

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, 2020 and 2019

VAN NUYS FOURSQUARE CHURCH
a subordinate organization of the
International Church of the Foursquare Gospel
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December 31, 2020 and 2019

TABLE OF CONTENTS

	<u>Page Number</u>
INDEPENDENT ACCOUNTANTS' REVIEW REPORT	1
FINANCIAL STATEMENTS:	
Statements of financial position	2
Statements of activities	3
Statements of functional expenses	4
Statements of cash flows	5
Notes to financial statements	6 – 15

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, 2020, and 2019, 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

VAN NUYS FOURSQUARE CHURCH
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STATEMENTS OF FINANCIAL POSITION
For the Years Ended December 31, 2020 and 2019

	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 11,194,867	\$ 2,037,950
Cash and cash equivalents - restricted	<u>768,540</u>	<u>980,517</u>
Total cash and cash equivalents	11,963,407	3,018,467
General accounts receivable	216	1,012
Note receivable, related party	20,000	-
Due from affiliated ministry	26,949	46,813
Prepaid expenses	<u>17,394</u>	<u>65,113</u>
Total current assets	<u>12,027,966</u>	<u>3,131,405</u>
Noncurrent assets:		
Note receivable, related party	180,000	-
Property and equipment, net	<u>18,221,990</u>	<u>22,481,040</u>
Total noncurrent assets	<u>18,401,990</u>	<u>22,481,040</u>
Total assets	<u>\$ 30,429,956</u>	<u>\$ 25,612,445</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 116,682	\$ 108,833
Accrued liabilities	3,196	3,999
Due to affiliated ministry	47,900	50,110
Note payable, current	<u>44,706</u>	<u>-</u>
Total current liabilities	<u>212,484</u>	<u>162,942</u>
Noncurrent liabilities:		
Note payable, noncurrent	<u>527,594</u>	<u>-</u>
Total noncurrent liabilities	<u>527,594</u>	<u>-</u>
Total liabilities	<u>740,078</u>	<u>162,942</u>
Net assets:		
Without donor restrictions	29,668,161	25,378,693
With donor restrictions	<u>21,717</u>	<u>70,810</u>
Total net assets	<u>29,689,878</u>	<u>25,449,503</u>
Total liabilities and net assets	<u>\$ 30,429,956</u>	<u>\$ 25,612,445</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, 2020 and 2019

	<u>2020</u>			<u>2019</u>		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Support and revenues:						
Contributions	\$ 3,900,838	\$ 257,967	\$ 4,158,805	\$ 4,269,855	\$ 433,280	\$ 4,703,135
Rental income	164,700	-	164,700	416,600	-	416,600
Interest income	142,418	-	142,418	38,211	-	38,211
Event income	10,253	-	10,253	56,192	-	56,192
Realized and unrealized gain/(loss) on investments	583	-	583	8,182	-	8,182
Other income	172,777	451	173,228	176,974	6,100	183,074
Net assets released from restrictions	<u>307,511</u>	<u>(307,511)</u>	<u>-</u>	<u>391,748</u>	<u>(391,748)</u>	<u>-</u>
Total support and revenues	<u>4,699,080</u>	<u>(49,093)</u>	<u>4,649,987</u>	<u>5,357,762</u>	<u>47,632</u>	<u>5,405,394</u>
Expenses:						
Program activities:						
Church ministry	3,996,150	-	3,996,150	3,333,043	-	3,333,043
Missions	<u>233,919</u>	<u>-</u>	<u>233,919</u>	<u>206,865</u>	<u>-</u>	<u>206,865</u>
Total program activities	<u>4,230,069</u>	<u>-</u>	<u>4,230,069</u>	<u>3,539,908</u>	<u>-</u>	<u>3,539,908</u>
Supporting activities:						
General and administrative	1,686,938	-	1,686,938	2,374,614	-	2,374,614
Fundraising	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total supporting activities	<u>1,686,938</u>	<u>-</u>	<u>1,686,938</u>	<u>2,374,614</u>	<u>-</u>	<u>2,374,614</u>
Total expenses	<u>5,917,007</u>	<u>-</u>	<u>5,917,007</u>	<u>5,914,522</u>	<u>-</u>	<u>5,914,522</u>
Other income and expenses:						
Gain on sale of property	4,899,972	-	4,899,972	-	-	-
Gain on insurance proceeds - fire loss recovery	<u>607,423</u>	<u>-</u>	<u>607,423</u>	<u>434,077</u>	<u>-</u>	<u>434,077</u>
Total other income and expenses	<u>5,507,395</u>	<u>-</u>	<u>5,507,395</u>	<u>434,077</u>	<u>-</u>	<u>434,077</u>
Change in net assets	<u>4,289,468</u>	<u>(49,093)</u>	<u>4,240,375</u>	<u>(122,683)</u>	<u>47,632</u>	<u>(75,051)</u>
Net assets, beginning of year	<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>
Net assets, end of year	<u>\$ 29,668,161</u>	<u>\$ 21,717</u>	<u>\$ 29,689,878</u>	<u>\$ 25,378,693</u>	<u>\$ 70,810</u>	<u>\$ 25,449,503</u>

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VAN NUYS FOURSQUARE CHURCH
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STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2020

With summarized information for the year ended December 31, 2019

	Program activities		Supporting activities		2020 Total	2019 Total
	Church ministry	Missions	General and administrative	Fundraising		
Expenses:						
Advertising	\$ 12,030	\$ -	\$ -	\$ -	\$ 12,030	\$ 3,541
Automobile care	40	-	5,099	-	5,139	9,803
Bank charges	210	-	58,045	-	58,255	51,717
Benevolence	17,323	141,471	-	-	158,794	47,287
Building maintenance	-	-	54,969	-	54,969	83,650
Contract services	105,015	-	202,535	-	307,550	318,906
Depreciation	685,693	-	-	-	685,693	726,997
Equipment lease	-	-	27,636	-	27,636	22,018
Event expenses	85,742	7,026	851	-	93,619	183,666
Insurance	-	-	107,553	-	107,553	73,124
Landscaping	1,620	-	71,722	-	73,342	43,623
Membership and dues	6,173	585	1,464	-	8,222	7,748
Miscellaneous	5,188	2,270	667	-	8,125	11,169
Missions	26,307	82,567	-	-	108,874	156,849
Office supplies	31,708	-	14,979	-	46,687	26,377
Payroll fees	-	-	6,353	-	6,353	5,534
Payroll taxes	45,186	-	28,976	-	74,162	66,220
Professional development	5,408	-	13,269	-	18,677	32,981
Professional services and honoraria	142,197	-	7,250	-	149,447	85,212
Property taxes	-	-	28,268	-	28,268	25,195
Salaries and benefits	2,278,165	-	745,093	-	3,023,258	3,038,913
Social and fellowship	41,484	-	1,935	-	43,419	54,514
Supplies	82,970	-	37,684	-	120,654	75,756
Tithe to ICFG	390,206	-	-	-	390,206	427,978
Travel	5,781	-	195	-	5,976	6,441
Utilities	27,704	-	272,395	-	300,099	329,303
Total expenses	<u>\$ 3,996,150</u>	<u>\$ 233,919</u>	<u>\$ 1,686,938</u>	<u>\$ -</u>	<u>\$ 5,917,007</u>	<u>\$ 5,914,522</u>

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STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ 4,240,375	\$ (75,051)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation expense	685,693	726,997
Gain on sale of property	(4,899,971)	-
Gain on insurance proceeds - fire loss recovery	(607,423)	(493,357)
Realized and unrealized loss/(gain) on investments	-	(8,182)
Actuarial change gift annuity	-	(86,065)
Change in value of trusts	-	17,085
Changes in:		
General accounts receivable	796	8,577
Due from affiliated ministry	19,864	(29,284)
Other receivable	-	173,351
Prepaid expenses	47,719	312
Accounts payable	7,849	(81,533)
Accrued liabilities	(803)	(3,595)
Due to affiliated ministry	(2,210)	(9,100)
	<u>(508,111)</u>	<u>140,155</u>
Net change from operating activities		
Cash flows from investing activities		
Investments converted to cash	-	67,844
Note receivable issued	(200,000)	-
Proceeds from sale of assets	9,600,000	-
Acquisition of property and equipment	(519,249)	(62,275)
	<u>8,880,751</u>	<u>5,569</u>
Net change from investing activities		
Cash flows from financing activities		
Proceeds from note payable	572,300	-
Payments to beneficiaries of trust and gift annuities	-	(6,494)
Realized and unrealized gains and losses trust assets	-	(103)
	<u>572,300</u>	<u>(6,597)</u>
Net change from financing activities		
Net change in cash and cash equivalents	8,944,940	139,127
Total cash and cash equivalents, beginning of year	<u>3,018,467</u>	<u>2,879,340</u>
Total cash and cash equivalents, end of year	<u>\$ 11,963,407</u>	<u>\$ 3,018,467</u>

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NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

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 2019 summarized comparative information. With respect to the accompanying statements of functional expenses, information for 2019 is presented in aggregate and not displayed by category. Accordingly, such information should be read in conjunction with the Church's 2019 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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dba The Church On The Way

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

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.

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. As of December 31, 2020 and 2019, there were no remaining amounts of assets held for the benefit of trusts. See Note 6.

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dba The Church On The Way

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

Note 1 – Summary of significant accounting policies (continued)

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.

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. As of December 31, 2020 and 2019, there were no remaining amounts of investments in assets held for the benefit of trusts. See Note 6.

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, 2020 and 2019, was \$685,693 and \$726,997, 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 2020 and 2019, 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.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

Note 1 – Summary of significant accounting policies (continued)

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.

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, 2020 and 2019, net assets with donor restrictions consisted of \$21,717 and \$70,810, 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, 2020 and 2019.

Contributed goods are recorded at fair value at the date of the donation. The Church received donated stocks during the years ended December 31, 2020 and 2019 valued at \$0 and \$3,263, respectively. These amounts are reflected on the statements of activities as contributions revenue.

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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dba The Church On The Way

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

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, 2020 and 2019 was \$12,030 and \$3,541, 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, 2020 and 2019, 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, 2020:

Total cash and cash equivalents	\$ 11,963,407
General accounts receivable	216
Due from affiliated ministry	<u>26,949</u>
Total financial assets	11,990,572
Contractual or donor-imposed restrictions:	
Donor contributions with specific purpose restrictions	21,717
Board designated for property	<u>746,823</u>
Total restrictions	<u>768,540</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 11,222,032</u></u>

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NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

Note 3 – Note receivable

The Church loaned \$200,000 to a pastor for a home mortgage as part of his relocation package. The terms of the loan require interest at 3% per annum. The note shall be forgiven incrementally at a rate of 10% on each annual anniversary date of the loan in which the pastor is still employed full-time with the Church and occupying the property securing the mortgage.

Note 4 – Property and equipment

Property and equipment consisted of the following at December 31:

	2020	2019
Land	\$ 10,430,758	\$ 14,450,145
Building and improvements	15,592,205	23,612,016
Furniture, fixtures and equipment	3,380,247	3,552,822
Automobiles	<u>123,837</u>	<u>123,837</u>
 Total property and equipment	 29,527,047	 41,738,820
 Less: accumulated depreciation	 <u>(11,305,057)</u>	 <u>(19,257,780)</u>
 Total property and equipment, net	 <u>\$ 18,221,990</u>	 <u>\$ 22,481,040</u>

Note 5 – Note payable

On April 22, 2020, the Church was granted a \$572,300 loan under the Paycheck Protection Program “PPP” administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Church is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Church has initially recorded the proceeds as a loan and will record the forgiveness when received. No forgiveness revenue has been recorded for the year ended December 31, 2020. The Church’s lender has submitted an application for forgiveness to the SBA. If the loan is not forgiven, the Church will be required to repay any remaining balance, plus interest accrued at 1% per annum in monthly payments of \$24,095, beginning ten months from the end of the covered period, which was October 2020. Principal and interest payments will be required through the maturity date, April 22, 2022.

Required principal payments consist of the following for the years ended December 31:

2021		\$ 90,713
2022		481,587

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NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

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 \$0 for the years ended December 31, 2020 and 2019, 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, 2020 and 2019

Note 6 – Annuity and trust obligations (continued)

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

	2020	2019
Investment and other income	\$ -	\$ 8,064
Change in actuarial value	-	(20,012)
Payments to trustors and annuitants and related expenses	-	(6,494)
Converted to cash due to annuity termination	-	(67,844)
	<u> </u>	<u> </u>
Total change in value of split interest agreements	<u>\$ -</u>	<u>\$ (86,286)</u>

Note 7 – Net assets with donor restrictions

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

	2020	2019
Net assets without donor restrictions:		
Undesignated	\$ 28,921,338	\$ 24,468,986
Board designated for property	<u>746,823</u>	<u>909,707</u>
Total net assets without donor restrictions	29,668,161	25,378,693
Net assets with donor restrictions:		
Historic cross monument	18,845	20,664
Expansion fund	-	42,394
Missions fund	<u>2,872</u>	<u>7,752</u>
Total net assets with donor restrictions	<u>21,717</u>	<u>70,810</u>
Total net assets	<u>\$ 29,689,878</u>	<u>\$ 25,449,503</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 \$101,448 and \$95,670 for the years ended December 31, 2020 and 2019, respectively, which is included in salaries and benefits on the statements of functional expenses.

VAN NUYS FOURSQUARE CHURCH
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NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

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, 2020 and 2019, was \$20,175 and \$22,018, respectively.

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

2021	\$ 14,424
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Note 10 – Related party transactions

ICFG

The Church pays an extension tithe to ICFG equal to 10% of contributions received. ICFG returns 40% 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, 2020 and 2019 was \$390,206 and \$427,978, respectively. As of December 31, 2020 and 2019, the Church owed ICFG \$47,900 and \$50,110, respectively.

LIEEC

La Iglesia En El Camino (LIEEC) rented a portion of the Church's campus through April 2020. For the years ended December 31, 2020 and 2019, rent payments to the Church totaled \$93,000 and \$360,000, respectively, 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, 2020 and 2019, the reimbursements totaled \$205,286 and \$210,805, respectively. For the years ended December 31, 2020 and 2019, LIEEC owed the Church reimbursements totaling \$26,949 and \$46,813, respectively. See Note 11.

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 three residential rental properties 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, 2020 and 2019, was \$57,000 and \$39,200, respectively.

Pastor loan

The Church loaned \$200,000 to a pastor for a home mortgage as part of his relocation package. See Note 3.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

Note 11 – Gains

Gain on sale of property

On April 7, 2020, the Church sold the West Campus land, buildings, and accompanying furnishings and equipment for a cash sale price of \$9,600,000. The Church recognized a gain on sale amounting to \$4,899,972. The property was sold to LIEEC, a related party. See Note 10.

Gain on insurance proceeds - fire loss

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 completed the rebuilding the property in 2020, and was fully reimbursed by the insurance company for all costs. The actual cost of rebuilding exceeded recorded insurance estimates, which is reflected on the statements of activities as a gain on insurance proceeds – fire loss of \$607,423 and \$434,077 for the years ended December 31, 2020 and 2019, respectively.

Note 12 – Supplemental disclosures to the statements of cash flows

There were no amounts paid for interest or income taxes for the years ended December 31, 2020 and 2019.

There were no non-cash financing or investing activities for the years ended December 31, 2020 and 2019.

Note 13 – Risks and uncertainties

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The Church is closely monitoring its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on the Church's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Church's donors, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Church's financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

Note 14 – Subsequent events

Management has evaluated subsequent events through March 15, 2021, the date on which the financial statements were available to be issued.