

PARK COMMUNITY CHURCH

Consolidated Financial Statements
With Independent Auditors' Report

August 31, 2022 and 2021

PARK COMMUNITY CHURCH

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INDEPENDENT AUDITORS' REPORT

Board of Elders
Park Community Church
Chicago, Illinois

Opinion

We have audited the accompanying consolidated financial statements of Park Community Church, which comprise the consolidated statements of financial position as of August 31, 2022 and 2021, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Park Community Church as of August 31, 2022 and 2021, 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the consolidated financial statements section of our report. We are required to be independent of Park Community 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 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, and for 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.

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

Board of Elders
Park Community Church
Chicago, Illinois

Auditors' Responsibilities for the Audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 consolidated 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 consolidated 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 consolidated 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 Park Community 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Park Community 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.

Capin Crouse LLP

Naperville, Illinois
February 16, 2023

PARK COMMUNITY CHURCH

Consolidated Statements of Financial Position

	August 31,	
	2022	2021
ASSETS:		
Cash and cash equivalents	\$ 9,290,309	\$ 8,093,785
Restricted cash	200,000	210,000
Other assets	26,074	57,605
Property and equipment, net	<u>15,506,124</u>	<u>15,939,699</u>
 Total Assets	 <u>\$ 25,022,507</u>	 <u>\$ 24,301,089</u>
 LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 196,629	\$ 147,989
Notes payable	<u>1,814,811</u>	<u>2,030,527</u>
Total Liabilities	<u>2,011,440</u>	<u>2,178,516</u>
 Net Assets:		
Net assets without donor restrictions		
Undesignated	22,679,489	21,877,443
Board designated	<u>200,000</u>	<u>210,000</u>
	<u>22,879,489</u>	<u>22,087,443</u>
Net assets with donor restrictions	<u>131,578</u>	<u>35,130</u>
Total net assets	<u>23,011,067</u>	<u>22,122,573</u>
 Total Liabilities and Net Assets	 <u>\$ 25,022,507</u>	 <u>\$ 24,301,089</u>

See notes to consolidated financial statements

PARK COMMUNITY CHURCH

Consolidated Statements of Activities

	Year Ended August 31,					
	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions	\$ 8,610,512	\$ 193,015	\$ 8,803,527	\$ 8,584,493	\$ 13,228	\$ 8,597,721
Loan forgiveness	-	-	-	723,900	-	723,900
Investment income	2,462	-	2,462	2,995	-	2,995
Loss on disposal	(2,333)	-	(2,333)	(82,332)	-	(82,332)
Miscellaneous income	233,954	-	233,954	308,623	-	308,623
	<u>8,844,595</u>	<u>193,015</u>	<u>9,037,610</u>	<u>9,537,679</u>	<u>13,228</u>	<u>9,550,907</u>
RECLASSIFICATIONS:						
Net assets released from restrictions:						
Satisfaction of program restrictions	<u>96,567</u>	<u>(96,567)</u>	<u>-</u>	<u>18,046</u>	<u>(18,046)</u>	<u>-</u>
EXPENSES:						
Program services	6,409,033	-	6,409,033	5,345,582	-	5,345,582
Supporting activities:						
Management and general	1,695,335	-	1,695,335	1,566,171	-	1,566,171
Fundraising	44,748	-	44,748	22,433	-	22,433
Total Expenses	<u>8,149,116</u>	<u>-</u>	<u>8,149,116</u>	<u>6,934,186</u>	<u>-</u>	<u>6,934,186</u>
Change in Net Assets	792,046	96,448	888,494	2,621,539	(4,818)	2,616,721
Net Assets, Beginning of Year	<u>22,087,443</u>	<u>35,130</u>	<u>22,122,573</u>	<u>19,465,904</u>	<u>39,948</u>	<u>19,505,852</u>
Net Assets, End of Year	<u>\$ 22,879,489</u>	<u>\$ 131,578</u>	<u>\$ 23,011,067</u>	<u>\$ 22,087,443</u>	<u>\$ 35,130</u>	<u>\$ 22,122,573</u>

See notes to consolidated financial statements

PARK COMMUNITY CHURCH

Consolidated Statement of Functional Expenses

Year Ended August 31, 2022

	Program Services	Management and General	Fundraising	Total
Salaries and benefits	\$ 3,321,752	\$ 948,558	\$ 4,437	\$ 4,274,747
Payroll taxes	141,101	37,508	-	178,609
Depreciation	503,419	55,935	-	559,354
Support to other organizations	998,347	4,057	-	1,002,404
Utilities and maintenance	227,680	45,881	-	273,561
Rent	443,338	100,575	18,472	562,385
Travel	181,268	8,022	37	189,327
Interest	61,255	6,806	-	68,061
Meals	152,444	16,037	5,924	174,405
Furniture, equipment, hardware & software	154,087	76,293	8,508	238,888
Bank and merchant fees	7,886	170,574	-	178,460
Professional and consulting fees	89,354	110,720	-	200,074
Education and training	71,745	2,513	-	74,258
Printing and communication	12,370	344	-	12,714
Insurance	-	67,134	-	67,134
Other	<u>42,987</u>	<u>44,378</u>	<u>7,370</u>	<u>94,735</u>
 Total Expenses	 <u>\$ 6,409,033</u>	 <u>\$ 1,695,335</u>	 <u>\$ 44,748</u>	 <u>\$ 8,149,116</u>

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	<u>69,010</u>	<u>10,948</u>	<u>10,811</u>	<u>90,769</u>
 Total Expenses	 <u>\$ 5,345,582</u>	 <u>\$ 1,566,171</u>	 <u>\$ 22,433</u>	 <u>\$ 6,934,186</u>

See notes to consolidated financial statements

PARK COMMUNITY CHURCH

Consolidated Statements of Cash Flows

	Year Ended August 31,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 888,494	\$ 2,616,721
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	559,354	577,574
Forgiveness of PPP loan	-	(723,900)
Loss on disposal of property and equipment	2,333	82,332
Changes in:		
Other assets	31,531	7,246
Accounts payable and accrued expenses	48,640	61,992
Net Cash Provided by Operating Activities	<u>1,530,352</u>	<u>2,621,965</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of property and equipment	-	495,992
Purchase of property and equipment	<u>(128,112)</u>	<u>(132,806)</u>
Net Cash (Used) Provided by Investing Activities	<u>(128,112)</u>	<u>363,186</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on notes payable	<u>(215,716)</u>	<u>(211,285)</u>
Net Cash Used by Financing Activities	<u>(215,716)</u>	<u>(211,285)</u>
Change in Cash and Cash Equivalents and Restricted Cash	1,186,524	2,773,866
Cash and Cash Equivalents and Restricted Cash, Beginning of Year	<u>8,303,785</u>	<u>5,529,919</u>
Cash and Cash Equivalents and Restricted Cash, End of Year	<u>\$ 9,490,309</u>	<u>\$ 8,303,785</u>
SUPPLEMENTAL DATA:		
Non-cash forgiveness of debt:	<u>\$ -</u>	<u>\$ 723,900</u>

See notes to consolidated financial statements

PARK COMMUNITY CHURCH

Notes to Consolidated Financial Statements

August 31, 2022 and 2021

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, 2022 and 2021

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, 2022 and 2021, the Church's cash balances exceeded federally insured limits by \$8,867,268 and \$8,071,400, 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.

RESTRICTED CASH

Park maintains cash balances that are board designated for specific use (Note 7).

	August 31,	
	2022	2021
Cash and cash equivalents	\$ 9,290,309	\$ 8,093,785
Restricted cash	200,000	210,000
 Total Cash and cash equivalents and restricted cash	 \$ 9,490,309	 \$ 8,303,785

OTHER ASSETS

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

PROPERTY AND EQUIPMENT

Items over \$2,500 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.

PARK COMMUNITY CHURCH

Notes to Consolidated Financial Statements

August 31, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

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.

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 café. Sales are shown net of cost of goods sold.

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, 2022 and 2021

3. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following:

	August 31,	
	2022	2021
Land	\$ 6,022,974	\$ 6,022,974
Building	15,097,070	15,052,529
Furniture and fixtures	975,430	975,430
Equipment	1,791,141	1,711,414
	<u>23,886,615</u>	<u>23,762,347</u>
Less accumulated depreciation	(8,380,491)	(7,822,648)
	<u><u>\$ 15,506,124</u></u>	<u><u>\$ 15,939,699</u></u>

4. NOTES PAYABLE:

Notes payable consists of the following:

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.

	August 31,	
	2022	2021
	<u><u>\$ 1,814,811</u></u>	<u><u>\$ 2,030,527</u></u>

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

2023	\$ 223,831
2024	231,648
2025	<u>1,359,332</u>
	<u><u>\$ 1,814,811</u></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 100% of the first 5% of contributions made by full-time employees (maximum benefit of 5% of salary). For the years ended August 31, 2022 and 2021, Park made contributions to the plan of \$134,900 and \$110,474, respectively.

PARK COMMUNITY CHURCH

Notes to Consolidated Financial Statements

August 31, 2022 and 2021

6. NET ASSETS WITH DONOR RESTRICTIONS:

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

	August 31,	
	2022	2021
Renew Chicago Triathlon	\$ 90,828	\$ 35,130
Missions	40,750	-
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	<hr/>	<hr/>
	\$ 131,578	\$ 35,130

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,	
	2022	2021
Park 100	\$ 200,000	\$ 200,000
Leadership training	-	10,000
	<hr/>	<hr/>
	<hr/>	<hr/>
	\$ 200,000	\$ 210,000

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, 2022 and 2021, was \$573,397 and \$230,265, respectively.

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

Year Ending August 31,	
2023	\$ 493,583
2024	309,435
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	\$ 803,018

PARK COMMUNITY CHURCH

Notes to Consolidated Financial Statements

August 31, 2022 and 2021

9. LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following table reflects Park's financial assets as of August 31, 2022 and 2021, 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,	
	2022	2021
Financial assets, at year end		
Cash and cash equivalents	\$ 9,290,309	\$ 8,093,785
Restricted cash	200,000	210,000
Less those unavailable for general expenditures within one year, due to:		
Board designated	(200,000)	(210,000)
Net assets with donor restrictions	(131,578)	(35,130)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 9,158,731</u>	<u>\$ 8,058,655</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. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through February 16, 2023, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.