

**Mission Church**

**Financial Statements and  
Independent Auditors' Report**

**August 31, 2023 and 2022**

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# MILLER COOPER & Co., Ltd

ACCOUNTANTS AND CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Mission Church  
Bloomingdale, Illinois

### **Opinion**

We have audited the accompanying financial statements of Mission Church (the "Church"), which comprise the statements of financial position as of August 31, 2023 and 2022, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Church as of August 31, 2023 and 2022, 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 (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Church 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 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 the Church's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

(Continued)

### **Auditors' 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 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 GAAS 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 GAAS, 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 the 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 the Church's ability to continue as a going concern for a reasonable period of time.

Board of Directors  
Mission Church

(Continued)

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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.

MILLER, COOPER & CO., LTD.

*Miller, Cooper & Co., LTD.*

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Certified Public Accountants

Deerfield, Illinois  
December 11, 2023

## **FINANCIAL STATEMENTS**

**Mission Church**  
**STATEMENTS OF FINANCIAL POSITION**  
August 31, 2023 and 2022

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<u>ASSETS</u>	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,651,782	\$ 1,599,503
Prepaid expenses	46,036	60,630
Restricted cash	703,576	683,746
Property and equipment, net	5,100,136	5,059,473
Land	<u>2,040,375</u>	<u>1,724,000</u>
	<u>\$ 9,541,905</u>	<u>\$ 9,127,352</u>
<u>LIABILITIES AND NET ASSETS</u>		
<b>LIABILITIES</b>		
Accounts payable	\$ 51,927	\$ 15,504
Accrued expenses	120,799	106,116
Mortgage payable, net of unamortized debt issuance costs	<u>6,023,632</u>	<u>6,233,195</u>
	6,196,358	6,354,815
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<u>3,345,547</u>	<u>2,772,537</u>
	<u>\$ 9,541,905</u>	<u>\$ 9,127,352</u>

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The accompanying notes are an integral part of these statements.

**Mission Church**  
**STATEMENTS OF ACTIVITIES**  
Years ended August 31, 2023 and 2022

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	<u>2023</u>	<u>2022</u>
Revenues and other support		
Offerings	\$ 3,996,027	\$ 3,432,759
Employee Retention Credits (Note F)	-	250,279
Investment return, net	<u>34,451</u>	<u>20,825</u>
Total revenue and other support	<u>4,030,478</u>	<u>3,703,863</u>
Expenses		
Program	2,728,338	2,580,250
Fundraising	30,925	-
General and administrative	<u>698,205</u>	<u>624,527</u>
Total expenses	<u>3,457,468</u>	<u>3,204,777</u>
CHANGE IN NET ASSETS	573,010	499,086
Net assets, without donor restrictions, beginning of year	<u>2,772,537</u>	<u>2,273,451</u>
Net assets, without donor restrictions, end of year	<u>\$ 3,345,547</u>	<u>\$ 2,772,537</u>

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The accompanying notes are an integral part of these statements.



**Mission Church**  
**STATEMENTS OF CASH FLOWS**  
Years ended August 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ 573,010	\$ 499,086
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	194,980	187,291
Amortization of debt issuance costs	4,419	4,419
Decrease (increase) in assets		
Prepaid expenses	14,594	(39,004)
Increase (decrease) in liabilities		
Accounts payable	36,423	1,866
Accrued expenses	14,683	(7,809)
	<u>838,109</u>	<u>645,849</u>
Net cash provided by operating activities		
Cash flows from investing activities		
Purchases of property and equipment	(235,643)	(41,881)
Purchases of land	(316,375)	-
	<u>(552,018)</u>	<u>(41,881)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Payments on mortgages payable	(213,982)	(204,075)
	<u>(213,982)</u>	<u>(204,075)</u>
Net cash used in financing activities		
<b>CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	<b>72,109</b>	<b>399,893</b>
Cash, cash equivalents, and restricted cash, beginning of year	<u>2,283,249</u>	<u>1,883,356</u>
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 2,355,358</u>	<u>\$ 2,283,249</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$ 293,260</u>	<u>\$ 303,167</u>

The accompanying notes are an integral part of these statements.

**Mission Church**  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2023 and 2022

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NOTE A - NATURE OF THE BUSINESS

Mission Church of Roselle d/b/a Mission Church (the "Church") is an Illinois not-for-profit corporation and was incorporated in November 2010. The Church is a non-denominational, independent, Christian church whose mission is to help people find and follow Christ. Mission Church has a specific geographic focus on reaching the populations of the suburban Chicago towns it has named "The 10". "The 10" consists of the towns of: Addison, Wood Dale, Itasca, Medinah, Roselle, Bloomingdale, Glendale Heights, Carol Stream, Hanover Park, and Bartlett. The Church is dedicated to spreading the Gospel through establishing, developing, and promoting all aspects of church ministry in these surrounding communities. The Church is supported primarily through offerings from the congregation.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting and Presentation

The financial statements of the Church have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which requires the Church to report information regarding its financial position and activities according to the following net asset classifications:

*Net assets without donor restrictions*: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Church. These net assets may be used at the discretion of the Church's management and the board of directors.

*Net assets with donor restrictions*: Net assets subject to stipulations imposed by donors and grantors. 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 are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions whose restrictions are met in the same reporting period as received are recorded as increases in net assets without donor restrictions. All other donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, 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.

**Mission Church**  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2023 and 2022

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NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Cash and Cash Equivalents

The Church's cash consists of cash on deposit with banks. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position to the sum of the corresponding amounts within the statements of cash flows as of August 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,651,782	\$ 1,599,503
Restricted cash (Note E)	<u>703,576</u>	<u>683,746</u>
	<u>\$ 2,355,358</u>	<u>\$ 2,283,249</u>

3. Property and Equipment, Net

Property and equipment are stated at cost at the date of purchase or, for donated assets, at fair value at the date of donation, less accumulated depreciation. Depreciation is calculated using the straight-line method over the lesser of the estimated useful lives of the assets or the lease term. The useful lives range from 7 to 39 years. The Church's policy is to capitalize additions greater than \$5,000 and expense normal repairs and maintenance as incurred. The Church's management periodically evaluates whether events or circumstances have occurred indicating that the carrying amount of long-lived assets may not be recovered.

Construction in progress is stated at cost and includes engineering, material and labor, design, costs incurred for planned construction. No provision for depreciation is made on construction in progress until the asset is completed and placed in service. As of August 31, 2023, the Church has construction in progress totaling approximately \$194,000, which is included within Property and equipment, net on the accompanying statement of financial position. Future commitments related to the construction in progress were approximately \$2,200,000 at August 31, 2023. There was no construction in progress as of August 31, 2022.

**Mission Church**  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2023 and 2022

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NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Income Tax Matters

The Church is classified as a Section 501(c)(3) organization under the Internal Revenue Code, which provides that religious organizations are exempt from income tax. As a religious organization, the Church is not required to file an annual information return for an organization exempt from income tax (Form 990).

5. Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. 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. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), 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.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

6. Donated Securities

Donated securities are recorded at the underlying security's fair value at the date of donation.

7. Debt Origination Costs

Debt origination costs are financing fees which are amortized using the straight-line method over the life of the related mortgage payable. Accumulated amortization totaled \$10,679 and \$6,260 at August 31, 2023 and 2022, respectively.

**Mission Church**  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2023 and 2022

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NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Use of Estimates

In preparing financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

9. Functional Expense Allocation

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited (see Note I). Such allocations are determined by management on an equitable basis.

The expenses that are allocated and applicable allocation methodology is as follows:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and benefits	Time and Effort
Insurance	Time and Cost
Office	Direct
Rent	Direct
Professional consulting fees	Direct
Contractor fees	Direct
Development	Time and Cost
Event	Direct
Strategic	Time and Effort
Ministry	Time and Cost
Benevolence	Direct
Interest	Square footage
Building	Square footage
Depreciation	Square footage

**Mission Church**  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2023 and 2022

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. Fair Value of Financial Instruments

The carrying amounts of financial instruments, including cash equivalents, accounts payable, and accrued expenses, approximate fair value due to the nature or short maturity of these instruments. The carrying amounts of the mortgages payable approximate fair value because the interest rates fluctuate with market interest rates or the fixed rates are based on current rates offered to the Church for debt with similar terms and maturities.

It is the Church's policy, in general, to measure nonfinancial assets and liabilities at fair value on a nonrecurring basis. These items are not measured at fair value on an ongoing basis, but are subject to fair value adjustments in certain circumstances (such as evidence of impairment) which, if material, are disclosed in the accompanying notes to the financial statements.

NOTE C - AVAILABILITY AND LIQUIDITY

The following represents the Church's financial assets as of August 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 1,651,782	\$ 1,599,503
Restricted cash	<u>703,576</u>	<u>683,746</u>
Total financial assets	2,355,358	2,283,249
Less amounts not available to be used within one year:		
Restricted cash	<u>703,576</u>	<u>683,746</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,651,782</u>	<u>\$ 1,599,503</u>

**Mission Church**  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2023 and 2022

NOTE C - AVAILABILITY AND LIQUIDITY (Continued)

The Church historically maintains its financial assets in a highly liquid cash account. The Church's day-to-day operations are supported primarily by offerings, which historically have been sufficient to meet annual cash needs for general expenditures. The Church manages its liquidity and reserves following three guiding principles; operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Church has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 30 days operating expenses. To achieve this target, the Church forecasts its future cash flows and monitors its liquidity monthly, and adds to or withdraws from its cash and cash equivalents accounts quarterly.

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment as of August 31, 2023 and 2022 are as follows:

	2023	2022
Building	\$ 4,811,418	\$ 4,811,418
Furniture and fixtures	926,492	885,172
Construction in progress	194,323	-
	5,932,233	5,696,590
Less accumulated depreciation	(832,097)	(637,117)
	\$ 5,100,136	\$ 5,059,473

NOTE E - MORTGAGE PAYABLE

In 2021, the Church entered into a promissory note with Christian Financial Resources in the amount of \$6,541,102. The note requires monthly principal and interest payments of \$42,270 with a final balloon payment due on April 1, 2031. The note bears interest at a rate of 4.75%.

Under the terms of the above agreement, the Church is required to maintain two deposits with Christian Financial Resources that are included as restricted cash in the aggregate amount of \$703,576 and \$683,746 in the statements of financial position as of August 31, 2023 and 2022, respectively. Restricted balances held at this entity are not insured by the FDIC.

**Mission Church**  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2023 and 2022

NOTE E - MORTGAGE PAYABLE (Continued)

Outstanding balances of the mortgage payable were as follows as of August 31, 2023 and 2022:

	2023	2022
Promissory note	\$ 6,057,142	\$ 6,271,124
Less unamortized debt issuance costs	(33,510)	(37,929)
	\$ 6,023,632	\$ 6,233,195

In obtaining the mortgage payable, the Church incurred debt issuance costs of \$44,189, which have been recorded as a reduction to the carrying values of the mortgage payable. This reduction is recognized on a straight-line basis as interest expense over the original maturity of the mortgage payable. The charge to interest expense was \$4,419 for the years ended August 31, 2023 and 2022.

As of August 31, 2023, future maturities for the years ending August 31, are as follows:

	Mortgage Payable Principal	Unamortized Debt Issuance Costs	Net Outstanding Mortgage Payable
2024	\$ 224,370	\$ 4,419	\$ 219,951
2025	235,263	4,419	230,844
2026	246,685	4,419	242,266
2027	258,661	4,419	254,242
2028	271,218	4,419	266,799
Thereafter	4,820,945	11,415	4,809,530
	\$ 6,057,142	\$ 33,510	\$ 6,023,632

This note is collateralized by substantially all of the Church's assets and is subject to certain restrictive covenants, as defined in the agreement.



**Mission Church**  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2023 and 2022

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**NOTE F - EMPLOYEE RETENTION CREDITS**

In March 2020, the CARES Act (Coronavirus Aid, Relief, and Economic Security Act) was signed into law, which includes provisions for the Employee Retention Credit (“ERC”). The provisions of the ERC were later amended by the Consolidated Appropriations Act, 2021, the American Rescue Plan Act, and the Infrastructure Investment and Jobs Act (collectively, the “Acts”). The ERC is a refundable tax credit taken against certain payroll taxes equal to a specified percentage of qualified wages paid after March 12, 2020 and before October 1, 2021 by an eligible employer, as defined in the Acts. The credit is claimed through the Church’s quarterly Form 941 payroll tax filings, or other means as prescribed by the IRS. The IRS has extended the statute of limitations on ERC claims from three to five years.

Management has determined that the Church is eligible for the ERC under the decline in gross receipts test, as defined in the Acts. The Church has accounted for the ERC as a conditional contribution under the Provisions of Financial Accounting Standards Board (“FASB”) Accounting Standards Update 2018-08, Not-for-Profit Entities (Topic 958-605): *Clarifying Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Based on this guidance, the Church has concluded that the amounts are known, and all conditions for qualification are substantially met in the fiscal year 2022. The Church has claimed credits totaling \$250,279, which are included as “Employee Retention Credits” on the statement of activities. The Church received the credits in full during the year ended August 31, 2022.

**NOTE G - RETIREMENT PLAN**

The Church maintains a simple IRA employee benefit plan whereby the Church must provide a 100% match up to 3% of employee’s contributions or provide 2% of their annual salary. Employees can also make voluntary contributions to the Plan. The cost to the Church was \$27,084 and \$27,042 for the years ended August 31, 2023 and 2022, respectively.

**NOTE H - RELATED PARTY TRANSACTIONS**

A construction company whose owner is related to one of the lead pastors of the Church was hired as the general contractor for the expansion that began in 2023 and is anticipated to be completed in 2024. There were no direct payments made from the Church to the construction company. All payments were made to subcontractors. Total costs incurred related to the subcontractor for construction on the new expansion was \$30,573 through August 31, 2023, of which \$16,173 was included in accounts payable at August 31, 2023.

**Mission Church**  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2023 and 2022

NOTE I - FUNCTIONAL EXPENSES

The Church's expenses for the year ended August 31, 2023, have been allocated to functional areas as follows:

	<u>Program</u>	<u>Fundraising</u>	<u>Administrative</u>	<u>Total</u>
Salaries and benefits	\$ 1,386,483	\$ -	\$ 154,054	\$ 1,540,537
Insurance	12,075	-	12,075	24,150
Office	-	-	83,955	83,955
Rent	-	-	3,825	3,825
Professional consulting fees	14,361	20,105	252,747	287,213
Contractor fees	92,342	-	-	92,342
Development	52,535	-	52,535	105,070
Event	277,446	8,581	-	286,027
Strategic	38,133	515	12,882	51,530
Ministry	113,752	1,724	56,876	172,352
Benevolence	117,905	-	-	117,905
Interest	263,172	-	29,241	292,413
Building	184,651	-	20,517	205,168
Depreciation	175,483	-	19,498	194,981
	<u>\$ 2,728,338</u>	<u>\$ 30,925</u>	<u>\$ 698,205</u>	<u>\$ 3,457,468</u>

**Mission Church**  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2023 and 2022

NOTE I - FUNCTIONAL EXPENSES (Continued)

The Church's expenses for the year ended August 31, 2022, have been allocated to functional areas as follows:

	<u>Program</u>	<u>Fundraising</u>	<u>Administrative</u>	<u>Total</u>
Salaries and benefits	\$ 1,328,740	\$ -	\$ 147,638	\$ 1,476,378
Insurance	14,999	-	14,999	29,998
Office	-	-	83,407	83,407
Rent	-	-	300	300
Professional consulting fees	10,144	-	192,742	202,886
Contractor fees	63,832	-	-	63,832
Development	51,183	-	51,183	102,366
Event	219,666	-	-	219,666
Strategic	11,015	-	3,671	14,686
Ministry	49,093	-	60,002	109,095
Benevolence	196,311	-	-	196,311
Interest	272,123	-	30,236	302,359
Building	194,582	-	21,620	216,202
Depreciation	168,562	-	18,729	187,291
	<u>\$ 2,580,250</u>	<u>\$ -</u>	<u>\$ 624,527</u>	<u>\$ 3,204,777</u>

NOTE J - CONCENTRATION OF CREDIT RISK

The Church maintains its cash balances at certain banking institutions. Accounts are guaranteed by the Federal Deposit Insurance Corporation ("FDIC") up to certain limits. The Church may, from time to time, have cash balances in excess of FDIC insured deposit limits.

**Mission Church**  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2023 and 2022

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NOTE K - CONTINGENCIES AND COMMITMENTS

1. Litigation

The Church may be subject to claims and lawsuits that arise primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets, and cash flows of the Church. The Church is not currently subject to any outstanding claims nor lawsuits.

2. Construction Commitments

The Church has certain contracts, primarily with a related party, for construction projects that were in progress at August 31, 2023. Future commitments under these contracts was approximately \$2,200,000 at August 31, 2023.

NOTE L - SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 11, 2023, the date that these financial statements were available to be issued. Management has determined that no events or transactions have occurred subsequent to the statements of financial position date that require additional disclosure in the financial statements.