



MARS HILL CHURCH

2014 Public Disclosure Package

Consolidated Financial Statements for
the Year Ended June 30, 2014

Form 990-T's for:

2012

2011

2010

Updated documents available upon receipt and/or filing.

MARS HILL CHURCH

Consolidated Financial Statements

For the Year Ended June 30, 2014

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Independent Auditor's Report***Board of Elders
Mars Hill Church***

We have audited the accompanying consolidated financial statements of Mars Hill Church (the Church), which comprise the consolidated statement of financial position as of June 30, 2014, and the related consolidated statement of activities and changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with generally accepted accounting principles in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Church as of June 30, 2014, and the results of its activities and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

CLARK NUBER

Subsequent Events

As discussed in Note 12 to the financial statements, subsequent to June 30, 2014, the Church's preaching and vision pastor resigned and the Church's governing Board initiated a process to move each of its church locations to autonomous self-governed entities. Our opinion is not modified with respect to these matters.

Report on Summarized Comparative Information

The financial statements of the Church as of and for the year ended June 30, 2013, were audited by other auditors, whose report dated October 31, 2013, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Clark Nuber P.S.

Certified Public Accountants
November 11, 2014

MARS HILL CHURCH

Consolidated Statement of Financial Position
June 30, 2014
(With Comparative Totals for 2013)

	<u>2014</u>	<u>2013</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 2,707,297	\$ 5,341,040
Accounts receivable	218,474	192,323
Inventory and other current assets	546,138	515,751
Total Current Assets	3,471,909	6,049,114
Lease deposits and other assets	158,788	180,269
Property held for sale	3,976,184	
Cash held for long term purposes	229,930	
Restricted cash	413,099	
Property and equipment, net	26,506,584	28,663,705
Deferred loan costs	112,671	34,531
Total Assets	<u>\$ 34,869,165</u>	<u>\$ 34,927,619</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 749,596	\$ 562,993
Accrued expenses	365,251	390,830
Deferred revenue	79,534	143,028
Current portion of notes payable	272,628	959,199
Current portion of capital lease obligation	46,189	40,985
Total Current Liabilities	1,513,198	2,097,035
Notes payable, net of current portion	11,818,530	11,307,026
Capital lease obligation, net of current portion	102,516	130,430
Deferred rent and deposits	613,611	595,497
Interest rate swap contracts		113,735
Total Liabilities	14,047,855	14,243,723
Net Assets:		
Unrestricted	20,325,505	19,959,873
Temporarily restricted	60,772	724,023
Permanently restricted	435,033	
Total Net Assets	<u>20,821,310</u>	<u>20,683,896</u>
Total Liabilities and Net Assets	<u>\$ 34,869,165</u>	<u>\$ 34,927,619</u>

See accompanying notes.

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**Consolidated Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2014
(With Comparative Totals for 2013)**

	2014			<i>Total</i>	<i>2013 Total</i>
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>		
Revenue and Support:					
Tithes and offerings	\$ 26,752,591	\$ 50,711	\$ 435,033	\$ 27,238,335	\$ 24,910,288
Ministries program income	1,253,059			1,253,059	1,456,958
Rental and other income	141,813			141,813	109,143
Contributions released from restriction	713,962	(713,962)			
Total Revenue and Support	28,861,425	(663,251)	435,033	28,633,207	26,476,389
Expenses:					
Personnel costs	14,036,049			14,036,049	12,515,894
Operations	3,532,026			3,532,026	1,970,254
Technology and equipment	990,153			990,153	397,245
Administration	3,530,414			3,530,414	2,172,314
Facilities	3,515,331			3,515,331	3,430,951
Church planting	244,925			244,925	233,268
Interest	455,799			455,799	450,881
Depreciation and amortization	2,119,972			2,119,972	1,810,716
Total Expenses	28,424,669			28,424,669	22,981,523
Change in Net Assets Before Gains and Losses	436,756	(663,251)	435,033	208,538	3,494,866
Realized gain on interest rate swap contract	41,843			41,843	119,508
Loss on disposal of property and equipment	(112,967)			(112,967)	(414,421)
Total Change in Net Assets	365,632	(663,251)	435,033	137,414	3,199,953
Net assets, beginning of year	19,959,873	724,023		20,683,896	17,483,943
Net Assets, End of Year	\$ 20,325,505	\$ 60,772	\$ 435,033	\$ 20,821,310	\$ 20,683,896

See accompanying notes.

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**Consolidated Statement of Cash Flows
For the Year Ended June 30, 2014
(With Comparative Totals for 2013)**

	<u>2014</u>	<u>2013</u>
Cash Flows Provided by Operating Activities:		
Change in net assets	\$ 137,414	\$ 3,199,953
Adjustments to reconcile change in net assets to cash provided by operating activities-		
Items considered financing activities:		
Contributions received restricted for long-term investment	(435,033)	
Noncash changes:		
Depreciation and amortization	2,119,972	1,810,716
Loss on disposal of assets	112,967	414,421
Gain on interest rate swap contracts	(41,843)	(119,508)
Changes in assets and liabilities:		
Accounts receivable	(26,151)	110,979
Inventory and other current assets	(30,387)	(312,066)
Lease deposits and other assets	21,481	(50,337)
Accounts payable	(28,666)	269,031
Accrued expenses and other	(97,471)	(11,091)
Deferred revenue	(45,380)	253,788
Net Cash Flows Provided by Operating Activities	1,686,903	5,565,886
Cash Flows (Used) Provided by Investing Activities:		
Net change in cash held for long term purposes	(229,930)	
Net change in restricted cash	(413,099)	
Purchases of property and equipment	(3,782,550)	(3,761,716)
Net proceeds from sale of property and equipment	6,000	3,867,490
Net Cash Flows (Used) Provided by Investing Activities	(4,419,579)	105,774
Cash Flows Provided (Used) by Financing Activities:		
Payments of deferred loan costs	(116,510)	
Payments on notes payable	(12,331,255)	(3,632,806)
Proceeds from new borrowings	12,156,188	
Capital lease payments	(44,523)	(67,286)
Contributions received restricted for long-term investment	435,033	
Net Cash Flows Provided (Used) by Financing Activities	98,933	(3,700,092)
Net Change in Cash and Cash Equivalents	(2,633,743)	1,971,568
Cash and cash equivalents, beginning of year	5,341,040	3,369,472
Cash and Cash Equivalents, End of Year	\$ 2,707,297	\$ 5,341,040
Supplemental Cash Flow Information:		
Cash paid during the year for interest	\$ 435,831	\$ 460,919
Noncash investing and financing transactions-		
Property and equipment acquired by debt, lease or payables	\$ 237,082	\$ 2,334,955

See accompanying notes.

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Notes to Consolidated Financial Statements For the Year Ended June 30, 2014 (With Comparative Totals for 2013)

Note 1 - Nature of Organization

Nature of Activities - Mars Hill Church is based in Seattle, Washington and is organized for making disciples and planting churches. Mars Hill Church was incorporated as a not-for-profit corporation under the laws of the State of Washington on December 22, 1995.

The Church operates fifteen church locations (Ballard, Shoreline, West Seattle, Bellevue, Downtown Seattle, Olympia, Tacoma, Seattle's University District, Albuquerque, Everett, Portland, Orange County, Rainier Valley, Sammamish and Phoenix). The Church's programs include Sunday services, community-oriented ministries, leadership development, and training. One program, the Resurgence, fulfills many of the Church's leadership and training functions by publishing content online and in print, hosting conferences and events, and providing internships and classes, including Re:Train (The Resurgence Training Center), which offers graduate-level instruction for leaders from around the world.

See Note 12 for further information on the Church's planned activities subsequent to June 30, 2014.

Note 2 - Summary of Significant Accounting Policies

Principles of Consolidation - The consolidated financial statements include the accounts of Mars Hill Church and its wholly owned corporation, Resurgence Publishing, Inc., (collectively, the Church). All material inter-organization transactions have been eliminated.

Basis of Accounting - The Church presents its financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). This basis of accounting involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

The Church is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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

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

Permanently Restricted Net Assets - Permanently restricted net assets must be maintained by the Church in perpetuity and invested for certain purposes. Permanently restricted net assets increase when the Church receives contributions for which donor-imposed restrictions limit the Church's use of an asset.

Cash and Cash Equivalents - For purposes of the statement of cash flows, cash and cash equivalents includes time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less. At times, the balances may exceed federally insured limits.

Accounts Receivable - Accounts receivable arise from tuition derived from leadership training and online sales for events and music. These receivables are reported net of any anticipated losses due to uncollectible amounts, which management estimates is not significant.

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Notes to Consolidated Financial Statements For the Year Ended June 30, 2014 (With Comparative Totals for 2013)

Note 2 - Continued

Pledges Receivable - During the year ended June 30, 2014, the Church initiated a fundraising campaign to collect pledges for the "One Church" project. Subsequent to June 30, 2014, management terminated the campaign and the related project. As a result, no revenue has been recognized related to uncollected pledges in the accompanying financial statements, and all collected pledges were expended under the original purpose of the campaign prior to its termination.

Inventory - Inventory consists of books, audio compact discs and apparel, and is stated at the lower of market value or cost as determined by the first in, first out inventory method.

Property and Equipment - Property and equipment purchases are stated at cost. Donated assets are stated at fair value at date of receipt. Depreciation is provided by use of the straight-line method over the estimated useful lives of the related assets ranging from three to ten years for equipment and five to forty years for leasehold improvements and buildings. All acquisitions of property and equipment in excess of \$2,500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized.

Deferred Loan Costs - Expenses relating to securing notes payable are reported as deferred loan costs and are amortized over the life of the notes.

Restricted and Unrestricted Revenue - Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily restricted or permanently restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as contributions released from restrictions.

Functional Allocation of Expenses - The costs of providing the various program services and supporting activities have been summarized on a functional basis in the notes to the financial statements. Accordingly, certain costs, such as depreciation and payroll, have been allocated among the program services and supporting activities.

Federal Income Tax - Mars Hill Church is exempt from federal income tax under Internal Revenue Code Section 501(c)(3) except to the extent of unrelated business taxable income, if any. The Church files income tax returns with the U.S. and state governments. The Church is subject to income tax examinations for the current year and certain prior years based on the applicable laws and regulations.

Fair Value Measurements - U.S. GAAP defines fair value, establishes a framework for measuring fair value and requires disclosures about fair value measurements. To increase consistency and comparability in fair value measurements, U.S. GAAP uses a fair value hierarchy that prioritizes the inputs to valuation approaches into three broad levels. The hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

Assets and liabilities valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Assets and liabilities valued using Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Assets and liabilities using Level 3 inputs are primarily valued using management's assumptions about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied.

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Notes to Consolidated Financial Statements For the Year Ended June 30, 2014 (With Comparative Totals for 2013)

Note 2 - Continued

Use of Estimates - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 3 - Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>2014</u>	<u>2013</u>
Land	\$ 9,343,736	\$ 8,714,326
Buildings and improvements	11,239,737	16,146,334
Leasehold improvements	5,148,532	3,665,372
Furniture and equipment	8,860,838	7,084,223
Construction in progress	<u>289,160</u>	<u>475,340</u>
	34,882,003	36,085,595
Less accumulated depreciation	<u>(8,375,419)</u>	<u>(7,421,890)</u>
Total Property and Equipment	<u><u>\$ 26,506,584</u></u>	<u><u>\$ 28,663,705</u></u>

During the year ended June 30, 2014, the Church placed its administrative property up for sale. The property is included in the statement of financial position as property held for sale at the net carrying value of the property, \$3,976,184, as of June 30, 2014. On October 28, 2014, the Church signed a purchase and sale agreement to sell this property for a price of \$5,890,000; closing on the sale is contingent on the buyer not terminating the agreement during the feasibility period.

Subsequent to June 30, 2014, the Church listed its University District church property for sale. At June 30, 2014, the net carrying value reported in the statement of financial position for this property totaled \$2,545,068 and is included in property and equipment. This property is secured by a mortgage loan described in Note 4 with a balance of \$1,893,797 at June 30, 2014. On September 2, 2014, the Church signed a purchase and sale agreement to sell this property for a price of \$3.8 million; closing on the sale is contingent on the buyer not terminating the agreement during the feasibility period.

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Notes to Consolidated Financial Statements For the Year Ended June 30, 2014 (With Comparative Totals for 2013)

Note 4 - Notes Payable

Notes payable consisted of the following at June 30:

	<u>2014</u>	<u>2013</u>
Bank term loan paid in monthly payments of principal and interest of \$27,970 based on a 25 year amortization of the balance. Interest at a rate to change every five years; current interest is 4.5% through March 2019. A final balloon payment is due on March 5, 2024, when the loan matures. Secured by a deed of trust on the Ballard church property.	\$ 5,002,834	\$ -
Bank term loan paid in monthly payments of principal and interest of \$11,306 based on a 25 year amortization of the balance. Interest at a rate to change every five years; current interest is 4.5% through March 2019. A final balloon payment is due on March 5, 2024, when the loan matures. Secured by a deed of trust on the West Seattle church property.	2,022,304	
Bank term loan paid in monthly payments of principal and interest of \$10,588 based on a 25 year amortization of the balance. Interest at a rate to change every five years; current interest is 4.5% through March 2019. A final balloon payment is due on March 5, 2024, when the loan matures. Secured by a deed of trust on the University District church property.	1,893,797	
Bank term loan paid in monthly payments of principal and interest of \$6,995 based on a 25 year amortization of the balance. Interest at a rate to change every five years; current interest is 4.5% through March 2019. A final balloon payment is due on March 5, 2024, when the loan matures. Secured by a deed of trust on the Tacoma church property.	1,251,259	
Bank term loan paid in monthly payments of principal and interest of \$5,672 based on a 25 year amortization of the balance. Interest at a rate to change every five years; current interest is 4.5% through March 2019. A final balloon payment is due on March 5, 2024, when the loan matures. Secured by a deed of trust on the Everett church property.	1,014,534	

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**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2014
(With Comparative Totals for 2013)**

Note 4 - Continued

	<u>2014</u>	<u>2013</u>
Bank term loan paid in monthly payments of principal and interest of \$5,067 based on a 25 year amortization of the balance. Interest at a rate to change every five years; current interest is 4.5% through March 2019. A final balloon payment is due on March 5, 2024, when the loan matures. Secured by a deed of trust on the Portland church property.	906,430	
Bank term loan in the original amount of \$13 million, payable in monthly installments based on a 25 year amortization of the balance, including interest at a variable rate equal to the USD LIBOR BBA rate plus 1.60%, until originally scheduled maturity on November 1, 2016. The note was secured by land and buildings. The note was repaid in full during the year ended June 30, 2014.		6,956,966
Note payable to a church with 5% interest through July 11, 2015, then 6% interest. A principal payment of \$500,000 was due on July 11, 2015, with the remainder scheduled to be paid on August 11, 2017. The note was secured by land and buildings. The note was repaid in full during the year ended June 30, 2014.		2,200,000
Bank term loan in the original amount of \$1 million, payable in monthly installments based on a 15 year amortization of the balance, including interest at a variable rate equal to the USD LIBOR BBA rate plus 2.5%, until originally scheduled maturity on September 1, 2016. The note was secured by land and buildings. The note was repaid in full during the year ended June 30, 2014.		930,133
Bank term loan in the original amount of \$1,330,000 payable in monthly installments based on a 15 year amortization of the balance, including interest at a variable rate equal to the USD LIBOR BBA rate plus 2.75%, until originally scheduled maturity on January 1, 2018. The note was secured by land and buildings. The note was repaid in full during the year ended June 30, 2014.		1,300,006

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Notes to Consolidated Financial Statements For the Year Ended June 30, 2014 (With Comparative Totals for 2013)

Note 4 - Continued

	<u>2014</u>	<u>2013</u>
Bank term loan in the original amount of \$892,500, payable in monthly installments based on a 15 year amortization of the balance, including interest at a variable rate equal to the USD LIBOR BBA rate plus 1.27%, until originally scheduled maturity of February 1, 2018. The note was secured by land and buildings. The note was repaid in full during the year ended June 30, 2014.		879,120
	12,091,158	12,266,225
Less current maturities	<u>(272,628)</u>	<u>(959,199)</u>
Noncurrent Portion of Notes Payable	<u>\$ 11,818,530</u>	<u>\$ 11,307,026</u>

During the year ended June 30, 2014, the Church refinanced all of its existing notes payable into new notes with a new lender. All notes payable at June 30, 2014, are payable to the same lender.

Principal payments required for the next five years ending June 30 are as follows:

For the Year Ending June 30,

2015	\$ 272,628
2016	283,702
2017	298,184
2018	311,885
2019	323,973
Thereafter	<u>10,600,786</u>
	<u>\$ 12,091,158</u>

Terms of the bank term loans entered into during the year ended June 30, 2014, include maintaining a cash account with the bank with a minimum balance of \$250,000. The Church met this requirement at June 30, 2014, and the balance is included with cash and equivalents in the statement of financial position. Other requirements include a restriction on incurring additional debt without bank approval and meeting certain financial ratios in order to incur additional debt.

Acquisition of Sammamish Church Property and Mortgage - Since October 2011, the Church has operated its Sammamish church location in a leased facility. During September 2014, the entity that owned the leased facility was merged with the Church, resulting in the Church obtaining ownership of the property and also assuming the mortgage and other liabilities. The mortgage and other liabilities totaled \$4.9 million at the date of merger.

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Notes to Consolidated Financial Statements For the Year Ended June 30, 2014 (With Comparative Totals for 2013)

Note 5 - Interest Rate Swap Contract

The Church held one interest rate swap contract during the year ended June 30, 2014. This contract was valued at fair value using Level 2 inputs and was reported as a liability on the statement of financial position. This contract was used to reduce the impact of changes in the variable rates of notes payable described in Note 4. As part of the debt refinance described in Note 4, this contract was terminated during the year ended June 30, 2014. As part of paying off the remaining balance of the interest rate swap contract, the Church paid \$76,500 in cash and recognized a gain of \$41,843 for the difference between the carrying amount of the interest rate swap contract and the cash paid to close out the contract. The gain is included in the statement of activities and changes in net assets.

Note 6 - Capital Leases

The Church has equipment under capital leases expiring at various times until August 2018. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are depreciated over the lower of their related lease terms or their estimated productive lives. Depreciation of assets under capital leases is included in depreciation expense. The following is a summary of property and equipment held under capital leases as of June 30:

	<u>2014</u>	<u>2013</u>
Equipment	\$ 221,214	\$ 199,410
Less accumulated depreciation	<u>(88,250)</u>	<u>(48,719)</u>
	<u>\$ 132,964</u>	<u>\$ 150,691</u>

Minimum future lease payments under capital leases for the next five years ending June 30 are as follows:

For the Year Ending June 30,

2015	\$ 51,120
2016	40,659
2017	40,640
2018	26,329
2019	<u>397</u>
Total minimum lease payments	159,145
Less amount representing interest	<u>(10,440)</u>
Present value of net minimum lease payment	148,705
Less current portion	<u>(46,189)</u>
Noncurrent Capital Lease Obligation	<u>\$ 102,516</u>

Interest rates on capitalized leases are based on the Church's incremental borrowing rate for similarly financed assets.

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Notes to Consolidated Financial Statements For the Year Ended June 30, 2014 (With Comparative Totals for 2013)

Note 7 - Operating Leases

The Church has operating leases for certain church locations, parking, office space, and equipment. Minimum future rental payments under noncancelable operating leases having remaining terms in excess of one year as of June 30, 2014, for each of the next five years and in the aggregate are:

<i>For the Year Ending June 30,</i>	<u><i>Significant Lease</i></u>	<u><i>All Other Leases</i></u>
2015	\$ 1,133,409	\$ 2,282,259
2016	1,196,086	1,787,225
2017	1,258,763	1,543,380
2018	1,321,440	665,829
2019	1,384,117	436,707
Thereafter	<u>7,571,471</u>	<u>457,945</u>
Total Minimum Lease Payments	<u>\$ 13,865,286</u>	<u>\$ 7,173,345</u>

During the year ended June 30, 2014, the Church entered into a lease agreement for a future centralized ministry site (the significant lease noted in the table above). The Church obtained a letter of credit from a bank in the amount of \$412,258 to support its performance under the terms of this lease. The letter of credit is backed by a money market account which must carry a balance at least equal to the letter of credit amount. The account had a balance of \$413,099 at June 30, 2014, and is included as restricted cash in the statement of financial position. During November 2014, the Church reached an agreement with the landlord to terminate the lease agreement for payment of a termination fee that is substantially less than the required minimum lease payments under the term of the lease. A signed written agreement is expected to be executed in late November 2014.

Operating lease payments included in expense for the years ended June 30, 2014 and 2013, total \$3,105,588 and \$2,536,559, respectively, and included base rent payments plus any common area charges and other rental costs. Certain operating leases provide for renewal options for periods from one to five years at their fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases.

Note 8 - Employee Benefit Plan

The Church sponsors a defined contribution pension plan allowed under Internal Revenue Code section 403(b). The plan allows employees to participate in the plan through salary reductions. The Church matches or contributes a percentage of the compensation of participating church staff as allowed by the Internal Revenue Code. For the years ended June 30, 2014 and 2013, the amount of expense representing contributions made by the Church, not through salary reduction agreements, was \$259,444 and \$450,368, respectively.

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Notes to Consolidated Financial Statements For the Year Ended June 30, 2014 (With Comparative Totals for 2013)

Note 9 - Temporarily Restricted Net Assets

Temporarily restricted net assets were for the following purposes at June 30:

	<u>2014</u>	<u>2013</u>
Missions and benevolence	\$ 10,436	\$ 22,697
Church expansion	50,336	701,326
	<u>\$ 60,772</u>	<u>\$ 724,023</u>

Note 10 - Permanently Restricted Net Assets

During the year ended June 30, 2014, the Church established a new permanent loan fund (the Fund) to assist with the start-up costs of new church locations operated by the Church. Initial funding for the Fund came from \$435,033 of contributions from donors. These amounts are intended to be held and used in perpetuity and so the donor contributions have been classified as permanently restricted net assets. Amounts that are advanced to new church locations are paid back over time with interest to replenish the Fund.

Amounts advanced from the fund, along with un-advanced cash balances, were as follows as of June 30, 2014:

Advance to Spokane church	\$ 205,103
Cash held for long term purposes	229,930
	<u>\$ 435,033</u>

Note 11 - Functional Expenses

Expenses allocated on a functional basis, including depreciation, were as follows for the years ended June 30:

	<u>2014</u>	<u>2013</u>
Program services	\$ 24,008,399	\$ 19,675,862
General and administration	4,082,033	3,305,661
Fundraising	334,237	
	<u>\$ 28,424,669</u>	<u>\$ 22,981,523</u>

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Notes to Consolidated Financial Statements For the Year Ended June 30, 2014 (With Comparative Totals for 2013)

Note 12 - Subsequent Events

The Church has evaluated subsequent events through November 11, 2014, the date on which the financials were available to be issued.

Financial Condition, Change in Leadership and Future Operating Structure - During the latter part of the year ended June 30, 2014, and subsequent to June 30, 2014, the Church experienced a decline in revenues from tithes and offerings. In response to this decline in revenues, management took actions to reduce operating costs and improve cash reserves. These actions included the closure of the Phoenix, University District and Downtown Seattle church locations, staffing layoffs and listing certain properties for sale as described in Note 3.

Additionally, on October 14, 2014, the Church's preaching and vision pastor submitted his resignation. Following that resignation, the Church's governing Board concluded that rather than remaining a centralized multi-site church the best future for each of the existing local church locations is for them to become autonomous self-governed entities. Accordingly, each church location will have the opportunity to pursue one of three options: (1) become an independent, self-governed church; (2) merge with an existing church to create one independent, self-governed church; or (3) disband as a church and shepherd current members to find other local church homes. This decision will be made by each church location's lead pastor and elder team.

As part of the reorganization, the governing Board has the following plans for the existing Church organization: (1) All of the Church's existing church properties will either be individually sold or transferred to the new independent church entities with the loans on the individual properties assumed by the independent churches, subject to approval by the lender; (2) all central staff will be compensated for their work, and then released from their employment; (3) if any funds remain after the winding down and satisfaction of the Church's business affairs, they will be gifted as seed money to the newly independent churches, then, (4) the existing Mars Hill Church organization will be dissolved.

The governing Board's goal is to complete this reorganization process by January 1, 2015. The viability of the completion of these plans is in part dependent on ongoing support from the congregation and anticipated proceeds from the sale of assets, as described in Note 3.

Exempt Organization Business Income Tax Return
(and proxy tax under section 6033(e))

2012

Department of the Treasury
Internal Revenue Service

For calendar year 2012 or other tax year beginning **JUL 1, 2012** and ending **JUN 30, 2013**

Open to Public Inspection for
501(c)(3) Organizations Only

<p>A <input type="checkbox"/> Check box if address changed</p> <p>B Exempt under section <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 408(e) <input type="checkbox"/> 220(e) <input type="checkbox"/> 408A <input type="checkbox"/> 530(a) <input type="checkbox"/> 529(a)</p>	<p>Print or Type</p>	<p>Name of organization (<input type="checkbox"/> Check box if name changed and see instructions.) Mars Hill Church</p> <p>Number, street, and room or suite no. If a P.O. box, see instructions. 1411 NW 50th St</p> <p>City or town, state, and ZIP code Seattle, WA 98107</p>	<p>D Employer identification number (Employees' trust, see instructions.) 91-1733689</p> <p>E Unrelated business activity codes (See instructions.) 531190</p>
<p>C Book value of all assets at end of year 0.</p>	<p>F Group exemption number (see instructions) ▶</p> <p>G Check organization type ▶ <input checked="" type="checkbox"/> 501(c) corporation <input type="checkbox"/> 501(c) trust <input type="checkbox"/> 401(a) trust <input type="checkbox"/> Other trust</p>		

H Describe the organization's primary unrelated business activity. **▶ Rental of commercial space**

I During the tax year, was the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group? **▶** Yes No
 If "Yes," enter the name and identifying number of the parent corporation. **▶**

J The books are in care of **▶ Jessica Pickett** Telephone number **▶ (206) 816-3830**

Part I Unrelated Trade or Business Income	(A) Income	(B) Expenses	(C) Net
1a Gross receipts or sales			
b Less returns and allowances c Balance ▶	1c		
2 Cost of goods sold (Schedule A, line 7)	2		
3 Gross profit. Subtract line 2 from line 1c	3		
4a Capital gain net income (attach Schedule D)	4a		
b Net gain (loss) (Form 4797, Part II, line 17) (attach Form 4797)	4b		
c Capital loss deduction for trusts	4c		
5 Income (loss) from partnerships and S corporations (attach statement)	5		
6 Rent income (Schedule C)	6		
7 Unrelated debt-financed income (Schedule E)	7	17,691.	-7,510.
8 Interest, annuities, royalties, and rents from controlled organizations (Sch. F)	8		
9 Investment income of a section 501(c)(7), (9), or (17) organization (Schedule G)	9		
10 Exploited exempt activity income (Schedule I)	10		
11 Advertising income (Schedule J)	11	2,511.	33,700.
12 Other income (see instructions; attach statement)	12		
13 Total. Combine lines 3 through 12	13	46,392.	20,202.

Part II Deductions Not Taken Elsewhere (see instructions for limitations on deductions)
 (except for contributions, deductions must be directly connected with the unrelated business income)

14 Compensation of officers, directors, and trustees (Schedule K)	14	
15 Salaries and wages	15	
16 Repairs and maintenance	16	
17 Bad debts	17	
18 Interest (attach statement)	18	
19 Taxes and licenses	19	
20 Charitable contributions (see instructions for limitation rules)	20	
21 Depreciation (attach Form 4562)	21	
22 Less depreciation claimed on Schedule A and elsewhere on return	22a	22b
23 Depletion	23	
24 Contributions to deferred compensation plans	24	
25 Employee benefit programs	25	
26 Excess exempt expenses (Schedule I)	26	
27 Excess readership costs (Schedule J)	27	
28 Other deductions (attach statement)	28	
29 Total deductions. Add lines 14 through 28	29	0.
30 Unrelated business taxable income before net operating loss deduction. Subtract line 29 from line 13	30	26,190.
31 Net operating loss deduction (limited to the amount on line 30) See Statement 2	31	26,190.
32 Unrelated business taxable income before specific deduction. Subtract line 31 from line 30	32	0.
33 Specific deduction (generally \$1,000, but see instructions for exceptions)	33	1,000.
34 Unrelated business taxable income. Subtract line 33 from line 32. If line 33 is greater than line 32, enter the smaller of zero or line 32	34	0.

Part III Tax Computation

35 Organizations taxable as corporations (see instructions for tax computation). Controlled group members (sections 1561 and 1563) check here [] See instructions and: a Enter your share of the \$50,000, \$25,000, and \$9,925,000 taxable income brackets (in that order): (1) \$ (2) \$ (3) \$ b Enter organization's share of: (1) Additional 5% tax (not more than \$11,750) \$ (2) Additional 3% tax (not more than \$100,000) \$ c Income tax on the amount on line 34 35c 0. 36 Trusts taxable at trust rates (see instructions for tax computation). Income tax on the amount on line 34 from: [] Tax rate schedule or [] Schedule D (Form 1041) 36 37 Proxy tax (see instructions) 37 38 Alternative minimum tax 38 39 Total. Add lines 37 and 38 to line 35c or 36, whichever applies 39 0.

Part IV Tax and Payments

40a Foreign tax credit (corporations attach Form 1118; trusts attach Form 1116) 40a 40b Other credits (see instructions) 40b 40c General business credit. Attach Form 3800 40c 40d Credit for prior year minimum tax (attach Form 8801 or 8827) 40d 40e Total credits. Add lines 40a through 40d 40e 41 Subtract line 40e from line 39 41 0. 42 Other taxes. Check if from: [] Form 4255 [] Form 8611 [] Form 8697 [] Form 8866 [] Other (attach statement) 42 43 Total tax. Add lines 41 and 42 43 0. 44a Payments: A 2011 overpayment credited to 2012 44a 44b 2012 estimated tax payments 44b 44c Tax deposited with Form 8868 44c 44d Foreign organizations: Tax paid or withheld at source (see instructions) 44d 44e Backup withholding (see instructions) 44e 44f Credit for small employer health insurance premiums (Attach Form 8941) 44f 44g Other credits and payments: [] Form 2439 [] Form 4136 [] Other Total 44g 45 Total payments. Add lines 44a through 44g 45 46 Estimated tax penalty (see instructions). Check if Form 2220 is attached [] 46 47 Tax due. If line 45 is less than the total of lines 43 and 46, enter amount owed 47 0. 48 Overpayment. If line 45 is larger than the total of lines 43 and 46, enter amount overpaid 48 0. 49 Enter the amount of line 48 you want: Credited to 2013 estimated tax Refunded 49

Part V Statements Regarding Certain Activities and Other Information (see instructions)

1 At any time during the 2012 calendar year, did the organization have an interest in or a signature or other authority over a financial account (bank, securities, or other) in a foreign country? If "Yes," the organization may have to file Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts. If "Yes," enter the name of the foreign country here X 2 During the tax year, did the organization receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If "Yes," see instructions for other forms the organization may have to file. X 3 Enter the amount of tax-exempt interest received or accrued during the tax year \$

Schedule A - Cost of Goods Sold. Enter method of inventory valuation N/A

1 Inventory at beginning of year 1 6 Inventory at end of year 6 2 Purchases 2 7 Cost of goods sold. Subtract line 6 from line 5. Enter here and in Part I, line 2 7 3 Cost of labor 3 8 Do the rules of section 263A (with respect to property produced or acquired for resale) apply to the organization? Yes No 4a Additional section 263A costs (att. statement) 4a 4b Other costs (attach statement) 4b 5 Total. Add lines 1 through 4b 5

Sign Here Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge. Signature of officer Date 1/29/14 Secretary/Treasurer Title May the IRS discuss this return with the preparer shown below (see instructions)? [X] Yes [] No

Paid Preparer Use Only Print/Type preparer's name Preparer's signature Date Check [] if self-employed PTIN Richard Battershell, CPA 12/19/13 P00004435 Firm's name Battershell & Nichols, PS Firm's EIN 27-1095574 Firm's address 33507 9th Ave S Ste C-1 Federal Way, WA 98003 Phone no. 253-839-1620

Schedule C - Rent Income (From Real Property and Personal Property Leased With Real Property)(see instructions)

1. Description of property

(1)
(2)
(3)
(4)

2. Rent received or accrued		3(a) Deductions directly connected with the income in columns 2(a) and 2(b) (attach statement)
(a) From personal property (if the percentage of rent for personal property is more than 10% but not more than 50%)	(b) From real and personal property (if the percentage of rent for personal property exceeds 50% or if the rent is based on profit or income)	
(1)		
(2)		
(3)		
(4)		
Total	0.	Total 0.

(c) Total income. Add totals of columns 2(a) and 2(b). Enter here and on page 1, Part I, line 6, column (A) **0.** (b) Total deductions. Enter here and on page 1, Part I, line 6, column (B) **0.**

Schedule E - Unrelated Debt-Financed Income (see instructions)

1. Description of debt-financed property	2. Gross income from or allocable to debt-financed property	3. Deductions directly connected with or allocable to debt-financed property	
		(a) Straight line depreciation (attach statement)	(b) Other deductions (attach statement)
(1) 2333 Western Avenue	16,315.		Statement 3 28,351.
(2)			
(3)			
(4)			

4. Amount of average acquisition debt on or allocable to debt-financed property (attach statement)	5. Average adjusted basis of or allocable to debt-financed property (attach statement)	6. Column 4 divided by column 5	7. Gross income reportable (column 2 x column 6)	8. Allocable deductions (column 6 x total of columns 3(a) and 3(b))
Statement 4 718,900.	Statement 5 1,152,000.	62.40%	10,181.	17,691.
(2)		%		
(3)		%		
(4)		%		

Totals **10,181.** Enter here and on page 1, Part I, line 7, column (A). **17,691.** Enter here and on page 1, Part I, line 7, column (B).

Total dividends-received deductions included in column 8 **0.**

Schedule F - Interest, Annuities, Royalties, and Rents From Controlled Organizations (see instructions)

1. Name of controlled organization	2. Employer identification number	Exempt Controlled Organizations			
		3. Net unrelated income (loss) (see instructions)	4. Total of specified payments made	5. Part of column 4 that is included in the controlling organization's gross income	6. Deductions directly connected with income in column 5
(1)					
(2)					
(3)					
(4)					

Nonexempt Controlled Organizations

7. Taxable income	8. Net unrelated income (loss) (see instructions)	9. Total of specified payments made	10. Part of column 9 that is included in the controlling organization's gross income	11. Deductions directly connected with income in column 10
(1)				
(2)				
(3)				
(4)				

Totals **0.** Add columns 5 and 10. Enter here and on page 1, Part I, line 8, column (A). **0.** Add columns 6 and 11. Enter here and on page 1, Part I, line 8, column (B).

Schedule G - Investment Income of a Section 501(c)(7), (9), or (17) Organization

(see instructions)

1. Description of income	2. Amount of income	3. Deductions directly connected (attach statement)	4. Set-asides (attach statement)	5. Total deductions and set-asides (col. 3 plus col. 4)
(1)				
(2)				
(3)				
(4)				
Totals	0.			0.

Schedule I - Exploited Exempt Activity Income, Other Than Advertising Income

(see instructions)

1. Description of exploited activity	2. Gross unrelated business income from trade or business	3. Expenses directly connected with production of unrelated business income	4. Net income (loss) from unrelated trade or business (column 2 minus column 3). If a gain, compute cols. 5 through 7.	5. Gross income from activity that is not unrelated business income	6. Expenses attributable to column 5	7. Excess exempt expenses (column 6 minus column 5, but not more than column 4).
(1)						
(2)						
(3)						
(4)						
Totals	0.	0.				0.

Schedule J - Advertising Income (see instructions)

Part I Income From Periodicals Reported on a Consolidated Basis

1. Name of periodical	2. Gross advertising income	3. Direct advertising costs	4. Advertising gain or (loss) (col. 2 minus col. 3). If a gain, compute cols. 5 through 7.	5. Circulation income	6. Readership costs	7. Excess readership costs (column 6 minus column 5, but not more than column 4).
(1) Website						
(2) advertising	36,211.	2,511.		0.	0.	
(3)						
(4)						
Totals (carry to Part II, line (5))	36,211.	2,511.	33,700.			0.

Part II Income From Periodicals Reported on a Separate Basis (For each periodical listed in Part II, fill in columns 2 through 7 on a line-by-line basis.)

1. Name of periodical	2. Gross advertising income	3. Direct advertising costs	4. Advertising gain or (loss) (col. 2 minus col. 3). If a gain, compute cols. 5 through 7.	5. Circulation income	6. Readership costs	7. Excess readership costs (column 6 minus column 5, but not more than column 4).
(1)						
(2)						
(3)						
(4)						
Totals from Part I	36,211.	2,511.				0.
Totals, Part II (lines 1-5)	36,211.	2,511.				0.

Schedule K - Compensation of Officers, Directors, and Trustees (see instructions)

1. Name	2. Title	3. Percent of time devoted to business	4. Compensation attributable to unrelated business
(1)		%	
(2)		%	
(3)		%	
(4)		%	
Total. Enter here and on page 1, Part II, line 14			0.

Footnotes

Statement 1

Average Adjusted Basis - Western Ave

Net Book value of property - beginning of rental period	1,152,000.
Net Book value of property - end of rental period	1,152,000.
	2,304,000.
Total	2,304,000. 2.

Average Net Book Value

1,152,000.

Average Acquisition Debt - Western Ave

July	726,800.
August	722,850.
September	718,900.
October	714,950.
November	711,000.
	3,594,999.
Total	3,594,999. 5.

Average Acquisition Debt

718,900.

Form 990-T	Net Operating Loss Deduction			Statement	2
Tax Year	Loss Sustained	Loss Previously Applied	Loss Remaining	Available This Year	
06/30/09	28,786.	0.	28,786.	28,786.	
06/30/10	21,261.	0.	21,261.	21,261.	
06/30/11	17,633.	0.	17,633.	17,633.	
06/30/12	15,542.	0.	15,542.	15,542.	
NOL Carryover Available This Year			83,222.	83,222.	

Form 990-T	Schedule E - Other Deductions		Statement	3
Description	Activity Number	Amount	Total	
Interest		25,494.		
Property tax		2,065.		
Tax prep fee		792.		
- SubTotal -		1	28,351.	
Total of Form 990-T, Schedule E, Column 3(b)			28,351.	

Form 990-T	Average Acquisition Debt on or Allocable to Debt-Financed Property		Statement	4
Description	Activity Number	Amount	Total	
Average Acquisition Debt		718,900.		
- SubTotal -		1	718,900.	
Total of Form 990-T, Schedule E, Column 4			718,900.	

Form 990-T Average Adjusted Basis of or Statement 5
 Allocable to Debt-Financed Property

Description	Activity Number	Amount	Total
Average Basis		1,152,000.	
- SubTotal -	1		1,152,000.
Total of Form 990-T, Schedule E, Column 5			1,152,000.

Capital Gains and Losses

▶ Attach to Form 1120, 1120-C, 1120-F, 1120-FSC, 1120-H, 1120-IC-DISC, 1120-L, 1120-ND, 1120-PC, 1120-POL, 1120-REIT, 1120-RIC, 1120-SF, or certain Forms 990-T.
▶ Information about Schedule D (Form 1120) and its separate instructions is at www.irs.gov/form1120.

2012

Name **Mars Hill Church** Employer identification number **91-1733689**

Part I Short-Term Capital Gains and Losses - Assets Held One Year or Less

Complete Form 8949 before completing line 1, 2, or 3. This form may be easier to complete if you round off cents to whole dollars.	(d) Proceeds (sales price) from Form(s) 8949, Part I, line 2, column (d)	(e) Cost or other basis from Form(s) 8949, Part I, line 2, column (e)	(g) Adjustments to gain or loss from Form(s) 8949, Part I, line 2, column (g)	(h) Gain or (loss). Subtract column (e) from column (d) and combine the result with column (g)
1 Short-term totals from all Forms 8949 with box A checked in Part I				
2 Short-term totals from all Forms 8949 with box B checked in Part I				
3 Short-term totals from all Forms 8949 with box C checked in Part I				
4 Short-term capital gain from installment sales from Form 6252, line 26 or 37			4	
5 Short-term capital gain or (loss) from like-kind exchanges from Form 8824			5	
6 Unused capital loss carryover (attach computation)			6	()
7 Net short-term capital gain or (loss). Combine lines 1 through 6 in column h			7	

Part II Long-Term Capital Gains and Losses - Assets Held More Than One Year

Complete Form 8949 before completing line 8, 9, or 10. This form may be easier to complete if you round off cents to whole dollars.	(d) Proceeds (sales price) from Form(s) 8949, Part II, line 4, column (d)	(e) Cost or other basis from Form(s) 8949, Part II, line 4, column (e)	(g) Adjustments to gain or loss from Form(s) 8949, Part II, line 4, column (g)	(h) Gain or (loss). Subtract column (e) from column (d) and combine the result with column (g)
8 Long-term totals from all Forms 8949 with box A checked in Part II				
9 Long-term totals from all Forms 8949 with box B checked in Part II	1,230,000.	1,323,143.		-93,143.
10 Long-term totals from all Forms 8949 with box C checked in Part II				
11 Enter gain from Form 4797, line 7 or 9			11	
12 Long-term capital gain from installment sales from Form 6252, line 26 or 37			12	
13 Long-term capital gain or (loss) from like-kind exchanges from Form 8824			13	
14 Capital gain distributions			14	
15 Net long-term capital gain or (loss). Combine lines 8 through 14 in column h			15	-93,143.

Part III Summary of Parts I and II

16 Enter excess of net short-term capital gain (line 7) over net long-term capital loss (line 15)	16	
17 Net capital gain. Enter excess of net long-term capital gain (line 15) over net short-term capital loss (line 7)	17	
18 Add lines 16 and 17. Enter here and on Form 1120, page 1, line 8, or the proper line on other returns	18	0.

Note. If losses exceed gains, see Capital losses in the instructions.

Name(s) shown on return. (Name and SSN or taxpayer identification no. not required if shown on other side.)

Social security number or taxpayer identification no.

Mars Hill Church

91-1733689

Most brokers issue their own substitute statement instead of using Form 1099-B. They also may provide basis information (usually your cost) to you on the statement even if it is not reported to the IRS. Before you check Box A, B, or C below, determine whether you received any statement(s) and, if so, the transactions for which basis was reported to the IRS. Brokers are required to report basis to the IRS for most stock you bought in 2011 or later.

Part II Long-Term. Transactions involving capital assets you held more than one year are long term. For short-term transactions, see page 1.

You must check Box A, B, or C below. Check only one box. If more than one box applies for your long-term transactions, complete a separate Form 8949, page 2, for each applicable box. If you have more long-term transactions than will fit on this page for one or more of the boxes, complete as many forms with the same box checked as you need.

- (A) Long-term transactions reported on Form(s) 1099-B showing basis was reported to the IRS
- (B) Long-term transactions reported on Form(s) 1099-B showing basis was not reported to the IRS
- (C) Long-term transactions not reported to you on Form 1099-B

3	(a) Description of property (Example: 100 sh. XYZ Co.)	(b) Date acquired (Mo., day, yr.)	(c) Date sold or disposed (Mo., day, yr.)	(d) Proceeds (sales price)	(e) Cost or other basis. See the Note below and see Column (e) in the instructions	Adjustment, if any, to gain or loss. If you enter an amount in column (g), enter a code in column (f). See instructions.		(h) Gain or (loss). Subtract column (e) from column (d) and combine the result with column (g)	
						(f) Code(s)	(g) Amount of adjustment		
	Debt-financed land	01/01/07	12/05/12	1230000.	1323143.			<93,143.>	
4	Totals. Add the amounts in columns (d), (e), (g) and (h) (subtract negative amounts). Enter each total here and include on your Schedule D, line 8 (if Box A above is checked), line 9 (if Box B above is checked), or line 10 (if Box C above is checked) ▶				1230000.	1323143.			<93,143.>

Note. If you checked Box A above but the basis reported to the IRS was incorrect, enter in column (e) the basis as reported to the IRS, and enter an adjustment in column (g) to correct the basis. See Column (g) in the separate instructions for how to figure the amount of the adjustment.

Exempt Organization Business Income Tax Return
(and proxy tax under section 6033(e))

2011

Open to Public Inspection for 501(c)(3) Organizations Only

Department of the Treasury
Internal Revenue Service

For calendar year 2011 or other tax year beginning **JUL 1, 2011**, and ending **JUN 30, 2012**

<p>A <input type="checkbox"/> Check box if address changed</p> <p>B Exempt under section <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 408(e) <input type="checkbox"/> 220(e) <input type="checkbox"/> 408A <input type="checkbox"/> 530(a) <input type="checkbox"/> 529(a)</p>	<p>Print or Type</p>	<p>Name of organization (<input type="checkbox"/> Check box if name changed and see instructions.) Mars Hill Church</p> <p>Number, street, and room or suite no. If a P.O. box, see instructions. 1411 NW 50th St</p> <p>City or town, state, and ZIP code Seattle, WA 98107</p>	<p>D Employer identification number (Employees' trust, see instructions.) 91-1733689</p> <p>E Unrelated business activity codes (See instructions.) 531190</p>
<p>C Book value of all assets at end of year 1,152,000.</p>	<p>F Group exemption number (See instructions.)</p>	<p>G Check organization type <input checked="" type="checkbox"/> 501(c) corporation <input type="checkbox"/> 501(c) trust <input type="checkbox"/> 401(a) trust <input type="checkbox"/> Other trust</p>	

H Describe the organization's primary unrelated business activity. **Rental of commercial space**

I During the tax year, was the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group? Yes No
 If "Yes," enter the name and identifying number of the parent corporation.

J The books are in care of **Jessica Pickett** Telephone number **206-816-3830**

Part I Unrelated Trade or Business Income	(A) Income	(B) Expenses	(C) Net
1a Gross receipts or sales			
b Less returns and allowances c Balance			
2 Cost of goods sold (Schedule A, line 7)			
3 Gross profit. Subtract line 2 from line 1c			
4a Capital gain net income (attach Schedule D)			
b Net gain (loss) (Form 4797, Part II, line 17) (attach Form 4797)			
c Capital loss deduction for trusts			
5 Income (loss) from partnerships and S corporations (attach statement)			
6 Rent income (Schedule C)			
7 Unrelated debt-financed income (Schedule E)	21,412.	36,954.	-15,542.
8 Interest, annuities, royalties, and rents from controlled organizations (Sch. F)			
9 Investment income of a section 501(c)(7), (9), or (17) organization (Schedule G)			
10 Exploited exempt activity income (Schedule I)			
11 Advertising income (Schedule J)			
12 Other income (See instructions; attach schedule.)			
13 Total. Combine lines 3 through 12	21,412.	36,954.	-15,542.

Part II Deductions Not Taken Elsewhere (See instructions for limitations on deductions.)
 (Except for contributions, deductions must be directly connected with the unrelated business income.)

14 Compensation of officers, directors, and trustees (Schedule K)		14
15 Salaries and wages		15
16 Repairs and maintenance		16
17 Bad debts		17
18 Interest (attach schedule)		18
19 Taxes and licenses		19
20 Charitable contributions (See instructions for limitation rules.)		20
21 Depreciation (attach Form 4562)	21	
22 Less depreciation claimed on Schedule A and elsewhere on return	22a	22b
23 Depletion		23
24 Contributions to deferred compensation plans		24
25 Employee benefit programs		25
26 Excess exempt expenses (Schedule I)		26
27 Excess readership costs (Schedule J)		27
28 Other deductions (attach schedule)		28
29 Total deductions. Add lines 14 through 28		0.
30 Unrelated business taxable income before net operating loss deduction. Subtract line 29 from line 13		-15,542.
31 Net operating loss deduction (limited to the amount on line 30)		0.
32 Unrelated business taxable income before specific deduction. Subtract line 31 from line 30		-15,542.
33 Specific deduction (Generally \$1,000, but see instructions for exceptions.)		1,000.
34 Unrelated business taxable income. Subtract line 33 from line 32. If line 33 is greater than line 32, enter the smaller of zero or line 32		-15,542.

Part III Tax Computation

Table with 2 columns: Description and Amount. Rows include Organizations Taxable as Corporations, Trusts Taxable at Trust Rates, Proxy tax, Alternative minimum tax, and Total.

Part IV Tax and Payments

Table with 2 columns: Description and Amount. Rows include Foreign tax credit, Other credits, General business credit, Total credits, Other taxes, Total tax, Total payments, Estimated tax penalty, Tax due, Overpayment, and Refunded.

Part V Statements Regarding Certain Activities and Other Information (see instructions)

Table with 3 columns: Question, Yes, No. Questions include financial account interest, foreign trust distributions, and tax-exempt interest.

Schedule A - Cost of Goods Sold. Enter method of inventory valuation N/A

Table with 2 columns: Description and Amount. Rows include Inventory at beginning/end of year, Purchases, Cost of labor, Additional section 263A costs, and Total.

Sign Here: Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge. Signature of officer: [Signature], Date: 1/23/2013, Title: Executive Pastor.

Paid Preparer Use Only: Print/Type preparer's name: Richard Battershell, CPA; Preparer's signature: [Signature]; Date: 1/16/13; Check self-employed: [X]; PTIN: P00004435; Firm's name: Battershell & Nichols, PS; Firm's address: 33507 9th Ave S Ste C-1 Federal Way, WA 98003; Firm's EIN: 27-1095574; Phone no.: 253-839-1620.

Schedule C - Rent Income (From Real Property and Personal Property Leased With Real Property) (see instructions)

1. Description of property

(1)		
(2)		
(3)		
(4)		

2. Rent received or accrued

(a) From personal property (if the percentage of rent for personal property is more than 10% but not more than 50%)	(b) From real and personal property (if the percentage of rent for personal property exceeds 50% or if the rent is based on profit or income)	3(a) Deductions directly connected with the income in columns 2(a) and 2(b) (attach schedule)
(1)		
(2)		
(3)		
(4)		
Total	0.	Total 0.

(c) Total income. Add totals of columns 2(a) and 2(b). Enter here and on page 1, Part I, line 6, column (A) **0.** (b) Total deductions. Enter here and on page 1, Part I, line 8, column (B) **0.**

Schedule E - Unrelated Debt-Financed Income (see instructions)

1. Description of debt-financed property	2. Gross income from or allocable to debt-financed property	3. Deductions directly connected with or allocable to debt-financed property	
		(a) Straight line depreciation (attach schedule)	(b) Other deductions (attach schedule)
(1) 2333 Western Avenue	32,610.		Statement 2 56,281.
(2)			
(3)			
(4)			

4. Amount of average acquisition debt on or allocable to debt-financed property (attach schedule)	5. Average adjusted basis of or allocable to debt-financed property (attach schedule)	6. Column 4 divided by column 5	7. Gross income reportable (column 2 x column 6)	8. Allocable deductions (column 6 x total of columns 3(a) and 3(b))
Statement 3 756,425.	Statement 4 1,152,000.	65.66%	21,412.	36,954.
(2)		%		
(3)		%		
(4)		%		

Totals **21,412.** Enter here and on page 1, Part I, line 7, column (A). **36,954.** Enter here and on page 1, Part I, line 7, column (B). Total dividends-received deductions included in column 8 **0.**

Schedule F - Interest, Annuities, Royalties, and Rents From Controlled Organizations (see instructions)

1. Name of controlled organization	2. Employer identification number	Exempt Controlled Organizations			
		3. Net unrelated income (loss) (see instructions)	4. Total of specified payments made	5. Part of column 4 that is included in the controlling organization's gross income	6. Deductions directly connected with income in column 5
(1)					
(2)					
(3)					
(4)					

Nonexempt Controlled Organizations

7. Taxable income	8. Net unrelated income (loss) (see instructions)	9. Total of specified payments made	10. Part of column 9 that is included in the controlling organization's gross income	11. Deductions directly connected with income in column 10
(1)				
(2)				
(3)				
(4)				

Totals **0.** Add columns 5 and 10. Enter here and on page 1, Part I, line 8, column (A). **0.** Add columns 6 and 11. Enter here and on page 1, Part I, line 8, column (B).

Schedule G - Investment Income of a Section 501(c)(7), (9), or (17) Organization

(see instructions)

1. Description of income	2. Amount of income	3. Deductions directly connected (attach schedule)	4. Set-asides (attach schedule)	5. Total deductions and set-asides (col. 3 plus col. 4)
(1)				
(2)				
(3)				
(4)				
Totals	0.			0.

Schedule I - Exploited Exempt Activity Income, Other Than Advertising Income

(see instructions)

1. Description of exploited activity	2. Gross unrelated business income from trade or business	3. Expenses directly connected with production of unrelated business income	4. Net income (loss) from unrelated trade or business (column 2 minus column 3). If a gain, compute cols. 5 through 7.	5. Gross income from activity that is not unrelated business income	6. Expenses attributable to column 5	7. Excess exempt expenses (column 6 minus column 5, but not more than column 4).
(1)						
(2)						
(3)						
(4)						
Totals	0.	0.				0.

Schedule J - Advertising Income (see instructions)

Part I Income From Periodicals Reported on a Consolidated Basis

1. Name of periodical	2. Gross advertising income	3. Direct advertising costs	4. Advertising gain or (loss) (col. 2 minus col. 3). If a gain, compute cols. 5 through 7.	5. Circulation income	6. Readership costs	7. Excess readership costs (column 6 minus column 5, but not more than column 4).
(1)						
(2)						
(3)						
(4)						
Totals (carry to Part II, line (5))	0.	0.				0.

Part II Income From Periodicals Reported on a Separate Basis (For each periodical listed in Part II, fill in columns 2 through 7 on a line-by-line basis.)

1. Name of periodical	2. Gross advertising income	3. Direct advertising costs	4. Advertising gain or (loss) (col. 2 minus col. 3). If a gain, compute cols. 5 through 7.	5. Circulation income	6. Readership costs	7. Excess readership costs (column 6 minus column 5, but not more than column 4).
(1)						
(2)						
(3)						
(4)						
(5) Totals from Part I	0.	0.				0.
Totals, Part II (lines 1-5)	0.	0.				0.

Schedule K - Compensation of Officers, Directors, and Trustees (see instructions)

1. Name	2. Title	3. Percent of time devoted to business	4. Compensation attributable to unrelated business
(1)		%	
(2)		%	
(3)		%	
(4)		%	
Total. Enter here and on page 1, Part II, line 14			0.

Footnotes

Statement 1

Average Adjusted Basis - Western Ave

Net Book value of property - beginning of rental period	1,152,000.
Net Book value of property - end of rental period	1,152,000.
	<hr/>
Total	2,304,000.
	2.

Average Net Book Value

1,152,000.

Average Acquisition Debt - Western Ave

July	778,150.
August	774,200.
September	770,250.
October	766,300.
November	762,350.
December	758,400.
January	754,450.
February	750,500.
March	746,550.
April	742,600.
May	738,650.
June	734,700.

Total 9,077,100.

12.

Average Acquisition Debt

756,425.

Form 990-T Schedule E - Other Deductions Statement 2

Description	Activity Number	Amount	Total
Interest		52,262.	
Property tax		4,019.	
	- SubTotal -	1	56,281.
Total of Form 990-T, Schedule E, Column 3(b)			56,281.

Form 990-T Average Acquisition Debt on or Allocable to Debt-Financed Property Statement 3

Description	Activity Number	Amount	Total
Average Acquisition Debt		756,425.	
	- SubTotal -	1	756,425.
Total of Form 990-T, Schedule E, Column 4			756,425.

Form 990-T	Average Adjusted Basis of or Allocable to Debt-Financed Property	Statement	4
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Description	Activity Number	Amount	Total
Average Basis			
- SubTotal -	1	1,152,000.	1,152,000.
Total of Form 990-T, Schedule E, Column 5			1,152,000.

Exempt Organization Business Income Tax Return
(and proxy tax under section 6033(e))

2010

Department of the Treasury
Internal Revenue Service

For calendar year 2010 or other tax year beginning **JUL 1, 2010** and ending **JUN 30, 2011**

Open to Public Inspection for
501(c)(3) Organizations Only

A <input type="checkbox"/> Check box if address changed	Name of organization (<input type="checkbox"/> Check box if name changed and see instructions.)	D Employer identification number (Employees' trust, see instructions.)
B Exempt under section <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 408(e) <input type="checkbox"/> 220(e) <input type="checkbox"/> 408A <input type="checkbox"/> 530(a) <input type="checkbox"/> 529(a)	Print or Type Mars Hill Church Number, street, and room or suite no. If a P.O. box, see instructions. 1411 NW 50th St City or town, state, and ZIP code Seattle, WA 98107	91-1733689 E Unrelated business activity codes (See instructions.) 531190
C Book value of all assets at end of year 1,152,000.	F Group exemption number (See instructions.)	G Check organization type <input checked="" type="checkbox"/> 501(c) corporation <input type="checkbox"/> 501(c) trust <input type="checkbox"/> 401(a) trust <input type="checkbox"/> Other trust

H Describe the organization's primary unrelated business activity. **Rental of commercial space**

I During the tax year, was the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group? Yes No
If "Yes," enter the name and identifying number of the parent corporation.

J The books are in care of **Jessica Pickett** Telephone number **206-816-3830**

Part I Unrelated Trade or Business Income	(A) Income	(B) Expenses	(C) Net
1 a Gross receipts or sales			
b Less returns and allowances c Balance	1c		
2 Cost of goods sold (Schedule A, line 7)	2		
3 Gross profit. Subtract line 2 from line 1c	3		
4 a Capital gain net income (attach Schedule D)	4a		
b Net gain (loss) (Form 4797, Part II, line 17) (attach Form 4797)	4b		
c Capital loss deduction for trusts	4c		
5 Income (loss) from partnerships and S corporations (attach statement)	5		
6 Rent income (Schedule C)	6		
7 Unrelated debt-financed income (Schedule E)	7 23,877.	41,510.	-17,633.
8 Interest, annuities, royalties, and rents from controlled organizations (Sch. F)	8		
9 Investment income of a section 501(c)(7), (9), or (17) organization (Schedule G)	9		
10 Exploited exempt activity income (Schedule I)	10		
11 Advertising income (Schedule J)	11		
12 Other income (See instructions; attach schedule.)	12		
13 Total. Combine lines 3 through 12	13 23,877.	41,510.	-17,633.

Part II Deductions Not Taken Elsewhere (See instructions for limitations on deductions.)
(Except for contributions, deductions must be directly connected with the unrelated business income.)

14 Compensation of officers, directors, and trustees (Schedule K)	14	
15 Salaries and wages	15	
16 Repairs and maintenance	16	
17 Bad debts	17	
18 Interest (attach schedule)	18	
19 Taxes and licenses	19	
20 Charitable contributions (See instructions for limitation rules.)	20	
21 Depreciation (attach Form 4562)	21	
22 Less depreciation claimed on Schedule A and elsewhere on return	22a	22b
23 Depletion	23	
24 Contributions to deferred compensation plans	24	
25 Employee benefit programs	25	
26 Excess exempt expenses (Schedule I)	26	
27 Excess readership costs (Schedule J)	27	
28 Other deductions (attach schedule)	28	
29 Total deductions. Add lines 14 through 28	29	0.
30 Unrelated business taxable income before net operating loss deduction. Subtract line 29 from line 13	30	-17,633.
31 Net operating loss deduction (limited to the amount on line 30)	31	0.
32 Unrelated business taxable income before specific deduction. Subtract line 31 from line 30	32	-17,633.
33 Specific deduction (Generally \$1,000, but see instructions for exceptions.)	33	1,000.
34 Unrelated business taxable income. Subtract line 33 from line 32. If line 33 is greater than line 32, enter the smaller of zero or line 32	34	-17,633.

Part III Tax Computation

35 Organizations Taxable as Corporations. See instructions for tax computation. Controlled group members (sections 1561 and 1563) check here [] See instructions and: a Enter your share of the \$50,000, \$25,000, and \$9,925,000 taxable income brackets (in that order): (1) \$ [] (2) \$ [] (3) \$ [] b Enter organization's share of: (1) Additional 5% tax (not more than \$11,750) \$ [] (2) Additional 3% tax (not more than \$100,000) \$ [] c Income tax on the amount on line 34 35c 0. 36 Trusts Taxable at Trust Rates. See instructions for tax computation. Income tax on the amount on line 34 from: [] Tax rate schedule or [] Schedule D (Form 1041) 36 37 Proxy tax. See instructions 37 38 Alternative minimum tax 38 39 Total. Add lines 37 and 38 to line 35c or 36, whichever applies 39 0.

Part IV Tax and Payments

40a Foreign tax credit (corporations attach Form 1118; trusts attach Form 1116) 40a 40b Other credits (see instructions) 40b 40c General business credit. Attach Form 3800 40c 40d Credit for prior year minimum tax (attach Form 8801 or 8827) 40d 40e Total credits. Add lines 40a through 40d 40e 41 Subtract line 40e from line 39 41 0. 42 Other taxes. Check if from: [] Form 4255 [] Form 8611 [] Form 8697 [] Form 8866 [] Other (attach schedule) 42 43 Total tax. Add lines 41 and 42 43 0. 44a Payments: A 2009 overpayment credited to 2010 44a 44b 2010 estimated tax payments 44b 44c Tax deposited with Form 8868 44c 44d Foreign organizations: Tax paid or withheld at source (see instructions) 44d 44e Backup withholding (see instructions) 44e 44f Credit for small employer health insurance premiums (Attach Form 8941) 44f 44g Other credits and payments: [] Form 2439 [] Form 4136 [] Other Total 44g 45 Total payments. Add lines 44a through 44g 45 46 Estimated tax penalty (see instructions). Check if Form 2220 is attached [] 46 47 Tax due. If line 45 is less than the total of lines 43 and 46, enter amount owed 47 0. 48 Overpayment. If line 45 is larger than the total of lines 43 and 46, enter amount overpaid 48 0. 49 Enter the amount of line 48 you want: Credited to 2011 estimated tax [] Refunded [] 49

Part V Statements Regarding Certain Activities and Other Information (see instructions)

1 At any time during the 2010 calendar year, did the organization have an interest in or a signature or other authority over a financial account (bank, securities, or other) in a foreign country? If YES, the organization may have to file Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts. If YES, enter the name of the foreign country here [] X 2 During the tax year, did the organization receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If YES, see instructions for other forms the organization may have to file. [] X 3 Enter the amount of tax-exempt interest received or accrued during the tax year \$ []

Schedule A - Cost of Goods Sold. Enter method of inventory valuation N/A

1 Inventory at beginning of year 1 6 Inventory at end of year 6 2 Purchases 2 7 Cost of goods sold. Subtract line 6 from line 5. Enter here and in Part I, line 2 7 3 Cost of labor 3 8 Do the rules of section 263A (with respect to property produced or acquired for resale) apply to the organization? Yes No X 4a Additional section 263A costs 4a b Other costs (attach schedule) 4b 5 Total. Add lines 1 through 4b 5

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Sign Here Signature of officer Date Title May the IRS discuss this return with the preparer shown below (see instructions)? [X] Yes [] No

Paid Preparer Use Only Print/Type preparer's name Richard Battershell, CPA Preparer's signature Date Check [] if self-employed PTIN P00004435 Firm's name Battershell & Nichols, PS Firm's EIN 27-1095574 Firm's address Federal Way, WA 98003 Phone no. 253-839-1620

Schedule C - Rent Income (From Real Property and Personal Property Leased With Real Property)(see instructions)

1. Description of property

Table with 1 column for description of property, rows (1) through (4).

2. Rent received or accrued

Table with 3 columns: (a) From personal property, (b) From real and personal property, 3(a) Deductions directly connected with the income. Rows (1) through (4) and Total.

(c) Total income. Add totals of columns 2(a) and 2(b). Enter here and on page 1, Part I, line 6, column (A) 0. (b) Total deductions. Enter here and on page 1, Part I, line 6, column (B) 0.

Schedule E - Unrelated Debt-Financed Income (see instructions)

Table with 4 columns: 1. Description of debt-financed property, 2. Gross income from or allocable to debt-financed property, 3. Deductions directly connected with or allocable to debt-financed property (a) Straight line depreciation, (b) Other deductions. Row (1) 2333 Western Avenue, 34,218, 59,487.

Table with 5 columns: 4. Amount of average acquisition debt, 5. Average adjusted basis, 6. Column 4 divided by column 5, 7. Gross income reportable, 8. Allocable deductions. Row (1) 803,825, 1,152,000, 69.78%, 23,877, 41,510.

Totals 23,877, 41,510. Total dividends-received deductions included in column 8 0.

Schedule F - Interest, Annuities, Royalties, and Rents From Controlled Organizations (see instructions)

Table for Exempt Controlled Organizations with 6 columns: 1. Name of controlled organization, 2. Employer identification number, 3. Net unrelated income, 4. Total of specified payments made, 5. Part of column 4 that is included in the controlling organization's gross income, 6. Deductions directly connected with income in column 5.

Nonexempt Controlled Organizations

Table with 5 columns: 7. Taxable Income, 8. Net unrelated income (loss), 9. Total of specified payments made, 10. Part of column 9 that is included in the controlling organization's gross income, 11. Deductions directly connected with income in column 10.

Totals 0, 0. Add columns 5 and 10. Enter here and on page 1, Part I, line 8, column (A). Add columns 6 and 11. Enter here and on page 1, Part I, line 8, column (B).

Schedule G - Investment Income of a Section 501(c)(7), (9), or (17) Organization
(see instructions)

1. Description of income	2. Amount of income	3. Deductions directly connected (attach schedule)	4. Set-asides (attach schedule)	5. Total deductions and set-asides (col. 3 plus col. 4)
(1)				
(2)				
(3)				
(4)				
Totals	0.			0.

Schedule I - Exploited Exempt Activity Income, Other Than Advertising Income
(see instructions)

1. Description of exploited activity	2. Gross unrelated business income from trade or business	3. Expenses directly connected with production of unrelated business income	4. Net income (loss) from unrelated trade or business (column 2 minus column 3). If a gain, compute cols. 5 through 7.	5. Gross income from activity that is not unrelated business income	6. Expenses attributable to column 5	7. Excess exempt expenses (column 6 minus column 5, but not more than column 4).
(1)						
(2)						
(3)						
(4)						
Totals	0.	0.				0.

Schedule J - Advertising Income (see instructions)

Part I Income From Periodicals Reported on a Consolidated Basis

1. Name of periodical	2. Gross advertising income	3. Direct advertising costs	4. Advertising gain or (loss) (col. 2 minus col. 3). If a gain, compute cols. 5 through 7.	5. Circulation income	6. Readership costs	7. Excess readership costs (column 6 minus column 5, but not more than column 4).
(1)						
(2)						
(3)						
(4)						
Totals (carry to Part II, line (5))	0.	0.				0.

Part II Income From Periodicals Reported on a Separate Basis (For each periodical listed in Part II, fill in columns 2 through 7 on a line-by-line basis.)

1. Name of periodical	2. Gross advertising income	3. Direct advertising costs	4. Advertising gain or (loss) (col. 2 minus col. 3). If a gain, compute cols. 5 through 7.	5. Circulation income	6. Readership costs	7. Excess readership costs (column 6 minus column 5, but not more than column 4).
(1)						
(2)						
(3)						
(4)						
(5) Totals from Part I	0.	0.				0.
Totals, Part II (lines 1-5)	0.	0.				0.

Schedule K - Compensation of Officers, Directors, and Trustees (see instructions)

1. Name	2. Title	3. Percent of time devoted to business	4. Compensation attributable to unrelated business
(1)		%	
(2)		%	
(3)		%	
(4)		%	
Total. Enter here and on page 1, Part II, line 14			0.

Footnotes

Statement 1

Average Adjusted Basis - Western Ave

Net Book value of property - beginning of rental period	1,152,000.
Net Book value of property - end of rental period	1,152,000.
Total	<u>2,304,000.</u> 2.

Average Net Book Value

1,152,000.Average Acquisition Debt - Western Ave

July	825,550.
August	821,600.
September	817,650.
October	813,700.
November	809,750.
December	805,800.
January	801,850.
February	797,900.
March	793,950.
April	790,000.
May	786,050.
June	782,100.

Total	<u>9,645,900.</u>
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12.

Average Acquisition Debt

803,825.

Form 990-T Schedule E - Other Deductions Statement 2

Description	Activity Number	Amount	Total
Interest		55,526.	
Property tax		3,943.	
Personnel costs allocated		18.	
	- SubTotal -		59,487.
Total of Form 990-T, Schedule E, Column 3(b)			59,487.

Form 990-T Average Acquisition Debt on or Allocable to Debt-Financed Property Statement 3

Description	Activity Number	Amount	Total
Average Acquisition Debt		803,825.	
	- SubTotal -		803,825.
Total of Form 990-T, Schedule E, Column 4			803,825.

Form 990-T Average Adjusted Basis of or Statement 4
 Allocable to Debt-Financed Property

Description	Activity Number	Amount	Total
Average Basis		1,152,000.	
- SubTotal -	1		1,152,000.
Total of Form 990-T, Schedule E, Column 5			1,152,000.

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