

WESTWOOD COMMUNITY CHURCH
FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2009 AND 2008

**WESTWOOD COMMUNITY CHURCH
TABLE OF CONTENTS
YEARS ENDED JULY 31, 2009 AND 2008**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	2
STATEMENTS OF ACTIVITY	3
STATEMENTS OF CASH FLOWS	4
NOTES TO FINANCIAL STATEMENTS	5

LarsonAllen[®] LLP

CPAs, Consultants & Advisors
www.larsonallen.com

INDEPENDENT AUDITORS' REPORT

Leadership Board
Westwood Community Church
Chanhassen, Minnesota

We have audited the accompanying statements of financial position of Westwood Community Church as of July 31, 2009 and 2008, and the related statements of activity and cash flows for the years then ended. These financial statements are the responsibility of the Church's management. Our responsibility is to express an opinion on these financial statements based on our 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 Westwood Community Church as of July 31, 2009 and 2008, 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.


LarsonAllen LLP

Minneapolis, Minnesota
November 9, 2009



**WESTWOOD COMMUNITY CHURCH
STATEMENTS OF FINANCIAL POSITIONS
JULY 31, 2009 AND 2008**

	2009	2008
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,472,734	\$ 2,034,340
Accounts Receivable	60	22,033
Prepaid Expenses	108,441	73,194
Total Current Assets	2,581,235	2,129,567
PROPERTY AND EQUIPMENT, NET	17,902,718	18,052,813
OTHER ASSETS		
Investments	7,616	12,428
Loan Closing Costs - Net of Accumulated Amortization of \$117,788 and \$99,816 in 2009 and 2008, Respectively	61,904	79,876
Total Other Assets	69,520	92,304
Total Assets	\$ 20,553,473	\$ 20,274,684
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Portion of Long-Term Debt	\$ 384,445	\$ 414,628
Current Portion of Capital Lease	29,074	26,846
Accounts Payable	215,085	155,468
Accrued Payroll and Benefits	202,657	180,212
Deferred Revenue	31,154	73,049
Total Current Liabilities	862,415	850,203
LONG-TERM LIABILITIES		
Long-Term Debt	7,965,474	8,298,502
Long-Term Capital Lease	28,766	57,840
Total Long-Term Liabilities	7,994,240	8,356,342
Total Liabilities	8,856,655	9,206,545
NET ASSETS		
Unrestricted Net Assets	10,113,393	10,566,406
Temporarily Restricted Net Assets	1,583,425	501,733
Total Net Assets	11,696,818	11,068,139
Total Liabilities and Net Assets	\$ 20,553,473	\$ 20,274,684

See accompanying Notes to Financial Statements.

**WESTWOOD COMMUNITY CHURCH
STATEMENTS OF ACTIVITY
YEARS ENDED JULY 31, 2009 AND 2008**

	2009			2008		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE						
Contributions:						
General	\$ 3,425,702	\$ 190,538	\$ 3,616,240	\$ 3,468,879	\$ 194,164	\$ 3,663,043
Land and Building	-	2,088,460	2,088,460	-	1,789,934	1,789,934
Events and Program Revenue	631,554	-	631,554	497,838	-	497,838
Interest Income	35,642	-	35,642	44,986	-	44,986
Loss on Sale of Investments	(7,497)	-	(7,497)	(9,757)	-	(9,757)
Gain (Loss) on Sale of Fixed Assets	-	-	-	50,722	-	50,722
Other Income	5,141	-	5,141	6,797	-	6,797
Net Assets Released from Restrictions	1,197,306	(1,197,306)	-	1,506,028	(1,506,028)	-
Total Support and Revenue	<u>5,287,848</u>	<u>1,081,692</u>	<u>6,369,540</u>	<u>5,565,493</u>	<u>478,070</u>	<u>6,043,563</u>
EXPENSE						
Program	4,530,247	-	4,530,247	4,245,883	-	4,245,883
General and Administrative	1,151,694	-	1,151,694	968,332	-	968,332
Fundraising	58,920	-	58,920	135,285	-	135,285
Total Expense	<u>5,740,861</u>	<u>-</u>	<u>5,740,861</u>	<u>5,349,500</u>	<u>-</u>	<u>5,349,500</u>
CHANGE IN NET ASSETS	(453,013)	1,081,692	628,679	215,993	478,070	694,063
Net Assets - Beginning	<u>10,566,406</u>	<u>501,733</u>	<u>11,068,139</u>	<u>10,350,413</u>	<u>23,663</u>	<u>10,374,076</u>
NET ASSETS - ENDING	<u>\$ 10,113,393</u>	<u>\$ 1,583,425</u>	<u>\$ 11,696,818</u>	<u>\$ 10,566,406</u>	<u>\$ 501,733</u>	<u>\$ 11,068,139</u>

See accompanying Notes to Financial Statements.

**WESTWOOD COMMUNITY CHURCH
STATEMENTS OF CASH FLOWS
YEARS ENDED JULY 31, 2009 AND 2008**

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 628,679	\$ 694,063
Adjustments to Reconcile Change in Net Assets to Net Cash from Operating Activities:		
Depreciation and Amortization	780,092	774,608
Gain on Sale of Property and Equipment	-	(50,722)
Contributions Restricted for Long-Term Purposes	(2,088,460)	(1,789,934)
(Increase) Decrease in Current Assets:		
Accounts Receivable	21,973	(20,969)
Prepaid Expenses	(35,247)	18,462
Increase (Decrease) in Current Liabilities:		
Accounts Payable	59,617	22,777
Accrued Payroll and Benefits	22,445	24,267
Deferred Revenue	(41,895)	12,800
Net Cash Used by Operating Activities	(652,796)	(314,648)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(612,025)	(207,095)
Proceeds on Sale of Property and Equipment	-	63,300
Donated Securities Received	(7,616)	(12,428)
Sale of Donated Securities	12,428	-
Net Cash Used by Investing Activities	(607,213)	(156,223)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Long-Term Debt	(363,211)	(619,853)
Payments on Capital Lease	(26,846)	(24,789)
Release of Cash and Cash Equivalents from Restriction	-	551,428
Proceeds from Contributions Restricted for Long-Term Purposes	2,088,460	1,789,934
Loan Modification Costs	-	(15,000)
Net Cash Provided by Financing Activities	1,698,403	1,681,720
INCREASE IN CASH AND CASH EQUIVALENTS	438,394	1,210,849
Cash and Cash Equivalents - Beginning of Year	2,034,340	823,491
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,472,734	\$ 2,034,340
SUPPLEMENTAL INFORMATION		
Cash Paid for Interest	\$ 515,810	\$ 649,605
Long-Term Debt incurred as Land Assessment Payable	\$ -	\$ 56,222

See accompanying Notes to Financial Statements.

**WESTWOOD COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2009 AND 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Westwood Community Church began in January 1995 as a church plant of Wooddale Church in Eden Prairie. The Westwood church plant was part of a bold city-wide church planting strategy designed to attract unchurched people.

Joel Johnson, who was the Outreach Pastor at Wooddale at the time, was asked to start a church in Chanhassen, an area underserved by churches. A core group of 90 met with the Johnsons in February and March for worship and training in ministry to prepare for the church launch. The group stepped out in faith and opened the doors to Westwood Community Church on Easter Sunday, 1995. Two worship services were offered in the intimate Fireside Theatre at the Chanhassen Dinner Theatres, but the church grew so quickly that just five months later, a move was made to the main Dinner Theatre, seating 450 at round tables. The tables, first seen as a detriment, facilitated wonderful interaction as church members began to get to know one another. Hundreds of new families came as news about Westwood's informal atmosphere, wonderful worship and caring biblically-based messages began to spread. The Church experienced a boom in growth when it held its first public service on Easter Sunday - April 16, 1995.

Westwood faced another challenge in the fall of 1997. The children's ministry had grown so large that the current facilities could no longer accommodate their needs. By this time the new District 112 High School was built in Chaska, eight miles southwest of the Chanhassen Dinner Theatre. It was the only facility in the immediate region that could accommodate Westwood's growing needs, though moving there raised costs significantly. After careful consideration, the decision was made and in December of 1997, Westwood relocated to the new high school. Rapid growth continued and a third service was soon added.

In January 1999 a Purchase Agreement was signed for 57 acres of land on the northwest corner of Cty Rd 5 & State Hwy 41. A member of the congregation identified this parcel of land which was owned by a friend, but not for sale. The land had been earmarked for construction of 80 luxury homes, but the landowner agreed to sell the land to Westwood as long as a church was constructed on the site. In August, 1999, the architectural firm of Hammel Green and Abrahamson, Inc. (H.G.A.) of Minneapolis was selected to design and develop Westwood's future facility. Witcher Construction was selected as the general contractor. The groundbreaking service for the 69,000 square foot Phase I was held on April 21, 2002. The facility, which includes worship space for 1,000, parking for 500 cars, 15 classrooms, kitchen, conference room and office space, was completed on schedule and under budget. The first services were held on July 13, 2003, with four services throughout the day. In the year following the move, attendance increased nearly 40%. Late in 2004, a second access road was added, providing a south access off of Highway 41 and increased visibility for Westwood with the additional of a beautiful monument sign at the intersection of Highway 41 and W. 78th Street. 135 parking spaces were also added at this time. The second access road was a condition of the city for any additional campus development.

**WESTWOOD COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2009 AND 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

On Easter Sunday, 2005, we celebrated our 10th anniversary as a church. To commemorate 10 year's of God's blessing, Westwood stepped out in faith and planted our first daughter church, Emmaus Road Church, which began services on Easter Sunday at the Hopkins Fine Arts Center. Westwood leadership had anticipated that planning and fund raising for a student center, the second building in our master plan, would also begin in 2005. The Lord directed differently, however, and the focus of the "Ground Work" capital campaign, which concluded successfully in the spring of 2005, was on reducing our short and long-term debt in order to strengthen our financial foundation.

Having a campus has been a great blessing, which has facilitated the expansion of ministry, broadened our reach into additional communities and increased the age diversity of our congregation.

In February of 2008, a special business meeting was held where the Westwood congregation approved, pending approval of a funding plan, to construct a Phase 2 facility (to the east of the current building) with additional space for children, students and adults. The congregation also approved spending funds for architectural and other planning costs as well as to conduct a capital campaign. The "Nothing Less Than Extraordinary" campaign was held in the spring of 2008 with the goals of building Phase 2, expanding local ministry and expanding our work in Malawi Africa (5% of funds raised will go to the Malawi work, up to \$500,000). Funds from the campaign will also be applied to Phase 1 and 2 mortgage principal and interest and be used to help with additional operating costs for the new facility. Westwood leadership determined the scope and finance plan for Phase 2 which was approved by the congregation at a special business meeting in March of 2009. The plan is to build a 44,000 square foot facility on two floors but finish only a portion of that space: the two connecting/commons spaces on both floors, and student classrooms on the lower level and restrooms. A spring, 2009 capital campaign raised additional funds for the project. The remainder of the interior will be completed as funds allow. A future Phase 3 is anticipated to include a multi-purpose building for recreation and alternate worship use. Financing was secured on the project in October of 2009 and construction commenced, with completion anticipated for summer of 2010.

Westwood has continued to grow in worship attendance and membership. Both Christmas and Easter saw record attendance. Believing that one site couldn't hold all those who would come, Easter services were held at the Westwood campus and at Chaska High School.

Organization and Tax Exempt Status

The Church was incorporated under the laws of the State of Minnesota as a nonprofit corporation and is exempt from Federal and Minnesota income taxes under Section 501(c)(3) of the Internal Revenue Code and under Section 209.05, Subdivision 1(i) of the Minnesota Statutes. It has been classified as an organization that is not a private foundation under the Internal Revenue Code and contributions to the Church qualify as a charitable tax deduction by the contributor.

**WESTWOOD COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2009 AND 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Organization and Tax Exempt Status (Continued)

The Organization has elected to defer application of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*. The Organization follows Financial Accounting Standard No. 5, *Accounting for Contingencies*, for evaluating uncertain tax positions.

The Church is organized to promote spiritual, educational and other interests of its members. The Church's programs are as follows:

Church – Promotes spiritual, educational and other interests of its members

Ministry Groups – Ministers to youth, men, women and other identifiable groups within the Church

Preschool – Serves a total of approximately 160 preschool students and their families with 2-day, 3-day and 4-day options throughout the normal school year

Open Hands Foundation – Enhances community involvement in support opportunities

Financial Statement Presentation

Net assets and revenues, gains, and losses are classified based on donor imposed restrictions. Accordingly, net assets of the Church and changes therein are classified and reported as follows:

Unrestricted – Resources over which the Leadership Board has discretionary control. Designated amounts represent those revenues which the Board has set aside for a particular purpose. All furniture and equipment are considered unrestricted.

Temporarily Restricted – Those resources subject to donor imposed restrictions which will be satisfied by actions of the Church or passage of time.

Permanently Restricted – Those resources subject to a donor imposed restriction that they be maintained permanently by the Church.

At July 31, 2009, the Church had temporarily restricted net assets of \$1,581,640 and \$1,785 relating to building fund contributions and memorial funds, respectively. At July 31, 2008, the Church had temporarily restricted net assets of \$501,773 relating to building fund contributions not spent during the year. The Church has no permanently restricted net assets.

Cash and Cash Equivalents

The Church places its cash deposits with one financial institution. At times, the balance in this account may be in excess of Federal Deposit Insurance Corporation insurance limits.

For the purposes of the statement of cash flows, cash and cash equivalents include all cash balances and highly liquid investments with an original maturity of three months or less.

**WESTWOOD COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2009 AND 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment purchases are stated at cost. Contributed items are recorded at fair market value at date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulation, contributions of property and equipment are recorded as unrestricted. The Church uses the straight-line method of depreciation over the estimated useful lives of the asset. Depreciation expense was \$762,120 and \$758,386 for the years ended July 31, 2009 and 2008, respectively.

Investments

Investments are stated at fair value, which is determined by quoted market prices. The net changes in fair value on held investments and the realized gains and losses on investments sold are reflected in the statement of activities as a component of investment income. It is the Church's policy to sell donated securities as soon as possible after they are received. Investments at July 31, 2009 consist of donated equity securities that are in the process of being sold at year-end.

Fair Value Measurements

Effective August 1, 2008, the Church adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ("FAS 157"). FAS 157 establishes a framework for measuring fair value and a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. The adoption of FAS 157 had no significant impact on the accounting or financial statements of the Church.

The Church also adopted Statement of Financial Accounting Standard No. 159, *The Fair Value Option for Financial Assets and Liabilities* (SFAS 159), on July 1, 2008. SFAS 159 allows entities the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on an instrument-by-instrument basis. The Church has not elected to measure any existing financial instruments at fair value at July 31, 2009, as permitted under SFAS 159. However, the Organization may elect to measure newly acquired financial instruments at fair value in the future.

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Loan Closing Costs

Loan closing costs included loan origination fees and loan modification fees that may be incurred during the life of the loan. Fees are recorded at cost and are amortized using the straight-line method over the remaining term of the loan. Amortization was \$17,972 and \$16,222 for the years ended July 31, 2009 and 2008, respectively.

**WESTWOOD COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2009 AND 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contribution Pledges

Revenue is recognized at the time a pledge is made. No pledge receivables have been recognized for "Ground Work" or "Nothing Less than Extraordinary" at July 31, 2009 or 2008 as the related pledge cards retained the right of the donor to alter or revoke the pledge amount at any time.

Deferred Revenue

The deferred revenue at July 31, 2009 and 2008 consists primarily of preschool tuition and registrations. Also included at July 31, 2008 was deferred revenue related to a children's camp retreat and weddings.

Functional Allocation of Expense

Salaries and related expenses are allocated based on job descriptions and the best estimates of management. Expenses, other than salaries and related expenses that are not directly identifiable by program or supporting service, are allocated based on the best estimates of management.

Reclassifications

Certain reclassifications have been made to the July 31, 2008 financial statements in order to present them in conformity with the July 31, 2009 financial statements. These reclassifications had no effect on net assets as previously reported.

Subsequent Events

The Foundation has evaluated events and transactions for potential recognition or disclosure in these financial statements through November 9, 2009, the date the financial statements were available to be issued.

NOTE 2 PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of July 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Land and Land Improvements	\$ 4,494,062	\$ 4,494,062
Furniture and Equipment	1,884,634	1,939,452
Building and Building Improvements	15,264,294	15,260,709
Construction in Process	624,472	48,538
	<u>22,267,462</u>	<u>21,742,761</u>
Less: Accumulated Depreciation	<u>(4,364,744)</u>	<u>(3,689,948)</u>
Property and Equipment, Net	<u>\$ 17,902,718</u>	<u>\$ 18,052,813</u>

Included in property and equipment is a road the Church constructed and put in service during 2005 to provide additional access to its property. Legal title to the road was transferred to the City of Chanhassen in 2006. Because the Church will continue to derive significant value from the road in future years, the road costs are included in property and equipment and are depreciated over 20 years, the expected economic useful life of the road.

**WESTWOOD COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2009 AND 2008**

NOTE 2 PROPERTY AND EQUIPMENT (CONTINUED)

Construction in progress at July 31, 2009 consists of architectural and other upfront costs related to construction of a Commons Area addition to the Church building. The project is estimated to range in cost from approximately \$8,500,000 to \$12,000,000. The Church intends to fund construction through a combination of capital campaign contributions and long-term debt. The Church had entered into commitments for architectural and construction management services totaling approximately \$750,000, of which approximately \$150,000 was outstanding at July 31, 2009.

NOTE 3 CAPITAL LEASE

The Church leases certain copiers under a long-term lease agreement that is classified as a capital lease. The assets are included in equipment as follows at July 31:

	2009
Copier	\$ 134,190
Accumulated Depreciation	(82,751)
Total	\$ 51,439

Future minimum lease payments under the lease are as follows:

Year Ending July 31,	Amount
2010	\$ 32,651
2011	29,929
Total Minimum Lease Payments	62,580
Less: Interest, Imputed at 8%	(4,740)
Total Principal	57,840
Less: Current Portion	(29,074)
Long-Term Capital Lease	\$ 28,766

NOTE 4 OPERATING LEASES

The Church entered into various operating lease agreements, as a lessee for a vehicle and office equipment. During the years ended July 31, 2009 and 2008, rent expense amounted to \$31,858 and \$39,514, respectively. Future minimum lease payments under those agreements are as follows:

Year Ending July 31,	Amount
2010	\$ 31,858
2011	28,872
2012	1,764
2013	1,764
2014	294
Total	\$ 64,552

**WESTWOOD COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2009 AND 2008**

NOTE 5 RETIREMENT PLAN

The Church participates in a Section 403(b) retirement investment plan which covers substantially all employees who meet eligibility requirements. Employees may elect to defer a portion of their salary under the 403(b) portion of the plan. The plan provides that eligible employees receive Church contributions up to a maximum 5% of their annual compensation. Church contributions for the years ended July 31, 2009 and 2008 were \$62,334 and \$60,645, respectively.

NOTE 6 LONG-TERM DEBT

Long-term debt consists of the following at July 31, 2009 and 2008:

<u>Description</u>	<u>2009</u>	<u>2008</u>
Note payable with monthly payments of principal and interest of \$72,272 at a fixed rate of 5.9% effective April 1, 2008 through December 1, 2013 at which time the note is payable in full. Prior to April 1, 2008 the note had a variable interest rate of prime plus 1%.	\$ 8,300,071	\$ 8,658,939
Land assessment payable due in equal biannual installments over 10 years and bears interest of 6%.	49,848	54,191
Total Long-Term Debt	8,349,919	8,713,130
Current Portion of Long-Term Debt	<u>(384,445)</u>	<u>(414,628)</u>
Net Long-Term Debt	<u>\$ 7,965,474</u>	<u>\$ 8,298,502</u>

The above notes payable notes are secured by the assets of the Church and are subject to various covenants. As of July 31, 2009 and 2008, the Church was not in compliance with certain debt covenants for which waivers were received from the bank.

During fiscal 2008, the Church was assessed \$56,222 for property improvements completed by the City of Chanhassen. The amount is to be paid in equal installments over 10 years and bears interest of 6%.

Estimated maturities of long-term debt as of July 31, 2009 are as follows:

<u>Year Ending July 31,</u>	<u>Amount</u>
2010	\$ 384,445
2011	409,738
2012	433,550
2013	461,252
2014	6,637,450
Thereafter	23,484
Total Debt	8,349,919
Less: Current Portion	384,445
Long-Term Debt	<u>\$ 7,965,474</u>

**WESTWOOD COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2009 AND 2008**

NOTE 7 LINE OF CREDIT

The Church has a \$250,000 line of credit with a maturity of December 31, 2009. There were no amounts outstanding on the line of credit as of July 31, 2009 or 2008.

NOTE 8 SUBSEQUENT EVENTS

Subsequent to year-end on September 24, 2009, the Church entered into a note payable and mortgage agreement for \$6,000,000, interest payable at 5.84%, with the balance of the note payable due August 1, 2024. Interest only payments are due monthly through August 1, 2011, after which interest and principal payments, computed on a 25 year amortization schedule, will be due each month. On the fifth and tenth anniversaries of the note payable, the interest rate will change to the then current five year LIBOR swap rate plus 310 basis points but not less than 5.55%. Concurrently, the Church entered into a purchase agreement with a contractor for the construction of Phase II of the building project which commenced in the fall of 2009.