

**VAN NUYS FOURSQUARE CHURCH**

**Reviewed Financial Statements**

**December 31, 2015**

**VAN NUYS FOURSQUARE CHURCH**

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*James Jay Smith, CPA*

## **INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

To the Church Council  
Van Nuys Foursquare Church  
Van Nuys, California

We have reviewed the accompanying statement of financial position of Van Nuys Foursquare Church (a nonprofit organization) as of December 31, 2015, and the related statements of activities and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

  
James Jay Smith, C.P.A.

**January 27, 2016**  
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**Van Nuys Foursquare Church  
Statement of Financial Position  
December 31, 2015**

**ASSETS**

Cash and cash equivalents	\$ 3,954,687
Prepaid expenses	23,435
Assets held for benefit of trusts	71,618
Land, buildings, equipment and vehicles, net (note3)	<u>16,488,751</u>
<b>Total Assets</b>	<b><u>\$ 20,538,491</u></b>

**LIABILITIES AND NET ASSETS**

Accounts Payable	\$ 50,000
Accrued expenses	127,994
Annuity and trust payable	<u>82,833</u>
<b>Total Liabilities</b>	<b><u>260,827</u></b>
Unrestricted	20,244,698
Temporary restricted	<u>32,966</u>
<b>Total Net Assets</b>	<b><u>20,277,664</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 20,538,491</u></b>

**Van Nuys Foursquare Church**  
**Statement of Activities**  
**For the Year ended December 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT &amp; REVENUES</b>			
Tithes	\$ 6,904,863	\$ -	\$ 6,904,863
Missions	31,435	97,961	129,396
Designated gifts	-	24,484	24,484
Benevolence	-	12,496	12,496
Event income	65,457	-	65,457
Rental income	406,465	-	406,465
Building fund	9,694	25,718	35,412
Interest income	12,961	-	12,961
Radio income	237,897	-	237,897
Gain on sale of investment	469	-	469
Gain on sale of properties	4,140,216	-	4,140,216
Other income	287,878	-	287,878
Net assets released from restrictions	244,889	(244,889)	-
	<u>12,342,224</u>	<u>(84,230)</u>	<u>12,257,994</u>
<b>Total Support and Revenues</b>			
<b>EXPENSES</b>			
Church ministry	1,173,761	-	1,173,761
Missions	1,181,744	-	1,181,744
Staff	3,330,259	-	3,330,259
Facilities	2,326,716	-	2,326,716
Interest expense	96,549	-	96,549
Depreciation	701,804	-	701,804
	<u>8,810,833</u>	<u>-</u>	<u>8,810,833</u>
<b>Total Expenses</b>			
Change in Net Assets	3,531,391	(84,230)	3,447,161
Net Assets, Beginning of the Year	16,713,307	117,196	16,830,503
Net Assets, End of the Year	<u>\$ 20,244,698</u>	<u>\$ 32,966</u>	<u>\$ 20,277,664</u>

**Van Nuys Foursquare Church**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2015**

**OPERATING ACTIVITIES**

Change in net assets	\$ 3,447,161
Items not requiring cash	
Depreciation	701,804
Gains on disposal of property	(4,140,216)
Changes in assets and liabilities	
Interest receivable	1,130
Prepaid expenses	32,655
Assets held for benefit of trusts	6,888
Accounts payable	(24,784)
Accrued expenses	(25,624)
Annuity and trust payable	(10,415)
	<u>                    </u>
Net cash used by operating activities	<u>(11,401)</u>

**INVESTING ACTIVITIES**

Proceeds from sale of property	6,288,125
Purchase of land, buildings, furniture and equipment	<u>(211,629)</u>
Net cash provided by investing activities	<u>6,076,496</u>

**FINANCING ACTIVITIES**

Payments on note receivable	34,032
Payments on notes payable	<u>(4,016,018)</u>
Net cash used by financing activities	<u>(3,981,986)</u>

Net Decrease in Cash and Cash Equivalents 2,083,109

Cash and Cash Equivalents at the Beginning of the Year 1,871,578

Cash and Cash Equivalents at the End of the Year \$ 3,954,687

**SUPPLEMENTAL DISCLOSURES:**

Interest paid \$ 96,549

**VAN NUYS FOURSQUARE CHURCH  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2015**

**NOTE 1 – NATURE OF ORGANIZATION**

The Church on the Way (the Church) is a member church of the International Church of the Foursquare Gospel (ICFG), a not-for-profit religious corporation exempt from federal taxes under Section 501(c)(3) of the Internal Revenue Code. As such, the Church is also exempt from state income taxes, and contributions by the public are deductible for income tax purposes. The Church has been classified as a publicly supported organization, which is not a private foundation under Section 509(a) of the Internal Revenue Code. ICFG consists of the corporate office, administrative resource centers and member churches under one corporate umbrella.

These financial statements only report the consolidated assets, liabilities, revenue and expenses of Van Nuys Foursquare Church and Life on the Way Communications, Inc. Title to all real estate in ICFG is held in the name of ICFG for the benefit of the member churches.

The Church's primary source of support consists of tax-deductible contributions from members and regular attendees. For the year ended December 31, 2015, contributions constituted approximately 57.9% of total revenue.

Life on the Way Communications, Inc. (LOTWC) is the media ministry of the Church. The Church council controls the board of directors of LOTWC, and the Church provides financial support to LOTWC.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The Church maintains its books and prepares its financial statements using the accrual basis method of accounting and accordingly reflects all significant receivables, payables and other liabilities.

During the year, the Church elected to change its year end from a fiscal year ending September 30, 2015 to a calendar year ending December 31, 2015. The change in net assets for the three months ended December 31, 2014 was \$462,365.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash on deposit, and money market accounts. The carrying value of cash and cash equivalents approximate their fair value.

The Church maintains its cash in bank accounts that, at times may exceed federally insured limits. The Church has not experienced losses in such accounts. The Church believes it is not exposed to any significant risk on its cash balances.

**VAN NUYS FOURSQUARE CHURCH**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015**

Consolidation

These financial statements include the accounts of Van Nuys Foursquare Church and Life on the Way Communications, Inc., an affiliate under common control. All material inter-company accounts and transactions have been eliminated.

Net Assets

The financial statements report amounts by classification of net assets as follows:

Unrestricted amounts are those currently available for use in the Church's operations and those resources invested in equipment.

Temporarily restricted amounts are those that are stipulated by donors for specific operating purposes, for the acquisition of property and equipment and ministry expenses.

Contributions are recorded as temporarily restricted when they are received with donor stipulations that limit their use through purpose and/or time restrictions. When donor restrictions expire, that is, when the purpose restriction is fulfilled or the time restriction expires, the net assets are reclassified from temporarily restricted contributions and net assets released from restrictions.

All contributions are considered available for unrestricted use, unless specifically restricted by the donor or subject to legal restrictions.

Public Support, Revenue and Expenses

Contributions are recorded when cash has been received, or ownership of donated assets is transferred to the church.

For contributions restricted by donors for the acquisition of property or other long lived assets, the restriction is considered to be met when the property or other long lived asset is placed in service.

Other revenue is recorded when earned. Expenses are recorded when incurred in accordance with the accrual basis of accounting.



**VAN NUYS FOURSQUARE CHURCH**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015**

Property and Equipment

Expenditures for property and equipment in excess of \$10,000 are capitalized at cost. Donated items are recorded at fair market value on the date of gift. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, ranging from 5 to 30 years.

The Church reviews the carrying value of its property and equipment for impairment whenever events or changes in circumstances indicate the net carrying value may not be recoverable.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period.

Evaluation of Subsequent Events

Management has evaluated the impact of all subsequent events through January 27, 2016, the date the financial statements were available to be issued, and has determined that there were no subsequent events requiring recognition in or disclosure in the financial statements.

**NOTE 3 – LAND, BUILDING AND EQUIPMENT**

The major classes of land, buildings and equipment on December 31, 2015 consist of the following:

Land	\$13,416,387
Buildings	20,051,237
Furniture and Equipment	760,611
Vehicles	<u>123,837</u>
	34,352,072
Less: Accumulated depreciation	<u>(17,863,321)</u>
	<u>\$16,488,751</u>

Depreciation was \$701,804 for the year ended December 31, 2015.

**VAN NUYS FOURSQUARE CHURCH**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015**

**NOTE 4 – SALE OF PROPERTIES**

On January 23, 2015, the Church sold a lot at 14814 Enadia Way in Van Nuys, California for \$373,000. A loss on sale was realized in the amount of \$81,524.

On August 31, 2015, the Church sold its ballfield at 14700, 14720 and 14728 Sherman Way, Van Nuys, California for \$4,450,000. A gain on sale was realized in the amount of \$2,871,188.

During the year ended December 31, 2015, the Church sold its radio station rights and assets for \$1,443,101. A gain was realized in the amount of \$1,350,552.

**NOTE 5 – PENSION PLAN CONTRIBUTIONS**

The Church participates in the ICFG 403(b) Retirement plan with corporate office contributions made for Church Council designated employees. The plan covers full-time employees and provides matching contributions for employee salary deferrals. The matching contribution was \$74,178 for the year ended December 31, 2015.

**NOTE 6 – LEASE COMMITMENTS**

Operating Leases

The Church leases its office copiers under an operating lease, expiring November 2018. Future minimum lease payments under the operating leases are as follows:

Year ended December 31,	
2016	\$ 64,158
2017	64,158
2018	<u>58,812</u>
Total obligation under operating leases	<u>\$187,128</u>

Total operating lease and rental expense was \$196,583 for the year ended December 31, 2015.

**VAN NUYS FOURSQUARE CHURCH**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015**

**NOTE 7 – RELATED PARTIES**

During the current fiscal year, the Church received payments of \$102,654 from The King's University for rent. There were no related party receivables at December 31, 2015.

The Church pays a tithe of 10% to the International Church of the Foursquare Gospel. The amount paid for the year ended was \$686,524.

**NOTE 8 – SUBSEQUENT EVENT**

Effective January 2016, La Iglesia en el Camino operations were separated into a separate legal entity from the Church.