



RED ROCKS CHURCH AND AFFILIATE

Consolidated Financial Statements
With Independent Auditors' Report

December 31, 2021 and 2020

RED ROCKS CHURCH AND AFFILIATE

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Consolidated Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Functional Expenses	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7



INDEPENDENT AUDITORS' REPORT

Board of Elders
Red Rocks Church and Affiliate
Littleton, Colorado

Opinion

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, 2021 and 2020, 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.

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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Red Rocks Church and Affiliate and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Red Rocks Church and Affiliate's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Board of Elders
Red Rocks Church and Affiliate
Littleton, Colorado

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Red Rocks Church and Affiliate's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Red Rocks Church and Affiliate's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audits.

Capin Crouse LLP

Centennial, Colorado
April 20, 2022

RED ROCKS CHURCH AND AFFILIATE

Consolidated Statements of Financial Position

	December 31,	
	2021	2020
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 12,169,631	\$ 7,992,196
Prepaid expenses and other assets	490,620	117,461
	<u>12,660,251</u>	<u>8,109,657</u>
Life insurance cash surrender value	1,293,540	1,125,959
Property and equipment–net	<u>36,621,200</u>	<u>37,347,020</u>
Total Assets	<u><u>\$ 50,574,991</u></u>	<u><u>\$ 46,582,636</u></u>
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	\$ 208,368	\$ 169,586
Accrued expenses	357,555	181,101
Current portion of debt obligations	<u>1,460,465</u>	<u>1,407,253</u>
	<u>2,026,388</u>	<u>1,757,940</u>
Long-term portion of debt obligations–net	<u>19,287,815</u>	<u>20,716,436</u>
Total liabilities	<u><u>21,314,203</u></u>	<u><u>22,474,376</u></u>
Net assets:		
Without donor restrictions:		
Operating	13,374,387	8,618,813
Equity in property and equipment–net	<u>15,872,920</u>	<u>15,223,331</u>
	<u>29,247,307</u>	<u>23,842,144</u>
With donor restrictions	<u>13,481</u>	<u>266,116</u>
Total net assets	<u><u>29,260,788</u></u>	<u><u>24,108,260</u></u>
Total Liabilities and Net Assets	<u><u>\$ 50,574,991</u></u>	<u><u>\$ 46,582,636</u></u>

See notes to consolidated financial statements

RED ROCKS CHURCH AND AFFILIATE

Consolidated Statements of Activities

	Year Ended December 31,	
	2021	2020
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Support and Revenue:		
Contributions	\$ 22,834,506	\$ 20,923,340
Program and other income	1,099,635	392,525
	<u>23,934,141</u>	<u>21,315,865</u>
Net assets released from purpose restrictions	<u>258,899</u>	<u>-</u>
Expenses:		
Salaries and benefits	8,983,723	8,672,846
Office and professional services	1,926,318	1,944,489
Depreciation and amortization	1,834,320	1,831,145
Contributions to others	1,467,889	966,071
Events and supplies	1,372,194	981,272
Facilities and maintenance	1,183,276	1,098,065
Interest	886,061	970,127
Travel and conferences	602,403	446,196
Worship production	531,693	382,474
Total Expenses	<u>18,787,877</u>	<u>17,292,685</u>
Change in Net Assets Without Donor Restrictions	<u>5,405,163</u>	<u>4,023,180</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions	6,264	266,116
Net assets released from purpose restrictions	(258,899)	-
Change in Net Assets With Donor Restrictions	<u>(252,635)</u>	<u>266,116</u>
Changes in Net Assets	5,152,528	4,289,296
Net Assets, Beginning of Year	<u>24,108,260</u>	<u>19,818,964</u>
Net Assets, End of Year	<u>\$ 29,260,788</u>	<u>\$ 24,108,260</u>

See notes to consolidated financial statements

RED ROCKS CHURCH AND AFFILIATE

Consolidated Statements of Functional Expenses

Year Ended December 31, 2021				
	Program Services	Supporting Activities:		Total
		General and Administrative	Fund-raising	
Salaries and benefits	\$ 7,223,408	\$ 1,650,822	\$ 109,493	\$ 8,983,723
Office and professional services	809,785	1,115,991	542	1,926,318
Depreciation and amortization	1,724,261	91,716	18,343	1,834,320
Contributions to others	1,467,889	-	-	1,467,889
Events and supplies	1,342,217	8,195	21,782	1,372,194
Facilities and maintenance	1,065,546	106,554	11,176	1,183,276
Interest	832,897	44,303	8,861	886,061
Travel and conferences	566,422	26,192	9,789	602,403
Worship production	531,693	-	-	531,693
	<u>\$ 15,564,118</u>	<u>\$ 3,043,773</u>	<u>\$ 179,986</u>	<u>\$ 18,787,877</u>

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
	<u>\$ 14,289,770</u>	<u>\$ 2,920,340</u>	<u>\$ 82,575</u>	<u>\$ 17,292,685</u>

See notes to consolidated financial statements

RED ROCKS CHURCH AND AFFILIATE

Consolidated Statements of Cash Flows

	Year Ended December 31,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 5,152,528	\$ 4,289,296
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Amortization of capitalized loan fees	19,805	18,850
Write off of capitalized loan fees	-	31,556
Depreciation and amortization	1,834,320	1,831,145
Loss on sale and disposal of property and equipment	-	74,409
Recognition of Paycheck Protection Program loan	-	(1,386,800)
Change in operating assets and liabilities:		
Prepaid expenses and other assets	(373,159)	13,235
Life insurance cash surrender value	(167,581)	(150,840)
Accounts payable	38,782	(65,948)
Accrued expenses	176,454	(343,088)
Net Cash Provided by Operating Activities	<u>6,681,149</u>	<u>4,311,815</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of property and equipment	-	30,000
Purchases of property and equipment	(1,108,500)	(937,302)
Net Cash Used by Investing Activities	<u>(1,108,500)</u>	<u>(907,302)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on debt obligations	(1,395,214)	(895,574)
Proceeds from debt obligations	-	326,605
Proceeds from Paycheck Protection Program loan	-	1,386,800
Net Cash Provided (Used) by Financing Activities	<u>(1,395,214)</u>	<u>817,831</u>
Net Change in Cash and Cash Equivalents	4,177,435	4,222,344
Cash and Cash Equivalents, Beginning of Year	<u>7,992,196</u>	<u>3,769,852</u>
Cash and Cash Equivalents, End of Year	<u>\$ 12,169,631</u>	<u>\$ 7,992,196</u>
SUPPLEMENTAL DISCLOSURE AND NON-CASH ITEMS:		
Cash paid for interest	<u>\$ 868,367</u>	<u>\$ 591,949</u>
Property and equipment acquired and financed with debt obligations	<u>\$ -</u>	<u>\$ 461,601</u>
Recognition of Paycheck Protection Program loan	<u>\$ -</u>	<u>\$ 1,386,800</u>

See notes to consolidated financial statements

RED ROCKS CHURCH AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

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 Belgian 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, 2021 and 2020, the Church's cash balances on deposit exceeded federally insured limits by approximately \$1,920,000 and \$1,683,000, 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, 2021 and 2020

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 elders 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, 2021 and 2020, all net assets with donor restrictions were restricted for supporting the community impacted by coronavirus.

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, 2021 and 2020

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.

During the year ended December 31, 2021, the Church applied for the Employee Retention Credit for \$300,061 which was recorded as revenue within program and other income on the consolidated statements of activities. As of December 31, 2021, \$300,061 is recorded as a receivable within prepaid expenses and other assets on the consolidated statements of financial position.

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 \$13,463,000 and \$9,118,000, of financial assets available within one year of the consolidated statements of financial position date as of December 31, 2021 and 2020, 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 six 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, 2021 and 2020

4. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net consist of:

	December 31,	
	2021	2020
Land and land improvements	\$ 6,374,364	\$ 6,374,364
Buildings and improvements	30,761,120	29,863,487
Equipment	7,343,642	7,171,558
Furniture and fixtures	967,449	948,570
Website and technology	738,998	724,393
Vehicles	204,640	199,340
	<u>46,390,213</u>	<u>45,281,712</u>
Less accumulated depreciation and amortization	<u>(9,769,013)</u>	<u>(7,934,692)</u>
	<u>\$ 36,621,200</u>	<u>\$ 37,347,020</u>

Equity in property and equipment–net consists of:

	December 31,	
	2021	2020
Property and equipment–net	\$ 36,621,200	\$ 37,347,020
Less related debt obligations–net	<u>(20,748,280)</u>	<u>(22,123,689)</u>
	<u>\$ 15,872,920</u>	<u>\$ 15,223,331</u>

RED ROCKS CHURCH AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

5. DEBT OBLIGATIONS—NET:

Debt obligations—net consist of:

	December 31,	
	2021	2020
Note payable to a financial institution, dated June 2020. Principal and interest payments of \$59,813 are due monthly, with a fixed interest rate of 4.09%. The note payable is collateralized by Park Meadows campus property and matures June 2025, at which time a balloon payment will be due.	\$ 7,443,439	\$ 7,843,501
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.	5,382,892	5,746,614
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.	4,076,048	4,382,234
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.	3,159,218	3,423,918
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.	708,046	755,089

RED ROCKS CHURCH AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

5. DEBT OBLIGATIONS—NET, continued:

Debt obligations—net consist of, continued:

	December 31,	
	2021	2020
Capital lease agreement obtained to finance various equipment. Monthly payments total \$1,125 and the lease expires January 2024. Cost related to the capital lease was \$94,500 as of December 31, 2021 and 2020, respectively. Accumulated amortization was \$67,500 and \$54,000 as of December 31, 2021 and 2020, respectively, which is recorded within property and equipment—net.	31,500	45,000
	20,801,143	22,196,356
Less current portion	(1,460,465)	(1,407,253)
Less capitalized loan fees-net	(52,863)	(72,667)
	<u>\$ 19,287,815</u>	<u>\$ 20,716,436</u>

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 \$59,483 and \$39,679, as of December 31, 2021 and 2020, respectively.

Future minimum payments for debt obligations are:

<u>Year Ending December 31,</u>	
2022	\$ 1,460,465
2023	4,118,957
2024	9,092,816
2025	6,128,905
	<u>\$ 20,801,143</u>

The Church is in compliance with all financial and reporting covenants related to notes payable as of, December 31, 2021.

RED ROCKS CHURCH AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

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 \$175,977 and \$187,992, for the years ended December 31, 2021 and 2020, respectively.

7. **RELATED PARTY TRANSACTION:**

The Church has purchased multiple life and disability insurance policies for Church leadership and employees 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 \$193,463 and \$174,774 for insurance premiums for the years ended December 31, 2021 and 2020, 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 20, 2022, which is the date the consolidated financial statements were available to be issued.