

Proposal

- Lease Land 20K sqft Bld 35 year lease \$4k per month NNN
- EPAC Lease \$18k per month 5 Yr Options - 2% increase per Year
 - Every Sunday from 4 AM – 11 PM.
 - Every Tuesday night 6pm – 9pm – band and choir practice.
 - Once a month Friday night (4PM-10 PM) and all day Saturday (4 AM- 10PM) use for, concerts, conferences and workshops.
 - Easter weekend use on Good Friday, Easter Saturday and Easter Sunday
 - Use on Christmas Eve for services
 - Use on New Years eve for concert and services
 - Use of facility outside the above agreed use, when nothing else is scheduled. Daily fee will be agreed on.
 - Parking will be available free of charge at the above described dates and times located at:
 - 400 Parking spaces onsite on E. Main and Ballantyne St.
 - 120 Parking spaces on Rea Ave.
 - 80 Parking spaces on Civic Center Way.
 - 60 Spaces on E. Douglas

Proposal (cont.)

- RC Oversees Facility for City
 - City and Rock Set Fee and Open Day Schedule Every Year Outside RC Use – Designated Office Bld Use for Events
 - RC can Rent Facility on Off Days and Pay Set Fees
 - Public Has Access to All Off Days (non-RC Schedule)
 - Overseer Fee Paid RC – 20% Gross Bookings
 - Net Proceeds go to City
- Construction – Meet RC Spec's – AVL, Renovation and Bathrooms Etc...
- Next Steps – MOU?



January 29, 2014

Douglas Williford
City Manager
City of El Cajon
200 Civic Center Way
El Cajon, CA 92020

RE: East County Performing Arts Center (ECPAC)

Mr. Williford,

The Rock Church is interested in renting the ECPAC Theater from the city on the following proposed terms:

1. Lease Term 10 Years
2. Facility Use:
 - a. Every Sunday from 4 AM - 11 PM.
 - b. Every Tuesday night 6pm - 9pm - band and choir practice.
 - c. Once a month Friday night (4PM-10 PM) and all day Saturday (4 AM-10PM) use for, concerts, conferences and workshops.
 - d. Easter weekend use on Good Friday, Easter Saturday and Easter Sunday
 - e. Use on Christmas Eve for services
 - f. Use on New Years eve for concert and services
 - g. Use of facility outside the above agreed use, when nothing else is scheduled. Daily fee will be agreed on.
 - h. Parking will be available free of charge at the above described dates and times located at:
 - i. 400 Parking spaces onsite on E. Main and Ballantyne St.
 - ii. 120 Parking spaces on Rea Ave.
 - iii. 80 Parking spaces on Civic Center Way.
 - iv. 60 Spaces on E. Douglas
3. Monthly rental fee of \$10,000 for use described above.



4. This offer is contingent upon the following:
- a. A facility use agreement signed by the City of El Cajon and Rock Church.
 - b. A 20,000-sqft facility built adjacent to the ECPAC Theater, which will accommodate the Rock's needs for staff offices, adult, youth and children education.
 - c. Rock will have input and approval on all sound, light, projection and virtual teaching installation. City of El Cajon agrees to pay costs.
 - d. Rock Church and City Manager will develop a list of improvements that need to be made to accommodate church and public use and agree on improvements. These costs will be borne by City of El Cajon
 - e. Rock Church and technical staff will manage the technical aspects of the ECPAC for church and public use.

We look forward to working with you and developing a plan to use the ECPAC, please let me know your thoughts on this proposal.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark W Stevens", written over a horizontal line.

Mark W Stevens
COO
Rock Church



Developing Character . . . One Stage at a Time

June 9, 2014

Mr. Douglas Williford
City Manager's Office
City of El Cajon
200 Civic Center Way
El Cajon, CA 92020

RECEIVED

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CITY MANAGER'S
OFFICE

Dear Mr. Williford,

CYT San Diego is interested in performing up to 6 productions per year at the El Cajon Performing Arts Center. These would be both adult and youth musical theater productions attended by 500 or more patrons per show depending on the show. Below is our Statement of Interest response:

- 1) CYT San Diego was founded by Paul & Sheryl Russell with Laura Bertagnolli as Managing Director and Janie Russell Cox as Artistic Director.
- 2) Long-time El Cajon residents, Paul & Sheryl Russell, founded CYT San Diego in 1981. We can be contacted at 1545 Pioneer Way, El Cajon, CA 92020 and at 619-588-0206. Laura Bertagnolli, Managing Director, is the primary contact.
- 3) We propose to use the facility for our youth and adult theater arts performances. We would use the facility the entire month of December for our "Traditions of Christmas Spectacular" and various dates throughout the year for our East County CYT youth theater group. Please see the attached schedule. We would also use the facility two weeks over the summer for adult theater performances.
- 4) We require the use of the stage, fly loft, backstage area, seating, front of house, lobby, dressing rooms, and all lighting and sound equipment as well as the orchestra pit.
- 5) We propose to pay ECPAC \$70K in annual rent to perform 6 shows. We expect that there are no union stagehands and that volunteer-trained house staff and stagehands can be used. We also expect the facility to be maintained and cleaned and in working condition in all aspects of the facility. We also expect that it is heated or air conditioned appropriately.
- 6) See Quickbooks Balance Sheet and Income Statements for the last 5 years (see attached).



Developing Character . . . One Stage at a Time

- 7) Our liability and auto insurance is with Philadelphia Insurance Company and CYT San Diego complies with city guidelines. Additionally, we hold worker's compensation insurance with Liberty Mutual Insurance Company. Both policies are attached to this proposal.
- 8) CCT/CYT has been a part of the San Diego arts community for over 34 years, pulling audiences of over 120,000 annually and becoming the largest community theater in San Diego County with an annual operating budget of \$2.5M. It has a 10-member Board of Directors, 8 full-time employees, and over 75 part-time staff including teachers, coaches, directors, choreographers, designers, technicians, and stagehands. Its volunteer base is over 500 strong, serving on production teams, fundraising teams, and usher teams.

At CCT, we recognize the social, health, and spiritual benefits that we provide to the adults in our community. We are dedicated to providing them with experiences that have a long-lasting impact. The National Guild for Community and Arts Education recently reported that senior adults who are involved with the arts are physically, mentally, socially and emotionally healthier than those who are not involved in the arts. No big surprise, we have known for over 20 years that children involved in the arts do better in school, have a better graduation rate, go on to college, and make better citizens once they are in their chosen field.

Our Christian Youth Theater (CYT) is the largest children's educational performing arts program in the nation with more than 38 locations in 22 different cities and yearly enrollment of nearly 16,000 students nationally. CYT is dedicated to "developing character in children; one stage at a time". Our goals are to train children in the performing arts, help build student's self esteem, build leadership skills, develop a sense of community, and provide positive role models for all of our students. We have been told time and time again that we make a difference in our student's lives and in the communities we support.

Please let us know if we can answer any questions regarding our Statement of Interest response. We can be reached at (619) 588-0206. More information can also be gathered on our website at cytsandiego.org and christiancommunitytheater.com.

Laura M. Bertagnolli, CPA
Managing Director
CCT and CYT San Diego

CYT East County Performance Dates

Fall 2014 Session

September 2 classes start
September 9 -September 12TH Auditions!
September 16
September 23
September 30
October 7
October 14
October 21
October 28
November 4th -Showcase
Move into theater November 5th
Shows November 14th-23rd

Winter 2015 Session

January 6th Classes Start
January 9th Auditions
January 13th
January 20th
January 27
February 3
February 10
February 17th
February 24
March 3
March 10- Showcase!
Move in February 25th
Shows March 6th-15

Spring 2015 Session

March 24th- First Class Day
Auditions March 27th
April 7th
April 14
April 21
April 28
May 5
May 12
May 19
May 26---showcase
June 2 showcase
Move in May 13th
Shows May 22nd-May 31st

CYT San Diego Balance Sheet

As of June 8, 2014

	Jan - Dec 2009	Jan - Dec 2010	Jan - Dec 2011	Jan - Dec 2012	Jan - Dec 2013	Jan 1 - Jun 8, 2014
ASSETS						
Current Assets						
Bank Accounts						
1001 San Diego National Bank (deleted)	0	0	0	0	0	0
10010 CB&T Checking 980 (deleted)	177,458	47,776	18,705	0	0	0
10020 CB&T Checking 603 (deleted)			124	0	0	0
10030 Chase Checking 653			50,120	11,334	82,097	206,556
10040 Chase Savings 494			100	100	7,514	132,543
1005 CYT Affiliate Service Savings Chase Bank (deleted)			100	0	0	0
10050 Internal Bank (deleted)	4,076	1,148	560	0	0	0
10050 NCI Savings					15,005	45,020
10090 Petty Cash	0	0	(100)	100	16	29
1012 Cash in Bank - Art Beat (deleted)	7,863	0	0	0	0	0
1075 CCT Checking Union Bank of CA (deleted)	0	0	0	0	0	0
1100 CCT Bus Money Plus CalBankTrust (deleted)	0	0	0	0	0	0
Total Bank Accounts	\$189,396	\$48,924	\$69,609	\$11,534	\$104,632	\$384,148
Accounts Receivable						
11000 Accounts Receivable			0	42,862	40,469	21,810
11010 Accounts Receivable-ArtBeat (DO NOT USE)	(15,840)	10,000	10,000	0	0	0
11020 Accts Receivable-Pledges (DO NOT USE)	(500)	0	0	0	0	0
11040 Consigned Tickets (DO NOT USE)	(0)	0	0	0	0	0
11050 Accounts Receivable - Affiliate (DO NOT USE)	1,990	1,790	1,990	0	0	0
11060 Accounts Receivable - Other (DO NOT USE)	(11,778)	(7,603)	(11,990)	0	0	0
11080 Tessitura Orders Receivable (DO NOT USE)	1	0	0	0	0	0
11091 Prepaid Expenses (DO NOT USE)	26,339	0	0	0	0	0
Total Accounts Receivable	\$212	\$4,187	\$0	\$42,862	\$40,469	\$21,810
Other current assets						
11085 Allowance for Bad Debts					(1,506)	(1,506)
11090 Prepaid Expense / Deferred Charge	26,810	75,855	21,192	17,810	22,686	49,001
11100 Cash Box In/Out					0	(60)
12000 Undeposited Funds	0	0	0	5,401	28,791	3,421
12010 Credit Card Deposits in Transit (deleted)	3,449	15,778	(376)	0	0	0
12020 Pay Pal Deposits in Transit (deleted)			(130)	0	0	0
Total Other current assets	\$30,259	\$91,634	\$20,686	\$23,211	\$49,970	\$50,856
Total Current Assets	\$219,867	\$144,744	\$90,295	\$77,606	\$195,071	\$456,814
Fixed Assets						
15000 Property & Equipment	231,248	191,779	145,797	127,637	115,913	120,105
Total Fixed Assets	\$231,248	\$191,779	\$145,797	\$127,637	\$115,913	\$120,105
TOTAL ASSETS	\$451,115	\$336,524	\$236,093	\$205,243	\$310,984	\$576,919
LIABILITIES AND EQUITY						
Liabilities						
Current Liabilities						
Accounts Payable						
20000 Accounts Payable	51,975	82,379	13,412	27,464	20,238	64,943
Total Accounts Payable	\$51,975	\$82,379	\$13,412	\$27,464	\$20,238	\$64,943
Credit Cards						
2100 Visa (deleted)	0	0	0	0	0	0
21110 Citi Bank Advantage	2,970	3,351	8,649	36,912	23,328	1,806
21115 Chase					2,018	689
2250 Smart & Final (deleted)		246	171	0	0	0
2300 Office Depot (deleted)	3	334	0	0	0	0
Total Credit Cards	\$2,974	\$3,931	\$8,820	\$36,912	\$25,346	\$2,495
Other Current Liabilities						
22050 Deferred Revenue				85,124	143,931	27,768
22050 Deferred Tuition/Tickets (deleted)	83,098	77,678	59,221	0	0	0
22100 Expansion Deferred Revenue (deleted)		4,387	0	0	0	0
22300 Loan from Sheryl/Paul Russel				22,000	22,000	0
22400 Accrued Expense / Prepaid Income				5,535	0	0
22410 Matt Herriman Scholarship Fund				1,874	3,588	4,319
22415 SDC C Clearing Account						1,780
22500 Payroll Liabilities	7,796	33,569	12,245	58,097	42,586	24,145
23100 Payroll Clearing				0	0	234
2344 Expansion - Deferred Contribs. (deleted)		1,000	0	0	0	0
24000 Capital Lease - Current Portion				14,388	0	0

Print Balance Sheet

Total Other Current Liabilities	\$90,894	\$116,634	\$71,466	\$187,018	\$212,105	\$58,246
Total Current Liabilities	\$145,842	\$202,944	\$93,698	\$251,394	\$257,690	\$125,684
Long-Term Liabilities						
2650 Copier - GE Capital (5/2011) (deleted)	44,677	0	0	0	0	0
26550 Copier- DSD Capital (11/2013)	71,928	54,577	35,458	0	0	0
27000 General Loan (LOC)	0	99,865	198,321	0	0	0
Total Long-Term Liabilities	\$116,605	\$154,442	\$233,779	\$0	\$0	\$0
Total Liabilities	\$262,447	\$357,386	\$327,476	\$251,394	\$257,690	\$125,684
Equity						
39000 Retained Earnings	51,653	188,668	(9)	(91,572)	(46,151)	53,294
Net Income	137,015	(209,531)	(91,375)	45,421	99,445	397,941
Total Equity	\$188,668	\$ (20,863)	\$ (91,384)	\$ (46,151)	\$53,294	\$451,235
TOTAL LIABILITIES AND EQUITY	\$451,115	\$336,524	\$236,093	\$205,243	\$310,984	\$576,919

Monday, Jun 09, 2014 03:47:56 PM PDT GMT-7 - Accrual Basis

CYT San Diego Profit and Loss

January 1, 2009 - June 8, 2014

	Jan - Dec 2009	Jan - Dec 2010	Jan - Dec 2011	Jan - Dec 2012	Jan - Dec 2013	Jan 1 - Jun 8, 2014	Total
Income							
40010 General Income Allocation (deleted)			0				\$0
41000 Concessions	74,563	77,810	73,581	107,996	111,076	66,201	\$511,226
42000 Contributions/Donations	355,664	380,119	229,188	318,678	195,172	122,215	\$1,601,037
43000 Advertising Income	56,642	82,870	57,358	51,827	16,340	10,003	\$275,040
44000 Management Fee	(31,158)	12,870	16,394	0	4,500	2,500	\$5,106
45000 Production Income	146,640	121,693	116,073	130,429	161,874	119,191	\$795,901
46000 Rental	299,737	292,997	332,839	89,603	90,729	44,597	\$1,150,503
46500 Special Events				0	17,559	28,990	\$46,549
47000 Tickets	936,414	800,214	542,007	534,128	520,296	371,911	\$3,704,971
48000 Tuition	554,662	518,762	484,174	454,918	491,727	386,819	\$2,891,061
49000 Restricted Office Rent Donation	47,426	0		178,035	194,220	178,036	\$597,717
49050 Income - more detail needed from AC					0		\$0
49090 Interest Income					19	44	\$63
5220 Expansion Fee (deleted)	12,590						\$12,590
5221 Expansion Tuition Fees (deleted)	84,532						\$84,532
5222 Expansion Ticket Fees (deleted)	71,154						\$71,154
5503 Art Beat Reimbursements (deleted)	0						\$0
Total Income	\$2,608,866	\$2,287,336	\$1,851,615	\$1,865,615	\$1,803,512	\$1,330,507	\$11,747,450
Gross Profit	\$2,608,866	\$2,287,336	\$1,851,615	\$1,865,615	\$1,803,512	\$1,330,507	\$11,747,450
Expenses							
6000 Art Beat Mng Payroll (deleted)	0						\$0
6001 Art Beat Management Fee (deleted)	10,286						\$10,286
60100 Advertising (PGM)	66,554	53,315	33,596	20,912	20,704	10,716	\$205,797
60300 Bank Fee (Bank/Merchant) (PGM)	37,220	41,997	38,200	22,216	28,030	18,646	\$186,308
60500 Concessions (PGM)			200	45,410	1,206	19,240	\$86,056
60700 Costumes (PGM)	23,322	22,467	32,515	17,418	11,983	7,629	\$115,334
60900 Custodial (PGM)	10,270	10,468	8,180	8,118		167	\$37,203
61100 Dues & Membership (PGM)	3,246	1,613	598				\$5,457
61300 Employee Benefits (PGM)	55,370	42,544	34,131	653			\$132,697
61500 Expansion Expense (PGM) (deleted)	28,748	2,135	1,513	270			\$32,666
61700 Facility Rent (PGM)	420,451	523,214	406,357	331,480	184,229	107,947	\$1,973,678
61900 Information Systems (PGM)	91,239	72,547	98,010	38,159	16,442	10,186	\$326,583
62100 Insurance (PGM) (deleted)	2,574	6,267	10,441	65,126	5,431		\$89,839
62200 Equipment Leases					10,850	9,322	\$20,172
62300 Interest Expense (PGM)	6,642	10,168	9,469	12,334	7,930		\$46,543
62301 Taxes and Licenses				2,255	2,332	667	\$5,254
62302 Bad Debts					12,764	1,446	\$14,209
62700 Mailing Expenses (PGM)	34,147	40,282	22,273	12,204	9,470	4,819	\$123,194
62900 Hair / Makeup (PGM)	2,013	1,769	690	3,288	698	3,517	\$11,975
63100 Miscellaneous Expense (PGM)	2,695	1,360	408	5,909	225		\$10,596
63300 Office Expense or Supplies (PGM)	1,240	4,354	7,037	18,845	9,751	3,546	\$44,774
63500 Outside Service or Gratuity (PGM)	125,331	121,503	82,005	103,559	93,108	52,350	\$577,855
63700 Payroll Expenses (PGM)	517,853	469,806	300,507	593,340	218,027	125,489	\$2,225,021
63910 Payroll Fees (PGM)						986	\$986
64010 General Payroll PGM) (deleted)	627,931	559,546	448,435				\$1,635,912
64100 Print (PGM)	65,054	69,653	31,966	25,075	34,409	17,920	\$244,076
64300 Production Expense (PGM)	45,003	55,814	33,068	64,763	68,232	37,172	\$304,053
64340 Piano (PGM) (deleted)	75	300	270				\$645
64500 Props (PGM)	2,851	2,830	2,225	2,946	1,072	1,222	\$13,147
64700 Repair (PGM)	2,811	779	2,500		5,403	3,398	\$14,891
64800 Rental Costs (PGM)					6,567	4,996	\$11,563
64900 Royalties (PGM)	69,751	54,191	47,430	47,768	62,425	48,345	\$329,909
65100 Sets (PGM)	20,551	37,820	29,942	6,321	6,189	3,108	\$103,931
65200 Special Events Exp						5,200	\$5,200
65500 Staff Dev and Research (PGM)	12,596	8,458	1,860	85	1,329	30	\$24,358
65700 Technical Equipment (PGM)	41,930	17,765	24,267	10,973	22,953	17,904	\$135,792
65900 Trolley (PGM) (deleted)		13,000					\$13,000
66100 Travel (PGM)					3,056	8,129	\$11,185
66300 Utilities (PGM)		252	610	25,829		130	\$26,821
66500 Vehicle (PGM)	8,370	4,736	3,824	3,287	11,304	4,187	\$35,707
66700 Volunteer Expenses (PGM)	7,205	3,934	3,285	4,723	16	131	\$19,295
66800 Volunteer and Staff Meals (PGM)					701	321	\$1,022
66900 Work Comp (PGM)	18,228	17,435	19,009	8,791			\$63,463
69000 Depreciation (PGM)	48,159	48,658	41,123	28,654			\$166,594
70000 Management & General (M&G)					415		\$415
70300 Bank Charges (M&G)				2,321	150	558	\$3,029
70700 Costumes (M&G)					95		\$95
70900 Custodial (M&G)				0	5,940	3,063	\$9,003
71100 Dues & Membership (M&G)				2,351	635	195	\$3,181
71300 Employee Benefits (MG)			12,395	42,931	44,608	14,220	\$114,154
71700 Facility Rent (M&G)				44,509	178,035	178,036	\$400,580

Print Profit and Loss

71900 Information Systems (M&G)			1,773	2,737	5,380	941	\$10,832
72100 Insurance (M&G)	79,838	76,839	58,764	218	70,990	32,951	\$319,601
72300 Interest Expense (M&G)				4,026	2,427	57	\$6,510
72301 Taxes and Licenses (M&G)					10	25	\$35
72500 Legal & Prof Services (M&G)	8,464	12,128	9,010	5,711	23,733	3,410	\$62,456
72700 Mailing (M&G)				5,678	2,568		\$8,246
73100 Miscellaneous Expense (M&G)			4,859	354	0		\$5,213
73300 Office Expense (M&G)	37,345	37,282	22,859	918	6,001	2,335	\$106,740
73500 Outside Service (MG)				428		252	\$680
73700 Payroll Expenses (MG)				127,645	414,945	141,586	\$684,176
73910 Payroll Fees (M&G)				4,895	6,460	3,564	\$14,920
74100 Printing (M&G)				411	111		\$522
74700 Repair & Maintenance (M&G)	3,422	118	298	853	956	2,373	\$8,021
75500 Staff Development (M&G)				89	614		\$704
75700 Technical Equipment (M&G)				906			\$906
76100 Travel (M&G)				3,088	4,873	2,383	\$10,343
76300 Utilities (M&G)	47,530	34,311	32,975	2,555	26,991	11,698	\$156,061
76500 Vehicles (M&G)				456	28		\$484
76700 Volunteer Expense (M&G)				2,515			\$2,515
76800 Volunteer and Staff Meals (M&G)					569	287	\$857
76900 Workers Comp (M&G)				1,060	13,063	7,539	\$21,662
79000 Depreciation (M&G)				2,898			\$2,898
80000 Fundraising (FD)					1,464		\$1,464
80300 Bank Charges (FD)		1,035					\$1,035
80500 Concession Expense (FD) - DO NOT USE WHOLE CAT				(0)	28,418		\$28,418
81900 Information Systems (FD)				1,183			\$1,183
83100 Miscellaneous Expenses (FD)				90			\$90
83300 Office Expense (FD)				84			\$84
83700 Payroll Expenses (FD)				22,213			\$22,213
84100 Printing (FD)				1,367			\$1,367
8801 Cash Differences (deleted)	(14)						\$ (14)
89000 Depreciation (FD)				643			\$643
90000 Reconciliation Discrepancies			2,729	1,250			\$3,980
9100 Capital (deleted)	35,787	9,789					\$45,576
91000 Uncategorized Expense				446			\$446
92000 CYT National Subsidy - Expenses (deleted)	5,000	0					\$5,000
9300 Restricted Major Gift (deleted)	75,413						\$75,413
99000 General Expense Allocation (deleted)			0				\$0
Total Expenses	\$2,702,501	\$2,492,479	\$1,921,606	\$1,817,541	\$1,696,317	\$934,338	\$11,564,782
Net Operating Income	\$ (93,635)	\$ (205,144)	\$ (69,992)	\$48,073	\$107,195	\$396,169	\$182,668
Other Income						1,771	\$1,771
49100 Reimbursed Expenses							\$229,786
99970 Art Beat Close Out 2009 (deleted)	230,640		(854)				
Total Other Income	\$230,640	\$0	\$ (854)	\$0	\$0	\$1,771	\$231,558
Other Expenses							\$0
9998 Transfers-Prepaid Expense (deleted)	0						\$24,907
99990 Audit Adjustments	(10)	4,387	20,530				\$0
99995 Voided Items							\$2,652
99999 Ask my Accountant				2,652	0		\$7,750
Reconciliation Discrepancies-1					7,750		\$7,750
Total Other Expenses	\$ (10)	\$4,387	\$20,530	\$2,652	\$7,750	\$0	\$35,310
Net Other Income	\$230,650	\$ (4,387)	\$ (21,384)	\$ (2,652)	\$ (7,750)	\$1,771	\$196,248
Net Income	\$137,015	\$ (209,531)	\$ (91,375)	\$45,421	\$99,445	\$397,941	\$378,916

Monday, Jun 09, 2014 03:49:26 PM PDT GMT-7 - Accrual Basis

**WORKERS COMPENSATION AND EMPLOYERS LIABILITY
INSURANCE POLICY**

INFORMATION PAGE



Issued by Liberty Mutual Fire Insurance Company (a stock company) 16586

Policy Number	WC2-Z91-458297-014	Issuing Office	Charlotte, NC
Renewal Of	WC2-Z91-458297-013	Issue Date	12/18/2013
Account Number	9-458297	Sub Account	0000
1. Insured and Mailing Address		FEIN	95-3510497
CYT, INC			
1545 PIONEER WAY			
EL CAJON CA 92020			

Association 8754

Status Corporation

Other workplaces not shown above: See Item 4. Premium - Extension of Information Page

2. Policy Period: The policy period is from 01/01/2014 to 01/01/2015 12:01 A.M. standard time at the Insured's mailing address.

3. Coverage

A. Workers Compensation Insurance: Part One of the policy applies to the Workers Compensation Law of the states listed here: CA

B. Employers Liability Insurance: Part Two of the policy applies to work in each state listed in Item 3.A. The limits of our liability under Part Two are:

Bodily Injury by Accident	\$	1,000,000	each accident
Bodily Injury by Disease	\$	1,000,000	policy limit
Bodily Injury by Disease	\$	1,000,000	each employee

C. Other States Insurance: Part Three of the policy applies to the states, if any, listed here:
All States except those listed in Item 3.A and the States of:
ND OH WA WY

D. This policy includes these endorsements and schedules: See Item 3. Coverage D - Extension of Information Page

4. Premium: The premium for this policy will be determined by our Manuals of Rules, Classifications, Rates and Rating Plans. All information required below is subject to verification and change by audit.

Classifications	Code Number	Premium Basis Total Estimated Annual Remuneration	Rate per \$100 of Remuneration	Estimated Annual Premium
See Extension of Information Page				
Minimum Premium	\$1,250 (CA)	Total Estimated Annual Premium	\$	14,526
Premium will be billed Monthly		Deposit Premium	\$	14,526
		Deposit Tax/Surcharge/Assessment	\$	651

Producer 0097 007565
AUTOMATIC DATA PROCESSING INSURANCE
AGENCY INC
ONE ADP BLVD
MS 325
ROSELAND NJ 07068



PHILADELPHIA INSURANCE COMPANIES

A Member of the Tokio Marine Group

One Bala Plaza, Suite 100
Bala Cynwyd, Pennsylvania 19004
610.617.7900 Fax 610.617.7940
PHLY.com

Proposal Date: 12/09/2013
Quotation Number: 7366222

Named Insured: CYT, Inc.

GENERAL LIABILITY

Total: \$ 33,818.00

Balance to Meet Minimum Premium: \$ 223.00

Each Occurrence Limit	\$ 1,000,000
Personal and Advertising Injury Limit	\$ 1,000,000
General Aggregate Limit (Other Than Products – Completed operations)	\$ 2,000,000
Products/Completed Operations Aggregate Limit	\$ 2,000,000
Rented to You Limit	\$ 100,000
Medical Expense Limit (Any One Person)	

Classifications	Class Code	Premium Base	Prem/Op BI/PD Ded	Products BI/PD Ded	Exposure	Premium
CALIFORNIA						
LOC 1 EXHIBITION-IN BLDG-NOC-NFP	63218	ATTENDANT	NONE	INCL	40,500	\$ 13,766.00
LOC 1 PERFORMING ARTS TRAINING	40067	ATTENDANT	NONE	INCL	2,650	\$ 6,434.00
LOC 1 RESTAURANT-OPER CONC-NFP	16820	GROSS SALES	NONE	NONE	44,530	\$ 116.00
LOC 1 THEATRICAL YOUTH CAMP	40067	ATTENDANT	NONE	INCL	600	\$ 583.00
LOC 2 WAREHOUSE-PRIVATE-NFP	68707	AREA	NONE	INCL	1,000	\$ 54.00
LIABILITY DELUXE	44444					\$ 2,093.00
ABUSE AND MOLESTATION	44444	FLAT CHARGE			1	\$ 10,549.00



SAN DIEGO ROCK CHURCH
AND AFFILIATES

Combined Financial Statements
With Independent Auditors' Report

December 31, 2013 and 2012

SAN DIEGO ROCK CHURCH AND AFFILIATES

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INDEPENDENT AUDITORS' REPORT

Board of Directors
San Diego Rock Church and Affiliates
San Diego, California

We have audited the accompanying combined financial statements of San Diego Rock Church and Affiliates (the Church), which comprise the combined statements of financial position as of December 31, 2013 and 2012, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Church's preparation and fair presentation of the combined 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 Church'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 combined 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 Directors
San Diego Rock Church and Affiliates
San Diego, California

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of San Diego Rock Church and Affiliates as of December 31, 2013 and 2012, and the changes in their net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The Schedules of Combining Supplemental Statements of Financial Position and Schedules of Combining Supplemental Statements of Activities shown on pages 14 through 19 are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Capin Crouse LLP

San Diego, California
April 15, 2014

SAN DIEGO ROCK CHURCH AND AFFILIATES

Combined Statements of Activities

	Year Ended December 31,					
	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE, SUPPORT, AND RECLASSIFICATIONS:						
Contributions	\$ 18,600,794	\$ 6,192,353	\$ 24,793,147	\$ 18,811,008	\$ 6,446,456	\$ 25,257,464
Sales, net	248,239	-	248,239	247,433	-	247,433
Tuition and fees, net of scholarships of \$465,480 for 2013 and \$523,007 for 2012	3,045,654	-	3,045,654	2,941,776	-	2,941,776
Program income	1,422,050	-	1,422,050	1,883,859	-	1,883,859
Fundraising events	65,742	-	65,742	64,634	-	64,634
Other	142,753	-	142,753	210,920	-	210,920
Net assets released from restrictions:						
Satisfaction of Pervasive Hope project restrictions	6,441,517	(6,441,517)	-	2,013,592	(2,013,592)	-
Satisfaction of program restrictions	919,350	(919,350)	-	382,317	(382,317)	-
Total Revenue, Support, and Reclassifications	30,886,099	(1,168,514)	29,717,585	26,555,539	4,050,547	30,606,086
EXPENSES:						
Salaries and benefits	15,385,278	-	15,385,278	12,782,953	-	12,782,953
Program expense	4,209,876	-	4,209,876	3,310,266	-	3,310,266
General and administrative	4,484,372	-	4,484,372	4,301,665	-	4,301,665
Depreciation and amortization	4,184,111	-	4,184,111	3,607,179	-	3,607,179
Interest expense	1,710,005	-	1,710,005	2,341,914	-	2,341,914
Facilities expense	1,557,795	-	1,557,795	1,214,934	-	1,214,934
Total Expenses	31,531,437	-	31,531,437	27,558,911	-	27,558,911
Change in Net Assets Before Discontinued Ministry	(645,338)	(1,168,514)	(1,813,852)	(1,003,372)	4,050,547	3,047,175
Discontinued ministry (Note 1)	-	-	-	62,970	-	62,970
Change in Net Assets	(645,338)	(1,168,514)	(1,813,852)	(940,402)	4,050,547	3,110,145
Net Assets, Beginning of Year	11,092,530	4,241,362	15,333,892	12,032,932	190,815	12,223,747
Net Assets, End of Year	\$ 10,447,192	\$ 3,072,848	\$ 13,520,040	\$ 11,092,530	\$ 4,241,362	\$ 15,333,892

See notes to combined financial statements

SAN DIEGO ROCK CHURCH AND AFFILIATES

Combined Statements of Cash Flows

	Year Ended December 31,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (1,813,852)	\$ 3,110,145
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	4,143,554	3,575,192
Amortization of loan fees	40,557	31,987
Write-off of loan fees	5,550	-
Gift-in-kind contribution - thrift store inventory	(41,051)	(84,924)
Gift-in-kind contribution - investments	-	(16,375)
Gain on disposal of fixed assets	(642)	-
Loss on sale of investments	5,650	-
Contributions restricted for building campaign	(5,094,349)	(6,324,114)
Net change in:		
Accounts receivable	68,118	96,308
Inventory	88,656	132,636
Prepaid expenses and deposits	33,014	(173,192)
Accounts payable	262,677	(14,579)
Construction commitments	140,114	-
Accrued expenses	87,395	117,379
Agency funds	(17,669)	9,561
Deferred revenue	28,610	(268,231)
Net Cash Provided by (Used in) Operating Activities	(2,063,668)	191,793
CASH FLOWS FROM INVESTING ACTIVITIES:		
Fixed asset additions	(3,963,663)	(2,459,572)
Proceeds from disposal of property and equipment	27,943	-
Net Cash Used in Investing Activities	(3,935,720)	(2,459,572)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for building campaign	5,094,349	6,324,114
Loan fees paid	(45,300)	-
Payments on notes payable	(2,422,556)	(1,076,042)
Net Cash Provided by Financing Activities	2,626,493	5,248,072
Change in Cash and Cash Equivalents	(3,372,895)	2,980,293
Cash and Cash Equivalents, Beginning of Year	7,281,890	4,301,597
Cash and Cash Equivalents, End of Year	\$ 3,908,995	\$ 7,281,890
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest, none capitalized	\$ 1,774,693	\$ 2,336,836
Refinancing of notes payable	\$ 34,230,000	\$ -

See notes to combined financial statements

SAN DIEGO ROCK CHURCH AND AFFILIATES

Notes to Combined Financial Statements

December 31, 2013 and 2012

1. NATURE OF ORGANIZATION:

The combined financial statements of San Diego Rock Church and Affiliates (collectively referred to as the Church) include the accounts and operations of San Diego Rock Church and Rock Charitable Foundation.

San Diego Rock Church (Rock Church) was incorporated in February 2000 in California as a not-for-profit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code). It is also exempt from state income taxes. Rock Church's primary source of revenue is contributions by the public which are deductible for income tax purposes. Rock Church has been classified as a publicly supported organization, which is not a private foundation under Section 509(a) of the Code.

Rock Church operates Rock Academy (the Academy) which exists to provide a biblically-based education for children attending pre-kindergarten through twelfth grade, as well as a bookstore, a thrift store, two satellite church locations, and a training center.

Rock Charitable Foundation (the Foundation) was incorporated in July 2006. It exists to support the activities of Rock Church, the Academy, and the Marathon ministries. The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Code, and is not a private foundation under Section 509(a) of the Code. During the year ended December 31, 2009, the Foundation formed Save Equip Send Ministries LLC, however, no financial transactions have occurred since formation and therefore no activity is included in the combining schedules. As of December 31, 2013, management is in the process of dissolving Save Equip Send Ministries LLC.

All significant intercompany accounts and transactions have been eliminated in the combination.

DISCONTINUED MINISTRY

San Diego Half Marathon (the Marathon) exists to facilitate the physical, spiritual, mental, emotional, and charitable growth of people especially by involving them in supporting community service projects, and programs that benefit society as a whole, enabling them to see the potential of their abilities, and motivate them to set goals based on their abilities and not fears. The Marathon is exempt from federal income taxes under Section 501(c)(3) of the Code, and is not a private foundation under Section 509(a) of the Code. As of January 1, 2012, the Marathon became economically independent and is no longer consolidated with the Church.

PRINCIPLES OF COMBINATION

The financial statements of the Foundation are combined into the financial statements of the Church because Rock Church controls the Foundation through economic interests also by way of appointing the board of directors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The combined financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. A summary of significant accounting policies followed are described below to enhance the usefulness of the combined financial statements to the reader.

SAN DIEGO ROCK CHURCH AND AFFILIATES

Notes to Combined Financial Statements

December 31, 2013 and 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

CASH AND CASH EQUIVALENTS

For combined statements of financial position and cash flow purposes, cash and cash equivalents include cash on hand, cash on deposit, and money market accounts. These accounts may, at times, exceed the insured limit. The Church has not experienced any losses on such accounts. Interest income from cash and cash equivalents is included in other income and amounted to \$24,805 and \$10,544, for the years ended December 31, 2013 and 2012, respectively.

INVENTORY

Inventory represents items such as books, music CD's, etc from a bookstore operated by Rock Church, as well as textbooks for the Academy and Rock Church Bible classes, and donated thrift store inventory. Purchased inventory is stated at the lower of cost or market on the first-in, first-out method. Donated inventory is stated at market value. Donated inventory received for the years ended December 31, 2013 and 2012, totaled \$361,877 and \$541,462, respectively. Donated inventory is reported in contributions in the combined statements of activities. No reserve for obsolescence has been recorded at December 31, 2013 and 2012.

ACCOUNTS RECEIVABLE

Accounts receivable consist of amounts due for tuition for the Academy and other amounts due for the Church. Accounts receivable for tuition become past due when they exceed their contractual due dates, usually 30 days from when a student leaves mid-semester or after the final payment due date of the semester. The allowance for doubtful accounts receivable is maintained at a level that, in management's judgment, is adequate to absorb probable losses. The amount is based upon an analysis of overall receivables by management. Management's evaluation of the allowance for doubtful accounts includes, but is not limited to, the historical experience of payment, financial condition, other known facts and circumstances, and general economic conditions. This process is based on estimates and ultimate losses may vary from current estimates. As changes in estimates occur, adjustments to the level of the allowance are recorded in the provision for doubtful accounts in the period in which they become known. No finance charges are assessed against past due trade receivables. Allowance for uncollectible accounts was \$3,500 and \$1,500 for the years ended December 31, 2013 and 2012, respectively.

OTHER ASSETS

Other assets consist of equity funds, index funds, bonds, and money markets held in a deferred compensation trust as described in note 10. The assets are stated at fair value based upon quoted prices in active markets for identical assets which is Level 1 of the fair value hierarchy. The Fair Value Measurements and Disclosure Topic of the Accounting Standards Codification (ASC) establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have significant unobservable inputs. The Church uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Church measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are used only when Level 1 or 2 inputs were not available.

SAN DIEGO ROCK CHURCH AND AFFILIATES

Notes to Combined Financial Statements

December 31, 2013 and 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

FIXED ASSETS

Expenditures for fixed assets over \$1,000 are capitalized at cost. Donated items are recorded at the fair market value on the date of the gift. Depreciation is computed on the straight line method over the estimated useful lives of the assets. Useful lives range from 20-30 years for buildings and building improvements, 20 years for land improvements, 3-7 years for furniture and equipment, 3 years for web development costs, and 5 years for vehicles.

NET ASSETS

The combined financial statements report amounts by class of net assets:

Unrestricted net assets are those currently available at the discretion of the board for use in the operations of the Church and those resources invested in land, buildings, and equipment.

Temporarily restricted net assets are those stipulated by donors for specific operating purposes or for the acquisition of fixed assets.

All contributions are considered available for unrestricted use, unless specifically restricted by the donor or subject to legal restrictions. For contributions restricted by donors for the acquisition of property or other long-lived assets, the restriction is considered to be met when the property or other long-lived asset is placed into service.

PUBLIC SUPPORT, REVENUE, AND EXPENSES

Contributions are recorded when cash or unconditional promises-to-give have been received or ownership of donated assets is transferred to the Church. The Church records contributions as temporarily restricted if they are received with donor stipulations that limit their use either through purpose or time restrictions, or both. When donor restrictions expire, that is when the purpose restriction is fulfilled or the time restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statements of activities as net assets released from restrictions.

Program and tuition income is recorded when earned and consists of fees for camps, retreats, and other ministry related activities. Other income is recorded when earned. Expenses are recorded when incurred in accordance with the accrual basis of accounting. Bookstore sales are reported net of cost of goods sold which totaled \$390,251 and \$313,782 for the years ended December 31, 2013 and 2012, respectively. Thrift store sales are also reported net of cost of goods sold. However, since thrift store inventory is donated net sales net to zero.

SAN DIEGO ROCK CHURCH AND AFFILIATES

Notes to Combined Financial Statements

December 31, 2013 and 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various program services and supporting activities have been summarized on a functional basis in a note to the combined financial statements. Accordingly, certain costs, such as depreciation and payroll, have been allocated among the program services and supporting activities. Currently, there are no joint costs that have been allocated among program, general and administrative, and fundraising functions.

USE OF ESTIMATES

The preparation of combined 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.

LOAN FEES

Loan fees are being amortized on a straight-line basis over the life of the loan. Amortization of these costs began in September 2005 and have been updated to reflect the loan refinance that took place in 2013. The amortization of these costs will conclude in May 2023. Amortization expense for capitalized loan fees for the years ended December 31, 2013 and 2012, totaled \$40,557 and \$31,987, respectively.

DEFERRED REVENUE

Deferred revenue results primarily from deposits received for fall enrollment. Deferred revenue also represents fees received in advance for future services, primarily related to ministry conferences and events.

ADVERTISING

Advertising is used to communicate church sponsored events to members and non-members. Advertising costs are expensed as incurred. For the years ended December 31, 2013 and 2012, advertising costs were \$47,620 and \$55,335, respectively.

UNCERTAIN TAX POSITIONS

The combined financial statement effects of a tax position taken or expected to be taken are recognized in the combined financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the combined statements of activities. As of December 31, 2013 and 2012, Rock Church had no uncertain tax positions that qualify for recognition or disclosure in the combined financial statements.

RECLASSIFICATION

Certain amounts in the 2012 combined statements of financial position and footnotes have been reclassified to conform with the 2013 presentation format.

SAN DIEGO ROCK CHURCH AND AFFILIATES

Notes to Combined Financial Statements

December 31, 2013 and 2012

3. PREPAID EXPENSES AND DEPOSITS:

Prepaid expenses and deposits consist of:

	December 31,	
	2013	2012
Building security deposits	\$ 90,080	\$ 91,237
Prepaid rent	16,352	12,782
Prepaid insurance	64,775	104,577
Prepaid services	87,827	72,532
Prepaid event costs	50,014	60,934
	\$ 309,048	\$ 342,062

4. DEPOSIT ON REAL ESTATE:

On March 24, 2003, Rock Church entered into an agreement for the purchase of real estate located within the Training Center Redevelopment Project. Rock Church was exploring options for use of the building located on the property in its operations. In conjunction with the purchase agreement, Rock Church was required to make a deposit in the amount of \$860,000. The agreement expired February 1, 2010, and Rock Church decided not to pursue this purchase. As a result, the Church has recorded an allowance of \$760,000 because it is uncertain as to whether Church will be able to recover the entire deposit.

5. FIXED ASSETS:

Fixed assets consist of:

	December 31,	
	2013	2012
Land	\$ 4,500,000	\$ 4,500,000
Building	42,127,327	42,102,804
Leasehold improvements	3,873,857	767,878
Furniture and equipment	13,026,637	12,549,785
Web development costs	961,103	600,540
Vehicles	73,458	43,747
Capital leases	276,269	276,269
	64,838,651	60,841,023
Less accumulated depreciation and amortization	(19,941,227)	(15,872,183)
	44,897,424	44,968,840
Construction in process	26,233	162,009
Fixed assets - at cost, net	44,923,657	45,130,849
Add prepaid loan fees	42,280	43,087
Less construction commitments	(140,114)	-
Less debt secured by fixed assets	(33,850,887)	(36,273,443)
Net investment in fixed assets	\$ 10,974,936	\$ 8,900,493

SAN DIEGO ROCK CHURCH AND AFFILIATES

Notes to Combined Financial Statements

December 31, 2013 and 2012

6. LEASES:

Rock Church holds operating leases for office space, retail space, program facilities, and office equipment with cumulative monthly payments of \$69,849, expiring at various dates through October 2018.

Lease expense for the years ended December 31, 2013 and 2012, was \$759,915 and \$558,548, respectively.

Future minimum lease payments are:

<u>Year Ending December 31,</u>	
2014	\$ 590,653
2015	493,926
2016	514,042
2017	204,678
2018	<u>64,898</u>
	<u><u>\$ 1,868,197</u></u>

7. NOTES PAYABLE:

Notes payable consist of:

	<u>December 31,</u>	
	<u>2013</u>	<u>2012</u>
Note payable to a credit union, secured by real property, with principal and interest payments of \$185,507 due monthly at a fixed rate of 4.25%. A balloon payment of \$24,836,668 is due May 1, 2023.	\$ 33,779,642	\$ -
Note payable to a credit union, secured by real property, with principal and interest payments of \$183,165 due monthly at a fixed rate of 6.00%. This note was refinanced in 2013.	-	24,220,183
Note payable to a credit union, secured by real property, with principal and interest payments of \$97,063 due monthly at a fixed rate of 7.00%. This note was refinanced in 2013.	-	11,929,329
Capital lease for copier equipment with monthly payments of \$4,974, maturing April 2015.	<u>71,245</u>	<u>123,931</u>
	33,850,887	36,273,443
Less current portion	<u>(862,583)</u>	<u>(1,068,922)</u>
	<u><u>\$ 32,988,304</u></u>	<u><u>\$ 35,204,521</u></u>

SAN DIEGO ROCK CHURCH AND AFFILIATES

Notes to Combined Financial Statements

December 31, 2013 and 2012

7. NOTES PAYABLE, continued:

Annual maturities are:

<u>Year Ending December 31,</u>		
2014	\$	862,583
2015		855,774
2016		873,625
2017		915,332
2018		955,000
Thereafter		<u>29,388,573</u>
	<u>\$</u>	<u>33,850,887</u>

LOAN COVENANTS

In conjunction with notes payable, Rock Church is required to comply with certain reporting covenants. As of December 31, 2013 and 2012, Rock Church was in compliance with the covenants.

8. FUNCTIONAL EXPENSE ALLOCATION:

The following is an allocation of expenses by function:

	<u>December 31,</u>	
	<u>2013</u>	<u>2012</u>
Program services	\$ 24,919,982	\$ 21,489,300
Supporting activities:		
General and administrative	6,133,812	5,505,661
Fundraising	<u>477,643</u>	<u>563,950</u>
	<u>\$ 31,531,437</u>	<u>\$ 27,558,911</u>

9. NET ASSETS:

Unrestricted net assets are available for:

	<u>December 31,</u>	
	<u>2013</u>	<u>2012</u>
Unrestricted undesignated	\$ (627,748)	\$ 2,192,037
Unrestricted board designated	100,004	-
Net investment in fixed assets	<u>10,974,936</u>	<u>8,900,493</u>
	<u>\$ 10,447,192</u>	<u>\$ 11,092,530</u>

SAN DIEGO ROCK CHURCH AND AFFILIATES

Notes to Combined Financial Statements

December 31, 2013 and 2012

9. NET ASSETS, continued:

Temporarily restricted net assets are available for:

	December 31,	
	2013	2012
Pervasive Hope campaign: debt reduction and ministry projects	\$ 1,646,525	\$ 2,993,693
Impact 195: ministry expansion	1,000,000	1,000,000
Outreach ministries	261,439	194,989
Missionary support	135,127	-
Capital projects	15,000	15,000
School scholarships	14,757	37,680
	<u>\$ 3,072,848</u>	<u>\$ 4,241,362</u>

10. PENSION PLAN AND DEFERRED COMPENSATION:

The Rock Church has a defined contribution pension plan (the plan) under Internal Revenue Code Section 403(b). All full-time employees are eligible to participate and can voluntarily contribute to the plan in accordance with plan specifications. Rock Church makes certain discretionary annual contributions. Total expense for the years ended December 31, 2013 and 2012, was \$159,051 and \$36,125, respectively.

Rock Church has adopted a plan to fund a deferred compensation trust. The trust has been established as grantor trust as defined by the Internal Revenue Code. The trust is irrevocable by Rock Church and the trust assets are subject to the claims of Rock Church's creditors. The plan requires that trust assets and any earnings thereon are to be held separate and apart from other assets of Rock Church. The assets and related liability were \$449,925 and \$325,878 for the years ended December 31, 2013 and 2012, respectively and reported in other liabilities on the combined statements of financial position.

11. RELATED PARTY TRANSACTIONS:

The Church uses a donor software vendor which is compensated by fees paid by the merchant bank. This software is from a company partly owned by an executive team member. Total fees paid to the merchant were \$207,868 and \$175,708 for the years ended December 31, 2013 and 2012, respectively.

12. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through the report date, which represents the date the combined financial statements were available to be issued. Subsequent events after that date have not been evaluated.

SUPPLEMENTAL INFORMATION

SAN DIEGO ROCK CHURCH AND AFFILIATES

Supplemental Combining Statement of Financial Position

December 31, 2013

	Rock Church	Academy	Foundation	Eliminating	Total
ASSETS:					
Current assets:					
Cash and cash equivalents	\$ 3,886,901	\$ 21,777	\$ 317	\$ -	\$ 3,908,995
Investments	10,725	-	-	-	10,725
Accounts receivable, net	261,958	6,579	-	(216,788)	51,749
Inventory	354,193	-	-	-	354,193
Prepaid expenses and deposits	276,325	31,919	804	-	309,048
Deposit on real estate, net	100,000	-	-	-	100,000
	<u>4,890,102</u>	<u>60,275</u>	<u>1,121</u>	<u>(216,788)</u>	<u>4,734,710</u>
Loan fees - at cost, net	42,280	-	-	-	42,280
Other assets	449,925	-	-	-	449,925
Fixed assets - at cost, net	44,872,213	51,444	-	-	44,923,657
	<u>\$ 50,254,520</u>	<u>\$ 111,719</u>	<u>\$ 1,121</u>	<u>\$ (216,788)</u>	<u>\$ 50,150,572</u>
LIABILITIES AND NET ASSETS:					
Current liabilities:					
Accounts payable	\$ 984,128	\$ 237,317	\$ -	\$ (216,788)	\$ 1,004,657
Construction commitments	140,114	-	-	-	140,114
Accrued expenses	717,181	174,342	-	-	891,523
Agency funds	2,589	-	-	-	2,589
Deferred revenue	10,845	279,992	-	-	290,837
Notes payable - current portion	862,583	-	-	-	862,583
	<u>2,717,440</u>	<u>691,651</u>	<u>-</u>	<u>(216,788)</u>	<u>3,192,303</u>
Other liabilities	449,925	-	-	-	449,925
Notes payable - net of current portion	32,988,304	-	-	-	32,988,304
	<u>36,155,669</u>	<u>691,651</u>	<u>-</u>	<u>(216,788)</u>	<u>36,630,532</u>
Net assets:					
Unrestricted	10,940,756	(594,689)	1,121	-	10,347,188
Unrestricted board designated	100,004	-	-	-	100,004
Temporarily restricted	3,058,091	14,757	-	-	3,072,848
Total net assets	<u>14,098,851</u>	<u>(579,932)</u>	<u>1,121</u>	<u>-</u>	<u>13,520,040</u>
	<u>\$ 50,254,520</u>	<u>\$ 111,719</u>	<u>\$ 1,121</u>	<u>\$ (216,788)</u>	<u>\$ 50,150,572</u>

SAN DIEGO ROCK CHURCH AND AFFILIATES

Supplemental Combining Statement of Financial Position

December 31, 2012

	Rock Church	Academy	Foundation	Eliminating	Total
ASSETS:					
Current assets:					
Cash and cash equivalents	\$ 6,935,089	\$ 343,222	\$ 3,579	\$ -	\$ 7,281,890
Investments	16,375	-	-	-	16,375
Accounts receivable, net	327,711	35,020	-	(242,864)	119,867
Inventory	401,798	-	-	-	401,798
Prepaid expenses and deposits	321,515	19,589	958	-	342,062
Deposit on real estate, net	100,000	-	-	-	100,000
	<u>8,102,488</u>	<u>397,831</u>	<u>4,537</u>	<u>(242,864)</u>	<u>8,261,992</u>
Loan fees - at cost, net	43,087	-	-	-	43,087
Other assets	325,878	-	-	-	325,878
Fixed assets - at cost, net	45,044,399	86,450	-	-	45,130,849
Total Assets	<u>\$ 53,515,852</u>	<u>\$ 484,281</u>	<u>\$ 4,537</u>	<u>\$ (242,864)</u>	<u>\$ 53,761,806</u>
LIABILITIES AND NET ASSETS:					
Current liabilities:					
Accounts payable	\$ 715,016	\$ 271,055	\$ -	\$ (244,091)	\$ 741,980
Accrued expenses	670,721	133,407	-	-	804,128
Agency funds	113	20,145	-	-	20,258
Deferred revenue	10,695	251,532	-	-	262,227
Notes payable - current portion	1,068,922	-	-	-	1,068,922
	<u>2,465,467</u>	<u>676,139</u>	<u>-</u>	<u>(244,091)</u>	<u>2,897,515</u>
Other liabilities	325,878	-	-	-	325,878
Notes payable, net of current portion	35,204,521	-	-	-	35,204,521
	<u>37,995,866</u>	<u>676,139</u>	<u>-</u>	<u>(244,091)</u>	<u>38,427,914</u>
Net assets:					
Unrestricted	11,316,304	(229,538)	4,537	1,227	11,092,530
Temporarily restricted	4,203,682	37,680	-	-	4,241,362
Total net assets	<u>15,519,986</u>	<u>(191,858)</u>	<u>4,537</u>	<u>1,227</u>	<u>15,333,892</u>
Total Liabilities and Net Assets	<u>\$ 53,515,852</u>	<u>\$ 484,281</u>	<u>\$ 4,537</u>	<u>\$ (242,864)</u>	<u>\$ 53,761,806</u>

SAN DIEGO ROCK CHURCH

Supplemental Combining Statement of Activities

Year Ended December 31, 2013

	Rock Church		Academy		Total
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	
REVENUE, SUPPORT, and RECLASSIFICATIONS:					
Contributions	\$ 18,553,580	\$ 6,089,066	\$ 24,642,646	\$ 103,287	\$ 150,501
Sales, net	248,239	-	248,239	-	-
Tuition and fees, net of scholarships of \$465,480	-	-	-	-	3,336,338
Program revenue	1,270,864	-	1,270,864	151,186	151,186
Fundraising events	-	-	65,742	-	65,742
Other	142,749	-	142,749	-	-
Net assets released from restrictions:					
Satisfaction of Pervasive Hope project restrictions	6,441,517	(6,441,517)	-	-	-
Satisfaction of program restrictions	793,140	(793,140)	126,210	(126,210)	-
Total Revenue, Support, and Reclassifications	27,450,089	(1,145,591)	26,304,498	(22,923)	3,703,767
EXPENSES:					
Salaries and benefits	12,901,617	-	12,901,617	-	2,773,118
Program expense	3,730,838	-	3,730,838	479,038	479,038
General and administrative	3,934,439	-	3,934,439	174,531	174,531
Depreciation and amortization	4,140,200	-	4,140,200	43,911	43,911
Interest expense	1,710,005	-	1,710,005	-	-
Facilities expense	1,308,534	-	1,308,534	621,243	621,243
Total Expenses	27,725,633	-	27,725,633	4,091,841	4,091,841
Change in Net Assets Before Discontinued Ministry	(275,544)	(1,145,591)	(1,421,135)	(22,923)	(388,074)
Discontinued ministry	-	-	-	-	-
Change in Net Assets	(275,544)	(1,145,591)	(1,421,135)	(22,923)	(388,074)
Net Assets, Beginning of Year	11,316,304	4,203,682	15,519,986	37,680	(191,858)
Net Assets, End of Year	\$ 11,040,760	\$ 3,058,091	\$ 14,098,851	\$ 14,757	\$ (579,932)

continued

SAN DIEGO ROCK CHURCH

Supplemental Combining Statement of Activities

(Continued)

	Year Ended December 31, 2013				
	Unrestricted	Foundation		Eliminating	Total
		Temporarily Restricted	Total		
REVENUE, SUPPORT, and RECLASSIFICATIONS:					
Contributions	\$ -	\$ -	\$ -	\$ -	\$ 24,793,147
Sales, net	-	-	-	-	248,239
Tuition and fees, net of scholarships of \$465,480	-	-	(290,684)	-	3,045,654
Program revenue	-	-	-	-	1,422,050
Fundraising events	-	-	-	-	65,742
Other	4	-	4	-	142,753
Net assets released from restrictions:					
Satisfaction of Pervasive Hope project restrictions	-	-	-	-	-
Satisfaction of program restrictions	-	-	-	-	-
Total Revenue, Support, and Reclassifications	4	-	4	(290,684)	29,717,585
EXPENSES:					
Salaries and benefits	-	-	-	(289,457)	15,385,278
Program expense	-	-	-	-	4,209,876
General and administrative	3,420	-	3,420	371,982	4,484,372
Depreciation and amortization	-	-	-	-	4,184,111
Interest expense	-	-	-	-	1,710,005
Facilities expense	-	-	-	(371,982)	1,557,795
Total Expenses	3,420	-	3,420	(289,457)	31,531,437
Change in Net Assets Before Discontinued Ministry	(3,416)	-	(3,416)	(1,227)	(1,813,852)
Discontinued ministry	-	-	-	-	-
Change in Net Assets	(3,416)	-	(3,416)	(1,227)	(1,813,852)
Net Assets, Beginning of Year	4,537	-	4,537	1,227	15,333,892
Net Assets, End of Year	<u>\$ 1,121</u>	<u>\$ -</u>	<u>\$ 1,121</u>	<u>\$ -</u>	<u>\$ 13,520,040</u>

SAN DIEGO ROCK CHURCH

Supplemental Combining Statement of Activities

	Year Ended December 31, 2012					
	Rock Church		Academy			
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE, SUPPORT, and RECLASSIFICATIONS:						
Contributions	\$ 18,823,815	\$ 6,324,114	\$ 25,147,929	\$ 67,650	\$ 122,342	\$ 189,992
Sales, net	237,166	-	237,166	-	-	-
Tuition and fees, net of scholarships of \$523,007	-	-	-	3,198,553	-	3,198,553
Program revenue	1,803,679	-	1,803,679	80,180	-	80,180
Fundraising events	-	-	-	64,634	-	64,634
Other	235,870	-	235,870	-	-	-
Net assets released from restrictions:						
Satisfaction of Pervasive Hope project restrictions	2,013,592	(2,013,592)	-	-	-	-
Satisfaction of program restrictions	261,803	(261,803)	-	120,514	(120,514)	-
Total Revenue, Support, and Reclassifications	<u>23,375,925</u>	<u>4,048,719</u>	<u>27,424,644</u>	<u>3,531,531</u>	<u>1,828</u>	<u>3,533,359</u>
EXPENSES:						
Salaries and benefits	10,451,037	-	10,451,037	2,562,527	-	2,562,527
Program expense	2,879,903	-	2,879,903	433,642	-	433,642
General and administrative	3,617,750	-	3,617,750	350,749	-	350,749
Depreciation and amortization	3,565,595	-	3,565,595	41,584	-	41,584
Interest expense	2,341,869	-	2,341,869	45	-	45
Facilities expense	996,171	-	996,171	540,605	-	540,605
Total Expenses	<u>23,852,325</u>	<u>-</u>	<u>23,852,325</u>	<u>3,929,152</u>	<u>-</u>	<u>3,929,152</u>
Change in Net Assets Before Discontinued Ministry	(476,400)	4,048,719	3,572,319	(397,621)	1,828	(395,793)
Discontinued ministry	-	-	-	-	-	-
Change in Net Assets	<u>(476,400)</u>	<u>4,048,719</u>	<u>3,572,319</u>	<u>(397,621)</u>	<u>1,828</u>	<u>(395,793)</u>
Net Assets, Beginning of Year	11,792,704	154,963	11,947,667	168,083	35,852	203,935
Net Assets, End of Year	<u>\$ 11,316,304</u>	<u>\$ 4,203,682</u>	<u>\$ 15,519,986</u>	<u>\$ (229,538)</u>	<u>\$ 37,680</u>	<u>\$ (191,858)</u>

continued

