

NORTH WAY CHRISTIAN COMMUNITY

Financial Statements

December 31, 2010 and 2009

NORTH WAY CHRISTIAN COMMUNITY

Financial Statements

December 31, 2010 and 2009

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INDEPENDENT AUDITORS' REPORT

May 27, 2011

To the Board of Elders
North Way Christian Community

We have audited the accompanying statements of financial position of North Way Christian Community (a nonprofit organization) as of December 31, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these 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 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Way Christian Community as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



MCCRORY & MCDOWELL LLC
Pittsburgh, Pennsylvania

NORTH WAY CHRISTIAN COMMUNITY

Statements of Financial Position

ASSETS

	December 31	
	2010	2009
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 1,103,416	\$ 970,956
Marketable Securities - At Fair Value	0	29,263
Prepaid Expenses	7,565	54,444
Contributions Receivable	26,935	50,000
Land and Property Held for Investment	2,307,342	37,400
Other Current Assets	32,778	36,410
	<u>3,478,036</u>	<u>1,178,473</u>
<u>Property, Plant and Equipment</u>		
Land and Land Improvements	7,701,011	10,042,059
Buildings and Improvements	15,875,143	15,632,894
Office Furniture and Equipment	3,267,646	2,992,535
	<u>26,843,800</u>	<u>28,667,488</u>
<i>Less: Accumulated Depreciation and Amortization</i>	<u>5,782,094</u>	<u>4,945,834</u>
	<u>21,061,706</u>	<u>23,721,654</u>
<u>Other Assets</u>		
Marketable Securities - At Fair Value	874,867	761,036
Mortgage Acquisition Costs (Net of Amortization of \$32,197 and \$25,304, respectively)	157,137	164,030
	<u>1,032,004</u>	<u>925,066</u>
TOTAL ASSETS	\$ 25,571,746	\$ 25,825,193

LIABILITIES AND NET ASSETS

<u>Current Liabilities</u>		
Current Portion of Long - Term Debt	\$ 271,843	\$ 245,332
Current Portion of Capital Lease Obligation	5,612	0
Accounts Payable	197,163	51,042
Accrued Pension	17,454	17,454
Withheld Taxes and Accrued Expenses	40,996	47,753
	<u>533,068</u>	<u>361,581</u>
<u>Long-Term Liabilities</u>		
Long-Term Debt	12,634,107	12,868,608
Long-Term Capital Lease Obligation	21,029	0
Accrued Pension	1,171,730	1,076,741
	<u>13,826,866</u>	<u>13,945,349</u>
<u>Net Assets</u>		
Unrestricted	10,784,263	11,378,016
Temporarily Restricted	427,549	140,247
	<u>11,211,812</u>	<u>11,518,263</u>
TOTAL LIABILITIES AND NET ASSETS	\$ 25,571,746	\$ 25,825,193

See accompanying notes.

NORTH WAY CHRISTIAN COMMUNITY

Statements of Activities

	For the Years Ended December 31	
	2010	2009
UNRESTRICTED NET ASSETS		
<u>Support and Revenue</u>		
Contributions:		
Undesignated	\$ 5,625,724	\$ 5,494,934
Designated	1,390,141	1,594,396
	<u>7,015,865</u>	<u>7,089,330</u>
Net Assets Released from Restrictions	66,743	9,337
Other Income	191,852	215,136
Gain on Sale of Equipment	1,080	37,981
	<u>7,275,540</u>	<u>7,351,784</u>
<u>Expenses</u>		
Ministry Expenses:		
Adult Programs	3,126,219	2,651,608
Family Life Development	1,921,918	1,666,346
Externally Focused	1,369,940	1,119,928
General and Administrative Expenses	1,448,800	1,395,862
Fundraising	2,416	0
	<u>7,869,293</u>	<u>6,833,744</u>
Change in Unrestricted Net Assets	<u>(593,753)</u>	<u>518,040</u>
TEMPORARILY RESTRICTED NET ASSETS		
Net Assets Released from Restrictions	(66,743)	(9,337)
Contributions	354,045	111,784
Change in Temporarily Restricted Net Assets	<u>287,302</u>	<u>102,447</u>
Change in Net Assets	(306,451)	620,487
Net Assets at Beginning of Year	11,518,263	10,897,776
NET ASSETS AT END OF YEAR	\$ 11,211,812	\$ 11,518,263

See accompanying notes.

NORTH WAY CHRISTIAN COMMUNITY

Statements of Cash Flows

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	For the Years Ended December 31	
	2010	2009
<u>Cash Flows from Operating Activities</u>		
Change in Net Assets	\$ (306,451)	\$ 620,487
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By		
Operating Activities:		
Depreciation and Amortization	846,798	801,451
Realized Loss on Sale of Marketable Securities	725	1,361
Gain on Sale of Equipment	(1,080)	(37,981)
Unrealized Gain on Marketable Securities	(79,982)	(109,958)
Contributions of Marketable Securities	(23,274)	(28,969)
Contributions of Land and Property Held for Investment	0	(37,400)
Contributions Restricted for Capital Improvements	0	(791,801)
(Increase) Decrease in:		
Prepaid Expenses	46,879	10,183
Contributions Receivable	23,065	(50,000)
Other Current Assets	3,632	(23,908)
Increase (Decrease) in:		
Accounts Payable	146,121	(82,563)
Withheld Taxes and Accrued Expenses	(6,757)	26,594
Accrued Pension	94,989	28,465
	<u>744,665</u>	<u>325,961</u>
<u>Cash Flows from Investing Activities</u>		
Proceeds from Sale of Marketable Securities	51,812	17,653
Payments for Marketable Securities	(33,849)	(19,945)
Payments for Property, Plant and Equipment	(462,484)	(607,236)
Proceeds from Sale of Equipment	4,400	37,981
Proceeds from Sale of Land and Property Held for Investment	37,400	0
Proceeds from (Payments for) Land Improvements	33,706	(29,452)
	<u>(369,015)</u>	<u>(600,999)</u>
<u>Cash Flows from Financing Activities</u>		
Proceeds from Long-Term Debt	0	99,779
Proceeds from Restricted Contributions Received for Capital Improvements	0	791,801
Principal Payments on Long-Term Debt	(238,848)	(155,415)
Principal Payments on Note Payable - Demand	0	(100,000)
Payments for Capital Lease Obligation	(4,342)	0
Payments for Mortgage Acquisition Costs	0	(32,224)
	<u>(243,190)</u>	<u>603,941</u>
Change in Cash and Cash Equivalents	132,460	328,903
Cash and Cash Equivalents at Beginning of Year	<u>970,956</u>	<u>642,053</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,103,416	\$ 970,956

See accompanying notes.

NORTH WAY CHRISTIAN COMMUNITY

Notes to Financial Statements

December 31, 2010 and 2009

I. NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization – North Way Christian Community (the “Organization”) was organized in January 1981 as a place for individuals to build relationships and share faith, values, and a common way of life. The Organization’s primary location, which is north of Pittsburgh, Pennsylvania, provides worship services for its members as well as social services for the community. Such services include personal counseling, grief recovery groups, children and youth ministries, education, economic development activities, and public assistance. In 2007, the Organization began the operation of an additional satellite location within the City of Pittsburgh which includes a worship venue, and adult and family programming. In 2009, the Organization completed an expansion of its primary facility to better serve the community and to fulfill its mission. In 2010, the Organization began the operation of a second satellite location within the suburbs of Pittsburgh which includes a worship venue, and adult and family programming. The Organization plans to begin the operation of a third satellite location in 2011.

The Organization is exempt from federal and state income taxes as an organization described in Section 501(c)(3) of the Internal Revenue Code. The Organization is supported primarily through contributions from its congregation.

Basis of Accounting and Presentation – Assets and liabilities, and support, revenue and expenses are recognized on the accrual method of accounting. The Organization classifies its net assets and its revenue, support, and expenses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted Net Assets – Net assets not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that must be maintained permanently by the Organization. Generally, the donors of these assets permit the use of all or part of the income earned and capital gains, if any, on related investments for general or specific purposes. The Organization does not have permanently restricted net assets as of December 31, 2010 and 2009.

NORTH WAY CHRISTIAN COMMUNITY

Notes to Financial Statements

December 31, 2010 and 2009

I. NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Organization reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, the related temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions subject to donor-imposed stipulations that are met in the same reporting period are reported as unrestricted support.

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

Fair Value Measurement – Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820 defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by FASB ASC 820, are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- *Level 1* – Valuations based on quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.
- *Level 2* – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.
- *Level 3* – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

NORTH WAY CHRISTIAN COMMUNITY

Notes to Financial Statements

December 31, 2010 and 2009

I. NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Organization, using available market information and appropriate valuation methodologies, has determined the estimated fair value of its financial instruments. However, considerable judgment is required in interpreting data to develop the estimates of fair value.

Cash and Cash Equivalents – The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Marketable Securities – Purchased marketable securities are carried at the current fair value. Donated marketable securities are recorded at fair value on the date of donation and carried at current fair value. Gains and investment income are recognized in the period earned and are classified as unrestricted, temporarily restricted, or permanently restricted with respect to the stipulations established by the donor at the date of donation or applicable state law.

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that a change in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the financial statements and accompanying notes.

Contributions Receivable – Unconditional promises to give are recorded as temporarily restricted revenue when pledged. The Organization reviews unconditional promises to give periodically for collectability and writes off amounts when they are determined to be uncollectible. Contributions receivable that are scheduled to be received after the financial statement date are shown as increases in temporarily restricted net assets and are reclassified to unrestricted net assets when the purpose or time restriction is met.

Property, Plant and Equipment – Property, plant and equipment are recorded at cost when purchased. Expenditures for renewals and improvements that significantly extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are expensed. Gains and losses on disposition of property and equipment are reflected in income. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

NORTH WAY CHRISTIAN COMMUNITY

Notes to Financial Statements

December 31, 2010 and 2009

I. NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of Long-Lived Assets – Long-lived assets are reviewed for impairment when circumstances indicate the carrying value of an asset may not be recoverable. For assets that are to be held and used, an impairment is recognized when the estimated undiscounted cash flows associated with the asset or group of assets is less than their carrying value. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying value and fair value. Fair values are determined based on quoted market values, discounted cash flows, or internal and external appraisals, as applicable. Assets to be disposed of are carried at the lower of carrying value or estimated net realizable value.

Income Taxes – The Organization established a policy for recognition and measurement of uncertain tax positions taken or expected to be taken in a tax return. The interpretation also provides guidance on recognition, derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Organization has determined that there are no unrecognized tax benefits or obligations at December 31, 2010 based on current facts and circumstances. Penalties and interest assessed by income tax authorities would be included in general expenses if incurred by the Organization.

Donated Services and Materials – The Organization receives a substantial amount of services donated by its members in carrying out its ministries. No amounts have been reflected in the financial statements for those services since there is no objective basis to measure the value of such services. Donated materials are recorded at their fair value at the date of the donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose.

Advertising – The Organization uses advertising to promote its programs and services. Advertising costs are expensed as incurred. Advertising expense was \$55,980 and \$27,903, for the years ended December 31, 2010 and 2009, respectively.

NORTH WAY CHRISTIAN COMMUNITY

Notes to Financial Statements

December 31, 2010 and 2009

2. MARKETABLE SECURITIES

Marketable securities are presented in the financial statements in the aggregate at fair value.

The fair value and cost basis of marketable securities were as follows:

	December 31, 2010		December 31, 2009	
	Cost Basis	Fair Value	Cost Basis	Fair Value
Current	\$ 0	\$ 0	\$ 28,969	\$ 29,263
Long-Term	877,338	874,867	843,489	761,036
Equity Securities and Mutual Funds	\$ 877,338	\$ 874,867	\$ 872,458	\$ 790,299

Fair values of assets measured on a recurring basis at December 31, 2010 are as follows:

	Fair Value at December 31, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds				
Intermediate Term Bond Funds	\$ 212,136	\$ 212,136	\$ 0	\$ 0
Index Funds	662,731	662,731	0	0
	\$ 874,867	\$ 874,867	\$ 0	\$ 0

Fair values of assets measured on a recurring basis at December 31, 2009 are as follows:

	Fair Value at December 31, 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common Stocks				
Marketing	\$ 10,716	\$ 10,716	\$ 0	\$ 0
Other Industries	18,547	18,547	0	0
	29,263	29,263	0	0
Mutual Funds				
Intermediate Term Bond Funds	196,321	196,321	0	0
Index Funds	564,715	564,715	0	0
	761,036	761,036	0	0
	\$ 790,299	\$ 790,299	\$ 0	\$ 0

NORTH WAY CHRISTIAN COMMUNITY

Notes to Financial Statements

December 31, 2010 and 2009

2. MARKETABLE SECURITIES (Continued)

The estimated fair value amounts have been determined by the Organization using available market information.

Following is a description of the valuation methodologies used for marketable securities. There have been no changes in the methodologies used at December 31, 2010 and December 31, 2009.

Common Stocks – Valued at closing price reported on the active market on which individual securities are traded.

Mutual Funds – Valued at the net asset value of shares held by the Organization at year end.

3. INTANGIBLE ASSETS – MORTGAGE ACQUISITION COSTS

The credit agreements with Bank of the West required certain closing costs totaling \$189,334 which are being amortized through the maturity date of the agreements. Amortization expense totaled \$6,893 and \$17,756 for the years ended December 31, 2010 and 2009, respectively.

The estimated aggregate amortization expense for the years subsequent to December 31, 2010 is as follows:

By: December 31, 2011	\$	6,893
December 31, 2012		6,893
December 31, 2013		6,893
December 31, 2014		6,893
December 31, 2015		6,893
Thereafter		122,672
	\$	<u>157,137</u>

NORTH WAY CHRISTIAN COMMUNITY

Notes to Financial Statements

December 31, 2010 and 2009

4. TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2010 and 2009, temporarily restricted net assets consisted of the following:

	<u>2010</u>	<u>2009</u>
<u>Time Restriction</u>		
Contribution Receivable	\$ 26,935	\$ 50,000
<u>Purpose Restrictions</u>		
Campus Launch Fund	184,742	0
Founding Pastor Fund	65,163	0
Missions	58,246	49,227
Parush Project	19,000	20,000
Other	73,463	21,020
	<u>400,614</u>	<u>90,247</u>
	<u><u>\$ 427,549</u></u>	<u><u>\$ 140,247</u></u>

5. NOTE PAYABLE - DEMAND

At December 31, 2009, the Organization had an unsecured \$200,000 revolving line of credit with Bank of the West. This line expired in September 2010 and was not renewed. The outstanding balance was \$0 at December 31, 2009.

NORTH WAY CHRISTIAN COMMUNITY

Notes to Financial Statements

December 31, 2010 and 2009

6. LONG-TERM DEBT

Long-term debt consists of the following:

	December 31	
	2010	2009
Term loan payable to Bank of the West originally dated February 2007 and amended in July 2009. The original term loan amount was \$7,400,000 and was amortized over 25 years. This was amended to a term loan in the amount of \$7,212,000 which is being amortized over 23 years. Interest under the amended loan is payable at a 6.47% fixed rate for the first 5 years, during which the Organization has an option to convert to an adjustable rate equal to the 1-Month LIBOR plus 3.50% for the purpose of entering into a Rate Swap contract to obtain a fixed rate. If the Rate Swap contract is not elected, interest will be payable after the first 5 years at a rate equal to the 5-Year interest rate swap plus 3.50%. The loan is secured by current and future assets of the Organization and by a life insurance policy on the Senior Pastor of the Organization.	\$ 7,031,399	\$ 7,166,450
Term loan and letter of credit payable to Bank of the West originally dated August 2007 and structured as a non-revolving line of credit. The original debt was converted to a term loan in July 2009, following completion of the construction project for which the loan has been secured. The amount available under the line of credit was reduced by the value of any outstanding letters of credit. The restructured loan amount was \$6,227,228, which consisted of a term loan in the amount of \$5,979,492 and letter of credit in the amount of \$247,736. This loan is being amortized over 25 years. Interest is payable at a 6.47% fixed rate for the first 5 years, during which the Organization has an option to convert to an adjustable rate equal to the 1-Month LIBOR plus 3.50% for the purpose of entering into a Rate Swap contract to obtain a fixed rate. If the Rate Swap contract is not elected, interest will be payable after the first 5 years at a rate equal to the 5-Year interest rate swap plus 3.50%. Interest on the letter of credit was payable at the 1-Month LIBOR rate plus 3.50% (3.74% at December 31, 2009.) The debt is secured by current and future assets of the Organization and by a life insurance policy on the Senior Pastor of the Organization.	5,851,290	5,947,490
Note payable to a financial institution, monthly principal payments of \$892 plus accrued interest, interest charged at a rate of 2.90%, due April 2013, collateralized by related vehicle.	23,261	0
	12,905,950	13,113,940
<i>Less:</i> Current Portion	271,843	245,332
	\$ 12,634,107	\$ 12,868,608

NORTH WAY CHRISTIAN COMMUNITY

Notes to Financial Statements

December 31, 2010 and 2009

6. LONG-TERM DEBT (Continued)

Scheduled maturities of long-term debt for periods subsequent to December 31, 2010 are as follows:

By: December 31, 2011	\$	271,843
December 31, 2012		289,585
December 31, 2013		300,375
December 31, 2014		317,576
December 31, 2015		338,744
Thereafter		11,387,827
		<u>\$ 12,905,950</u>

The note agreements with Bank of the West contain financial and non-financial covenants with which the Organization is in compliance.

7. CAPITAL LEASE OBLIGATION

The Organization leases equipment under an agreement that is classified as a capital lease. The net cost of the equipment under the capital lease is included in the statements of financial position as office furniture and equipment and amounted to \$30,983 and \$0, at December 31, 2010 and 2009, respectively. Accumulated amortization of the leased equipment at December 31, 2010 and 2009 amounted to \$5,164 and \$0, respectively.

The future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2010, are as follows:

By: December 31, 2011	\$	7,394
December 31, 2012		7,394
December 31, 2013		7,394
December 31, 2014		7,394
December 31, 2015		1,484
Total Minimum Lease Payments		<u>31,060</u>
Less: Amount Representing Interest		4,419
Present Value of Minimum Lease Payments		<u>26,641</u>
Less: Current Portion of Capital Lease Obligation		5,612
		<u>\$ 21,029</u>

NORTH WAY CHRISTIAN COMMUNITY

Notes to Financial Statements

December 31, 2010 and 2009

8. OPERATING LEASES

The Organization leases equipment under various cancelable and non-cancelable operating leases. Rent expense under these leases was \$72,450 and \$73,429 for the years ended December 31, 2010 and 2009, respectively.

The Organization leased its office space under a non-cancelable operating lease through October 2010, at which point its offices were relocated to the North Venue of the church building. Under an early termination agreement, the Organization is obligated to pay rent through August 2011. Lease payments under this agreement are included in the future minimum payments below. Rent expense for this office space was \$309,926 for each of the years ended December 31, 2010 and 2009.

The Organization also leased office, worship and parking space under several non-cancelable operating leases for the operation of one of its satellite locations beginning in 2010. Rent expense under these leases was \$53,467 for the year ended December 31, 2010, respectively.

Future minimum lease payments for all operating leases at December 31, 2010 are as follows:

By: December 31, 2011	\$	581,129
December 31, 2012		186,549
December 31, 2013		64,916
December 31, 2014		61,416
December 31, 2015		41,930
	<u>\$</u>	<u>935,940</u>

NORTH WAY CHRISTIAN COMMUNITY

Notes to Financial Statements

December 31, 2010 and 2009

9. SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Statements of cash flows supplemental disclosures are as follows:

	December 31	
	2010	2009
Total Property and Equipment Additions	\$ 524,325	\$ 760,726
<i>Add:</i> Financing Acquired - Accounts Payable - December 31, 2009	0	181,655
<i>Less:</i> Financing Acquired	(61,841)	(335,145)
Cash Paid for Property and Equipment and Construction in Progress	<u>\$ 462,484</u>	<u>\$ 607,236</u>
Interest Paid and Expensed	<u>\$ 855,306</u>	<u>\$ 608,361</u>
Interest Paid and Capitalized	<u>\$ 0</u>	<u>\$ 84,691</u>

10. RENTAL INCOME

The Organization leases a certain amount of its available space for educational purposes. Total rental income from this lease was \$92,740 and \$85,527, for the years ended December 31, 2010 and 2009, respectively.

Future minimum rental income from this lease consisted of the following at December 31, 2010:

By: December 31, 2011	\$ 87,462
December 31, 2012	43,731
	<u>\$ 131,193</u>

NORTH WAY CHRISTIAN COMMUNITY

Notes to Financial Statements

December 31, 2010 and 2009

11. OTHER INCOME

Other income consists of the following:

	December 31	
	2010	2009
Interest Income	\$ 19,855	\$ 21,012
Realized Loss on Sale of Marketable Securities	(725)	(1,361)
Unrealized Gain on Marketable Securities	79,982	109,958
Rental Income	92,740	85,527
	<u>\$ 191,852</u>	<u>\$ 215,136</u>

12. RETIREMENT PLANS

For employees that were employed full-time prior to December 1, 2001, the Organization sponsors a non-qualified defined benefit pension plan. The Plan requires benefits to be paid to eligible employees based upon years of service with the Organization and average compensation rates within ten years of retirement. The Organization holds investments in mutual funds specifically for funding the defined benefit plan. Contributions of \$15,000 and \$0 were made to these mutual funds in 2010 and 2009, respectively. The Organization expects to contribute \$30,000 to the mutual funds in 2011.

The Organization's expected rate of return on plan assets is determined by the plan assets' historical long-term investment performance, current asset allocation and estimates of future long-term returns by asset class.

NORTH WAY CHRISTIAN COMMUNITY

Notes to Financial Statements

December 31, 2010 and 2009

12. RETIREMENT PLANS (Continued)

The following sets forth the plan's funded status and amounts recognized in the accompanying financial statements at December 31, 2010 and 2009:

	December 31	
	2010	2009
<u>Change in Projected Benefit Obligation</u>		
Benefit Obligation at the Beginning of Year	\$ 1,094,195	\$ 1,065,730
Service Cost	61,576	61,780
Interest Cost	65,195	63,487
Benefits Paid	(15,176)	(15,176)
Actuarial Loss	(16,606)	(81,626)
Projected Benefit Obligation at End of Year	<u>\$ 1,189,184</u>	<u>\$ 1,094,195</u>
<u>Funded Status</u>		
Projected Benefit Obligation	\$ (1,189,184)	\$ (1,094,195)
Fair Value of Plan Assets*	0	0
Funded Status at End of Year	<u>\$ (1,189,184)</u>	<u>\$ (1,094,195)</u>

*The Organization had \$874,867 and \$761,036 invested to fund this obligation at December 31, 2010 and 2009, respectively. These amounts are included in Other Assets - Marketable Securities, in the Statement of Financial Position and consist of the following:

	December 31, 2010	
	<u>Mutual Funds</u>	
Index Funds	\$ 662,731	76%
Intermediate Term Bond Funds	212,136	24%
	<u>\$ 874,867</u>	<u>100%</u>
<u>December 31, 2009</u>		
<u>Mutual Funds</u>		
Index Funds	\$ 564,715	74%
Intermediate Term Bond Funds	196,321	26%
	<u>\$ 761,036</u>	<u>100%</u>

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12. RETIREMENT PLANS (Continued)

The accumulated benefit obligation for the defined benefit pension plan was \$1,082,642 and \$957,633 at December 31, 2010 and 2009, respectively.

	December 31	
	2010	2009
<u>Components of Net Period Benefit Cost</u>		
Service Cost	\$ 61,576	\$ 61,780
Interest Cost	65,195	63,487
Benefits Paid	(15,176)	(15,176)
Actuarial Loss	(16,606)	(81,626)
	<u>\$ 94,989</u>	<u>\$ 28,465</u>
<u>Weighted Average Assumptions</u>		
Benefit Obligations at December 31:		
Discount Rate	6%	6%
Rate of Compensation Increase	5%	5%
Net Periodic Benefit Cost for the Year Ended December 31:		
Discount Rate	6%	6%
Rate of Compensation Increase	5%	5%

Based upon current data and assumptions, benefit payments are expected to be paid as follows:

By: December 31, 2011	\$ 17,454
December 31, 2012	17,050
December 31, 2013	33,560
December 31, 2014	76,376
December 31, 2015	90,526
December 31, 2016 through December 31, 2020	555,937
	<u>\$ 790,903</u>

On December 1, 2001, the Organization implemented a defined contribution retirement plan in compliance with Internal Revenue Code Section 403(b). Eligible employees may contribute to the plan subject to IRS permitted limits. The Organization makes matching contributions up to 4% of employee compensation. Employer contributions for the years ended December 31, 2010 and 2009 totaled \$67,466 and \$63,151, respectively.

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13. FUNCTIONAL ALLOCATION OF 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 among the programs and supporting services benefited.

14. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes that the Organization is not exposed to any significant credit risk related to its cash and cash equivalents.

15. SUBSEQUENT EVENTS

The Organization has evaluated all events through the date of the Independent Auditors' Report, which is the date the financial statements were available to be issued, and has determined that there are no subsequent events that require disclosure.