

**Redeemer Presbyterian Church
Of New York City and Affiliate**

Consolidated Financial Statements

December 31, 2008



O'Connor Davies Munns & Dobbins, llp
ACCOUNTANTS AND CONSULTANTS



O'Connor Davies Munns & Dobbins, llp
ACCOUNTANTS AND CONSULTANTS

Independent Auditors' Report

To The Trustees and the Session Redeemer Presbyterian Church of New York City and Affiliate

We have audited the accompanying consolidated statement of financial position of Redeemer Presbyterian Church of New York City and Affiliate (“Redeemer”) as of December 31, 2008, and the related consolidated statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Redeemer's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Redeemer's 2007 financial statements and, in our report dated May 29, 2008, we expressed an unqualified opinion on those financial statements.

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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Redeemer's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Redeemer Presbyterian Church of New York City and Affiliate at December 31, 2008, 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.

O'Connor Davies Munns & Dobbins, llp

New York, NY
June 30, 2009

**Redeemer Presbyterian Church
of New York City and Affiliate**

Consolidated Statement of Financial Position

December 31, 2008
(with comparative amounts for 2007)

	2008	2007
ASSETS		
Cash and cash equivalents	\$ 15,149,407	\$ 15,450,128
Investments	2,675	1,952,233
Cash surrender value of life insurance	146,622	140,162
Prepaid expenses and other current assets	249,192	197,553
Lease security deposits	461,575	461,575
Furnishings, equipment and leasehold improvements, net	947,844	1,084,789
Real estate and related costs	25,147,277	2,859,281
	\$ 42,104,592	\$ 22,145,721
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 915,229	\$ 776,760
Capital lease obligation	65,245	120,749
Security deposit payable	80,000	-
Deferred rent credit	372,405	363,341
Mortgage loan payable	17,200,000	-
Total Liabilities	18,632,879	1,260,850
Net Assets		
Unrestricted		
Current operating	4,072,960	2,306,635
Redeemer CityNet (Church Planting Center)	1,820,397	2,573,656
Investment in furnishings, equipment and leasehold improvements	843,520	976,236
Total Unrestricted Net Assets	6,736,877	5,856,527
Temporarily Restricted		
Vision Campaign 2006 - 2008	4,329,877	8,728,584
Vision Campaign real estate purchase	7,875,698	2,859,281
Other	4,529,261	3,440,479
Total Temporarily Restricted Net Assets	16,734,836	15,028,344
Total Net Assets	23,471,713	20,884,871
	\$ 42,104,592	\$ 22,145,721

See notes to financial statements

**Redeemer Presbyterian Church
of New York City and Affiliate**

Consolidated Statement of Activities

Year Ended December 31, 2008
(with summarized totals for 2007)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2008 Total</u>	<u>2007 Total</u>
CONTRIBUTIONS AND REVENUE				
Contributions				
General	\$ 10,637,087	\$ -	\$ 10,637,087	\$ 10,164,031
Vision Campaign 2006 - 2008	-	2,878,649	2,878,649	5,201,231
Mercy and Justice	-	787,200	787,200	626,730
Redeemer CityNet	-	2,096,307	2,096,307	1,340,608
Real estate purchase	-	1,047,985	1,047,985	1,790,075
Other	280,009	288,686	568,695	905,593
Total Contributions	<u>10,917,096</u>	<u>7,098,827</u>	<u>18,015,923</u>	<u>20,028,268</u>
Revenue				
Counseling	549,590	-	549,590	404,346
Ministry program	228,792	-	228,792	140,594
Sales of sermons, books, and others	818,303	-	818,303	757,257
Investment income	503,772	140,841	644,613	467,640
Rental income	142,000	-	142,000	-
Total Revenue	<u>2,242,457</u>	<u>140,841</u>	<u>2,383,298</u>	<u>1,769,837</u>
Total	13,159,553	7,239,668	20,399,221	21,798,105
Net assets released from restrictions	<u>5,533,176</u>	<u>(5,533,176)</u>	-	-
Total Contributions and Revenue	<u>\$ 18,692,729</u>	<u>\$ 1,706,492</u>	<u>\$ 20,399,221</u>	<u>\$ 21,798,105</u>

See notes to financial statements

**Redeemer Presbyterian Church
of New York City and Affiliate**

Consolidated Statement of Activities
(Continued)
Year Ended December 31, 2008
(with summarized totals for 2007)

	Unrestricted	Temporarily Restricted	2008 Total	2007 Total
CONTRIBUTIONS AND REVENUE	<u>\$ 18,692,729</u>	<u>\$ 1,706,492</u>	<u>\$ 20,399,221</u>	<u>\$ 21,798,105</u>
EXPENSES				
Fellowship groups	1,026,029	-	1,026,029	778,150
Family ministry	948,477	-	948,477	669,126
Congregational life	569,966	-	569,966	422,181
Counseling center	<u>939,593</u>	-	<u>939,593</u>	<u>803,582</u>
Community Formation	<u>3,484,065</u>	-	<u>3,484,065</u>	<u>2,673,039</u>
Worship and music	829,262	-	829,262	705,155
Sunday service ministry and operations	2,889,329	-	2,889,329	2,681,443
Evangelism and prayer	<u>249,345</u>	-	<u>249,345</u>	<u>217,122</u>
Worship and Evangelism	<u>3,967,936</u>	-	<u>3,967,936</u>	<u>3,603,720</u>
Diaconate	602,081	-	602,081	410,274
Hope for New York	335,081	-	335,081	277,536
Community renewal grants	<u>482,851</u>	-	<u>482,851</u>	<u>299,765</u>
Mercy and Justice	<u>1,420,013</u>	-	<u>1,420,013</u>	<u>987,575</u>
Center for Faith and Work	<u>994,073</u>	-	<u>994,073</u>	<u>594,773</u>
Church Planting Center	3,439,736	-	3,439,736	2,756,131
City Missions Link	66,525	-	66,525	173,059
Redeemer Labs and Executive Leadership	<u>429,414</u>	-	<u>429,414</u>	<u>144,525</u>
Redeemer CityNet	<u>3,935,675</u>	-	<u>3,935,675</u>	<u>3,073,715</u>
Real Estate Purchase	<u>291,335</u>	-	<u>291,335</u>	<u>113,330</u>
Administration and finance	1,524,076	-	1,524,076	1,406,766
Media and communications	1,286,083	-	1,286,083	1,331,966
Executive leadership	627,400	-	627,400	712,764
Vision Campaign 2006 - 2008 overhead	<u>281,723</u>	-	<u>281,723</u>	<u>213,116</u>
Leadership and Administration	<u>3,719,282</u>	-	<u>3,719,282</u>	<u>3,664,612</u>
Total Expenses	<u>17,812,379</u>	-	<u>17,812,379</u>	<u>14,710,764</u>
Change in Net Assets	880,350	1,706,492	2,586,842	7,087,341
NET ASSETS				
Beginning of year	<u>5,856,527</u>	<u>15,028,344</u>	<u>20,884,871</u>	<u>13,797,530</u>
End of year	<u>\$ 6,736,877</u>	<u>\$ 16,734,836</u>	<u>\$ 23,471,713</u>	<u>\$ 20,884,871</u>

See notes to financial statements

**Redeemer Presbyterian Church
of New York City and Affiliate**

Consolidated Statement of Cash Flows

Year Ended December 31, 2008
(with comparative amounts for 2007)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,586,842	\$ 7,087,341
Adjustments to reconcile change in net assets to net cash from operating activities		
Net loss on investments	34,342	171,290
Depreciation and amortization	189,998	186,910
Deferred rent credit	9,064	12,130
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(51,639)	(38,838)
Accounts payable and accrued expenses	75,383	359,145
Security deposit payable	80,000	-
Net Cash From Operating Activities	2,923,990	7,777,978
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	1,923,916	4,250,522
Purchase of investments	(8,700)	(4,286,853)
Increase in lease security deposits	-	(85,687)
Increase in cash surrender value of life insurance	(6,460)	(3,825)
Purchase of furnishings, equipment and leasehold improvements	(53,053)	(111,725)
Real estate and related costs	(5,024,910)	(628,629)
Net Cash From Investing Activities	(3,169,207)	(866,197)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of capital lease obligation	(55,504)	(51,320)
Net Cash From Financing Activities	(55,504)	(51,320)
Net Change in Cash and Cash Equivalents	(300,721)	6,860,461
CASH AND CASH EQUIVALENTS		
Beginning of year	15,450,128	8,589,667
End of year	\$ 15,149,407	\$ 15,450,128
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	\$ 190,502	\$ 11,703
Non-Cash Investing Activity		
Building purchased through financing	17,200,000	-
Real estate and related costs accrued	63,086	-
See notes to financial statements		

Redeemer Presbyterian Church of New York City and Affiliate

Notes to Consolidated Financial Statements

1. Organization and Taxation

Redeemer Presbyterian Church of New York City ("Church") is a corporation organized pursuant to Article 10 of the Religious Corporations Law of the State of New York and is part of the Presbyterian Church in America. The Church's vision is to build a great city for all people-through a gospel movement that brings personal conversion, community formation, social justice and cultural renewal to New York and, through it, to the world.

As a religious organization, the Church is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and state income taxes under comparable laws.

Redeemer CityNet ("RCN", "Affiliate") is a not-for-profit corporation organized on January 2, 2008 under the laws of the State of New York. The purpose of RCN is to serve the other great cities of the world through church planting, training of church leaders and content development. The Church's Church Planting Center has become a part of this new organization.

RCN is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and state income taxes under comparable laws.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Church and RCN (collectively known as "Redeemer"). All material inter-organizational accounts and transactions have been eliminated.

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Redeemer and changes therein are classified as permanently restricted, temporarily restricted or unrestricted.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of 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 those estimates.

Cash Equivalents

Cash equivalents consist of short-term highly liquid investments, with maturities of three months or less at the time of purchase except those designated as held for investment.

Redeemer Presbyterian Church of New York City and Affiliate

Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies *(continued)*

Contributions

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Donor indications of intent to give in the future that do not rise to a level of a promise to give are not reflected in the financial statements. Contributions received are recorded as unrestricted and temporarily restricted contributions depending on the existence and/or nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Fair Value of Financial Instruments

Redeemer follows FASB 157 “Fair Value Measurements” which established a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 assets have the highest reliability and are related to assets with quoted prices in active markets.

Investments

Investments in marketable securities are stated at fair value in the statement of financial position. Unrealized gains and losses are included in the statement of activities.

Furnishings, Equipment and Leasehold Improvements

It is Redeemer’s policy to capitalize furnishings, equipment and leasehold improvements over \$10,000. Lesser amounts are expensed. Purchased furnishings, equipment and leasehold improvements are capitalized at cost or fair value at date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of computer equipment (3 to 5 years), office equipment and furnishings (5 to 10 years) and leasehold improvements (10 years or the life of the lease, whichever is shorter).

Allocation of Functional Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated across the ministry fronts.

Accounting for Uncertainty in Income Taxes

Redeemer’s accounting policy is to provide liabilities for uncertain tax positions when a liability is probable and estimable. Management is not aware of any violation of its tax status as an organization exempt from income taxes, nor of any exposure to unrelated business income tax.

Redeemer Presbyterian Church of New York City and Affiliate

Notes to Consolidated Financial Statements

3. Credit Risk Concentration

At December 31, 2008 and 2007, Redeemer had bank deposits which exceeded federally insured limits. Redeemer has not experienced any losses in such accounts and management believes Redeemer is not exposed to any significant credit risk.

4. Investments and Investment Return

At December 31, 2008 and 2007, Redeemer's investments consist of equity securities valued using level 1 inputs.

Total return on the investment and cash equivalents at December 31 consisted of the following:

	<u>2008</u>	<u>2007</u>
Dividends and interest	\$ 678,955	\$ 638,930
Depreciation of investments	<u>(34,342)</u>	<u>(171,290)</u>
	<u>\$ 644,613</u>	<u>\$ 467,640</u>

5. Furnishings, Equipment and Leasehold Improvements

Furnishings, equipment and leasehold improvements at December 31 consisted of the following:

	<u>2008</u>	<u>2007</u>
Office equipment and furnishings	\$ 502,652	\$ 552,541
Computer equipment	107,108	93,374
Leasehold improvements	<u>1,049,448</u>	<u>1,024,263</u>
	1,659,208	1,670,178
Less accumulated depreciation and amortization	<u>711,364</u>	<u>585,389</u>
	<u>\$ 947,844</u>	<u>\$ 1,084,789</u>

Office equipment and furnishings include capital leases totaling \$280,690 with accumulated depreciation totaling \$170,419 and \$130,320 at December 31, 2008 and 2007.

Redeemer Presbyterian Church of New York City and Affiliate

Notes to Consolidated Financial Statements

6. Real Estate and Related Costs

In 2008, Redeemer purchased land and a building in Manhattan for \$21,500,000. Planning is underway to develop the site as a community center and worship space. Redeemer expects to take occupancy in early 2012. Redeemer is leasing the property through a month to month license agreement for \$50,000 per month until construction begins.

7. Capital Lease Obligation

Redeemer is party to a lease-purchase agreement for furniture which has been recorded as a capital lease. Future minimum rental obligations on the capital lease as of December 31 are as follows:

2009	\$ 63,024
2010	<u>5,252</u>
Total lease payments	68,276
Less portion representing interest	<u>3,031</u>
Principal value of all capital leases	<u>\$ 65,245</u>

Interest expense on the capital lease obligation was \$7,520 and \$11,703 for 2008 and 2007.

8. Mortgage Loan Payable

Redeemer has a mortgage loan payable of \$17,200,000 to a bank secured by real property. The loan bears interest of 6.375%. Monthly payments of interest only are due until October 1, 2010. Monthly payments of interest and principal of \$107,139 are due from November 1, 2010 to October 1, 2013. A balloon payment of \$16,633,511 is due at maturity on November 1, 2013.

Future maturities of the mortgage are as follows as of December 31, 2008:

2009	\$ -
2010	58,279
2011	198,669
2012	211,376
2013	<u>16,731,676</u>
	<u>\$ 17,200,000</u>

Interest of \$245,836 incurred on the mortgage for the year ended December 31, 2008 has been capitalized and is included in real estate and related costs in the consolidated statement of financial position.

Redeemer Presbyterian Church of New York City and Affiliate

Notes to Consolidated Financial Statements

9. Temporarily Restricted Net Assets; Net Assets Released from Restrictions

Net assets which were the subject of donor imposed restrictions held at year end and net assets released from restrictions during the year as are follows:

	2008		2007	
	Net Assets Held at Year End	Released During the Year	Net Assets Held at Year End	Released During the Year
Agape Church	\$ -	\$ -	\$ -	\$ 3,000
Asian Immersion Project	11,000	-	-	-
Ascension Church	4	8,433	-	22,434
Berlin Projekt	-	58,456	693	94,558
Buenos Aires Project	-	56,425	5,750	44,250
Building Fund	2,702,008	32,842	1,546,023	244,143
Burmese Church Project	3,445	64,616	9,281	44,013
Center for Faith and Work	44,775	55,225	-	-
Christ Church South Hampton	-	-	-	1,000
Church Planting Center	-	808,979	-	388,509
City Church Philadelphia	-	39,134	-	46,650
City Missions Link	469	28,993	7,090	124,879
Covenant of Hope Church	15,000	10,000	-	-
Disaster Relief Fund	147	101,896	-	2,214
East Asia Coordinator Project	-	46,250	-	10,100
First Fruits Program	26,849	6,500	33,269	-
Grace Village Church	5,757	163,692	113,897	45,473
Hamburg Project	1,215	23,416	4,580	-
Hope for New York	-	100,199	-	101,125
Infinity Church	5,036	424	-	47,037
Interns & Fellows	155,854	39,852	25,439	8,583
L.A. Project	37,000	42,500	79,500	62,500
Londrina Project	3,447	35,331	2,097	6,398
Mercy Fund (Diaconate)	1,024,859	199,182	659,589	182,784
Metro Hope Church	-	13,628	11,065	150
Mumbai Project	25,000	-	-	-
New Song Community Church	25	13,400	-	111,292
New York City Projects	71,750	55,000	126,750	23,250
Other Donor Restricted Contributions	36,189	719,198	601,143	51,505
Paris Project	50	79,950	15,000	35,000
Praise Nights	-	11,860	-	12,620
Promise of Hope Fund	24,776	12,535	21,411	13,775
Redeemer Labs	158,204	327,795	-	-
Resurrection Presbyterian Church	-	-	-	1,000
Rome Project	26,675	26,675	26,675	-
Sao Paulo Project	25,000	20,000	45,000	25,000
Scale Brazil Project	82,130	16,330	93,460	14,573
Seminary Scholarship Fund	6,045	-	6,045	(5,000)
Serbia Project	-	1,000	-	5,000
Tokyo Project	29,830	38,760	-	-
Vision Campaign 2006 - 2008	12,205,575	2,274,700	11,587,865	1,511,357
Youth Ministry Scholarship Fund	6,722	-	6,722	(6,722)
	<u>\$ 16,734,836</u>	<u>\$ 5,533,176</u>	<u>\$ 15,028,344</u>	<u>\$ 3,272,450</u>

Redeemer Presbyterian Church of New York City and Affiliate

Notes to Consolidated Financial Statements

9. Temporarily Restricted Net Assets; Net Assets Released from Restrictions *(continued)*

Vision Campaign 2006-2008

In the fall of 2005, Redeemer launched a church-wide Vision Campaign to renew its commitment to serve New York City. Redeemer's congregation has expressed intentions to give \$19.2 million to be contributed over three years, from 2006-2008, which would be used to support critical areas of Redeemer's ministry growth allocated as follows:

- Purchase and construction of a building (50%)
- Community Formation (5%)
- Worship & Evangelism (5%)
- Mercy & Justice (5%)
- Church Planting (25%)
- Center for Faith and Work (10%)

As of December 31, 2008, Redeemer reports that \$17.2 Million (90%) of the above \$19.2 million have been received and management is hopeful of receiving the balance of the unfulfilled pledges in 2009.

The funds raised support the establishing of Redeemer's first permanent location (occupancy planned for 2012, see Note 6), as well as supporting new, exciting opportunities across all of Redeemer's ministry fronts.

10. Redeemer CityNet

A major part of Redeemer's vision is the planting of churches in New York City and other major cities. To this end, the Redeemer Church Planting Center (RCPC), which was launched in 2000, facilitates the selection, training, placement and coaching of church planters. Through December 31, 2007, the Church had designated \$2.574 million in net assets for RCPC. On January 2, 2008, RCPC was separately incorporated with an expanded mission as Redeemer CityNet, a not-for-profit entity. The board designated funds as of December 31, 2007 were contributed to RCN at its inception to fund the start of its operations.

11. Rental Commitments

The Church occupies office and counseling space under a non-cancellable operating lease that expires on February 28, 2015 and includes a five year renewal option. In March 2007, Redeemer and its landlord amended the lease to include additional space for RCN. In addition, Redeemer has leases with terms of up to 2 years on several worship spaces which expire between January 14, 2010 and December 31, 2010.

Redeemer Presbyterian Church of New York City and Affiliate

Notes to Consolidated Financial Statements

11. Rental Commitments *(continued)*

Future remaining minimum lease commitments as of December 31 are as follows:

2009	\$ 1,567,036
2010	1,395,723
2011	903,982
2012	949,781
2013	957,432
Thereafter	<u>1,117,004</u>
Total Minimum Payments	<u>\$ 6,890,958</u>

Rental expense totaled \$1,944,000 and \$1,732,507 for 2008 and 2007.

12. Retirement Plan

Redeemer contributes to a multi-employer church pension plan maintained by the Presbyterian Church in America on behalf of its clergy and other senior non-clergy employees. Contributions are determined each year by the Church's Board of Elders in conjunction with the Executive Director and RCN's Board of Directors. Expense amounted to \$207,272 and \$146,403 for 2008 and 2007.

13. Cash Value of Life Insurance

Redeemer is the owner and beneficiary of a \$1,270,000 key man whole life insurance policy on the Senior Pastor. In 2007, Redeemer purchased an additional \$15,000,000 key man term life insurance for the Senior Pastor.

14. Subsequent Events

On February 27, 2009, Redeemer entered into a construction loan agreement which gives Redeemer access to \$14,300,000 to fund the construction of the community center and worship space (see note 6). Management expects to use the full \$14,300,000 during construction. The loan bears an interest rate of 6.375% annually. Monthly payments of interest on any outstanding balance are due until February 1, 2011. Monthly payments of principal and interest of \$89,094 are payable between March 1, 2011 and January 1, 2014. A balloon payment of principal and interest of \$13,844,745 is due when the loan matures on February 1, 2014.

In 2009, RCN's Board of Directors has voted to change the name of the entity from Redeemer CityNet to Redeemer City to City. The name has not been officially changed yet.