

***The New York City Church of
Christ, Inc.***

Independent Auditors' Report

Financial Statements

Year Ended December 31, 2001

THE NEW YORK CITY CHURCH OF CHRIST, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
The New York City Church of Christ, Inc.

We have audited the accompanying statement of financial position of The New York City Church of Christ, Inc. (the "Church") as of December 31, 2001, and the related statements of activities and of cash flows for the year then ended. These financial statements are the responsibility of the Church's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of The New York City Church of Christ, Inc. as of December 31, 2001, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

July 2, 2002

Deloitte
Touche
Tohmatsu

THE NEW YORK CITY CHURCH OF CHRIST, INC.

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2001

ASSETS

Cash and Cash Equivalents (Note 2)	\$ 1,890,874
Investments (Note 2)	101,961
Receivables and Other Assets (Note 5)	342,770
Property and Equipment (Net of accumulated depreciation of \$365,041) (Note 4)	<u>455,691</u>
TOTAL ASSETS	<u>\$ 2,791,296</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued liabilities (Note 5)	\$ 650,888
Current portion of long-term debt (Note 6)	<u>8,861</u>
Total current liabilities	659,749

LONG-TERM LIABILITIES

Mortgage Payable (Note 6)	<u>191,845</u>
Total liabilities	<u>851,594</u>

NET ASSETS

Unrestricted (Note 2)	1,827,150
Temporarily restricted (Note 2)	<u>112,552</u>
Total net assets	<u>1,939,702</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,791,296</u>
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The accompanying notes to financial statements are an integral part of these statements.

THE NEW YORK CITY CHURCH OF CHRIST, INC.

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2001

	Unrestricted	Temporarily Restricted	Total
REVENUES (Notes 1 and 2):			
Weekly contributions	\$ 10,086,606	\$ -	\$ 10,086,606
Mission contributions	504,770	-	504,770
Special events	937,320	-	937,320
Benevolence	590,697	-	590,697
Outside subsidy (Notes 5 and 9)	254,360	-	254,360
Interest income	79,449	-	79,449
Miscellaneous	416,524	117,196	533,720
Net assets released from restrictions	<u>24,498</u>	<u>(24,498)</u>	<u>-</u>
Total revenue	<u>12,894,224</u>	<u>92,698</u>	<u>12,986,922</u>
EXPENSES (Note 7):			
Ministry	11,857,991	-	11,857,991
Administrative	<u>1,517,527</u>	<u>-</u>	<u>1,517,527</u>
Total expenses	<u>13,375,518</u>	<u>-</u>	<u>13,375,518</u>
CHANGE IN NET ASSETS	(481,294)	92,698	(388,596)
NET ASSETS			
Beginning of year	<u>2,308,444</u>	<u>19,854</u>	<u>2,328,298</u>
NET ASSETS			
End of year	<u>\$ 1,827,150</u>	<u>\$ 112,552</u>	<u>\$ 1,939,702</u>

The accompanying notes to financial statements are an intergral part of these statements.

THE NEW YORK CITY CHURCH OF CHRIST, INC.

STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2001

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets \$ (388,596)

ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES:

Depreciation 76,820

Changes in operating assets and liabilities:

Receivables and other assets (192,559)

Accounts payable and accrued liabilities 366,884

Net cash used in operating activities (137,451)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from the maturity of investments 50,298

Purchase of investments (45,486)

Purchase of furniture and equipment (40,995)

Net cash used in investing activities (36,183)

CASH FLOWS FROM FINANCING ACTIVITIES

Repayment of mortgage payable (6,635)

NET DECREASE IN CASH

(180,269)

CASH AND CASH EQUIVALENTS

Beginning of the year 2,071,143

CASH AND CASH EQUIVALENTS

End of the year \$ 1,890,874

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

THE NEW YORK CITY CHURCH OF CHRIST, INC.

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2001

1. ORGANIZATION

The New York City Church of Christ, Inc. (the "Church") is a nondenominational church affiliated with the International Churches of Christ. The Church was established in 1983 and currently disciples to the New York City region (New York and New Jersey) as well as extending aid and support to other domestic Church of Christ congregations and foreign missions, as needed.

Revenues

Weekly - Consist of collections from Church members at regular weekly services. Weekly contributions are used for general operations as well as special programs of the Church.

Missions - Represents contributions from Church members in excess of the Church's budgeted share of donations to ACES World Sector, Inc. ("ACES"). The Church collects donations from Church members, which are designated for ACES' worldwide missions and missions' administration. Such donations are not reflected as revenue on the Church's financial statements. The Church acts in the capacity of agent for these donations and remits budgeted amounts to ACES (See Note 5). The excess over designated budgeted amounts is included as revenues and is available to fund general operations of the Church.

Other Revenues - In addition, the Church generates revenues from special events, interest income and other activities. These revenues are used to support general operations and specialty ministries within the Church.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The accompanying financial statements include all accounts of the Church prepared on the accrual basis.

The net assets of the Church and changes therein are classified and reported as follows:

- Unrestricted net assets are utilized to account for support and revenues that are absent of donor-imposed restrictions. Included in unrestricted net assets are legally unrestricted board appropriated or designated amounts. Unrestricted net assets include general, weekly and missions contributions, special events, and interest and other income.
- Temporarily restricted net assets consist of donations restricted by donors for miscellaneous programs within the Church. Temporarily restricted net assets at December 31, 2001 relate to adoption activities and various member donations.

Revenues are reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets are reported as reclassifications between the applicable classes of net assets.

Management's Use of Estimates - The presentation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash - At December 31, 2001, the Church had bank deposits in excess of federally insured limits of approximately \$1,700,000.

Cash Equivalents - Cash equivalents consist of highly liquid investments with original maturities of three months or less.

Investments - Investments consist of certificates of deposit carried at cost, which approximates market value.

Property and Equipment - Property and equipment are recorded at cost and depreciated over an estimated useful life of 30 years for building, five years for furniture, equipment and leasehold improvements, three years for computer equipment, using the straight-line method.

3. TAX STATUS

The Church has been determined by the Internal Revenue Service to be exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code by a determination letter dated April 18, 1985.

4. PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Expenditures for maintenance and repairs are charged to expense when incurred whereas improvements are capitalized as additions to property and equipment.

A breakdown of property and equipment by class as of December 31 follows:

Building	\$ 332,362
Leasehold improvements	90,528
Furniture and equipment	<u>397,842</u>
Total cost	820,732
Less accumulated depreciation	<u>(365,041)</u>
Property and equipment - Net	<u>\$ 455,691</u>

5. COMMITMENTS

The Church is obligated under certain noncancellable operating leases for its administrative offices, which provide for rental increases over the minimum rental for operating expenses, real estate tax increases and concessions during the terms of the leases.

Minimum future rental payments are:

2002	\$ 359,447
2003	344,087
2004	209,517
2005	118,512
2006	<u>59,257</u>
Total minimum payments	<u>\$1,090,820</u>

Rental expense for administrative offices for the year ended December 31, 2001 was \$157,540.

The Church will receive sub-lease income of \$12,000 a year under a noncancellable operating lease that ends in April 2003 for its administrative office located in Port Washington, NY. The lease ends in April 2004.

In addition, the Church enters into short-term lease agreements with various facilities throughout the tri-state area to conduct weekly services. Rent expense for these facilities for the year ended December 31, 2001 amounted to \$1,952,900.

The Church has agreed to fund certain organizations associated with the International Church of Christ. For 2002, the Church has committed \$2,246,400, \$369,600 and \$369,600 to ACES; Hope Worldwide ("HOPE") and the International Church of Christ Missions Society ("ICCMS"), respectively. The 2001 payments to ACES, HOPE, and ICCMS were \$2,636,000, \$380,820 and \$380,820, respectively. The ACES funding is treated as an agency transaction by the Church and is not recorded in the Church's Statement of Activities (Note 1). The commitment to HOPE is contingent upon the Church receiving sufficient contributions from its members in 2002 to fund such payment, and is therefore not recorded as a contribution payable as of December 31, 2001. The ICCMS payment is based on an association agreement and relates to 2002; therefore, it is not recorded as a liability as of December 31, 2001.

Due to the termination of certain long-term employees, the Church entered into severance agreements totaling \$280,985 for the period ended December 31, 2001. This amount is included in the Statement of Financial Position as of December 31, 2001. Of this amount, \$254,600 will be subsidized by ACES (Note 9).

6. MORTGAGE PAYABLE

The mortgage is payable to Greenpoint Mortgage Corporation with monthly principal and interest payments of \$2,137 and matures in September 2014. The mortgage is secured by the parsonage and bears interest at 8.125%.

Total mortgage payable	\$ 200,706
Less current portion	<u>8,861</u>
Total long-term mortgage payable	<u>\$ 191,845</u>

Long-term mortgage principal payments are due as follows:

2002	\$ 8,861
2003	10,447
2004	11,328
2005	12,284
2006	13,320
Thereafter	<u>144,466</u>
Total	<u>\$ 200,706</u>

7. SCHEDULE OF FUNCTIONAL EXPENSES

The Church has functionalized its expenses according to two categories. These categories are ministry and administrative.

Ministry expenses are costs directly incurred as the Church disciples to the New York City region. This includes expenses such as minister salaries, benefits, professional reimbursement, rental fees for services, and contributions to affiliated and charitable organizations.

Included in administrative expenses are those costs necessary to run the Church office and its regional sectors. This consists of financial administration salaries, benefits, office rent, telephone, utilities, and other miscellaneous expenses associated with the daily operations of the Church offices.

Functional expenses for the year ended December 31, 2001 were comprised of the following:

	Ministry	Administrative	Total
Salaries	\$ 3,938,576	\$ 961,338	\$ 4,899,914
Benefits	532,405	82,524	614,929
Pension	126,490	23,790	150,280
Parsonage	1,415,644	-	1,415,644
Payroll tax	92,697	73,311	166,008
Rent	1,979,991	157,540	2,137,531
Professional reimbursements	625,117	-	625,117
Postage and printing	20,396	8,257	28,653
Telephone and utilities	47,408	21,574	68,982
Supplies	40,060	12,025	52,085
Education and training	189,524	17,693	207,217
Travel and meals	33,224	9,388	42,612
Insurance	122,446	12,689	135,135
Professional fees	54,448	35,984	90,432
Bank charges and interest	42,065	-	42,065
Recruitment / Moving	9,655	8,341	17,996
Depreciation	8,494	68,326	76,820
Maintenance	4,337	213	4,550
Benevolence / Hope Worldwide	928,839	-	928,839
International Missions Management	380,820	-	380,820
Special events	1,182,041	-	1,182,041
Miscellaneous	83,314	24,534	107,848
	<u>\$ 11,857,991</u>	<u>\$ 1,517,527</u>	<u>\$ 13,375,518</u>

8. RETIREMENT PLAN

The Church has a 403(b) tax deferred annuity retirement plan (the "Plan"). The Plan's contribution is based upon employee age and ranges from \$1,500 to \$10,500 annually per eligible employee. There is an additional contribution to the Plan for those employees who are exempted from self-employment tax equal to 14.1% of their gross salaries. Pension expense for the year ended December 31, 2001 was \$150,280.

9. RELATED PARTY TRANSACTIONS

ACES World Sector has agreed to subsidize the Church for severance agreements entered into during 2001 totaling \$254,360; such amounts have been recorded as outside subsidy in the Church's Statement of Activities (Note 5).

10. SUBSEQUENT EVENT

In 2002, the Church terminated additional long-term employees and entered into severance agreements totaling \$336,101; of this amount ACES will subsidize \$103,000 and the Los Angeles Church of Christ will subsidize \$90,000.

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