

VAN NUYS FOURSQUARE  
CHURCH

a subordinate organization of the  
International Church of the  
Foursquare Gospel dba The  
Church on The Way

Financial Statements  
With Independent Accountants' Review Report

December 31, 2016

**VAN NUYS FOURSQUARE CHURCH**  
**A subordinate organization of**  
**the International Church of the Foursquare Gospel**  
**dba The Church On The Way**

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## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Church Council

Van Nuys Foursquare Church

A subordinate organization of the International Church of the Foursquare Gospel  
dba The Church On The Way

Van Nuys, California

We have reviewed the accompanying financial statements of Van Nuys Foursquare Church (the Church), which comprise the statement of financial position as of December 31, 2016, and the related statement of activities, and statement of cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Church's 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 taken as a whole. Accordingly, we do not express such an opinion.

### ***Management's Responsibility for the Financial Statements***

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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error.

### ***Accountants' Responsibility***

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### ***Accountants' Conclusion***

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 accordance with accounting principles generally accepted in the United States of America.

### ***Related Party Relationship***

The accompanying financial statements are those of Van Nuys Foursquare Church, dba The Church on the Way. The Church is a member church of the International Church of the Foursquare Gospel (ICFG) and is under control of ICFG, which is the ultimate reporting entity.

*Capin Crouse LLP*

Tarzana, California

March 14, 2017

**VAN NUYS FOURSQUARE CHURCH**  
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**dba The Church On The Way**

**Statement of Financial Position**

December 31, 2016

**ASSETS:**

Current assets:

Cash and cash equivalents	\$ 2,668,774
Cash designated for property	242,182
Due from affiliated ministry	49,772
Prepaid expenses	34,619
	2,995,347

Assets held for benefit of trusts	73,467
Property and equipment, net	17,685,565
	17,685,565

Total Assets	\$ 20,754,379
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**LIABILITIES AND NET ASSETS:**

Current liabilities:

Accounts payable	\$ 213,708
Accrued payroll and related expenses	108,926
	322,634

Annuity and trust obligations	97,337
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Total liabilities	419,971
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Net assets:

Unrestricted:

Undesignated	2,376,049
Board designated for property	242,182
Investment in property and equipment	17,685,565
	20,303,796

Temporarily restricted	30,612
	20,334,408

Total Liabilities and Net Assets	\$ 20,754,379
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See accompanying notes and independent accountants' review report

**VAN NUYS FOURSQUARE CHURCH**  
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**Statement of Activities**

Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT, REVENUE, AND RECLASSIFICATIONS:</b>			
Contributions	\$ 4,719,884	\$ 206,433	\$ 4,926,317
Rental income	415,900	-	415,900
Interest income	31,832	-	31,832
Event income	29,888	-	29,888
Gain on sale of property	24,040	-	24,040
Investment income	3,835	-	3,835
Other income	17,290	-	17,290
Net assets released from restrictions	208,787	(208,787)	-
Total support, revenue, and reclassifications	5,451,456	(2,354)	5,449,102
<b>EXPENSES:</b>			
Church ministry	463,455	-	463,455
Missions	797,986	-	797,986
Salaries and benefits	2,316,824	-	2,316,824
Facilities	1,090,895	-	1,090,895
Depreciation	698,697	-	698,697
Actuarial change in annuity and trust liability	24,501	-	24,501
Total Expenses	5,392,358	-	5,392,358
Change in Net Assets	59,098	(2,354)	56,744
Net Assets, Beginning of Year	20,244,698	32,966	20,277,664
Net Assets, End of Year	\$ 20,303,796	\$ 30,612	\$ 20,334,408

See accompanying notes and independent accountants' review report

**VAN NUYS FOURSQUARE CHURCH**  
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**Statement of Cash Flows**

Year Ended June 30, 2016

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Change in net assets	\$ 56,744
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	698,697
Gain on disposal of property	(24,040)
Realized and unrealized gains on investments	(4,598)
Actuarial change gift annuity	9,057
Change in value of trusts	3,599
Payments to beneficiaries of gift annuities	5,700
Net change in:	
Due from affiliated ministry	(49,772)
Prepaid expenses	(11,184)
Accounts payable	124,853
Accrued payroll and related expenses	(19,068)
Net Cash Provided by Operating Activities	789,988

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Proceeds from sale of trust assets	2,750
Proceeds from sale of property	24,040
Fixed asset additions	(1,856,657)
Net Cash Used in Investing Activities	(1,829,867)

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Payments to beneficiaries of trust and gift annuities	(7,687)
Realized and unrealized gains and losses trust assets	3,835
Net Cash Used in Investing Activities	(3,852)

Change in Cash and Cash Equivalents (1,043,731)

Cash and Cash Equivalents, Beginning of Year 3,954,687

Cash and Cash Equivalents, End of Year \$2,910,956

**SUPPLEMENTAL DISCLOSURE:**

Fixed asset additions acquired through payables \$ 38,854

See accompanying notes and independent accountants' review report

**VAN NUYS FOURSQUARE CHURCH**  
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**Notes to Financial Statements**

December 31, 2016

1. NATURE OF ORGANIZATION:

Van Nuys Foursquare Church, commonly referred to as 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 (the 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 Code. ICFG consists of the corporate office, administrative resource centers and member churches under one corporate umbrella.

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

The Church's primary sources of income are contributions from members and regular attendees.

Life on the Way Communications, Inc. (LOTWC) was the media ministry of the Church. LOTWC was dissolved on December 8, 2016. Revenue and expenses related to LOTWC for the year ended December 31, 2016, were immaterial.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Church have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. A summary of significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

**CASH AND CASH EQUIVALENTS**

For statements of financial position and cash flow purposes, cash and cash equivalents include cash on hand, cash on deposit, money market accounts, and certificates of deposit with a maturity of three months or less. Cash designated for property constitutes cash in a savings account restricted by ICFG for property purchases and maintenance. These accounts may, at times, exceed federally insured limits. The Church has not experienced any losses on such accounts.

**DUE FROM AFFILIATED MINISTRY**

Due from affiliated ministry consist of expense reimbursements due from an affiliated ministry La Iglesia En El Camino (LIEEC). The Church expects to collect the full amount in less than one year. Related party transactions with LIEEC are summarized in note 10 to the financial statements.

**VAN NUYS FOURSQUARE CHURCH**  
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**Notes to Financial Statements**

December 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

**ASSETS HELD FOR BENEFIT OF TRUSTS**

Assets held for benefit of trusts consist primarily of shares of exchange traded funds (EFT's) and closed-end funds (CEF). The securities are carried at fair value, which is based upon quoted market prices. If quoted market prices are not available, fair values are based on quoted prices of comparable instruments. Realized and unrealized gains and losses are reported as unrestricted investment income in the statement of activities unless restricted by the donor. Donated securities are recorded at market value on the date of the gift and thereafter carried in accordance with the above provisions.

**PROPERTY AND EQUIPMENT**

Property and equipment are stated at cost or estimated fair value at date of receipt, if donated. Depreciation of equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. Maintenance, repairs, and renewals that neither materially add to the value of the property nor appreciably prolong its life are charged to expenses as incurred. The Church has elected to capitalize all equipment expenditures greater than \$10,000. Depreciation is computed on the straight-line method over the estimated useful lives of the assets ranging from 5 to 30 years.

**NET ASSETS**

The financial statements report amounts by class of net assets:

*Unrestricted net assets* are those currently available at the discretion of the board for use in the Church's operations and those resources invested in property and equipment.

*Temporarily restricted* are those that are stipulated by donors for Cross Over LA. See footnote 6.

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

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**Notes to Financial Statements**

December 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

**SUPPORT, REVENUE, AND EXPENSES**

Contributions are recorded when cash or unconditional promises-to-give have been received, or ownership of donated assets is transferred to the Church. The Church records contributions as temporarily restricted if they are received with donor stipulations that limit their use either through purpose or time restrictions, or both. When donor restrictions expire, that is, when the purpose restriction is fulfilled or the time restriction expires, temporarily restricted net assets are reclassified from temporarily restricted to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Church receives non-cash gifts which are recorded as support at the estimated fair market value on the date of the gift. Program and special events income is recorded when earned. Expenses are recorded when incurred in accordance with the accrual basis of accounting.

**FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing the various program services and supporting activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs, such as salaries and benefits have been allocated among the program services and supporting activities.

**ADVERTISING EXPENSE**

Advertising is used to promote the Church. All advertising expenses are expensed when incurred and totaled \$5,686 for the year ended December 31, 2016.

**USE OF ESTIMATES**

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

**UNCERTAIN TAX POSITIONS**

The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the statement of activities. As of December 31, 2016, the Church had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

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**Notes to Financial Statements**

December 31, 2016

3. ASSETS HELD FOR BENEFIT OF TRUSTS:

Assets held for benefit of trusts consist of the following:

Exchange traded funds and closed-end funds	\$ 72,768
Cash	699
	\$ 73,467
	\$ 73,467

Fair values for exchange traded funds and closed-end funds are determined by reference to quoted market prices and other relevant information generated by market transactions, which is level 1 of the fair value hierarchy.

Investment income consist of the following:

Realized and unrealized gains and losses	\$ 4,598
Fees	(763)
	\$ 3,835
	\$ 3,835

4. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following:

Land	\$ 13,416,387
Buildings and improvements	20,216,302
Furniture, equipment, and fixtures	2,491,057
Vehicles	123,837
	36,247,583
Accumulated depreciation	(18,562,018)
	\$ 17,685,565
Net investment in property and equipment	\$ 17,685,565

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**Notes to Financial Statements**

December 31, 2016

5. ANNUITY AND TRUST OBLIGATIONS:

**GIFT ANNUITIES**

The Church has established a gift annuity plan whereby donors may contribute assets in exchange for the right to receive a fixed dollar annual return during their lifetimes. This transaction provides for a portion of the transfer to be considered a charitable contribution for income tax purposes.

The difference between the amount contributed for the gift annuity and the liability of future payments, determined on an actuarial basis, is recognized as unrestricted contributions at the date of the gift. The difference between the assets and the liabilities is reported on the statement of financial position as unrestricted net assets. The present value of the expected payments to the annuitants over their life expectancy is reported on the statement of financial position as a liability under the caption "Annuity and Trust Obligations" as a liability and is revalued annually based upon actuarially computed present values to comply with state legal reserve requirements.

**IRREVOCABLE AGREEMENTS**

As trustees, the Church administers a charitable remainder trust. This trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets are available for the Church's use.

The difference between the amount contributed and the liability for future payments, determined on an actuarial basis, is recognized as temporarily restricted contributions at the date of the gift. The obligation for trust and annuities exceeded the assets by \$23,870 on December 31, 2016.

The present value of the expected payments to the trustor over his life expectancy is reported on the statement of financial position as a liability under the caption "Annuity and Trust Obligations." The discount rate used in calculating the present value approximates the interest rate on a 30-year Treasury security at the time the trust agreement was created.

Annuity and trust obligations consist of the following:

Gift annuities	\$	60,779
Irrevocable trusts		36,558
		36,558
	\$	97,337

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**Notes to Financial Statements**

December 31, 2016

5. ANNUITY AND TRUST OBLIGATIONS, continued:

Change in value of split interest agreements consists of the following:

Investment and other income	\$	3,835
Change in actuarial value		18,356
Payments to trustors and annuitants and related expenses		<u>(7,687)</u>
	<u>\$</u>	<u>14,504</u>

6. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets of \$30,692 are available for the maintenance of a historic cross monument in Los Angeles, California.

7. FUNCTIONAL ALLOCATION OF EXPENSES:

Expenses incurred in the current year were spent in the following categories:

Program Services	\$	3,501,811
Supporting Activities:		
General and administrative		<u>1,890,547</u>
	<u>\$</u>	<u>5,392,358</u>

8. RETIREMENT PLAN:

The Church participates in the ICFG 403(b) retirement plan. The plan covers licensed ministers and full-time employees and provides matching contributions for employee salary deferrals. Retirement expense was \$64,319 for the year ended December 31, 2016.

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**Notes to Financial Statements**

December 31, 2016

9. LEASE COMMITMENTS:

The Church leases its office copiers under an operating lease, expiring November 2018. Total operating lease and rental expense was \$78,234 for the year ended December 31, 2016. Future minimum lease payments under the operating leases are as follows:

<u>Year Ended December 31,</u>		
2017	\$	82,093
2018		<u>68,411</u>
Total	\$	<u><u>150,504</u></u>

10. RELATED PARTIES:

The Church pays a tithe to ICFG equal to 10% of contributions received. ICFG returns a portion of this tithe to the Church to be used for missions. The gross amount paid by the Church for the year ended December 31, 2016, was \$471,600.

During the year ended December 31, 2016, LIEEC, formerly a ministry of the Church, became a stand-alone entity. Related to this, during the year ended December 31, 2016, the Church paid a grant totaling \$215,921 to LIEEC. Additionally, LIEEC rents a portion of the Church's campus. For the year ended December 31, 2016, rent payments to the Church totaled \$360,000. Various utility and shared service payments are paid by the Church and reimbursed by LIEEC. For the year ended December 31, 2016, the reimbursements totaled \$292,972. As of December 31, 2016, LIEEC owed the church reimbursements totaling \$49,772.

11. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through the report date, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.