

# BLUE OAKS CHURCH

Financial Statements  
With Independent Accountants' Review Report  
June 30, 2019 (Reviewed) and 2018 (Compiled)

# BLUE OAKS CHURCH

## Table of Contents

	<u>Page</u>
Independent Accountants' Review Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statement of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7

## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors  
Blue Oaks Church  
Pleasanton, California

We have reviewed the accompanying financial statements of Blue Oaks Church (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding 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.

### *Accountant's 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.

### *Accountant's 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.

### *Emphasis of Matter*

Blue Oaks Church has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as described in Note 2. This had a material effect on the presentation of the June 30, 2019 and 2018 financial statements.

Board of Directors  
Blue Oaks Church  
Pleasanton, California

***Prior Period Financial Statements***

The June 30, 2018 financial statements were compiled by us, and our report thereon, dated October 29, 2018, stated that we did not audit or review those financial statements, and accordingly, express no opinion or other form of assurance on them.

*Capin Crouse LLP*

Pleasanton, California  
October 28, 2019

# BLUE OAKS CHURCH

## Statements of Financial Position

	June 30,	
	2019	2018
	(Reviewed)	(Compiled)
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents	\$ 380,551	\$ 529,664
Deposits and other assets	6,659	6,380
Investments	167,560	-
	<u>554,770</u>	<u>536,044</u>
Cash and cash equivalents restricted for long-term purposes	2,256,220	1,380,740
Property and equipment-net	<u>356,736</u>	<u>203,095</u>
Total Assets	<u>\$ 3,167,726</u>	<u>\$ 2,119,879</u>
<b>LIABILITIES AND NET ASSETS:</b>		
Current liabilities:		
Accounts payable	\$ 34,342	\$ 19,552
Accrued expenses	57,859	38,576
	<u>92,201</u>	<u>58,128</u>
Net assets:		
Without donor restrictions:	764,983	647,958
With donor restrictions:	2,310,542	1,413,793
	<u>3,075,525</u>	<u>2,061,751</u>
Total Liabilities and Net Assets	<u>\$ 3,167,726</u>	<u>\$ 2,119,879</u>

See accompanying notes and independent accountants' review report

# BLUE OAKS CHURCH

## Statements of Activities

	For the Year Ended June 30,			For the Ten Months Ended June 30,		
	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE:</b>						
Contributions	\$ 1,720,229	\$ 961,676	\$ 2,681,905	\$ 1,788,334	\$ 440,591	\$ 2,228,925
Program and other income	120,385	-	120,385	46,211	-	46,211
<b>Total Support and Revenue</b>	<b>1,840,614</b>	<b>961,676</b>	<b>2,802,290</b>	<b>1,834,545</b>	<b>440,591</b>	<b>2,275,136</b>
<b>NET ASSETS RELEASED:</b>						
Purpose restrictions	64,927	(64,927)	-	174,261	(174,261)	-
<b>EXPENSES:</b>						
Program expenses	1,085,412	-	1,085,412	1,131,813	-	1,131,813
Supporting activities:						
General and administrative	681,922	-	681,922	461,081	-	461,081
Fundraising	21,182	-	21,182	9,803	-	9,803
<b>Total Expenses</b>	<b>1,788,516</b>	<b>-</b>	<b>1,788,516</b>	<b>1,602,697</b>	<b>-</b>	<b>1,602,697</b>
<b>Change in Net Assets</b>	<b>117,025</b>	<b>896,749</b>	<b>1,013,774</b>	<b>406,109</b>	<b>266,330</b>	<b>672,439</b>
<b>Net Assets, Beginning of Year</b>	<b>647,958</b>	<b>1,413,793</b>	<b>2,061,751</b>	<b>241,849</b>	<b>1,147,463</b>	<b>1,389,312</b>
<b>Net Assets, End of Year</b>	<b>\$ 764,983</b>	<b>\$ 2,310,542</b>	<b>\$ 3,075,525</b>	<b>\$ 647,958</b>	<b>\$ 1,413,793</b>	<b>\$ 2,061,751</b>

See accompanying notes and independent accountants' review report

# BLUE OAKS CHURCH

## Statement of Functional Expenses

Year ended June 30, 2019

(With Comparative Totals for the Ten Month Period ended June 30, 2018)

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>2018</u>
Salary and benefits	\$ 625,075	\$ 393,014	\$ -	\$ 1,018,089	\$ 770,149
Facilities and maintenance	144,571	53,615		198,186	181,596
Office and supplies	37,432	150,275	4,185	191,892	54,699
Professional fees	59,442	70,062	16,437	145,941	102,594
Events and travel	115,739	14,956	560	131,255	160,980
Grants	57,331	-	-	57,331	294,293
Depreciation	45,822	-	-	45,822	38,386
Total Expenses	<u>\$ 1,085,412</u>	<u>\$ 681,922</u>	<u>\$ 21,182</u>	<u>\$ 1,788,516</u>	<u>\$ 1,602,697</u>

See accompanying notes and independent accountants' review report

# BLUE OAKS CHURCH

## Statement of Cash Flows

	Year Ended June 30, 2019 (Reviewed)	Ten Months Ended June 30, 2018 (Compiled)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 1,013,774	\$ 672,439
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	45,822	38,387
Donated investments	(118,162)	-
Contributions restricted for long-term purposes	(676,017)	(326,438)
Net realized and unrealized (gains) losses on investments	(49,398)	-
Net change in:		
Deposits and other assets	(279)	1,753
Accounts payable	14,790	(9,453)
Accrued expenses	19,283	1,806
Net Cash Provided by Operating Activities	249,813	378,494
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of equipment	(199,463)	(6,269)
Net Cash Used in Investing Activities	(199,463)	(6,269)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Contributions restricted for long-term purposes	676,017	326,438
Net Cash Provided by Financing Activities	676,017	326,438
Change in Cash, Cash Equivalents, and Restricted Cash	726,367	698,663
Cash and Cash Equivalents, and Restricted Cash, Beginning of Year	1,910,404	1,211,741
Cash, Cash Equivalents, and Restricted Cash, End of Year	\$ 2,636,771	\$ 1,910,404
<b>SUPPLEMENTAL DISCLOSURE AND NON-CASH DISCLOSURES:</b>		
Cash and cash equivalents for long-term purposes	\$ 2,256,220	\$ 1,380,740

See accompanying notes and independent accountants' review report



# BLUE OAKS CHURCH

## Notes to Financial Statements

June 30, 2019 (Reviewed) and 2018 (Compiled)

1. NATURE OF ORGANIZATION:

Blue Oaks Church (the Church), was incorporated in the state of California as a not-for-profit corporation. The Church is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code), and comparable state laws. However, the Church is subject to federal income tax on any unrelated business taxable income. In addition, the Church is not classified as a private foundation within the meaning of section 509(a) of the Code. Contributions to the Church by the public are deductible for income tax purposes.

The Church's primary sources of income are contributions from members and regular attendees, and program fee revenue. The Church is a member of the Evangelical Council for Financial Accountability.

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 accounts at credit unions are insured by the National Credit Union Administration (NCUA) up to \$250,000. As of June 30, 2019 and 2018, the Church's cash balances exceeded insured limits by approximately \$2,120,000 and \$1,660,000, respectively. The Church does not believe these funds to be at substantial risk of loss due to lack of insurance coverage.

### CASH AND CASH EQUIVALENTS RESTRICTED FOR LONG-TERM PURPOSES

For statements of financial position and cash flow purposes, cash and cash equivalents include restricted cash on deposit received with donor-imposed restriction that limits the use of cash to long-term purposes.

### INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments are reported at their readily determinable fair values. Fair market values for common stock are based on quoted market prices in active markets, which are Level 1 in the FASB Accounting Standards Codification hierarchy.

### EQUIPMENT

Equipment is stated at cost or estimated fair value at date of receipt, if donated. 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 \$2,500. Depreciation is computed on the straight-line method over the estimated useful lives of the assets ranging from 5 to 10 years.

# BLUE OAKS CHURCH

## Notes to Financial Statements

June 30, 2019 (Reviewed) and 2018 (Compiled)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### NET ASSETS

The financial statements report amounts by class of net assets:

*Net assets without donor restrictions* are those currently available at the discretion of the board for use in the Church's operations.

*Net assets with donor restrictions* are those stipulated by donors for specific ministry purposes or for the acquisition of property and equipment.

All contributions are considered available for use without donor restrictions unless specifically restricted by the donor or subject to legal restrictions.

The Church records contributions as contributions with donor restrictions, 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. For contributions restricted by donors for acquisition of property or other long-lived assets, the restriction is considered to be met when the asset is placed in service.

#### 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 net assets with donor restrictions, 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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 other income is recorded when earned. Expenses are recorded when incurred in accordance with the accrual basis of accounting.

#### ADVERTISING EXPENSE

Advertising is used to promote the Church. All advertising costs are expensed when incurred and totaled approximately \$112,000 and \$5,000, for the year and ten-months ended June 30, 2019 and June 30, 2018, 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.

# BLUE OAKS CHURCH

## Notes to Financial Statements

June 30, 2019 (Reviewed) and 2018 (Compiled)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

RECENTLY ADOPTED ACCOUNTING STANDARDS

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The Church adopted the provisions of this new standard during the year ended June 30, 2019. In addition to the changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and availability of resources (Note 3) and disclosures related to functional allocation of expenses were expanded (statement of functional expenses and functional allocation of expenses policy, Note 6). Adoption of this standard had no effect on the change in net assets by class of net assets or in total.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following table reflects the Church's financial assets as of June 30, 2019, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

Financial assets:	
Cash and cash equivalents	\$ 380,551
Investments	167,560
Cash and cash equivalents restricted for long-term purposes	<u>2,256,220</u>
Less those unavailable for general expenditure within one year, due to:	
Restricted cash	<u>(2,256,220)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 548,111</u>

The Church structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Management monitors cash flows closely through monthly reviews and elder meetings.

# BLUE OAKS CHURCH

## Notes to Financial Statements

June 30, 2019 (Reviewed) and 2018 (Compiled)

4. EQUIPMENT:

Equipment consists of the following:

	June 30,	
	2019	2018
Audio-visual equipment	\$ 433,356	\$ 433,356
Other equipment	13,845	13,845
	<u>447,201</u>	<u>447,201</u>
Less accumulated depreciation	(289,928)	(244,106)
	<u>157,273</u>	<u>203,095</u>
Construction in progress	199,463	-
	<u>\$ 356,736</u>	<u>\$ 203,095</u>

5. NET ASSETS:

Net assets with donor restrictions are available for the following purposes:

	June 30,	
	2019	2018
Building project	\$ 2,256,220	\$ 1,380,740
Benevolence and other programs	54,323	33,653
	<u>\$ 2,310,543</u>	<u>\$ 1,414,393</u>

6. FUNCTIONAL EXPENSE ALLOCATION:

The costs of providing the various program services and supporting activities have been summarized in the statements of activities. Accordingly, certain costs, such as depreciation and payroll, have been allocated based on time and effort of each department.

7. CONDITIONAL PROMISES TO GIVE:

In October 2016, the Church began a capital campaign to raise approximately \$3,000,000 to purchase a new building. The promises to give are subject to unilateral change by the donor. Therefore, the promises are not considered unconditional and are not recognized prior to the receipt of contribution. As of June 30, 2019, total conditional promises made but not received related to the capital campaign are \$1,000,000.

# BLUE OAKS CHURCH

## Notes to Financial Statements

June 30, 2019 (Reviewed) and 2018 (Compiled)

8. RETIREMENT PLAN:

The Church has a defined contribution retirement plan under Internal Revenue Code Section 403(b) (the Plan). All full-time employees are eligible to participate and can voluntarily contribute to the Plan in accordance with plan specifications. The Church contributes 2% for all full-time employees and matches up to 5% of the employee's contribution. The Church's contributions for the plan were approximately \$50,000 and \$37,000 for the year and ten-months ended June 30, 2019 and 2018, respectively.

9. LEASES:

During the year ended June 30, 2019, the Church had an operating lease agreement for office space through March 2021. The total lease expense for the year and ten-months ended June 30, 2019 and 2018, was approximately \$74,000 and \$86,000, respectively.

The future minimum payments are:

<u>Year Ending June 30,</u>	
2020	75,412
2021	<u>57,420</u>
	<u>\$ 132,832</u>

The Church has a facility use agreement with a school district. The Church pays for use of a local high school for its weekly services. The total expense for the year and ten-months ended June 30, 2019 and 2018 was approximately \$77,000 and \$62,000, respectively.

10. SUBSEQUENT EVENTS:

Subsequent to year end, the Church purchased a building for approximately \$5,200,000 and obtained a loan of approximately \$4,031,000.

Subsequent events have been evaluated through October 28, 2019, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.