

**Celebration Church of Jacksonville, Inc.**

**Financial Statements**  
and  
Independent Auditor's Report

**December 31, 2014**

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## Independent Auditor's Report

To the Board of Trustees  
Celebration Church of Jacksonville, Inc.  
Jacksonville, Florida

We have audited the accompanying financial statements of Celebration Church of Jacksonville, Inc. (a nonprofit corporation) (the Church), which comprise the statement of financial position as of December 31, 2014 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Celebration Church of Jacksonville, Inc. as of December 31, 2014, and the changes in its net assets and its cash flows for the year ended in accordance with accounting principles generally accepted in the United States of America.

Tulsa, Oklahoma  
April 29, 2015

*Stanfield & O'Dell P.C.*

Celebration Church of Jacksonville, Inc.

**Statement of Financial Position**

December 31, 2014

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<b>Assets</b>	
<b>Current assets</b>	
Cash and cash equivalents	\$ 2,141,671
Accounts receivable	10,045
Deposits	81,979
Inventory	80,870
Prepaid expenses and other assets	100,703
Total current assets	<u>2,415,268</u>
<b>Property and equipment</b>	44,101,397
Less accumulated depreciation	<u>(9,151,040)</u>
	<u>34,950,357</u>
<b>Loan closing costs, net</b>	<u>168,247</u>
Total assets	<u><u>\$ 37,533,872</u></u>
<b>Liabilities and Net Assets</b>	
<b>Current liabilities</b>	
Accounts payable and accrued liabilities	\$ 645,288
Deferred revenues	72,286
Current portion of long-term obligations	1,441,736
Total current liabilities	<u>2,159,310</u>
<b>Long-term obligations</b>	
Note payable	26,740,175
Capital leases	84,707
Total long-term liabilities	<u>26,824,882</u>
Total liabilities	<u>28,984,192</u>
<b>Net assets</b>	
Unrestricted	8,514,680
Temporarily restricted	35,000
Total net assets	<u>8,549,680</u>
Total liabilities and net assets	<u><u>\$ 37,533,872</u></u>

The accompanying notes are an integral part of these financial statements.

Celebration Church of Jacksonville, Inc.

**Statement of Activities**

Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Total
<b>Support and revenues</b>			
Support			
Contributions	\$ 14,869,630	\$ 349,735	\$ 15,219,365
Other revenues			
Bookstore and café revenue	543,383	-	543,383
Rental income	253,500	-	253,500
Tuition	138,165	-	138,165
Interest income	3,421	-	3,421
Other revenue	323,685	-	323,685
	<u>16,131,784</u>	<u>349,735</u>	<u>16,481,519</u>
Net assets released from restrictions	<u>314,735</u>	<u>(314,735)</u>	<u>-</u>
Total support and revenues	<u>16,446,519</u>	<u>35,000</u>	<u>16,481,519</u>
<b>Expenses</b>			
Compensation and other related expenses	6,650,608	-	6,650,608
Depreciation and amortization	2,492,464	-	2,492,464
Outreach and missions	2,040,190	-	2,040,190
Facilities and equipment rental	1,295,689	-	1,295,689
General and administrative expenses	975,231	-	975,231
Interest expense	742,361	-	742,361
Church ministries	1,399,750	-	1,399,750
Cost of sales	803,557	-	803,557
Total expenses	<u>16,399,850</u>	<u>-</u>	<u>16,399,850</u>
<b>Change in net assets</b>	46,669	35,000	81,669
<b>Net assets at beginning of year</b>	<u>8,468,011</u>	<u>-</u>	<u>8,468,011</u>
<b>Net assets at end of year</b>	<u>\$ 8,514,680</u>	<u>\$ 35,000</u>	<u>\$ 8,549,680</u>

The accompanying notes are an integral part of these financial statements.

Celebration Church of Jacksonville, Inc.

**Statement of Cash Flows**

Year Ended December 31, 2014

<b>Cash flows from operating activities</b>	
Increase in net assets	\$ 81,669
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:	
Contributions restricted for long-term purposes	(75,091)
Loss on disposal of assets	3,608
Depreciation	2,387,615
Amortization of loan costs	104,849
Decrease (increase) in:	
Accounts receivable	(9,062)
Deposits	(46,974)
Inventory	(30,468)
Prepaid expenses	17,708
Increase in:	
Accounts payable and accrued liabilities	212,213
Deferred revenues	36,256
	<u>2,682,323</u>
Net cash provided by operating activities	<u>2,682,323</u>
<b>Cash flows from investing activities</b>	
Purchases of property and equipment	<u>(1,138,329)</u>
<b>Cash flows from financing activities</b>	
Principal payments on notes payable and capital leases	(1,373,555)
Contributions restricted for long-term purposes	75,091
	<u>(1,298,464)</u>
Net cash used in financing activities	<u>(1,298,464)</u>
<b>Increase in cash and cash equivalents</b>	245,530
<b>Cash and cash equivalents at beginning of year</b>	<u>1,896,141</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>\$ 2,141,671</u></u>
Supplemental disclosures of cash flow information	
Acquisition of equipment under capital leases	<u>\$ 155,477</u>
Interest paid during the year	<u><u>\$ 742,361</u></u>

The accompanying notes are an integral part of these financial statements.

## Notes to Financial Statements

December 31, 2014

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### Note A – Nature of Activities and Significant Accounting Policies

#### *1. Nature of Activities*

Celebration Church of Jacksonville, Inc. (the Church) was organized on December 23, 1998, under the laws of the State of Florida as a not-for-profit corporation and is located in Jacksonville, Florida. The Church is classified as a tax-exempt church under Internal Revenue Code Section 501(c)(3) and, accordingly, no provision for federal income taxes is required in the Church's financial statements.

The Church's primary mission is to lead people to experience a God-first life. The Church is dedicated to spreading the Gospel through evangelistic services that include worship and teaching of the Word, establishing connectivity amongst believers and actively serving local and global communities in the United States and around the world. The Church's operations are supported primarily through contributions from the congregation.

#### *2. Basis of Presentation*

The financial statements of the Church have been prepared on the accrual basis. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

The Church distinguishes between contributions which are unrestricted and those which contain donor-imposed restrictions for specific ministry or benevolent activities. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Church and changes therein are classified and reported as follows:

Unrestricted net assets – net assets that are not subject to donor-imposed restrictions.

Temporarily restricted net assets – includes gifts for which donor-imposed restrictions have not been met for which the ultimate purpose of the proceeds is not permanently restricted.

Permanently restricted net assets – includes gifts which require, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

Noncash contributions are recorded at estimated fair value on the date of receipt. Gains and losses on contributed property held for sale are recognized currently as unrealized gain or loss.

**Notes to Financial Statements**

December 31, 2014

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**Note A – Nature of Activities and Significant Accounting Policies - Continued**

*3. Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*4. Cash and Cash Equivalents*

The Church considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

*5. Inventory*

Inventory consists of religious books utilized in the operation of the Church and the Church's bookstores. Inventory is valued at the lower of cost or market with cost determined on the first-in, first-out basis.

*6. Property and Depreciation*

Property and equipment that is purchased is recorded at cost and donations of fixed assets are recorded as unrestricted support at fair value. Additions exceeding \$500 with a useful life over one year are capitalized. Property and equipment is depreciated over the estimated useful lives of the assets using the straight-line method using the following useful lives: 40 years for buildings, 5-40 years for building and leasehold improvements, and 5-10 years for furniture and equipment.

*7. Amortization*

Amortization on loan closing costs is calculated using the straight-line method over the life of the loan to which the fees are related.

*8. Contributed Services*

The Church benefits from services donated by its members while carrying out the Church's ministry. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under ASC 958, *Not-for-Profit Entities*.

*9. Revenue Recognition*

Contributions are recorded when received; therefore, there are no receivables recognized in the statement of financial position.

**Notes to Financial Statements**

December 31, 2014

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**Note A – Nature of Activities and Significant Accounting Policies - Continued**

*10. Advertising Costs*

During 2014, advertising costs of approximately \$47,900 were expensed as incurred.

*11. Subsequent Events*

The Church has evaluated subsequent events through April 29, 2015, the date which the financial statements were available to be issued.

**Note B – Cash and Cash Equivalents**

The Church maintains its cash primarily in a single financial institution. At times, those cash deposits may exceed federally insured limits. The Church does not believe that it has significant credit risk regarding its bank deposits.

**Note C – Property and Equipment**

Property and equipment, as of December 31, 2014, consists of:

Buildings	\$ 26,760,295
Building improvements	4,302,589
Media production assets	6,286,087
Service and event equipment	1,791,282
Furniture and equipment	696,207
System assets	938,255
Vehicles	95,081
	<u>40,869,796</u>
Less accumulated depreciation	<u>(9,151,040)</u>
	31,718,756
Land	<u>3,231,601</u>
	<u><u>\$ 34,950,357</u></u>

Effective October 1, 2014, the Church began leasing a building with a net value of \$7.6 million to a third party. The operating lease is for a term of eleven years and contains an option to purchase the building beginning the second year of the lease for an amount which approximates its carrying value. Total rental income for this lease for the year ended December 31, 2014 was \$253,500. Future rental payments to be received under this lease are as follows: \$988,065 in 2015, \$910,260 in 2016, \$910,260 in 2017, \$929,565 in 2018, \$987,480 in 2019, and \$5,678,010 thereafter.

**Notes to Financial Statements**

December 31, 2014

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**Note D – Deferred Revenues**

As of December 31, 2014, the Church is holding registration fees of \$69,445 collected in advance for conferences to be held during 2015 and deposits of \$2,841 for mission trips to be taken in 2015. The Church will recognize these fees as earned revenues in the month the event is held.

**Note E – Long-Term Obligations**

Long-term obligations consist of the following at December 31, 2014:

Note payable with an interest rate of 2.56%, secured by real property. Interest-only payments payable monthly commencing October 31, 2011, and continuing through and including June 30, 2013. Thereafter, monthly payments of interest plus principal in an amount that will amortize the principal balance at June 30, 2013 over 15 years. All remaining principal and interest will be due at maturity on September 30, 2016.	\$ 28,088,375
Capital leases payable with various interest rates of 1.15 - 3.93%, secured by equipment, with monthly payments ranging from \$123 - \$3,854. Maturing August 2015 through March 2017.	<u>178,243</u>
Total obligations	28,266,618
Less: current portion	<u>1,441,736</u>
Net long-term obligations	<u><u>\$ 26,824,882</u></u>

The approximate aggregate principal reductions in long-term obligations in each of the five years subsequent to December 31, 2014 are currently scheduled as follows:

2015	\$ 1,441,736
2016	26,802,872
2017	22,010
2018	-
2019	-
Total debt	<u><u>\$ 28,266,618</u></u>

The note payable above contains certain restrictive and financial covenants. As of December 31, 2014, the Church was in compliance with applicable covenants.

**Notes to Financial Statements**

December 31, 2014

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**Note E – Long-Term Obligations - Continued**

On September 28, 2011, the Church entered into a non-revolving line-of-credit, converting to an amortizing term loan, for a total of \$31,000,000. Repayment of these borrowings is secured by real and personal property, building funds received designated for the Project or for debt repayment and an assignment of a face value life insurance policy on the Church’s Lead Pastor. High usage on this facility totaled \$30,176,000, which was used to pay-off the Church’s prior bank notes, to pay a portion of the cost of the Church’s new facility (the Project), and to pay finance closing costs and related fees.

**Note F – Operating Leases**

The Church leases certain facilities and equipment under various lease agreements for its own use. At December 31, 2014, operating leases consist of the following:

The Church leases facilities in Jacksonville, Florida for an initial term of 36 months for monthly payments of \$5,459. The lease ends July 2015.	\$ 39,361
The Church leases printing equipment for an initial term of 60 months for monthly payments of \$1,813. The lease ends March 2017.	48,950
The Church leases facilities in Jacksonville, Florida for an initial term of 36 months for monthly payments of \$13,506. The lease ends July 2016.	261,486
The Church leases a facility in Orlando, Florida for an initial term of 36 months for monthly payments of \$5,303. The lease ends August 2017.	169,684
The Church leases a warehouse in Jacksonville, Florida for an initial term of 24 months for monthly payments of \$4,900. The lease ends September 2016.	102,900
The Church leases printing equipment for an initial term of 48 months for monthly payments of \$485. The lease ends June 2016.	<u>8,730</u>
Total amount of minimum payments over the remaining life of the leases	<u><u>\$ 631,111</u></u>

The Church also leases certain facilities under various month-to-month lease agreements for its own use. At December 31, 2014, the total monthly payment due under these short-term leases is \$17,517. These leases are cancellable upon 30 days written notice provided by the Church or the lessor.

**Notes to Financial Statements**

December 31, 2014

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**Note F – Operating Leases - Continued**

Rental expenses for facilities and equipment for the year ended December 31, 2014 were approximately \$452,000 and \$53,000, respectively. Rental expenses include maintenance and other fees as mandated per the rental agreements.

The following is a schedule, by years, of future minimum rental payments required under the Church's operating leases, which have initial non-cancellable lease terms in excess of one year, as of December 31, 2014:

For the years ending December 31,	
2015	\$ 353,470
2016	229,781
2017	<u>47,860</u>
Total minimum payments	<u>\$ 631,111</u>

**Note G – Functional Expense Allocations**

The costs of providing the various programs have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs benefitted.

Wages and related costs, which are primarily attributable to Church ministries and outreach and missions, are based on management's estimates of the percentage of time personnel perform program and supporting services. Certain other costs are allocated based on total personnel expenses allocated to program and administrative services. Occupancy costs such as utilities, insurance, and maintenance have been allocated based on management's estimate of square footage used in program and supportive services.

**Note H – Commitments**

On May 16, 2014, the Church entered into an agreement to purchase land in Jacksonville, Florida for a total purchase price of \$765,000 and made a deposit of \$15,000 toward the purchase in 2014. The land will be used to build a future facility for the Orange Park location and the closing date is expected in December 2015.

**Notes to Financial Statements**

December 31, 2014

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**Note I – Temporarily Restricted Net Assets**

Changes in temporarily restricted net assets during 2014 were comprised of the following:

Temporarily restricted contributed revenue	
Building fund	\$ 75,091
Other	274,644
Total temporarily restricted contributed revenue	<u>349,735</u>
Temporarily restricted net assets released from restrictions:	
Building funds capitalized	(75,091)
Other expenses	(239,644)
Total temporarily restricted net assets released from restrictions	<u>(314,735)</u>
Changes in temporarily restricted net assets	35,000
Temporarily restricted net assets - beginning of year	-
Temporarily restricted net assets - end of year	<u>\$ 35,000</u>