

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, 2019 and 2018

VAN NUYS FOURSQUARE CHURCH  
a subordinate organization of the  
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December 31, 2019 and 2018

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the 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, 2019, and 2018, and the related statements of activities, functional expenses, and 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 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 these 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 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 reviews, 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.

*Ronald Blue & Co.  
CPAs and Consultants, LLP*

**VAN NUYS FOURSQUARE CHURCH**  
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**STATEMENTS OF FINANCIAL POSITION**  
For the Years Ended December 31, 2019 and 2018

	2019	2018
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 2,037,950	\$ 1,960,358
Cash and cash equivalents - restricted	<u>980,517</u>	<u>918,982</u>
Total cash and cash equivalents	3,018,467	2,879,340
General accounts receivable	1,012	9,589
Due from affiliated ministry	46,813	17,529
Other receivable		173,351
Prepaid expenses	<u>65,113</u>	<u>65,425</u>
Total current assets	<u>3,131,405</u>	<u>3,145,234</u>
Noncurrent assets:		
Assets held for benefit of trustee	-	66,887
Insurance proceeds receivable	-	1,538,537
Property and equipment, net	<u>22,481,040</u>	<u>21,113,868</u>
Total noncurrent assets	<u>22,481,040</u>	<u>22,719,292</u>
Total assets	<u>\$ 25,612,445</u>	<u>\$ 25,864,526</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 108,833	\$ 190,366
Accrued liabilities	3,999	7,594
Due to affiliated ministry	<u>50,110</u>	<u>59,210</u>
Total current liabilities	<u>162,942</u>	<u>257,170</u>
Noncurrent liabilities:		
Annuity and trust obligations	<u>-</u>	<u>82,802</u>
Total noncurrent liabilities	<u>-</u>	<u>82,802</u>
Total liabilities	<u>162,942</u>	<u>339,972</u>
Net assets:		
Without donor restrictions	25,378,693	25,501,376
With donor restrictions	<u>70,810</u>	<u>23,178</u>
Total net assets	<u>25,449,503</u>	<u>25,524,554</u>
Total liabilities and net assets	<u>\$ 25,612,445</u>	<u>\$ 25,864,526</u>

See independent accountants' review report and accompanying notes

**VAN NUYS FOURSQUARE CHURCH**  
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**STATEMENTS OF ACTIVITIES**  
For the Years Ended December 31, 2019 and 2018

	2019			2018		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Support and revenues:						
Contributions	\$ 4,269,855	\$ 433,280	\$ 4,703,135	\$ 4,721,251	\$ 219,377	\$ 4,940,628
Rental income	416,600	-	416,600	411,700	-	411,700
Interest income	38,211	-	38,211	32,645	-	32,645
Event income	56,192	-	56,192	34,912	-	34,912
Realized and unrealized gain/(loss) on investments	8,182	-	8,182	(5,256)	-	(5,256)
Other income	176,974	6,100	183,074	100,870	789	101,659
Net assets released from restrictions	391,748	(391,748)	-	225,664	(225,664)	-
Total support and revenues	<u>5,357,762</u>	<u>47,632</u>	<u>5,405,394</u>	<u>5,521,786</u>	<u>(5,498)</u>	<u>5,516,288</u>
Expenses:						
Program activities:						
Church ministry	3,333,043	-	3,333,043	3,123,795	-	3,123,795
Missions	206,865	-	206,865	198,085	-	198,085
Total program activities	<u>3,539,908</u>	<u>-</u>	<u>3,539,908</u>	<u>3,321,880</u>	<u>-</u>	<u>3,321,880</u>
Supporting activities:						
General and administrative	2,374,614	-	2,374,614	2,546,498	-	2,546,498
Fundraising	-	-	-	-	-	-
Total supporting activities	<u>2,374,614</u>	<u>-</u>	<u>2,374,614</u>	<u>2,546,498</u>	<u>-</u>	<u>2,546,498</u>
Total expenses	<u>5,914,522</u>	<u>-</u>	<u>5,914,522</u>	<u>5,868,378</u>	<u>-</u>	<u>5,868,378</u>
Other income and expenses:						
Non-cash contribution of real property	-	-	-	3,480,000	-	3,480,000
Gain on insurance proceeds - fire loss recovery	434,077	-	434,077	-	-	-
Total other income and expenses	<u>434,077</u>	<u>-</u>	<u>434,077</u>	<u>3,480,000</u>	<u>-</u>	<u>3,480,000</u>
Change in net assets	(122,683)	47,632	(75,051)	3,133,408	(5,498)	3,127,910
<b>Net assets, beginning of year</b>	<u>25,501,376</u>	<u>23,178</u>	<u>25,524,554</u>	<u>22,367,968</u>	<u>28,676</u>	<u>22,396,644</u>
<b>Net assets, end of year</b>	<u>\$ 25,378,693</u>	<u>\$ 70,810</u>	<u>\$ 25,449,503</u>	<u>\$ 25,501,376</u>	<u>\$ 23,178</u>	<u>\$ 25,524,554</u>

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**STATEMENTS OF FUNCTIONAL EXPENSES**

For the Year Ended December 31, 2019

With summarized information for the year ended December 31, 2018

	<u>Program activities</u>		<u>Supporting activities</u>		<u>2019 Total</u>	<u>2018 Total</u>
	<u>Church ministry</u>	<u>Missions</u>	<u>General and administrative</u>	<u>Fundraising</u>		
Expenses:						
Advertising	\$ 3,541	\$ -		\$ -	\$ 3,541	\$ 19,135
Automobile care	-	-	9,803	-	9,803	8,559
Bank charges	-	-	51,717	-	51,717	50,858
Benevolence	-	47,287		-	47,287	45,111
Building maintenance	-	-	83,650	-	83,650	76,657
Contract services	45,566	-	273,340	-	318,906	292,774
Depreciation	-	-	726,997	-	726,997	644,837
Equipment lease	-	-	22,018	-	22,018	89,151
Event expenses	183,666	-		-	183,666	224,802
Insurance	-	-	73,124	-	73,124	80,805
Landscaping	-	-	43,623	-	43,623	37,056
Membership and dues	5,378	-	2,370	-	7,748	7,440
Miscellaneous	7,672	2,729	768	-	11,169	15,552
Missions	-	156,849		-	156,849	146,353
Office supplies	12,297	-	14,080	-	26,377	50,945
Payroll fees	-	-	5,534	-	5,534	4,915
Payroll taxes	33,994	-	32,226	-	66,220	101,058
Professional development	13,579	-	19,402	-	32,981	78,703
Professional services and honoraria	70,941	-	14,271	-	85,212	89,412
Property taxes	-	-	25,195	-	25,195	20,131
Salaries and benefits	2,400,834	-	638,079	-	3,038,913	2,804,447
Social and fellowship	51,946	-	2,568	-	54,514	104,324
Supplies	57,891	-	17,865	-	75,756	113,756
Tithe to ICFG	427,978	-		-	427,978	472,810
Travel	6,094	-	347	-	6,441	4,463
Utilities	11,666	-	317,637	-	329,303	284,324
<b>Total expenses</b>	<b><u>\$ 3,333,043</u></b>	<b><u>\$ 206,865</u></b>	<b><u>\$ 2,374,614</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 5,914,522</u></b>	<b><u>\$ 5,868,378</u></b>

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**STATEMENTS OF CASH FLOWS**  
For the Years Ended December 31, 2019 and 2018

	2019	2018
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (75,051)	\$ 3,127,910
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation expense	726,997	644,837
Non-cash contribution of property	-	(3,480,000)
Gain on insurance proceeds - fire loss recovery	(493,357)	-
Realized and unrealized loss/(gain) on investments	(8,182)	5,256
Actuarial change gift annuity	(86,065)	(9,376)
Change in value of trusts	17,085	10,348
Payments to beneficiaries of gift annuities	-	5,700
Changes in:		
General accounts receivable	8,577	(3,928)
Due from affiliated minstry	(29,284)	20,742
Other receivable	173,351	(173,351)
Prepaid expenses	312	(10,835)
Accounts payable	(81,533)	25,196
Accrued liabilities	(3,595)	(111,881)
Due to affiliated minstry	(9,100)	3,010
	140,155	53,628
Net change from operating activities		
<b>Cash flows from investing activities</b>		
Investments converted to cash	67,844	-
Proceeds from sale of trust assets	-	2,155
Acquisition of property and equipment	(62,275)	(604,303)
	5,569	(602,148)
Net change from investing activities		
<b>Cash flows from financing activities</b>		
Payments to beneficiaries of trust and gift annuities	(6,494)	(10,334)
Realized and unrealized gains and losses trust assets	(103)	(2,777)
	(6,597)	(13,111)
Net change from financing activities		
Net change in cash and cash equivalents	139,127	(561,631)
<b>Total cash and cash equivalents, beginning of year</b>	2,879,340	3,440,971
<b>Total cash and cash equivalents, end of year</b>	\$ 3,018,467	\$ 2,879,340

See independent accountants' review report and accompanying notes

**VAN NUYS FOURSQUARE CHURCH**  
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**NOTES TO FINANCIAL STATEMENTS**

December 31, 2019 and 2018

**Note 1 – Summary of significant accounting policies**

The following significant accounting policies are presented to assist the reader in understanding these financial statements. The financial statements and notes are representations of management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Nature of activities

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, districts and member churches under one corporate umbrella.

These financial statements only report the assets, liabilities, revenue and expenses of the 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.

Basis of accounting

The financial statements of the Church have been prepared on the accrual basis in accordance with U.S. generally accepted accounting principles (GAAP) and accordingly reflect all significant receivables, payables, and other liabilities.

Comparative financial information

The accompanying financial statements include certain 2018 summarized comparative information. With respect to the accompanying statements of functional expenses, information for 2018 is presented in aggregate and not displayed by category. Accordingly, such information should be read in conjunction with the Church's 2018 financial statements from which summarized information was derived.

Concentrations of credit risk

The Church maintains its cash deposit accounts at commercial banks and credit unions located in California. Cash accounts at banks are insured by the Federal Deposit Insurance Corporation (FDIC) and National Credit Union Administration (NCUA) up to \$250,000. The balances in these accounts may, at times, exceed federally insured limits. The Church has not experienced any losses in such accounts and does not believe it is exposed to significant credit risk in connection with cash and cash equivalents.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

**Note 1 – Summary of significant accounting policies (continued)**

Cash and cash equivalents

All cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, are considered cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

Cash and cash equivalents – restricted

The Church routinely receives contributions that are subject to donor-imposed restrictions. Restricted cash consists of those amounts set aside to comply with such restrictions. 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 consists 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.

Other receivable

Other receivable as of December 31, 2018 consisted of amounts due from the Church's payroll company. The transfer of funds for year end payroll was incorrectly deducted twice by the payroll company. The Church was immediately reimbursed on January 3, 2019.

Assets held for benefit of trusts

Assets held for benefit of trusts consist primarily of shares of exchange traded funds (ETF's) and closed-end funds (CEF). The securities are carried at fair value, which is based upon quoted market prices. When 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.

Fair value measurements

The fair value of the Church's investments in assets held for the benefit of trusts is measured based on levels of observable and reliable assumptions as follows:

Level 1: Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

**Note 1 – Summary of significant accounting policies (continued)**

Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or comparable assets or liabilities.

Level 3: Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models, and similar techniques, and not based on market exchange, dealer, or broker traded transactions. These valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The Church's investments in assets held for the benefit of trusts are measured and reported at fair value on a recurring basis.

Property and equipment

Capital expenditures over \$10,000 for property and equipment and capital expenditures over \$10,000 for maintenance and repairs are capitalized, and presented at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, which range from five to thirty years. 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. Donated assets are capitalized at their approximate fair market value at the date of the gift. Depreciation expense for the years ended December 31, 2019 and 2018, was \$726,997 and \$644,837, respectively.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows (undiscounted and without interest) expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. During 2019 and 2018, there were no events or changes in circumstances indicating that the carrying amount of long-lived assets may not be recoverable.

Due to affiliated ministry

Due to affiliated ministry consists of extension tithe due to ICFG. Related party transactions with ICFG are summarized in Note 10.

Use of estimates

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

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NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

**Note 1 – Summary of significant accounting policies (continued)**

Net assets

The Church reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as net assets with donor restrictions, depending on the nature of restrictions. When a restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. At December 31, 2019 and 2018, net assets with donor restrictions consisted of \$70,810 and \$23,178, respectively.

Revenue recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a benefit interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Revenue is recognized when earned.

Contributed goods and services

Volunteers contribute amounts of time to the program activities, administration, and fundraising and development activities carried out by the Church. However, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by accounting principles generally accepted in the United States. Donated professional services are recorded at their respective fair values. No significant contributions of such services were received during the years ended December 31, 2019 and 2018.

Contributed goods are recorded at fair value at the date of the donation. The Church received donated stocks during the years ended December 31, 2019 and 2018 valued at \$3,263 and \$9,274, respectively. These amounts are reflected on the statements of activities as contributions revenue. The Church also received donated real property during the year ended December 31, 2018 valued at \$3,480,000. This amount is reflected on the statements of activities as non-cash contribution of real property.

Functional allocation of expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, certain expenses require allocation on a reasonable basis that is consistently applied. Expenses are allocated based on specific identification of costs related to each function.

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NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

**Note 1 – Summary of significant accounting policies (continued)**

Advertising costs

The Church expenses all advertising costs as they are incurred. Advertising costs for the year ended December 31, 2019 and 2018 was \$3,541 and \$19,135, respectively.

Income taxes

The Church is exempt from Federal and California income tax under Internal Revenue Code Section 501(c)(3) as a member of ICFG. The Church is subject, however, to Federal and California income tax on unrelated business income as stipulated in Internal Revenue Code Section 511 and Regulation Section 1.511. During the years ended December 31, 2019 and 2018, the Church had no activities unrelated to its exempt purpose, and therefore did not incur tax liability due to unrelated business income. The Church does not believe its financial statements include (or reflect) any uncertain tax positions.

**Note 2 – Liquidity and availability**

As part of liquidity management, the Church has put a policy in place to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Financial assets available for general expenditure within one year consisted of the following at December 31, 2019:

Total cash and cash equivalents	\$ 3,018,467
General accounts receivable	1,012
Due from affiliated ministry	<u>46,813</u>
 Total financial assets	 3,066,292
 Contractual or donor-imposed restrictions:	
Donor contributions with specific purpose restrictions	70,810
Board designated for property	<u>909,707</u>
 Total restrictions	 <u>980,517</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 2,085,775</u>

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**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2019 and 2018

**Note 3 – Assets held for the benefit of trusts**

Assets held for benefit of trusts consisted of the following:

	2019	2018
Cash	\$ -	\$ 1,351
Exchange traded funds and closed-end funds	<u>-</u>	<u>65,536</u>
 Total assets held for benefit of trusts	 <u>\$ -</u>	 <u>\$ 66,887</u>

Fair values for the Church’s investments in assets held for the benefit of trusts is as follows at December 31:

	2019			
	Level 1	Level 2	Level 3	Total
Exchange traded funds and closed-ended funds	\$ -	\$ -	\$ -	\$ -
 Total	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>
	2018			
	Level 1	Level 2	Level 3	Total
Exchange traded funds and closed-ended funds	\$ 65,536	\$ -	\$ -	\$ 65,536
 Total	 <u>\$ 65,536</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 65,536</u>

There were no transfers between levels during the years ended December 31, 2019 and 2018.

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**NOTES TO FINANCIAL STATEMENTS**  
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**Note 4 – Property and equipment**

Property and equipment consisted of the following at December 31:

	<b>2019</b>	<b>2018</b>
Land	\$ 14,450,145	\$ 14,450,145
Building and improvements	23,612,016	21,580,121
Furniture, fixtures and equipment	3,552,822	3,490,548
Automobiles	<u>123,837</u>	<u>123,837</u>
 Total property and equipment	 41,738,820	 39,644,651
 Less: accumulated depreciation	 <u>(19,257,780)</u>	 <u>(18,530,783)</u>
 Total property and equipment, net	 <u>\$ 22,481,040</u>	 <u>\$ 21,113,868</u>

**Note 5 – Insurance proceeds receivable**

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 the year then ended. The Church is currently in the process of rebuilding the property. 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. Instead of receiving the funds directly, the Church has elected to have the insurance company pay all bills for the costs of rebuilding. The receivable was fully extinguished during the year ended December 31, 2019, with the completion of the rebuilding project. The actual cost of rebuilding exceeded the \$1,538,537 estimated cash value by \$434,077, which is reflected on the statements of activities as a gain on real property insurance claim for the year ended December 31, 2019.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

**Note 6 – 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 contributions without donor restrictions at the date of the gift. The difference between the assets and the liabilities is reported on the statements of financial position as net assets without donor restrictions. 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 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 agreement

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 contributions with donor restrictions at the date of the gift. The obligation for trust and annuities exceeded the assets by \$0 and \$15,915 for the years ended December 31, 2019 and 2018, 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 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.

As of September 2019, the annuity was terminated due to the death of the beneficiaries.

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**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2019 and 2018

**Note 6 – Annuity and trust obligations (continued)**

Annuity and trust obligations consisted of the following at December 31:

	2019	2018
Gift annuities	\$ -	\$ 51,625
Irrevocable trusts	<u>-</u>	<u>31,177</u>
 Total annuity and trust obligations	 <u>\$ -</u>	 <u>\$ 82,802</u>

Change in value of split interest agreements consisted of the following at December 31:

	2019	2018
Investment and other income	\$ 8,064	\$ 4,693
Change in actuarial value	(20,012)	(3,735)
Payments to trustors and annuitants and related expenses	(6,494)	(10,334)
Converted to cash due to annuity termination	<u>(67,844)</u>	<u>-</u>
 Total change in value of split interest agreements	 <u>\$ (86,286)</u>	 <u>\$ (9,376)</u>

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**NOTES TO FINANCIAL STATEMENTS**  
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**Note 7 – Net assets with donor restrictions**

Net assets with donor restrictions consisted of the following at December 31:

	2019	2018
Net assets without donor restrictions:		
Undesignated	\$ 24,468,986	\$ 24,605,572
Board designated for property	<u>909,707</u>	<u>895,804</u>
Total net assets without donor restrictions	25,378,693	25,501,376
Net assets with donor restrictions:		
Historic cross monument	20,664	22,844
Expansion fund	42,394	-
Missions fund	<u>7,752</u>	<u>334</u>
Total net assets with donor restrictions	<u>70,810</u>	<u>23,178</u>
Total net assets	<u>\$ 25,449,503</u>	<u>\$ 25,524,554</u>

**Note 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 \$95,670 and \$94,433 for the years ended December 31, 2019 and 2018, respectively, which is included in salaries and benefits on the statements of functional expenses.

**Note 9 – Operating leases**

The Church leases its office copiers under an operating lease. The lease expires in September 2021. Lease expense for the years ended December 31, 2019 and 2018, was \$22,018 and \$61,101, respectively.

Future minimum lease payments consist of the following for the years ended December 31:

2020	\$ 21,636
2021	14,424
2022	-
2023	-

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**Note 10 – Related party transactions**

ICFG

The Church pays an extension tithes to ICFG equal to 10% of contributions received. ICFG returns 20% of this tithe to the Church to be used for missional purposes. The gross amount paid by the Church for the years ended December 31, 2019 and 2018 was \$427,978 and \$472,810, respectively. As of December 31, 2019 and 2018, the Church owed ICFG \$50,110 and \$59,210, respectively.

ICFG gave a non-cash gift of property to the Church in 2018. The value of the property was \$3,480,000 and is recorded as non-cash contribution of real property in the statements of activities for the year ended December 31, 2018.

LIEEC

LIEEC rents a portion of the Church's campus. For the years ended December 31, 2019 and 2018, rent payments to the Church totaled \$360,000 each year, which is included in rental income on the statements of activities. Various utility and shared service payments are paid by the Church and reimbursed by LIEEC. For the years ended December 31, 2019 and 2018, the reimbursements totaled \$210,805 and \$231,454, respectively. For the years ended December 31, 2019 and 2018, LIEEC owed the Church reimbursements totaling \$46,813 and \$17,529, respectively.

Pastor Emeritus

The Church established a retirement agreement with the Pastor Emeritus whereby he will be allowed to live in a parsonage property rent-free for the rest of his life.

Rental income

The Church owns several residential rental properties, two of which are rented to employees, generally on a month-to-month basis. The total rental income received from related parties for the years ended December 31, 2019 and 2018, was \$39,200 and \$34,800, respectively.

**Note 11 – Supplemental disclosures to the statements of cash flows**

There were no amounts paid for interest or income taxes for the years ended December 31, 2019 and 2018.

There were no non-cash financing or investing activities for the years ended December 31, 2019 and 2018.

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**Note 12 – Subsequent events**

Management has evaluated subsequent events through February 26, 2020, the date on which the financial statements were available to be issued.