



RED ROCKS CHURCH  
AND AFFILIATE

Consolidated Financial Statements  
With Independent Auditors' Report

December 31, 2019 and 2018

# 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, 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 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, 2019 and 2018, 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 29, 2020

# RED ROCKS CHURCH AND AFFILIATE

## Consolidated Statements of Financial Position

	December 31,	
	2019	2018
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 3,769,852	\$ 4,159,422
Prepaid expenses and other assets	130,696	192,903
	<u>3,900,548</u>	<u>4,352,325</u>
Life insurance cash surrender value	975,119	828,731
Property and equipment—net	<u>38,345,272</u>	<u>32,902,417</u>
Total Assets	<u>\$ 43,220,939</u>	<u>\$ 38,083,473</u>
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	\$ 235,534	\$ 401,560
Construction and retainage payable	461,601	115,937
Current portion of debt obligations	1,224,351	937,931
Accrued expenses	524,189	535,446
	<u>2,445,675</u>	<u>1,990,874</u>
Long-term portion of debt obligations—net	<u>20,956,300</u>	<u>16,904,082</u>
	<u>23,401,975</u>	<u>18,894,956</u>
Net assets:		
Without donor restrictions:		
Operating	4,098,354	4,244,050
Equity in property and equipment—net	<u>15,720,610</u>	<u>14,944,467</u>
	<u>19,818,964</u>	<u>19,188,517</u>
Total Liabilities and Net Assets	<u>\$ 43,220,939</u>	<u>\$ 38,083,473</u>

See notes to consolidated financial statements

# RED ROCKS CHURCH AND AFFILIATE

## Consolidated Statements of Activities (Without Donor Restrictions)

	Year Ended December 31,	
	2019	2018
<b>SUPPORT AND REVENUE:</b>		
Contributions	\$ 18,898,169	\$ 19,727,747
Program income	827,608	931,300
Other income	32,326	100,598
Total Support and Revenue	<u>19,758,103</u>	<u>20,759,645</u>
<b>EXPENSES:</b>		
Salaries and benefits	8,845,478	8,619,801
Office and professional services	2,667,704	2,514,115
Events and supplies	1,817,106	1,750,760
Depreciation and amortization	1,525,166	1,173,282
Contributions to others	1,204,062	1,175,160
Facilities and maintenance	1,084,108	1,001,763
Travel and conferences	853,915	1,286,578
Interest	630,838	442,880
Worship production	499,279	608,084
Total Expenses	<u>19,127,656</u>	<u>18,572,423</u>
Change in Net Assets	630,447	2,187,222
Net Assets, Beginning of Year	<u>19,188,517</u>	<u>17,001,295</u>
Net Assets, End of Year	<u>\$ 19,818,964</u>	<u>\$ 19,188,517</u>

See notes to consolidated financial statements

# RED ROCKS CHURCH AND AFFILIATE

## Consolidated Statements of Functional Expenses

	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
Events and supplies	1,810,534	6,572	-	1,817,106
Depreciation and amortization	1,433,794	76,266	15,253	1,525,313
Contributions to others	1,204,062	-	-	1,204,062
Facilities and maintenance	1,019,921	53,489	10,698	1,084,108
Travel and conferences	811,692	42,223	-	853,915
Interest	593,080	31,542	6,216	630,838
Worship production	499,279	-	-	499,279
	<b>\$ 16,698,802</b>	<b>\$ 2,369,946</b>	<b>\$ 59,055</b>	<b>\$ 19,127,803</b>

	Year Ended December 31, 2018			
	Program Services	Supporting Activities:		Total
		General and Administrative	Fund-raising	
Salaries and benefits	\$ 7,594,991	\$ 987,366	\$ 37,444	\$ 8,619,801
Office and professional services	1,371,507	1,142,290	318	2,514,115
Events and supplies	1,744,391	6,369	-	1,750,760
Depreciation and amortization	1,102,885	58,664	11,733	1,173,282
Contributions to others	1,175,160	-	-	1,175,160
Facilities and maintenance	942,491	49,393	9,879	1,001,763
Travel and conferences	1,234,851	51,727	-	1,286,578
Interest	416,392	22,144	4,344	442,880
Worship production	608,084	-	-	608,084
	<b>\$ 16,190,752</b>	<b>\$ 2,317,953</b>	<b>\$ 63,718</b>	<b>\$ 18,572,423</b>

See notes to consolidated financial statements

# RED ROCKS CHURCH AND AFFILIATE

## Consolidated Statements of Cash Flows

	Year Ended December 31,	
	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 630,447	\$ 2,187,222
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Amortization of capitalized loan fees	9,234	8,477
Depreciation and amortization	1,525,313	1,173,282
Change in life insurance cash surrender value	(146,388)	(155,620)
Change in operating assets and liabilities:		
Prepaid expenses and other assets	62,207	(111,768)
Accounts payable	(166,026)	(101,911)
Accrued expenses	(11,257)	165,302
Deferred compensation liability	-	(260,714)
Net Cash Provided by Operating Activities	1,903,530	2,904,270
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(3,228,153)	(5,128,186)
Net Cash Used by Investing Activities	(3,228,153)	(5,128,186)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Principal payments on debt obligations	(1,170,842)	(570,370)
Proceeds from debt obligations	2,088,452	-
Payments of capitalized loan fees	-	(42,000)
Net Cash Provided (Used) by Financing Activities	917,610	(612,370)
Net Change in Cash and Cash Equivalents	(407,013)	(2,836,286)
Cash and Cash Equivalents, Beginning of Year	4,159,422	6,995,708
Cash and Cash Equivalents, End of Year	\$ 3,752,409	\$ 4,159,422
<b>SUPPLEMENTAL DISCLOSURE AND NON-CASH ITEMS:</b>		
Cash paid for interest	\$ 717,345	\$ 776,293
Refinance of debt obligations	\$ 3,356,740	\$ -
Property and equipment acquired and financed with:		
Construction and retainage payable	\$ 461,601	\$ 115,937
Accounts payable	-	73,925
Debt obligations	3,411,794	7,413,467
	\$ 3,873,395	\$ 7,603,329

See notes to consolidated financial statements



# RED ROCKS CHURCH AND AFFILIATE

## Notes to Consolidated Financial Statements

December 31, 2019 and 2018

### 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 law(s). 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.

# RED ROCKS CHURCH AND AFFILIATE

## Notes to Consolidated Financial Statements

December 31, 2019 and 2018

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### 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, 2019 and 2018, the Church's cash balances on deposit exceeded federally insured limits by approximately \$1,016,000 and \$1,399,000, 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.

#### 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. All contributions with donor restrictions were released as of December 31, 2019 and 2018.

# RED ROCKS CHURCH AND AFFILIATE

## Notes to Consolidated Financial Statements

December 31, 2019 and 2018

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### 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. If a restricted gift is received and subsequently released in the same year, the Church considers the donation as 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.

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

#### RECENTLY ADOPTED ACCOUNTING STANDARD

In 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 December 31, 2019. This new standard provides guidance on determining whether 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 December 31, 2019, consolidated financial statements.

# RED ROCKS CHURCH AND AFFILIATE

## Notes to Consolidated Financial Statements

December 31, 2019 and 2018

3. LIQUIDITY AND FUNDS AVAILABLE:

The Church has approximately \$4,745,000 and \$4,988,000 of financial assets available within one year of the consolidated statements of financial position date as of December 31, 2019 and 2018, respectively. These amounts consists 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.

4. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net consist of:

	December 31,	
	2019	2018
Land and land improvements	\$ 6,441,817	\$ 6,192,846
Buildings and improvements	29,608,525	19,888,008
Equipment	6,632,718	5,064,881
Furniture and fixtures	893,550	701,454
Website and technology	700,495	583,853
Vehicles	199,340	189,120
	44,476,445	32,620,162
Less accumulated depreciation and amortization	(6,113,583)	(4,588,416)
	38,362,862	28,031,746
Construction in process	-	4,870,671
	\$ 38,362,862	\$ 32,902,417

Equity in property and equipment–net consists of:

	December 31,	
	2019	2018
Property and equipment–net	\$ 38,362,862	\$ 32,902,417
Less construction and retainage payable	(461,601)	(115,937)
Less related debt obligations–net	(22,180,651)	(17,842,013)
	\$ 15,720,610	\$ 14,944,467

# RED ROCKS CHURCH AND AFFILIATE

## Notes to Consolidated Financial Statements

December 31, 2019 and 2018

4. PROPERTY AND EQUIPMENT–NET, continued:

Interest costs capitalized during the years ended December 31, 2019 and 2018 are \$259,414 and \$186,306, respectively.

5. DEBT OBLIGATIONS–NET:

Debt obligations–net consist of:

	December 31,	
	2019	2018
Construction loan held with a financial institution, dated May 2018. \$8,000,000 is available to complete construction on the Park Meadows campus. Interest is due monthly at a fixed rate of 4.75% until construction is complete. The expected loan closing is March 2020 at which time the loan will be refinanced to permanent financing. The loan is collateralized by Park Meadows campus property. Subsequent to year end, an additional \$788,206 was borrowed and the interest rate was adjusted to 4.09%. Future minimum payments reflect the permanent financing terms agreed upon with the financial institution, which includes a four year term, 15 year amortization, and 4.09% fixed interest rate.	\$ 7,211,794	\$ 3,800,000
Note payable which was refinanced with a financial institution, dated February 2019. Principal and interest payments of \$49,596 are due monthly, with a fixed interest rate of 5%. The note payable is collateralized by Arvada campus property and matures February 2024, at which time a balloon payment will be due. Subsequent to the year ended December 31, 2019, the interest rate was adjusted to a fixed rate of 4.09%. All other terms remained consistent.	6,004,808	6,552,000
Note payable which was refinanced with 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.	4,603,838	3,558,427

# RED ROCKS CHURCH AND AFFILIATE

## Notes to Consolidated Financial Statements

December 31, 2019 and 2018

5. DEBT OBLIGATIONS—NET, continued:

Debt obligations—net consist of, continued:

	December 31,	
	2019	2018
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.	3,616,285	3,865,073
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 5%. The note payable is collateralized by Littleton campus property and matures April 2024, at which time a balloon payment will be due. Subsequent to the year ended December 31, 2019, the interest rate was adjusted to a fixed rate of 4.09%. All other terms remained consistent.	787,865	-
Multiple capital lease agreements obtained to finance various equipment purchases. Monthly payments total \$5,829 and the leases expire between April 2020 and January 2024. Cost related to these capital leases was \$267,682 as of December 31, 2019 and 2018. Accumulated amortization was \$93,987 and \$35,467 as of December 31, 2019 and 2018, respectively, which is recorded within property and equipment—net.	79,134	157,012
	22,303,724	17,932,512
Less current portion	(1,224,351)	(937,931)
Less capitalized loan fees-net	(123,073)	(90,499)
	\$ 20,956,300	\$ 16,904,082

Capitalized loan fees are being amortized over the terms of the related note payable using a straight-line basis. Accumulated amortization for capitalized loan fees was \$33,311 and \$24,077 as of December 31, 2019 and 2018, respectively.

# RED ROCKS CHURCH AND AFFILIATE

## Notes to Consolidated Financial Statements

December 31, 2019 and 2018

5. DEBT OBLIGATIONS—NET, continued:

Future minimum payments for debt obligations are:

<u>Year Ending December 31,</u>	
2020	\$ 1,224,351
2021	1,319,729
2022	1,375,477
2023	3,944,952
2024	<u>14,439,215</u>
	<u>\$ 22,303,724</u>

The Church is in compliance with all financial and reporting covenants related to notes payable and construction loans as of December 31, 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 \$179,077 and \$171,152, for the years ended December 31, 2019 and 2018, respectively.

7. RELATED PARTY TRANSACTION:

The Church has partners with a separate not-for-profit organization to provide bikes to pastors in India. A member of the Church's board of directors is also on the board of directors at the related organization. During the years ended December 31, 2019 and 2018, the Church paid the related organization \$59,086 and \$224,045, 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 insurance policies for Church leadership through two financial advisors. The financial advisors servicing the policies are also on the finance committee of the Church.

8. SUBSEQUENT EVENTS:

Subsequent events were evaluated through April 29, 2020, which is the date the consolidated financial statements were available to be issued.