



## FLATIRONS COMMUNITY CHURCH

Financial Statements  
With Independent Auditors' Report

December 31, 2019 and 2018

# FLATIRONS COMMUNITY CHURCH

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## INDEPENDENT AUDITORS' REPORT

Board of Elders  
Flatirons Community Church  
Lafayette, Colorado

We have audited the accompanying financial statements of Flatirons Community Church, which comprise the statements of financial position as of December 31, 2019 and 2018, and 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  
Flatirons Community Church  
Lafayette, Colorado

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Flatirons Community Church, as of December 31, 2019 and 2018, 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  
April 30, 2020

# FLATIRONS COMMUNITY CHURCH

## Statements of Financial Position

	December 31,	
	2019	2018
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents	\$ 14,498,172	\$ 14,819,890
Prepaid expenses	113,974	96,972
Receivables	7,753	198,609
Note receivable	-	60,000
	<u>14,619,899</u>	<u>15,175,471</u>
Security deposits	56,995	56,995
Property and equipment–net	<u>35,044,202</u>	<u>36,597,474</u>
Total Assets	<u>\$ 49,721,096</u>	<u>\$ 51,829,940</u>
<b>LIABILITIES AND NET ASSETS:</b>		
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 618,685	\$ 907,125
Property taxes payable	95,032	110,364
Deferred revenue	42,606	39,247
Current portion of note payable–net	<u>681,334</u>	<u>649,797</u>
	<u>1,437,657</u>	<u>1,706,533</u>
Note payable–net, net of current portion	<u>8,736,540</u>	<u>9,408,930</u>
	<u>10,174,197</u>	<u>11,115,463</u>
Net assets:		
Without donor restrictions	38,967,327	40,087,389
With donor restrictions	<u>579,572</u>	<u>627,088</u>
	<u>39,546,899</u>	<u>40,714,477</u>
Total Liabilities and Net Assets	<u>\$ 49,721,096</u>	<u>\$ 51,829,940</u>

See notes to financial statements

# FLATIRONS COMMUNITY CHURCH

## Statements of Activities

	Year Ended December 31,	
	2019	2018
OPERATING:		
Changes in Net Assets Without Donor Restrictions:		
Support and Revenue:		
Contributions	\$ 23,351,986	\$ 22,588,929
Program and other revenue	1,275,377	1,169,131
Total Support and Revenue	24,627,363	23,758,060
Net assets released from purpose restrictions	852,665	1,750,759
EXPENSES:		
Program services:		
Church:		
Weekend services	9,101,111	7,973,294
Missions	3,362,574	3,982,339
Children ministries	3,499,505	2,712,077
Adult ministries	1,774,498	2,130,331
Student ministries	1,227,578	1,072,962
	18,965,266	17,871,003
Flatirons Academy	5,262,463	1,186,733
	24,227,729	19,057,736
Supporting activity: General and administrative	2,033,970	1,851,850
Total Expenses	26,261,699	20,909,586
Change in Net Assets Without Donor Restrictions	(781,671)	4,599,233
Changes in Net Assets With Donor Restrictions:		
Contributions	805,148	2,372,477
Net assets released from purpose restrictions	(852,665)	(1,750,759)
Changes in Net Assets With Donor Restrictions	(47,517)	621,718
Change in Net Assets From Operating Activities	(829,188)	5,220,951
NON-OPERATING:		
Rental activity:		
Rental income	334,867	218,264
Rental expense	(671,268)	(602,455)
Net rental loss	(336,401)	(384,191)
Loss on sale of property and equipment	(1,989)	(652,457)
Loss on write-off of note receivable and related investment	-	(399,516)
Change in Net Assets From Non-Operating Activities	(338,390)	(1,436,164)
Change in Net Assets	(1,167,578)	3,784,787
Net Assets, Beginning of Year	40,714,477	36,929,690
Net Assets, End of Year	\$ 39,546,899	\$ 40,714,477

See notes to financial statements

# FLATIRONS COMMUNITY CHURCH

## Statement of Functional Expenses

Year Ended December 31, 2019

	Program Services:			Supporting Activity:	Total
	Church	Flatirons Academy	Total	General and Administrative	Expenses
Salaries and wages	\$ 5,855,408	\$ 325,944	\$ 6,181,352	\$ 662,766	\$ 6,844,118
Support to other organizations and benevolence	2,388,409	4,321,228	6,709,637	-	6,709,637
Employee benefits and taxes	3,124,872	119,782	3,244,654	321,563	3,566,217
Depreciation	2,546,684	309,615	2,856,299	102,387	2,958,686
Supplies and other expenses	2,059,865	36,062	2,095,927	392,737	2,488,664
Occupancy, utilities, and maintenance	1,074,801	137,925	1,212,726	173,830	1,386,556
Events, retreats, and camps	514,809	-	514,809	11,299	526,108
Interest	490,156	-	490,156	-	490,156
Services and professional fees	378,410	4,692	383,102	87,685	470,787
Information technology	154,070	7,215	161,285	281,703	442,988
Missions trip travel and food	377,782	-	377,782	-	377,782
	<u>\$ 18,965,266</u>	<u>\$ 5,262,463</u>	<u>\$ 24,227,729</u>	<u>\$ 2,033,970</u>	<u>\$ 26,261,699</u>

See notes to financial statements

# FLATIRONS COMMUNITY CHURCH

## Statement of Functional Expenses

Year Ended December 31, 2018

	Program Services:			Supporting Activity: General and Administrative	Total Expenses
	Church	School	Total		
Salaries and wages	\$ 5,337,587	\$ 460,750	\$ 5,798,337	\$ 565,144	\$ 6,363,481
Support to other organizations and benevolence	3,177,983	-	3,177,983	-	3,177,983
Employee benefits and taxes	2,654,669	162,998	2,817,667	273,351	3,091,018
Depreciation	2,392,274	247,935	2,640,209	99,454	2,739,663
Supplies and other expenses	1,875,556	100,942	1,976,498	392,283	2,368,781
Occupancy, utilities, and maintenance	597,987	170,324	768,311	184,884	953,195
Events, retreats, and camps	422,543	-	422,543	-	422,543
Interest	509,601	-	509,601	-	509,601
Services and professional fees	301,659	9,461	311,120	46,557	357,677
Information technology	174,947	34,323	209,270	290,177	499,447
Missions trip travel and food	426,197	-	426,197	-	426,197
	\$ 17,871,003	\$ 1,186,733	\$ 19,057,736	\$ 1,851,850	\$ 20,909,586

See notes to financial statements



# FLATIRONS COMMUNITY CHURCH

## Statements of Cash Flows

	Year Ended December 31,	
	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (1,167,578)	\$ 3,784,787
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	2,966,402	2,747,287
Amortization of loan origination fees	8,944	8,944
Contribution of property and equipment to Flatirons Academy	4,321,228	-
Loss on disposal of property and equipment	1,989	652,457
Loss on write-off of note receivable and related investment	-	400,000
Collection of note receivable	60,000	-
Change in operating assets and liabilities:		
Prepaid expenses	(17,002)	47,972
Receivables	190,856	(107,905)
Security deposits	-	(54,500)
Accounts payable and accrued liabilities	(288,440)	205,775
Property taxes payable	(15,332)	4,035
Deferred revenue	3,359	(422,705)
Net Cash Provided by Operating Activities	6,064,426	7,266,147
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(5,736,347)	(2,157,376)
Net Cash Used by Investing Activities	(5,736,347)	(2,157,376)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Principal payments on note payable	(649,797)	(615,576)
Net Cash Used by Financing Activities	(649,797)	(615,576)
Change in Cash and Cash Equivalents	(321,718)	4,493,195
Cash and Cash Equivalents, Beginning of Year	14,819,890	10,326,695
Cash and Cash Equivalents, End of Year	\$ 14,498,172	\$ 14,819,890
<b>SUPPLEMENTAL DISCLOSURE:</b>		
Cash paid for interest	\$ 484,707	\$ 518,351

See notes to financial statements

# FLATIRONS COMMUNITY CHURCH

## Notes to Financial Statements

December 31, 2019 and 2018

1. NATURE OF ORGANIZATION:

Flatirons Community Church (the Church) is a nondenominational church which conducts services in five locations in and around Denver, Colorado, as well as online. The vision of the Church is to bring the awesome life of Christ to a lost and broken world. The Church is operated as a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC), and comparable state laws. However, the Church is subject to federal income tax on any unrelated business taxable income. The Church is not a private foundation under Section 509(a) of the IRC. The Church's primary source of support and revenue is from contributions.

The Church also operated a school, Flatirons Academy, which was Kindergarten through 4th grade. In July 2019, the Church merged Flatirons Academy with Cornerstone Christian Academy. The Church donated land, equipment and associated architectural and legal fees in the amount \$4,321,228 related to the new school, which is reported in the statements of activities and statement of functional expense. The new school will retain the name Flatirons Academy, but is operated by a new organization unrelated to the Church.

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 December 31, 2019 and 2018, amounts exceeding the federally insured limits was approximately \$13,800,000 and \$13,700,000. The Church has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk.

### PROPERTY AND EQUIPMENT—NET

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 twenty years) of the related assets. The Church capitalizes fixed asset purchases exceeding \$2,500, with lesser amounts expensed in the year purchased.

# FLATIRONS COMMUNITY CHURCH

## Notes to Financial Statements

December 31, 2019 and 2018

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

#### DEFERRED REVENUE

Deferred revenue consists of events, camp and retreat registrations, which will be recorded as revenue once earned or the event takes place.

#### PROPERTY TAXES PAYABLE

The Church is exempt from property taxes for certain properties which are owned to further the Church's not-for-profit purposes. The Church has received a partial tax exemption of property taxes for two properties that houses both the Church offices and retail establishments. As of December 31, 2019 and 2018, the Church owed property taxes on all non-exempt property.

#### 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 invested in property and equipment—net.

*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. Those contributions postmarked by December 31 are recorded as contributions and cash and cash equivalents rather than promises to give during the respective year. 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.

Program and other revenue consists of revenues received for school tuition, events, camps, and retreats held by the Church.

# FLATIRONS COMMUNITY CHURCH

## Notes to Financial Statements

December 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

### FUNCTIONAL ALLOCATION OF EXPENSES

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

### RECENTLY ADOPTED ACCOUNTING STANDARDS

In 2018, the Financial Accounting Standards Board (FASB) issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The Church adopted the provisions of this new standard during the year ended December 31, 2019. This new standard provides guidance on determining whether a transactions should be accounted for as an exchange transaction or a contribution and whether a contribution should be recorded as conditional or unconditional. This standard did not have a material impact on the presentation of the December 31, 2019 financial statements.

3. LIQUIDITY AND FUNDS AVAILABLE:

The Church has \$14,505,925 and \$15,018,499, of financial assets available to meet cash needs for general expenditures, consisting substantially of cash and receivables, as of December 31, 2019 and 2018, respectively. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statements of financial position.

The Church structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Management monitors cash flows closely through board meetings and detailed financial analysis. As part of the Church's liquidity management, the Church invests cash in excess of daily requirements in a money market account.

# FLATIRONS COMMUNITY CHURCH

## Notes to Financial Statements

December 31, 2019 and 2018

4. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net consists of:

	December 31,	
	2019	2018
Land and land improvements	\$ 7,966,255	\$ 7,966,255
Buildings and improvements	27,589,409	26,533,184
Furniture and equipment	8,138,560	8,331,968
Office buildings	3,899,361	3,853,936
Retail space	3,360,346	3,022,151
Parsonage	264,602	270,636
	51,218,533	49,978,130
Less accumulated depreciation	(16,478,167)	(13,755,896)
	34,740,366	36,222,234
Construction in progress	303,836	375,240
	\$ 35,044,202	\$ 36,597,474

5. NOTE PAYABLE—NET:

Note payable—net consists of:

	December 31,	
	2019	2018
Note payable with a financial institution secured by deed of trust. Monthly principal and interest payments of approximately \$94,000, are due until maturity which is September 2022, at which time a balloon payment will be required. The Church intends to refinance this note before the balloon payment is due. The interest rate is the short-term LIBOR index plus, 2.31 percent. The note payable is subject to a derivative contract, as described in Note 6.	\$ 9,442,470	\$ 10,092,267
Less current portion of note payable	(681,334)	(649,797)
Less loan origination fees—net	(24,596)	(33,540)
	\$ 8,736,540	\$ 9,408,930

Loan origination fees of \$62,608, are recorded at cost and amortized on a straight-line basis over the term of the debt agreement.

# FLATIRONS COMMUNITY CHURCH

## Notes to Financial Statements

December 31, 2019 and 2018

5. NOTE PAYABLE—NET, continued:

Future minimum principal payments on the note payable are:

<u>Year Ending December 31,</u>		
2020	\$	681,334
2021		717,226
2022		8,043,910
	\$	9,442,470

The note payable contains various restrictive covenants, such as fixed charge coverage ratios, audit, financial reporting, and insurance requirements. As of December 31, 2019, the Church was in compliance with all covenants.

6. INTEREST RATE SWAP AGREEMENT:

The Church has an interest rate swap with a financial institution. The financial institution pays interest at short-term LIBOR, index plus 231 basis points. The Church pays a fixed interest rate of 4.88 percent. The interest rate swap agreement terminates in September 2022. The Church's swap agreement liability is considered Level 2 under the fair value hierarchy and is based on observable inputs other than the quoted prices and is based on yields for swap agreements of comparable maturity, quality, and types as obtained from market transactions. The calculation is determined by the Church's lender.

The interest rate swap was entered into in order to manage the interest rate exposure associated with the floating rate on the note payable and to achieve a desired proportion of variable and fixed-rate debt. The aggregate notional amount of the swap agreement was \$9,442,470 and \$10,092,267, as of December 31, 2019 and 2018, respectively. The notional amount declines monthly as principal and interest payments are made on the note payable. As of December 31, 2019 and 2018, the interest rate swap liability had a fair value of \$7,418 and \$1,969, respectively, and is included in accounts payable and accrued liabilities on the statements of financial position.

7. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consists of:

	<u>December 31,</u>	
	2019	2018
Longmont campus building fund	\$ 579,572	\$ 608,000
Flatirons Academy building fund	-	18,070
Other projects	-	1,018
	\$ 579,572	\$ 627,088

# FLATIRONS COMMUNITY CHURCH

## Notes to Financial Statements

December 31, 2019 and 2018

8. OPERATING LEASES:

The Church leases various church locations under operating lease agreements. Lease expense under these agreements for the years ended December 31, 2019 and 2018, was \$388,548 and \$159,974, respectively. Future minimum lease payments are:

<u>Year Ending December 31,</u>	
2020	\$ 383,456
2021	396,876
2022	410,760
2023	425,136
2024	440,016
Thereafter	<u>2,089,788</u>
	<u>\$ 4,146,032</u>

9. RETIREMENT PLAN:

The Church offers full-time staff employees the opportunity to participate in a 403(b) contributory retirement plan. The Church matched employee contributions up to 10% of their regular salary for the years ended December 31, 2019 and 2018. The employer match for the years ended December 31, 2019 and 2018 was \$461,607 and \$413,916, respectively.

10. RELATED PARTY TRANSACTIONS:

During the years ended December 31, 2019 and 2018, the Church paid approximately \$120,000 and \$1,600,000, respectively, to a supplier of audio, visual, and lighting equipment and service, of which the president is a member of the Church's board of elders.

11. SUBSEQUENT EVENTS:

On January 24, 2020, the Church signed a 12-year lease agreement for property at 1730 South Buckley Road, in Aurora, Colorado. This property will serve as the permanent home of the Church's Aurora campus. The Church will pay base rent plus operating expenses of approximately \$28,500 per month.

In March 2020, the Church began addressing the impact of the rapid spread of the coronavirus (COVID-19). Beginning March 14, worship services were conducted through online streaming only, and in person ministries were canceled. Several ministries are being conducted in an alternative way. While it is too soon to estimate the financial consequences, leadership is anticipating a potential decline in contributions and an increased need for assistance to the church and surrounding community. As of the date of the issuance of these financial statements, the duration of the COVID-19 outbreak and related economic environment is unknown. As a result, the extent to which COVID-19 may impact the Church's financial conditions or results of operations is uncertain. Contingency plans are being implemented. As disclosed in Note 3, as needs arise that are not funded by current operations, the Church has \$14,505,925 in funds that are available for general use.

# FLATIRONS COMMUNITY CHURCH

## Notes to Financial Statements

December 31, 2019 and 2018

11. SUBSEQUENT EVENTS, continued:

On April 9, the Church received a \$1,557,442 loan as part of the Paycheck Protection Program from the US Small Business Administration. The Church intends to use these funds to support payroll costs, for all staff with no reduction in personnel. The loan will mature in April 2022 and accrues interest at 1%, with loan payments being deferred for six months. As part of this government program, this loan is eligible for forgiveness. The Church intends to apply for loan forgiveness when available.

Subsequent events were evaluated through April 30, 2020, which is the date the financial statements were available to be issued.