

PARK COMMUNITY CHURCH

Consolidated Financial Statements
With Independent Auditors' Report

August 31, 2021 and 2020

PARK COMMUNITY CHURCH

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INDEPENDENT AUDITORS' REPORT

Board of Elders
Park Community Church
Chicago, Illinois

We have audited the accompanying consolidated financial statements of Park Community Church, which comprise the consolidated statements of financial position as of August 31, 2021 and 2020, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 audits 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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
Park Community Church
Chicago, Illinois

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Park Community Church as of August 31, 2021 and 2020, and the changes in its consolidated 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

Naperville, Illinois
March 10, 2022

PARK COMMUNITY CHURCH

Consolidated Statements of Financial Position

	August 31,	
	2021	2020
ASSETS:		
Cash and cash equivalents	\$ 8,303,785	\$ 5,529,919
Other assets	57,605	64,851
Property held for sale	-	569,420
Property and equipment, net	15,939,699	16,393,371
Total Assets	<u>\$ 24,301,089</u>	<u>\$ 22,557,561</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 147,989	\$ 85,997
Notes payable	2,030,527	2,965,712
Total Liabilities	<u>2,178,516</u>	<u>3,051,709</u>
Net Assets:		
Net assets without donor restrictions		
Undesignated	21,877,443	19,145,266
Board designated	210,000	320,638
	<u>22,087,443</u>	<u>19,465,904</u>
Net assets with donor restrictions	35,130	39,948
Total net assets	<u>22,122,573</u>	<u>19,505,852</u>
Total Liabilities and Net Assets	<u>\$ 24,301,089</u>	<u>\$ 22,557,561</u>

See notes to consolidated financial statements

PARK COMMUNITY CHURCH

Consolidated Statements of Activities

	Year Ended August 31,			
	2021		2020	
	Without Donor Restrictions	With Donor Restrictions	Total	
SUPPORT AND REVENUE:				
Contributions	\$ 8,584,493	\$ 13,228	\$ 8,597,721	
Loan forgiveness	723,900	-	723,900	\$ 8,492,312
Bookstore and café sales, net	2,682	-	2,682	\$ 261,669
Investment income	2,995	-	2,995	-
Loss on disposal	(82,332)	-	(82,332)	-
Miscellaneous income	305,941	-	305,941	-
	9,537,679	13,228	9,550,907	143,403
				8,651,875
				261,669
				\$ 8,913,544
RECLASSIFICATIONS:				
Net assets released from restrictions:				
Satisfaction of program restrictions	18,046	(18,046)	-	291,493
				(291,493)
				-
EXPENSES:				
Program services	5,345,582	-	5,345,582	5,449,915
Supporting activities:				
Management and general	1,566,171	-	1,566,171	1,872,897
Fundraising	22,433	-	22,433	32,886
Total Expenses	6,934,186	-	6,934,186	7,355,698
				-
Change in Net Assets	2,621,539	(4,818)	2,616,721	1,587,670
				(29,824)
Net Assets, Beginning of Year	19,465,904	39,948	19,505,852	17,878,234
				69,772
Net Assets, End of Year	\$ 22,087,443	\$ 35,130	\$ 22,122,573	\$ 19,465,904
				\$ 39,948
				\$ 19,505,852

See notes to consolidated financial statements

PARK COMMUNITY CHURCH

Consolidated Statement of Functional Expenses

Year Ended August 31, 2021

	Program Services	Management and General	Fundraising	Total
	\$	\$	\$	\$
Salaries and benefits	2,700,692	1,044,399	4,166	3,749,257
Payroll taxes	127,591	34,160	-	161,751
Depreciation	519,817	57,757	-	577,574
Support to other organizations	1,032,643	6,135	-	1,038,778
Utilities and maintenance	254,366	44,716	-	299,082
Rent	158,826	80,881	2,937	242,644
Travel	72,030	4,074	323	76,427
Interest	69,516	7,724	-	77,240
Meals	57,515	4,820	1,607	63,942
Furniture, equipment, hardware & software	122,461	49,970	2,589	175,020
Bank and merchant fees	59,545	110,583	-	170,128
Professional and consulting fees	43,448	57,925	-	101,373
Education and training	44,357	17,250	-	61,607
Printing and communication	13,765	243	-	14,008
Insurance	-	34,586	-	34,586
Other	69,010	10,948	10,811	90,769
Total Expenses	\$ 5,345,582	\$ 1,566,171	\$ 22,433	\$ 6,934,186

See notes to consolidated financial statements

PARK COMMUNITY CHURCH

Consolidated Statement of Functional Expenses

Year Ended August 31, 2020

	Program Services	Management and General	Fundraising	Total
	\$ 2,865,353	\$ 1,108,076	\$ 4,420	\$ 3,977,849
Salaries and benefits	133,286	35,684	-	168,970
Payroll taxes	373,379	198,699	10,190	582,268
Depreciation	974,997	4,997	-	979,994
Support to other organizations	273,037	49,101	-	322,138
Utilities and maintenance	223,456	113,794	4,132	341,382
Rent	138,825	7,853	623	147,301
Travel	86,023	9,558	-	95,581
Interest	76,708	6,428	2,571	85,707
Meals	83,014	44,177	2,265	129,456
Furniture, equipment, hardware & software	71,176	132,184	-	203,360
Bank and merchant fees	32,502	57,774	-	90,276
Professional and consulting fees	36,372	14,145	-	50,517
Education and training	25,862	4,783	18	30,663
Printing and communication	-	48,528	-	48,528
Insurance	55,925	37,116	8,667	101,708
Other				
Total Expenses	\$ 5,449,915	\$ 1,872,897	\$ 32,886	\$ 7,355,698

See notes to consolidated financial statements

PARK COMMUNITY CHURCH

Consolidated Statements of Cash Flows

	Year Ended August 31,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,616,721	\$ 1,557,846
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	577,574	582,268
Forgiveness of PPP loan	(723,900)	-
Loss on disposal of property and equipment	82,332	-
Changes in:		
Other assets	7,246	(34,542)
Accounts payable and accrued expenses	61,992	(176,143)
Net Cash Provided by Operating Activities	<u>2,621,965</u>	<u>1,929,429</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of property and equipment	495,992	-
Purchase of property and equipment	(132,806)	(320,607)
Net Cash Provided (Used) by Investing Activities	<u>363,186</u>	<u>(320,607)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on notes payable	(211,285)	(1,528,509)
Proceeds from Paycheck Protection Program loan	-	723,900
Net Cash Used by Financing Activities	<u>(211,285)</u>	<u>(804,609)</u>
Change in Cash and Cash Equivalents	2,773,866	804,213
Cash and Cash Equivalents, Beginning of Year	<u>5,529,919</u>	<u>4,725,706</u>
Cash and Cash Equivalents, End of Year	<u>\$ 8,303,785</u>	<u>\$ 5,529,919</u>
SUPPLEMENTAL DATA:		
Non-cash forgiveness of debt:	<u>\$ 723,900</u>	<u>\$ -</u>

See notes to consolidated financial statements

PARK COMMUNITY CHURCH

Notes to Consolidated Financial Statements

August 31, 2021 and 2020

1. NATURE OF ORGANIZATION:

Park Community Church (Park) is a non-denominational, family of interdependent churches located in the heart of the city of Chicago. It is organized under the laws of the State of Illinois as a religious corporation and operates as a charitable religious organization, as defined within Section 501(c)(3) of the Internal Revenue Code (the Code). Accordingly, it is exempt from federal and state income taxes, and all contributions by the public are deductible for income tax purposes. Park is not a private foundation under section 509(a)(1) of the Code. Park's support comes primarily from donor contributions.

Park was founded in 1987 with an initial congregation of about fifty people who met at the Francis Parker School in the Lincoln Park neighborhood of Chicago. They envisioned a vibrant church that would engage the Lincoln Park neighborhood and surrounding urban community with the life-transforming truth of the Gospel. Eventually, as Park began to grow, it sought to expand the reach of the gospel into other neighborhoods. It believed that strong, neighborhood-based churches were the most effective means of reaching the city. To that end, Park purchased a building and opened a new location in the summer of 2008 at 1001 N. Crosby Street in the Near North neighborhood. Over the next five years, Park continued to expand as one church in many locations. Today, Park is a family of 13 interdependent churches ministering to approximately 3,000 people across many dynamic neighborhoods, resulting from its belief that God has called us to play a role in the spiritual renewal of Chicago. Park prayerfully seeks to invest in church planting, partnering with other churches and organizations to live out its vision to proclaim the gospel of Jesus Christ to all people until there is no place left.

In June 2002, Park formed a corporation called Hope for the City, whose name was subsequently changed in September of 2009 to Renew Chicago. Effective April 15, 2018, Renew Chicago was established as a 501(c)(3) corporation and currently operates as a closely held entity with a separate board appointed by Park and one employee. The majority of Renew's activities are conducted as a ministry of Park Community Church and are funded through Park's general fund and individual contributions. Any contributions specifically designated for the ministry of Renew are recorded as Renew general fund contributions.

In October 2020, Park established Mission:All which is organized under the laws of the State of Illinois as a religious corporation and operates as a charitable religious organization, as defined within Section 501(c)(3) of the Internal Revenue Code. Controlled by Park through common board members and voting interests, Mission:All's mission is to identify, equip, send out, and support members of the body of Christ to plant new gospel-centered churches and ministries reaching under-served and under-resourced neighborhoods across the city of Chicago with the good news of the kingdom in obedience to Christ's commission and for the sake of his glory. Mission:All ministry activities are conducted as a ministry of Park Community Church and are largely funded through Park's general fund. Contributions specifically designated for the ministry of Mission:All are recorded as Mission:All general fund contributions.

PARK COMMUNITY CHURCH

Notes to Consolidated Financial Statements

August 31, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF ACCOUNTING

The consolidated financial statements have been prepared using the accrual basis of accounting. The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates. The more significant accounting policies are summarized below.

PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of Park Community Church and its controlled related parties Renew Chicago and Mission: All (collectively, referred to as "Park"). All material related party balances and transactions have been eliminated in consolidation.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include checking and money market accounts. As of August 31, 2021 and 2020, the Church's cash balances exceeded federally insured limits by \$8,071,400 and \$5,583,318, respectively. Park has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

OTHER ASSETS

Other assets consist of prepaid expenses and accounts receivable for Park.

PROPERTY AND EQUIPMENT

Items over \$1,000 are capitalized at cost or, if the asset was contributed, at fair market value at the date of the contribution. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, ranging from three to thirty-five years.

PROPERTY HELD FOR SALE

Property held for sale at August 31, 2020, consisted of property located in Chicago, Illinois. The real estate held for sale is reported at the lower of its carrying amount or fair value less estimated selling costs which at August 31, 2020, was \$569,420. This property sold on October 2, 2020.

CLASSES OF NET ASSETS

Net assets are classified in the consolidated financial statements as follows:

Net assets without donor restrictions are those currently available for ministry purposes at the discretion of the Board, those designated by the Board for specific use and those resources invested in land, buildings and equipment.

Net assets with donor restrictions are those contributions stipulated by donors for specific operating purposes or for acquisition of property and equipment or those with timing restrictions.

PARK COMMUNITY CHURCH

Notes to Consolidated Financial Statements

August 31, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT AND REVENUE

Contributions are recorded when cash is received, unconditional promises are made or when ownership of donated assets is transferred. All contributions are considered available for use without donor restrictions, unless specifically restricted by the donor or subject to legal restrictions. Generally, gifts of cash and other assets are reported as donor restricted support if they are received with donor-imposed restrictions that limit the use of donated assets. When a donor 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. Bequests are recorded as support at the time Park has an established right to the bequest and the proceeds are measurable. Donated goods are recorded at fair market value at the time of donation. Gifts of land, buildings and equipment are reported as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions.

Interest and miscellaneous revenue, including fees, tape and book sales, are recorded when earned.

Sales revenue represents revenue earned from the sale of food in Park's bookstore and café. Sales are shown net of cost of goods sold of \$209 and \$8,232 for the years ended August 31, 2021 and 2020, respectively.

FUNCTIONAL ALLOCATION OF EXPENSES

Expenses are recorded when incurred in accordance with the accrual basis of accounting. The costs of providing the various program services and supporting activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and occupancy-related costs, which are allocated on a square footage basis, as well as salaries and benefits, and certain office-related expenses, which are allocated on the basis of estimates of time and effort.

PARK COMMUNITY CHURCH

Notes to Consolidated Financial Statements

August 31, 2021 and 2020

3. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following:

	August 31,	
	2021	2020
Land	\$ 6,022,974	\$ 6,022,974
Building	15,052,529	15,025,510
Furniture and fixtures	975,430	1,001,845
Equipment	1,711,414	1,655,070
	23,762,347	23,705,399
Less accumulated depreciation	(7,822,648)	(7,312,028)
	\$ 15,939,699	\$ 16,393,371

4. NOTES PAYABLE:

Notes payable consists of the following:

	August 31,	
	2021	2020
Mortgage payable with a bank secured by property located in Chicago, IL (original balance of \$2,500,000); with monthly principal and interest payments of \$23,648, interest at 3.5%. Remaining principal and interest due upon maturity in November 2024.	\$ 2,030,527	\$ 2,241,812

As part of the response to the impact of COVID-19, the Church applied for a Paycheck Protection Program (PPP) loan, administered by the Small Business Administration (SBA), under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was signed into law in March 2020. The Church was approved for a loan in the amount of \$723,900 on April 16, 2020. The PPP loan provides for potential loan forgiveness up to the full amount of the loan provided the Church overcomes (meets) certain loan stipulations. If the loan is not forgiven, it bears annual interest of 1% and repayment is due in full on April 16, 2022. This loan was forgiven in full on February 26, 2021.

-	723,900
\$ 2,030,527	\$ 2,965,712

PARK COMMUNITY CHURCH

Notes to Consolidated Financial Statements

August 31, 2021 and 2020

4. NOTES PAYABLE, continued:

Park refinanced its loan in November of 2020. The maturity schedule below reflects refinanced loan terms. The new loan has monthly principal and interest payment of \$23,648, interest at 3.5%. Remaining principal and interest due upon maturity in November 2024.

The note payable matures as follows during the year ending August 31:

2022	\$ 216,143
2023	223,831
2024	231,648
2025	<u>1,358,905</u>
	<u>\$ 2,030,527</u>

5. RETIREMENT PLAN:

Park provides a 403(b) retirement plan that covers all full-time employees with enrollment, matching and vesting beginning immediately. Park will match 50% of the first 5% of contributions made by full-time employees (maximum benefit of 2.5% of salary). For the years ended August 31, 2021 and 2020, Park made contributions to the plan of \$110,474 and \$42,574, respectively.

6. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions are held for the following purposes:

	August 31,	
	2021	2020
Renew Chicago Triathlon	\$ 35,130	\$ 35,130
Missions	-	4,818
	<u>\$ 35,130</u>	<u>\$ 39,948</u>

PARK COMMUNITY CHURCH

Notes to Consolidated Financial Statements

August 31, 2021 and 2020

7. BOARD DESIGNATED NET ASSETS:

In November 2015, Park launched a generosity initiative designed to grow its membership in stewardship and generosity. As part of that initiative, the Elders voted to designate 10% of all general-fund contributions received to external-facing ministries. The Board designated funds are held for the following:

	August 31,	
	2021	2020
Park 100	\$ 200,000	\$ 200,000
Leadership training	10,000	-
Renew	-	120,638
	<u>\$ 210,000</u>	<u>\$ 320,638</u>

8. OPERATING LEASES:

Park leases equipment and space in Chicago for office and worship services. Total rent expense during the fiscal years ended August 31, 2021 and 2020, was \$230,265 and \$324,980, respectively.

The future minimum, noncancelable rental payments required under the operating leases are as follows:

<u>Year Ending August 31,</u>	
2022	\$ 563,801
2023	347,285
2024	<u>347,285</u>
	<u>\$ 1,258,371</u>

PARK COMMUNITY CHURCH

Notes to Consolidated Financial Statements

August 31, 2021 and 2020

9. LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following table reflects Park's financial assets as of August 31, 2021 and 2020, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year because of contractual or donor-imposed restrictions or because the board has set aside funds for specific purposes. These Board designations could be drawn upon if the Board approves such action.

	August 31,	
	2021	2020
Financial assets, at year end		
Cash and cash equivalents	\$ 8,303,785	\$ 5,529,919
Less those unavailable for general expenditures within one year, due to:		
Board designated	(210,000)	(320,638)
Net assets with donor restrictions	<u>(35,130)</u>	<u>(39,948)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 8,058,655</u>	<u>\$ 5,169,333</u>

Park structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As part of Park's liquidity management, it has established guidelines for making decisions related to managing short term cash reserves in a prudent manner.

10. RISKS AND UNCERTAINTIES:

In March of 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. COVID-19 has caused a severe negative impact on the world economy and has contributed to significant declines and volatility in financial markets. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of Park for future periods. Management is carefully monitoring the situation and evaluating its options as circumstances evolve.

11. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through March 10, 2022, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.