



Financial Statements  
With Independent Auditors' Report

December 31, 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 statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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, 2018, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

Flatirons Community Church has adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as described in note 2. This has had a material effect on the presentation of the December 31, 2018, financial statements. Our opinion has not been modified with respect to this matter.

*Capin Crouse LLP*

Centennial, Colorado  
June 27, 2019

# FLATIRONS COMMUNITY CHURCH

## Statement of Financial Position

December 31, 2018

### ASSETS:

#### Current assets:

Cash and cash equivalents	\$ 14,819,890
Prepaid expenses	96,972
Receivables	198,609
Note receivable	60,000
	<hr/>
	15,175,471
Security deposits	56,995
Property and equipment—net	36,597,474
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Total Assets \$ 51,829,940

### LIABILITIES AND NET ASSETS:

#### Liabilities:

#### Current liabilities:

Accounts payable and accrued liabilities	\$ 907,125
Property taxes payable	110,364
Deferred revenue	39,247
Current portion of note payable—net	649,797
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Note payable—net, net of current portion 1,706,533  
9,408,930  
11,115,463

#### Net assets:

Without donor restrictions	40,087,389
With donor restrictions	627,088
	<hr/>
	40,714,477
	<hr/>

Total Liabilities and Net Assets \$ 51,829,940

See notes to financial statements

# FLATIRONS COMMUNITY CHURCH

## Statement of Activities

Year Ended December 31, 2018

### OPERATING:

Changes in Net Assets Without Donor Restrictions:

Support and Revenue:

Contributions

\$ 22,588,929

Program and other revenue

1,169,131

Total Support and Revenue

23,758,060

Net assets released from purpose restrictions

1,750,759

### EXPENSES:

Program services:

Church:

Weekend services

7,973,294

Missions

3,982,339

Children ministries

2,712,077

Adult ministries

2,130,331

Student ministries

1,072,962

17,871,003

Flatirons Academy

1,186,733

19,057,736

Supporting activity: General and administrative

1,851,850

Total Expenses

20,909,586

Change in Net Assets Without Donor Restrictions

4,599,233

Changes in Net Assets With Donor Restrictions:

Contributions

2,372,477

Net assets released from purpose restrictions

(1,750,759)

Changes in Net Assets With Donor Restrictions

621,718

Change in Net Assets From Operating Activities

5,220,951

### NON-OPERATING:

Rental activity:

Rental income

218,264

Rental expense

(602,455)

Net rental loss

(384,191)

Loss on sale of property and equipment

(652,457)

Loss on write-off of note receivable and related investment

(399,516)

Change in Net Assets From Non-Operating Activities

(1,436,164)

Change in Net Assets

3,784,787

Net Assets, Beginning of Year

36,929,690

Net Assets, End of Year

\$ 40,714,477

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
Interest	509,601	-	509,601	-	509,601
Information technology	174,947	34,323	209,270	290,177	499,447
Missions trip travel and food	426,197	-	426,197	-	426,197
Events, retreats, and camps	422,543	-	422,543	-	422,543
Services and professional fees	301,659	9,461	311,120	46,557	357,677
	<u>\$ 17,871,003</u>	<u>\$ 1,186,733</u>	<u>\$ 19,057,736</u>	<u>\$ 1,851,850</u>	<u>\$ 20,909,586</u>

See notes to financial statements

# FLATIRONS COMMUNITY CHURCH

## Statement of Cash Flows

Year Ended December 31, 2018

### CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 3,784,787
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation and amortization expense	2,747,287
Amortization of loan origination fees	8,944
Loss on sale of property and equipment	652,457
Loss on write-off of note receivable and related investment	400,000
Change in operating assets and liabilities:	
Prepaid expenses	47,972
Receivables	(107,905)
Security deposits	(54,500)
Accounts payable and accrued liabilities	205,775
Property taxes payable	4,035
Deferred revenue	(422,705)
Net Cash Provided by Operating Activities	<u>7,266,147</u>

### CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of property and equipment	(2,157,376)
Net Cash Used by Investing Activities	<u>(2,157,376)</u>

### CASH FLOWS FROM FINANCING ACTIVITIES:

Principal payments on note payable	(615,576)
Net Cash Used by Financing Activities	<u>(615,576)</u>

Change in Cash and Cash Equivalents 4,493,195

Cash and Cash Equivalents, Beginning of Year 10,326,695

Cash and Cash Equivalents, End of Year \$ 14,819,890

### SUPPLEMENTAL DISCLOSURE:

Cash paid for interest \$ 518,351

See notes to financial statements



# FLATIRONS COMMUNITY CHURCH

## Notes to Financial Statements

December 31, 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 also operates a school, Flatirons Academy, which is Kindergarten through 4th grade. 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 revenue is from support and contributions.

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, 2018, amounts exceeding the federally insured limits was approximately \$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 five to twenty years) of the related assets. The Church capitalizes fixed asset purchases exceeding \$2,500, with lesser amounts expensed in the year purchased.

### DEFERRED REVENUE

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

# FLATIRONS COMMUNITY CHURCH

## Notes to Financial Statements

December 31, 2018

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

#### 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 also received a partial tax exemption of property taxes for one property that houses both the Church offices and retail establishments. As of December 31, 2018, the Church owed property taxes on a portion of this 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 statement 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.

#### FUNCTIONAL ALLOCATION OF EXPENSES

The statement of 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.

# FLATIRONS COMMUNITY CHURCH

## Notes to Financial Statements

December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

ADOPTION OF NEW ACCOUNTING STANDARD

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The Church adopted the provisions of this new standard during the year ended December 31, 2018. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added including liquidity and the availability of resources (note 3), and disclosures related to the functional allocation of expenses were expanded (note 2, above). Adoption of this standard had no effect on the change in net assets by class of net assets or in total.

3. LIQUIDITY AND FUNDS AVAILABLE:

The Church has \$15,018,499, of financial assets available to meet cash needs for general expenditures consisting substantially of cash and receivables. 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 statement 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.

4. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net, as of December 31, 2018, consists of:

Land and land improvements	\$ 7,966,255
Buildings and improvements	26,533,184
Furniture and equipment	8,331,968
Office buildings	3,022,151
Retail space	3,853,936
Parsonage	270,636
	<hr/>
	49,978,130
Less accumulated depreciation	(13,755,896)
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	36,222,234
Construction in progress	375,240
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	\$ 36,597,474

# FLATIRONS COMMUNITY CHURCH

## Notes to Financial Statements

December 31, 2018

5. NOTE PAYABLE—NET:

Note payable—net, as of December 31, 2018, consists of:

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 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.	\$ 10,092,267
Less current portion of note payable	(649,797)
Less loan origination fees—net	(33,540)
	<u>\$ 9,408,930</u>

Loan origination fees of \$62,608, are recorded at cost and amortized on a straight-line basis over the term of the debt agreement. These fees, net of accumulated amortization, are \$33,540, as of December 31, 2018.

Future minimum principal payments on the note payable are:

<u>Year Ending December 31,</u>	
2019	\$ 649,797
2020	681,334
2021	717,226
2022	8,043,910
	<u>\$ 10,092,267</u>

The note payable contains various restrictive covenants, such as fixed charge coverage ratios, audit, financial reporting, and insurance requirements. As of December 31, 2018, 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.

# FLATIRONS COMMUNITY CHURCH

## Notes to Financial Statements

December 31, 2018

6. INTEREST RATE SWAP AGREEMENT, continued:

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 \$10,092,267, as of December 31, 2018. The notional amount declines monthly as principal and interest payments are made on the note payable. As of December 31, 2018, the interest rate swap liability had a fair value of \$1,969 and is included in accounts payable and accrued expenses on the statements of financial position.

7. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions, as of December 31, 2018, consists of:

Longmont campus building fund	\$ 608,000
Flatirons Academy building fund	18,070
Other projects	<u>1,018</u>
	<u>\$ 627,088</u>

8. OPERATING LEASES:

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

<u>Year Ending December 31,</u>	
2019	\$ 339,408
2020	383,456
2021	396,876
2022	410,760
2023	425,136
Thereafter	<u>2,529,804</u>
	<u>\$ 4,485,440</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 year ended December 31, 2018. The employer match for the year ended December 31, 2018 was \$413,916.

10. RELATED PARTY TRANSACTIONS:

During the year ended December 31, 2018, the Church paid approximately \$1,600,000 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.

# FLATIRONS COMMUNITY CHURCH

## Notes to Financial Statements

December 31, 2018

11. SUBSEQUENT EVENTS:

On April 18, 2019, the Church announced that Flatirons Academy will merge with Cornerstone Christian Academy. The merged school will maintain the name Flatirons Academy, but will be operated by a new organization separate from the Church. To support this new organization, considered a mission partner of the Church, the Church purchased vacant land in Broomfield, Colorado to serve at the future location of Flatirons Academy. The \$4,000,000 purchase was made in March 2019.

Subsequent events were evaluated through June 27, 2019, which is the date the financial statements were available to be issued.