and conferences	420,674	25,522	-	446,196
Worship production	382,474	-	-	382,474
	\$ 14,289,770	\$ 2,920,340	\$ 82,575	\$ 17,292,685

	Year Ended December 31, 2019			
	Program Services	Supporting Activities:		Total
		General and Administrative	Fund-raising	
Salaries and benefits	\$ 7,840,619	\$ 979,761	\$ 25,098	\$ 8,845,478
Office and professional services	1,485,821	1,180,093	1,790	2,667,704
Depreciation and amortization	1,433,647	76,266	15,253	1,525,166
Facilities and maintenance	1,019,921	53,489	10,698	1,084,108
Events and supplies	1,810,534	6,572	-	1,817,106
Interest	593,080	31,542	6,216	630,838
Contributions to others	1,204,062	-	-	1,204,062
Travel and conferences	811,692	42,223	-	853,915
Worship production	499,279	-	-	499,279
	\$ 16,698,655	\$ 2,369,946	\$ 59,055	\$ 19,127,656

See notes to consolidated financial statements

RED ROCKS CHURCH AND AFFILIATE

Consolidated Statements of Cash Flows

	Year Ended December 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 4,289,296	\$ 630,447
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Amortization of capitalized loan fees	18,850	9,234
Write off of capitalized loan fees	31,556	-
Depreciation and amortization	1,831,145	1,525,166
Change in life insurance cash surrender value	(150,840)	(146,388)
Loss on disposal of property and equipment	77,792	-
Gain on sale of property and equipment	(3,383)	-
Forgiveness of Paycheck Protection Program loan	(1,386,800)	-
Change in operating assets and liabilities:		
Prepaid expenses and other assets	13,235	62,207
Accounts payable	(65,948)	(166,026)
Accrued expenses	(343,088)	(11,257)
Net Cash Provided by Operating Activities	4,311,815	1,903,383
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of property and equipment	30,000	-
Purchases of property and equipment	(937,302)	(3,210,563)
Net Cash Used by Investing Activities	(907,302)	(3,210,563)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on debt obligations	(895,574)	(1,170,842)
Proceeds from debt obligations	326,605	2,088,452
Proceeds from Paycheck Protection Program loan	1,386,800	-
Net Cash Provided by Financing Activities	817,831	917,610
Net Change in Cash and Cash Equivalents	4,222,344	(389,570)
Cash and Cash Equivalents, Beginning of Year	3,769,852	4,159,422
Cash and Cash Equivalents, End of Year	\$ 7,992,196	\$ 3,769,852
SUPPLEMENTAL DISCLOSURE AND NON-CASH ITEMS:		
Cash paid for interest	\$ 931,238	\$ 848,904
Refinance of debt obligations	\$ -	\$ 3,356,740
Property and equipment acquired and financed with:		
Construction and retainage payable	\$ -	\$ 461,601
Debt obligations	\$ 461,601	\$ 3,411,794

See notes to consolidated financial statements

RED ROCKS CHURCH AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

1. NATURE OF ORGANIZATION:

Red Rocks Church (RRC) is a not-for-profit corporation started for the purpose of making heaven more crowded. We are ONE church in multiple locations. We desire to be a home for the prodigal, an authentic people, humble, generous, and unified. We want everyone to know the only way, the truth, and the life found in Jesus. RRC currently operates six locations which are located in Littleton, Lakewood, Arvada, and Park Meadows, Colorado, Brussels, Belgium, and Austin, Texas.

RRC is a nonprofit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (IRC) and comparable state laws. However, RRC is subject to federal income tax on any unrelated business taxable income. In addition, RRC is not classified as a private foundation within the meaning of Section 509(a) of the IRC. The primary source of support and revenue is contributions from individuals.

During the year ended December 31, 2015, RRC opened a church location in Brussels, Belgium and formed a non-profit organization under Belgium law, which is referred to as the Brussels Campus.

Collectively, RRC and the Brussels Campus are referred to as the Church in these consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

PRINCIPLES OF CONSOLIDATION

Due to financial and board control, the Brussels Campus is a consolidated affiliate of RRC. The consolidated financial statements include the consolidated financial resources and activities of RRC and the Brussels Campus. All significant intercompany balances and transactions have been eliminated.

CASH AND OTHER CASH EQUIVALENTS

Cash and other cash equivalents consist of cash held in checking and savings accounts, money market accounts, and other cash equivalents. At December 31, 2020 and 2019, the Church's cash balances on deposit exceeded federally insured limits by approximately \$1,683,000 and \$1,016,000, respectively. The Church has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash and cash equivalents.

RED ROCKS CHURCH AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

LIFE INSURANCE CASH SURRENDER VALUE

The Church uses appropriate valuation techniques to determine fair value based on inputs available. When available, the Church measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available. The life insurance cash surrender value for these assets is Level 2 based on significant other observable inputs. Fair value for the cash surrender value of life insurance policies is based on the Church's share of the cash surrender value of the respective life insurance policy as represented by the insurance company.

PROPERTY AND EQUIPMENT

Property and equipment is stated at cost, or if donated, at the fair market value on the date of the gift. It is the policy of the Church to capitalize all individual fixed assets greater than \$2,500 and expense lesser amounts in the period purchased. Depreciation and amortization is computed on the straight-line basis over estimated useful lives, which range from three to thirty years. Leasehold improvements are depreciated over the lesser of the useful life or term of the lease.

NET ASSETS

The consolidated financial statements report amounts separately by net asset class:

Net assets without donor restrictions are those resources available at the discretion of the board of directors for use in the operations of the Church and those resources invested in property and equipment—net.

Net assets with donor restrictions are those resources contributed with donor stipulations for the support of Church ministries. As of December 31, 2020, all net assets with donor restrictions were restricted for Coronavirus Relief Fund. As of December 31, 2019, all donor restricted contributions had been spent on their intend purposes.

SUPPORT AND REVENUE

Contributions are recognized when made, which may be when cash is received, unconditional promises are made, or when ownership of donated assets is transferred to the Church. Contributions are reported as restricted contributions 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 consolidated statements of activities as net assets released from restrictions. Restricted contributions and conditional grants received and subsequently released in the same year are considered contributions without donor restrictions for consolidated financial statement recording purposes. Donated assets are recorded as contributions as their estimated fair value on the date of donation. All donations postmarked by the end of the fiscal year are recognized as revenue in the fiscal year.

RED ROCKS CHURCH AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT AND REVENUE, continued

During the year ended December 31, 2020, the Church received a Paycheck Protection Program loan for \$1,386,800 that was eligible for forgiveness based on the Church incurring various qualified expenses such as normal payroll costs and utilities. During the year ended December 30, 2020, the Church received forgiveness of this loan and it has been recorded as contributions on the consolidated statements of activities.

Program and other income primarily consists of youth and event income and is recorded when earned.

FUNCTIONAL ALLOCATION OF EXPENSES

The consolidated statements of functional expenses report certain categories of expenses that are attributable to program or support activities of the Church. These expenses include depreciation, interest, and facilities and maintenance, which are allocated based on square footage occupancy. Costs of other categories were allocated on estimates of time and effort.

3. LIQUIDITY AND FUNDS AVAILABLE:

The Church has approximately \$9,118,000 and \$4,745,000, of financial assets available within one year of the consolidated statements of financial position date as of December 31, 2020 and 2019, respectively. These amounts consist of cash and cash equivalents and life insurance cash surrender value. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the consolidated statements of financial position date.

The Church structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Church's goal is to have a minimum of three months operating expenses on hand at any given time. Management monitors cash flows closely through finance committee meetings and detailed financial analysis.

RED ROCKS CHURCH AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

4. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net consist of:

	December 31,	
	2020	2019
Land and land improvements	\$ 6,374,364	\$ 6,441,817
Buildings and improvements	29,863,487	29,590,935
Equipment	7,171,558	6,632,718
Furniture and fixtures	948,570	893,550
Website and technology	724,393	700,495
Vehicles	199,340	199,340
	<u>45,281,712</u>	<u>44,458,855</u>
Less accumulated depreciation and amortization	<u>(7,934,692)</u>	<u>(6,113,583)</u>
	<u>\$ 37,347,020</u>	<u>\$ 38,345,272</u>

Equity in property and equipment–net consists of:

	December 31,	
	2020	2019
Property and equipment–net	\$ 37,347,020	\$ 38,362,862
Less construction and retainage payable	-	(461,601)
Less related debt obligations–net	<u>(22,123,689)</u>	<u>(22,180,651)</u>
	<u>\$ 15,223,331</u>	<u>\$ 15,720,610</u>

Interest costs capitalized during the years ended December 31, 2020 and 2019, are \$0 and \$259,414, respectively.

RED ROCKS CHURCH AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

5. DEBT OBLIGATIONS—NET:

Debt obligations—net consist of:

	December 31,	
	2020	2019
Construction loan which was refinanced with a financial institution into a note payable, dated June 2020. Principal and interest payments of \$59,813 are due monthly, with a fixed interest rate of 4.09%. The loan is collateralized by Park Meadows campus property and matures June 2025, at which time a balloon payment will be due.	\$ 7,843,501	\$ 7,211,794
Note payable to a financial institution, dated February 2019. Principal and interest payments of \$49,596 are due monthly, with a fixed interest rate of 4.09%. The note payable is collateralized by Arvada campus property and matures February 2024, at which time a balloon payment will be due.	5,746,614	6,004,808
Note payable to a financial institution, dated October 2019. Principal and interest payments of \$39,675 are due monthly, with a fixed interest rate of 3.95%. The note payable is collateralized by Lakewood campus property and matures October 2024, at which time a balloon payment will be due.	4,382,234	4,603,838
Note payable to a financial institution, dated December 2016. Principal and interest payments for \$31,826 are due monthly, with a fixed interest rate of 3.5%. The note payable is collateralized by Littleton campus property and matures December 2023, at which time a balloon payment will be due.	3,423,918	3,616,285
Note payable to a financial institution, dated April 2019. Principal and interest payments for \$6,455 are due monthly, with a fixed interest rate of 4.09%. The note payable is collateralized by Littleton campus property and matures April 2024, at which time a balloon payment will be due.	755,089	787,865

RED ROCKS CHURCH AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

5. DEBT OBLIGATIONS—NET, continued:

Debt obligations—net consist of, continued:

	December 31,	
	2020	2019
Capital lease agreement obtained to finance various equipment. Monthly payments total \$1,125 and the lease expires January 2024. Cost related to these capital leases was \$94,500 and \$267,682 as of December 31, 2020 and 2019, respectively. Accumulated amortization was \$54,000 and \$93,987 as of December 31, 2020 and 2019, respectively, which is recorded within property and equipment—net. One capital lease expired during the year ended December 31, 2020 and one remains as of year-end.	45,000	79,134
	22,196,356	22,303,724
Less current portion	(1,407,253)	(1,224,351)
Less capitalized loan fees-net	(72,667)	(123,073)
	\$ 20,716,436	\$ 20,956,300

Capitalized loan fees are being amortized over the terms of the related notes payable using a straight-line basis. Accumulated amortization for capitalized loan fees was \$18,850 and \$33,311, as of December 31, 2020 and 2019, respectively.

Future minimum payments for debt obligations are:

Year Ending December 31,	
2021	\$ 1,407,253
2022	1,463,264
2023	4,117,724
2024	9,086,514
2025	6,121,601
	\$ 22,196,356

The Church is in compliance with all financial and reporting covenants related to notes payable as of December 31, 2020.

RED ROCKS CHURCH AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

6. EMPLOYEE BENEFIT PLAN:

The Church sponsors a 401(k) plan (the Plan) covering employees working over 1,000 hours who have been with the Church more than one calendar year. Participants in the Plan vest immediately upon initial contribution. The Church matches 4% of employee contributions. Employer contributions to the Plan totaled \$187,992 and \$179,077, for the years ended December 31, 2020 and 2019, respectively.

7. RELATED PARTY TRANSACTION:

The Church has partnered with a separate not-for-profit organization to provide bikes to pastors in India. A previous member of the Church's board of directors was also on the board of directors at the related organization. During the years ended December 31, 2020 and 2019, the Church paid the related organization \$0 and \$59,086, respectively. Due to the lack of board control, the related organization is not consolidated within these consolidated financial statements.

In addition, the Church has purchased multiple life and disability insurance policies for Church leadership through two financial advisors. The financial advisors servicing the policies are also on the finance committee of the Church. The Church paid a total of \$174,774 and \$223,387 for insurance premiums for the years ended December 31, 2020 and 2019, respectively, to these related party's insurance companies.

8. 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 as circumstances evolve.

9. SUBSEQUENT EVENTS:

Subsequent events were evaluated through April 7, 2021, which is the date the consolidated financial statements were available to be issued.