

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, 2017 and 2016

VAN NUYS FOURSQUARE CHURCH
A subordinate organization of
the International Church of the Foursquare Gospel
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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 statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, and statements of cash flows for the years 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.

Capin Crouse LLP

Tarzana, California
February 20, 2018

VAN NUYS FOURSQUARE CHURCH
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Statements of Financial Position

	December 31,	
	2017	2016
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 2,258,577	\$ 2,668,774
General accounts receivable	43,932	49,772
Prepaid expenses	54,590	34,619
Cash designated for property	1,182,394	242,182
	3,539,493	2,995,347
Assets held for benefit of trusts	77,235	73,467
Insurance proceeds receivable	1,538,537	-
Property and equipment, net	17,674,402	17,685,565
	17,674,402	17,685,565
Total Assets	\$ 22,829,667	\$ 20,754,379
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	\$ 221,370	\$ 213,708
Accrued payroll and related expenses	119,475	108,926
	340,845	322,634
Annuity and trust obligations	92,178	97,337
	92,178	97,337
Total liabilities	433,023	419,971
Net assets:		
Unrestricted:		
Undesignated	3,511,172	2,376,049
Board designated for property	1,182,394	242,182
Investment in property and equipment	17,674,402	17,685,565
	22,367,968	20,303,796
Temporarily restricted	28,676	30,612
	22,396,644	20,334,408
Total Liabilities and Net Assets	\$ 22,829,667	\$ 20,754,379

See accompanying notes and independent accountants' review report

VAN NUYS FOURSQUARE CHURCH
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Statements of Activities

	Year Ended December 31,					
	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS:						
Contributions	\$ 4,634,968	\$ 253,489	\$ 4,888,457	\$ 4,719,884	\$ 206,433	\$ 4,926,317
Rental income	395,745	-	395,745	415,900	-	415,900
Interest income	25,966	-	25,966	31,832	-	31,832
Event income	38,446	-	38,446	29,888	-	29,888
Realized and unrealized gains on investments	9,717	-	9,717	3,835	-	3,835
Other income	96,160	-	96,160	17,290	-	17,290
Net assets released from restrictions	255,425	(255,425)	-	208,787	(208,787)	-
Total support, revenue, and reclassifications	5,456,427	(1,936)	5,454,491	5,427,416	(2,354)	5,425,062
EXPENSES:						
Church ministry	787,848	-	787,848	463,455	-	463,455
Missions	690,265	-	690,265	797,986	-	797,986
Salaries and benefits	2,541,128	-	2,541,128	2,316,824	-	2,316,824
Facilities	929,479	-	929,479	1,090,895	-	1,090,895
Depreciation	694,389	-	694,389	698,697	-	698,697
Actuarial change in annuity and trust liability	4,949	-	4,949	24,501	-	24,501
Total Expenses	5,648,058	-	5,648,058	5,392,358	-	5,392,358
Change in Net Assets before Non-Operating Activity	(191,631)	(1,936)	(193,567)	35,058	(2,354)	32,704
NON-OPERATING ACTIVITY:						
Real property insurance claim	1,538,537	-	1,538,537	-	-	-
Gain on sale of property	717,266	-	717,266	24,040	-	24,040
Change in Net Assets	2,064,172	(1,936)	2,062,236	59,098	(2,354)	56,744
Net Assets, Beginning of Year	20,303,796	30,612	20,334,408	20,244,698	32,966	20,277,664
Net Assets, End of Year	\$ 22,367,968	\$ 28,676	\$ 22,396,644	\$ 20,303,796	\$ 30,612	\$ 20,334,408

See accompanying notes and independent accountants' review report

VAN NUYS FOURSQUARE CHURCH
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Statements of Cash Flows

	Year Ended December 31,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,062,236	\$ 56,744
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	694,388	698,697
Gain on disposal of property	(717,266)	(24,040)
Estimated insurance recovery from fire loss	(1,538,537)	-
Realized and unrealized gains on investments	(9,717)	(4,598)
Actuarial change gift annuity	(5,159)	9,057
Change in value of trusts	(3,768)	3,599
Payments to beneficiaries of gift annuities	5,700	5,700
Net change in:		
Due from affiliated ministry	5,840	(49,772)
Prepaid expenses	(19,971)	(11,184)
Accounts payable	(31,192)	124,853
Accrued payroll and related expenses	10,549	(19,068)
Net Cash Provided by Operating Activities	453,103	789,988
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of trust assets	5,949	2,750
Proceeds from sale of property	1,171,952	24,040
Fixed asset additions	(1,099,057)	(1,856,657)
Net Cash Provided by (Used in) Investing Activities	78,844	(1,829,867)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments to beneficiaries of trust and gift annuities	(10,828)	(7,687)
Realized and unrealized gains and losses trust assets	8,896	3,835
Net Cash Used in Investing Activities	(1,932)	(3,852)
Change in Cash and Cash Equivalents	530,015	(1,043,731)
Cash and Cash Equivalents, Beginning of Year	2,910,956	3,954,687
Cash and Cash Equivalents, End of Year	\$ 3,440,971	\$ 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, 2017 and 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 nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and comparable state law(s). However, the organization is subject to federal income tax on any unrelated business taxable income. In addition the organization is not classified as a private foundation within the meaning of Section 509(c) of the IRC. 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.

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.

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December 31, 2017 and 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 note 6.

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

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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT, REVENUE, AND EXPENSES, continued

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 note 7 to the financials statements. Accordingly, certain costs, such as depreciation and payroll, have been allocated among the program services and supporting activities. Furthermore, there are no joint costs that have been allocated among the program services, general and administrative, and fundraising

ADVERTISING EXPENSE

Advertising is used to promote the Church. All advertising expenses are expensed when incurred and totaled \$1,898 and \$5,686 for the years ended December 31, 2017 and 2016, respectively.

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.

CHAPEL FIRE

On November 6, 2017, a fire destroyed the prayer chapel. As a result of the fire, in the year ended December 31, 2017, the Church wrote off the identifiable property and equipment destroyed in the fire. The cost basis of this property was \$1,286,215 and had been fully depreciated as of year end. The Church is currently in preliminary discussions with their insurance company regarding the replacement value of the property and expects insurance proceeds to replace the building. Based on the estimated actual cash value, a receivable of \$1,538,537 was recorded on the statement of financial position at December 31, 2017.

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3. ASSETS HELD FOR BENEFIT OF TRUSTS:

Assets held for benefit of trusts consist of the following:

	December 31,	
	2017	2016
Exchange traded funds and closed-end funds	\$ 73,157	\$ 72,768
Cash	4,078	699
	\$ 77,235	\$ 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

4. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following:

	December 31,	
	2017	2016
Land	\$ 13,169,505	\$ 13,416,387
Buildings and improvements	19,203,574	20,216,302
Furniture, equipment, and fixtures	3,063,432	2,491,057
Vehicles	123,837	123,837
	35,560,348	36,247,583
Accumulated depreciation	(17,885,946)	(18,562,018)
Net investment in property and equipment	\$ 17,674,402	\$ 17,685,565

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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 statements 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 \$14,943 and \$23,870 for the years ended December 31, 2017 and 2016, respectively.

The present value of the expected payments to the trustor over the life expectancy is reported on the statements 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.

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5. ANNUITY AND TRUST OBLIGATIONS, continued:

Annuity and trust obligations consist of the following:

	December 31,	
	2017	2016
Gift annuities	\$ 55,337	\$ 60,779
Irrevocable trusts	36,841	36,558
	\$ 92,178	\$ 97,337

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

	December 31,	
	2017	2016
Investment and other income	\$ 8,896	\$ 3,835
Change in actuarial value	(3,227)	18,356
Payments to trustors and annuitants and related expenses	(10,828)	(7,687)
	\$ (5,159)	\$ 14,504

6. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets of \$28,676 and \$30,612 were available for the maintenance of a historic cross monument in Los Angeles, California for the years ended December 31, 2017 and 2016, respectively.

7. FUNCTIONAL ALLOCATION OF EXPENSES:

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

	December 31,	
	2017	2016
Program Services	\$ 3,710,512	\$ 3,501,811
Supporting Activities:		
General and administrative	1,937,546	1,890,547
	\$ 5,648,058	\$ 5,392,358

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December 31, 2017 and 2016

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 \$75,073 and \$64,319 for the years ended December 31, 2017 and 2016, respectively.

9. LEASE COMMITMENTS:

The Church leases its office copiers under an operating lease, expiring November 2018. Total operating lease expense was \$60,677 and \$78,234 for the years ended December 31, 2017 and 2016, respectively. Future minimum payments for the year ending December 21, 2018 are \$73,184.

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 years ended December 31, 2017 and 2016 was \$455,300 and \$471,600, respectively. As of December 31, 2017, the Church owed ICFG \$56,200.

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 years ended December 31, 2017 and 2016, rent payments to the Church totaled \$360,000 each year. Various utility and shared service payments are paid by the Church and reimbursed by LIEEC. For the years ended December 31, 2017 and 2016, the reimbursements totaled \$337,857 and \$292,972, respectively. For the year ended December 31, 2017, LIEEC owed the church reimbursements totaling \$38,271, which are included in the general accounts receivable total of \$43,932 in the statement of financial position. For the year ended December 31, 2016, LIEEC owed the church reimbursements totaling \$49,772.

11. SUBSEQUENT EVENTS:

Subsequent events were evaluated through February 20, 2018, which is the date the financial statements were available to be issued.