# CHRIST COMMUNITY EVANGELICAL FREE CHURCH

## INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

## SEPTEMBER 30, 2024

**CHRIST COMMUNITY EVANGELICAL FREE CHURCH**

**SEPTEMBER 30, 2024**

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# INDEPENDENT AUDITORS' REPORT

**Board of Elders**
**Christ Community Evangelical Free Church**
**Overland Park, Kansas**

## Opinion

We have audited the accompanying financial statements of Christ Community Evangelical Free Church (a nonprofit organization), which comprise the statement of financial position as of September 30, 2024, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Christ Community Evangelical Free Church as of September 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Christ Community Evangelical Free Church and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

## Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s 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 financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Christ Community Evangelical Free Church'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Christ Community Evangelical Free Church'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 audit.

Kansas City, Missouri
February 18, 2025

**CHRIST COMMUNITY EVANGELICAL FREE CHURCH**
**STATEMENT OF FINANCIAL POSITION**
**SEPTEMBER 30, 2024**

ASSETS

| | |
|---|---|
| CURRENT ASSETS | |
| Cash and cash equivalents | $ 3,523,684 |
| Accounts receivable | 2,500 |
| Total Current Assets | 3,526,184 |
| PROPERTY AND EQUIPMENT | |
| Land | 2,427,543 |
| Buildings and building improvements | 37,757,399 |
| Equipment and furniture | 2,086,201 |
| Accumulated depreciation | (13,552,947) |
| | 28,718,196 |
| Construction in progress | 5,218 |
| Total Property and Equipment | 28,723,414 |
| RIGHT OF USE ASSET | 305,717 |
| TOTAL ASSETS | $ 32,555,315 |

LIABILITIES AND NET ASSETS

| | |
|---|---|
| CURRENT LIABILITIES | |
| Accounts payable | $ 450,081 |
| Accrued expenses | 351,577 |
| Current portion of operating lease liability | 107,724 |
| Total Current Liabilities | 909,382 |
| OPERATING LEASE LIABLITY, net of current portion | 197,993 |
| TOTAL LIABILITIES | 1,107,375 |
| NET ASSETS | |
| Without donor restrictions | |
| Board designated | 261,404 |
| Without donor restrictions | 30,740,711 |
| Total Net Assets Without Donor Restrcitions | 31,002,115 |
| With donor restrictions | 445,825 |
| TOTAL NET ASSETS | 31,447,940 |
| TOTAL LIABILITIES AND NET ASSETS | $ 32,555,315 |

See Notes to Financial Statements

**CHRIST COMMUNITY EVANGELICAL FREE CHURCH**
**STATEMENT OF ACTIVITIES**
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

| | | |
|---|---|---|
| NET ASSETS WITHOUT RESTRICTIONS | | |
| SUPPORT AND REVENUE | | |
| Contributions | $ | 9,593,588 |
| Preschool tuition and fees | | 319,648 |
| Administrative service fee | | 30,000 |
| Other program fees | | 2,000 |
| Interest income | | 66,130 |
| Other income | | 12,251 |
| TOTAL SUPPORT AND REVENUE | | 10,023,617 |
| EXPENSES | | |
| Program expenses | | 6,638,902 |
| Management and general | | 3,547,449 |
| TOTAL EXPENSES | | 10,186,351 |
| CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS | | (162,734) |
| NET ASSETS WITH DONOR RESTRICTIONS | | |
| Contributions | | 194,255 |
| CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS | | 194,255 |
| CHANGE IN NET ASSETS | | 31,521 |
| NET ASSETS, BEGINNING OF YEAR | | 31,416,419 |
| NET ASSETS, END OF YEAR | $ | 31,447,940 |

See Notes to Financial Statements

**CHRIST COMMUNITY EVANGELICAL FREE CHURCH**
**STATEMENT OF FUNCTIONAL EXPENSES**
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

| | Program Expenses | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Adult Ministry | Family Ministry | Residency | Pastoral Interns | Preschool | Outreach | Total | Management and General | Total |
| Bank fees | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 100,800 | $ 100,800 |
| Compensation and benefits | 1,795,999 | 1,080,189 | 250,253 | 7,214 | 400,092 | 47,262 | 3,581,009 | 2,401,094 | 5,982,103 |
| Congregant development | 43,224 | 13,442 | - | - | - | - | 56,666 | 5,184 | 61,850 |
| Contract services | 10,325 | - | - | - | - | - | 10,325 | 23,211 | 33,536 |
| Depreciation | - | 912,849 | - | - | - | - | 912,849 | 282,236 | 1,195,085 |
| Events | 28,080 | 72,653 | - | - | - | - | 100,733 | - | 100,733 |
| General insurance | - | 88,679 | - | - | - | - | 88,679 | 27,418 | 116,097 |
| Information technology | - | - | - | - | - | - | - | 131,517 | 131,517 |
| Outreach and benevolence | 26,788 | 52,456 | - | - | - | 522,676 | 601,920 | - | 601,920 |
| Promotion | - | - | 8,750 | - | 4,638 | - | 13,388 | 46,930 | 60,318 |
| Property taxes | - | 14,614 | - | - | - | - | 14,614 | 4,518 | 19,132 |
| Repairs and maintenance | - | 501,256 | - | - | - | - | 501,256 | 154,979 | 656,235 |
| Service fees | - | - | - | - | 754 | - | 754 | 50,768 | 51,522 |
| Staff development | 61,070 | 11,833 | 28,216 | 257 | 6,882 | - | 108,258 | 64,150 | 172,408 |
| Supplies and materials | 53,276 | 41,623 | - | - | 12,396 | 604 | 107,899 | 87,516 | 195,415 |
| Utilities/occupancy | - | 429,300 | - | - | 17,288 | - | 446,588 | 138,076 | 584,664 |
| Rent | - | 93,964 | - | - | - | - | 93,964 | 29,052 | 123,016 |
| TOTAL EXPENSES | $ 2,018,762 | $ 3,312,858 | $ 287,219 | $ 7,471 | $ 442,050 | $ 570,542 | $ 6,638,902 | $ 3,547,449 | $ 10,186,351 |

See Notes to Financial Statements

**CHRIST COMMUNITY EVANGELICAL FREE CHURCH**
**STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

| | |
|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Change in net assets | $ 31,521 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation | 1,195,085 |
| Changes in: | |
| Accounts and grants receivable | 3,681 |
| Accounts payable | 262,554 |
| Accrued expenses | 216,205 |
| Net cash provided by operating activities | 1,709,046 |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Increase in construction in progress | (265,327) |
| Purchases of property and equipment | (750,558) |
| Net cash used in investing activities | (1,015,885) |
| CHANGE IN CASH AND CASH EQUIVALENTS | 693,161 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 2,830,523 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | $ 3,523,684 |

See Notes to Financial Statements

## NOTE 1: NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### *Nature of Activities*

Christ Community Evangelical Free Church (the Church) was incorporated under the laws of the state of Kansas, and is a non-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Church is supported primarily through contributions from the congregation.

### *Basis of Presentation*

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP).

Revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets are classified and reported as follows:

*Net assets without donor restrictions* - Net assets that are not subject to any donor-imposed restrictions.

*Net assets with donor restrictions* - Net assets subject to donor-imposed restrictions. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Church or by the passage of time. Other donor restrictions can be perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

The Church has elected to record restricted contributions whose restrictions are met in the same period in which they are received as net assets without donor restrictions.

### *Use of Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

### *Cash and Cash Equivalents*

The Church considers all liquid investments with original maturities of three months or less, including money market funds, to be cash equivalents.

### *Property and Equipment*

Land, buildings and equipment in excess of $5,000 are capitalized at cost, or if donated, at fair market value on the date of donation. Property and equipment is depreciated over estimated useful lives of three to 40 years using the straight-line method.

**NOTE 1: NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Revenue and Revenue Recognition***

The Church recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions in which case they are reported as increases in donor restricted net assets. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. Expenses are reported as decreases in net assets without donor restrictions. Contributions, which include unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until such time as the conditions are substantially met.

Noncash contributions of land, buildings and equipment are recorded at their estimated fair market value at the date of contribution. Noncash contributions are reported as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used.

Program fees, interest income, and other income are reported when earned.

***Contributed Services***

A substantial number of volunteers have donated significant amounts of their time to the activities of the Church. However, these services have not been reflected in the accompanying statements as they do not meet the accounting standards for recording in the financial statements.

***Adoption of Accounting Pronouncement***

The Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-02, *Leases*, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. As a result of implementing ASU No. 2016-02, the Church recognized a right of use asset of $305,717 and operating lease liability of $305,717 in its statement of financial position as of September 30, 2024. The adoption did not result in a significant effect on amounts reported in the statement of activities for the year ended September 30, 2024.

***Income Taxes***

The Church is exempt from federal income taxes on under Section 501(c)(3) of the IRC and files Internal Revenue Service (IRS) Form 990 annually with the federal government. However, the Church is subject to federal income tax on any unrelated business taxable income. The Church did not have any unrelated business income tax expense for the year ended September 30, 2024.

***Subsequent Events***

Subsequent events have been evaluated through February 18, 2025 which is the date the financial statement were available to be issued.

## NOTE 2: AVAILABILITY AND LIQUIDITY

The Church strives to maintain liquid financial assets sufficient to cover operating expenditures. The following table reflects the Church's financial assets as of September 30, 2024, reduced by amounts that are not available to meet general expenditures because of contractual restrictions or internal board designations.

| Financial assets at year-end: | 2024 |
|---|---|
| Cash and cash equivalents | $ 3,523,684 |
| Accounts receivable | 2,500 |
| Total financial assets | 3,526,184 |
| | |
| Less amounts not available for general expenditures: | |
| Board designated net assets | 261,404 |
| Net assets with restrictions | 445,825 |
| | |
| Financial assets available to meet general expenditures over the next twelve months | $ 2,818,955 |

## NOTE 3: FUNCTIONAL ALLOCATION OF EXPENSES

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. Costs that can be directly attributed to a specific program or supporting service are charged to that program or supporting function. Expenses that relate to more than one program or supporting service require allocation on a reasonable basis that is consistently applied.

The expenses that are allocated include utilities, repairs and maintenance, depreciation, information technology, general insurance and property taxes, which are allocated on the basis of estimates of square footage.

## NOTE 4: RETIREMENT PLAN

The Church maintains a 403(b) retirement plan for eligible employees through the Free Church Ministers and Missionaries (FCMM) retirement program. The Church contributes 3% of gross pay for all employees as a base contribution. The employees may make voluntary contributions to the plan. The Church makes a matching contribution of 100% of the first 3% contributed by each employee and 50% of the next 8% contributed by each employee. Contributions are limited to amounts permitted under the IRC for the plan year. Contributions are invested in a tax deferred annuity account as directed by each participant. Contributions of $276,517 were made by the Church for the year ended September 30, 2024.

## NOTE 5: LEASES

The Church determines if an arrangement is or contains a lease at inception. Leases are included in right of use (ROU) asset and lease liability in the statement of financial position. The ROU asset and lease liability reflects the present value of future minimum lease payments over the lease terms, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Church does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

**NOTE 5: LEASES (continued)**

On August 31, 2024, the Church's office lease expired and a new lease agreement was entered into commencing September 1, 2024. The new agreement requires monthly base rent of $8,958 for October 1, 2024 through September 1, 2025, $9,182 for October 1, 2025 through September 1, 2026, and $9,406 for October 1, 2026 through September 1, 2027. In addition to monthly rent, the Church pays a percentage of the building expenses each month. Office rent expense for the year ended September 30, 2024 was $123,016.

The Church has made an accounting policy election to use a risk-free rate at September 30, 2024 for the rate applied to calculate lease liabilities as of September 30, 2024. The weighted average discount rate applied to calculate lease liabilities as of September 30, 2024 was 3.58%. The weighted average remaining lease term was 35 months.

Future maturities of operating lease obligations are presented in the following table, for years ending September 30:

| | |
|---|---|
| 2025 | $ 107,724 |
| 2026 | 110,411 |
| 2027 | 103,469 |
| | 321,604 |
| Less discount | 15,887 |
| Total | $ 305,717 |

**NOTE 6: BOARD DESIGNATED NET ASSETS**

During the year ended September 30, 2016, the Church began a capital funding initiative for a planned expansion of the Olathe campus and purchase of land for the Shawnee Mission campus. This board designated fund, Reach KC, continues to operate for church wide expansion/capital improvements. Board designated net assets were $261,404 at September 30, 2024.

**NOTE 7: NET ASSETS WITH DONOR RESTRICTIONS**

The purpose of the Multiplying Leaders Fund is to multiply leaders of integrity both at the Church and around the country. The fund was established to expand the Church's current efforts, and includes the pastoral residency and internships. Net assets with donor restrictions were $445,825 at September 30, 2024.

**NOTE 8: RELATED PARTY**

Made to Flourish is a network of pastors that provides training and resources to its members. It is a separate entity from the Church and has its own board of directors. The senior pastor of the Church is also an employee of Made to Flourish.

Made to Flourish pays a monthly fee to the Church for management and administrative services. Total revenue from Made to Flourish was $30,000 for the year ended September 30, 2024.

**NOTE 9: SUBSEQUENT EVENT**

The Church received a $550,000 restricted donation subsequent to year-end.