

Celebration Church of Jacksonville, Inc.

Financial Statements
and
Independent Auditor's Report

December 31, 2013

Contents

	Page
Independent Auditor’s Report.....	3
Financial Statements	
Statement of Financial Position	4
Statement of Activities.....	5
Statement of Cash Flows.....	6
Notes to Financial Statements.....	7-12



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, 2013 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, 2013, 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 24, 2014

Stanfield & O'Dell P.C.

Celebration Church of Jacksonville, Inc.

Statement of Financial Position

December 31, 2013

Assets	
Current assets	
Cash and cash equivalents	\$ 1,896,141
Accounts receivable	983
Deposits	35,005
Inventory	50,402
Prepaid expenses and other assets	118,411
Total current assets	<u>2,100,942</u>
Property and equipment	42,826,033
Less accumulated depreciation	<u>(6,778,259)</u>
	<u>36,047,774</u>
Loan closing costs, net	<u>273,096</u>
Total assets	<u><u>\$ 38,421,812</u></u>
Liabilities and Net Assets	
Current liabilities	
Accounts payable and accrued liabilities	\$ 433,075
Deferred revenues	36,030
Current portion of long-term debt	<u>1,302,967</u>
Total current liabilities	1,772,072
Long-term debt	
Notes payable	28,133,200
Capital leases	<u>48,529</u>
Total liabilities	<u>29,953,801</u>
Net assets	
Unrestricted net assets	<u>8,468,011</u>
Total liabilities and net assets	<u><u>\$ 38,421,812</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, 2013

	Unrestricted	Temporarily Restricted	Total
Support and revenues			
Support			
Contributions	\$ 12,478,069	\$ 441,543	\$ 12,919,612
Other revenues			
Bookstore and café revenue	288,442	-	288,442
Tuition	82,422	-	82,422
Interest income	3,458	-	3,458
Other revenue	94,611	-	94,611
	12,947,002	441,543	13,388,545
Net assets released from restrictions	441,543	(441,543)	-
Total support and revenues	13,388,545	-	13,388,545
Expenses			
Compensation and other related expenses	5,263,965	-	5,263,965
Depreciation and amortization	2,401,253	-	2,401,253
Outreach and missions	1,978,333	-	1,978,333
Facilities and equipment rental	1,547,608	-	1,547,608
General and administrative expenses	848,708	-	848,708
Interest expense	755,082	-	755,082
Church ministries (net of revenues of \$291,778)	670,872	-	670,872
Cost of sales	305,930	-	305,930
Total expenses	13,771,751	-	13,771,751
Change in net assets	(383,206)	-	(383,206)
Net assets at beginning of year	8,851,217	-	8,851,217
Net assets at end of year	\$ 8,468,011	\$ -	\$ 8,468,011

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

Celebration Church of Jacksonville, Inc.

Statement of Cash Flows

Year Ended December 31, 2013

Cash flows from operating activities	
Decrease in net assets	\$ (383,206)
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities:	
Contributions restricted for long-term purposes	(441,543)
Loss on disposal of assets	5,737
Depreciation	2,296,405
Amortization of loan costs	104,848
Decrease (increase) in:	
Accounts receivable	4,806
Deposits	844
Inventory	(24,037)
Prepaid expenses	(89,184)
Decrease in:	
Accounts payable and accrued liabilities	(812,607)
Deferred revenues	(11,251)
	<u>650,812</u>
Net cash provided by operating activities	<u>650,812</u>
Cash flows from investing activities	
Purchases of property and equipment	<u>(1,259,490)</u>
Cash flows from financing activities	
Proceeds from notes payable	787,639
Principal payments on notes payable and capital leases	(838,501)
Contributions restricted for long-term purposes	441,543
	<u>390,681</u>
Net cash provided by financing activities	<u>390,681</u>
Decrease in cash and cash equivalents	(217,997)
Cash and cash equivalents at beginning of year	<u>2,114,138</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,896,141</u></u>
Supplemental disclosures of cash flow information	
Acquisition of equipment under capital leases	\$ 83,167
Interest paid during the year	<u><u>\$ 773,443</u></u>

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

Notes to Financial Statements

December 31, 2013

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; however, donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

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, 2013

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, 2013

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

10. Advertising Costs

During 2013, advertising costs of approximately \$16,300 were expensed as incurred.

11. Subsequent Events

The Church has evaluated subsequent events through April 24, 2014, 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, 2013, consists of:

Buildings	\$ 26,610,097
Building improvements	3,889,326
Media production assets	5,947,014
Service and event equipment	1,745,988
Furniture and equipment	638,132
System assets	668,794
Vehicles	95,081
	<u>39,594,432</u>
Less accumulated depreciation	<u>(6,778,259)</u>
	32,816,173
Land	<u>3,231,601</u>
Property and equipment, net	<u><u>\$ 36,047,774</u></u>

Note D – Deferred Revenues

As of December 31, 2013, the Church is holding registration fees of \$25,507 collected in advance for conferences to be held during 2014 and deposits of \$9,396 for mission trips to be taken in 2014. The Church will recognize these fees as earned revenues in the month the event is held.

Notes to Financial Statements

December 31, 2013

Note E – Long-Term Debt

Long-term debt consists of the following at December 31, 2013:

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.	\$ 29,396,800
Capital leases payable with various interest rates of 2.92 - 7.44%, secured by equipment, with monthly payments ranging from \$33 - \$2,453. Maturing December, 2014 through February, 2017.	<u>87,896</u>
Total debt	29,484,696
Less: current portion	<u>1,302,967</u>
Net long-term debt	<u><u>\$ 28,181,729</u></u>

The approximate aggregate principal reductions in long-term debt in each of the five years subsequent to December 31, 2013 are currently scheduled as follows:

2014	\$ 1,302,967
2015	1,387,488
2016	26,794,241
2017	-
2018	-
Total debt	<u><u>\$ 29,484,696</u></u>

The note payable above contains certain restrictive and financial covenants. As of December 31, 2013, the Church was in compliance with applicable covenants.

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 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.

Notes to Financial Statements

December 31, 2013

Note F – Operating Leases

The Church leases certain facilities and equipment under various lease agreements for its own use. At December 31, 2013, 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.	\$ 105,689
The Church leases printing equipment for an initial term of 60 months for monthly payments of \$1,813. The lease ends March 2017.	70,707
The Church leases facilities in Jacksonville, Florida for an initial term of 36 months for monthly payments of \$13,113. The lease ends July 2016.	420,807
The Church leases printing equipment for an initial term of 48 months for monthly payments of \$485. The lease ends June 2016.	14,550
The Church leases printing equipment for an initial term of 36 months for monthly payments of \$1,090. The lease ends March 2014.	3,270
The Church leases IT equipment for an initial term of 36 months for monthly payments of \$290. The lease ends January 2015.	<u>3,484</u>
Total amount of minimum payments over the life of the leases	<u><u>\$ 618,507</u></u>

The Church also leases certain facilities under various month-to-month lease agreements for its own use. At December 31, 2013, 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.

Rental expenses for facilities and equipment for the year ended December 31, 2013 were approximately \$480,000 and \$42,000, respectively. Rental expenses include maintenance and other fees as mandated per the rental agreements.

Notes to Financial Statements

December 31, 2013

Note F – Operating Leases - Continued

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, 2013:

For the years ending December 31,		
2014		\$ 259,979
2015		231,039
2016		122,050
2017		5,439
2018		-
	Total minimum payments	<u>\$ 618,507</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 – Temporarily Restricted Net Assets

Changes in temporarily restricted net assets during 2013 were comprised of the following:

Temporarily restricted contributed revenue	
Building fund	\$ 254,291
Other	187,252
Total temporarily restricted contributed revenue	<u>441,543</u>
Temporarily restricted net assets released from restrictions:	
Building funds capitalized	(254,291)
Other expenses	(187,252)
Total temporarily restricted net assets released from restrictions	<u>(441,543)</u>
Changes in temporarily restricted net assets	-
Temporarily restricted net assets - beginning of year	-
Temporarily restricted net assets - end of year	<u>\$ -</u>