

# BLUE OAKS CHURCH

Financial Statements  
With Independent Accountants' Compilation  
Report

August 31, 2016 and 2015

# BLUE OAKS CHURCH

## Table of Contents

	<u>Page</u>
Independent Accountants' Compilation Report	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5
Supplementary Information	
Schedules of Functional Expenses	8

## **INDEPENDENT ACCOUNTANTS' COMPILATION REPORT**

Board of Directors  
Blue Oaks Church  
Pleasanton, California

Management is responsible for the accompanying financial statements of Blue Oaks Church (a nonprofit organization), which comprise the statements of financial position as of August 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The supplementary information contained in the schedules of functional expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been compiled from information that is the representation of management. We have not audited or reviewed the supplementary information and, accordingly, do not express an opinion or provide any assurance on such supplementary information.

*Capin Crouse LLP*

Pleasanton, California  
November 10, 2016

# BLUE OAKS CHURCH

## Statements of Financial Position

	August 31,	
	2016	2015
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 181,072	\$ 186,255
Due from employees	-	9,630
Deposits	7,400	15,142
	<u>188,472</u>	<u>211,027</u>
Equipment-net	<u>281,916</u>	<u>316,237</u>
Total Assets	<u>\$ 470,388</u>	<u>\$ 527,264</u>
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	\$ 51,670	\$ 28,771
Accrued expenses	37,857	30,658
Note payable-current portion	50,000	50,000
	<u>139,527</u>	<u>109,429</u>
Note payable-net of current portion	<u>-</u>	<u>50,000</u>
Total Liabilities	<u>139,527</u>	<u>159,429</u>
Net assets:		
Unrestricted:		
Unrestricted, undesignated	(33,071)	(14,440)
Net investment in equipment	281,916	316,237
	<u>248,845</u>	<u>301,797</u>
Temporarily restricted	<u>82,016</u>	<u>66,038</u>
	<u>330,861</u>	<u>367,835</u>
Total Liabilities and Net Assets	<u>\$ 470,388</u>	<u>\$ 527,264</u>

See accompanying notes and independent accountants' compilation report

# BLUE OAKS CHURCH

## Statements of Activities

	Year Ended August 31,					
	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>REVENUE AND RECLASSIFICATIONS:</b>						
Contributions	\$ 1,324,337	\$ 138,639	\$ 1,462,976	\$ 1,215,424	\$ 100,659	\$ 1,316,083
Program income	39,984	-	39,984	34,019	-	34,019
Interest income	1,082	-	1,082	1,118	-	1,118
Net assets released from restrictions:						
Satisfaction of program restrictions	122,661	(122,661)	-	49,334	(49,334)	-
<b>Total Revenue, Support, and Reclassifications</b>	<b>1,488,064</b>	<b>15,978</b>	<b>1,504,042</b>	<b>1,299,895</b>	<b>51,325</b>	<b>1,351,220</b>
<b>EXPENSES:</b>						
Salaries and wages	784,986	-	784,986	678,303	-	678,303
General and administrative	324,366	-	324,366	247,970	-	247,970
Facilities	179,902	-	179,902	200,888	-	200,888
Direct program expense	204,308	-	204,308	114,770	-	114,770
Depreciation	46,574	-	46,574	44,253	-	44,253
Interest expense	880	-	880	1,320	-	1,320
<b>Total Expenses</b>	<b>1,541,016</b>	<b>-</b>	<b>1,541,016</b>	<b>1,287,504</b>	<b>-</b>	<b>1,287,504</b>
Change in Net Assets	(52,952)	15,978	(36,974)	12,391	51,325	63,716
Net Assets, Beginning of Year	301,797	66,038	367,835	289,406	14,713	304,119
Net Assets, End of Year	\$ 248,845	\$ 82,016	\$ 330,861	\$ 301,797	\$ 66,038	\$ 367,835

See accompanying notes and independent accountants' compilation report

# BLUE OAKS CHURCH

## Statements of Cash Flows

	Year Ended August 31,	
	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (36,974)	\$ 63,716
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	46,574	44,253
Net change in:		
Due from employees	9,630	(9,630)
Deposits	7,742	(2,001)
Accounts payable	22,899	(7,144)
Accrued expenses	7,199	7,980
Net Cash Provided by Operating Activities	<u>57,070</u>	<u>97,174</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of equipment	<u>(12,253)</u>	<u>-</u>
Net Cash Used in Investing Activities	<u>(12,253)</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Principal payments on notes payable	<u>(50,000)</u>	<u>(50,000)</u>
Net Cash Used in Financing Activities	<u>(50,000)</u>	<u>(50,000)</u>
Change in Cash and Cash Equivalents	(5,183)	47,174
Cash and Cash Equivalents, Beginning of Year	<u>186,255</u>	<u>139,081</u>
Cash and Cash Equivalents, End of Year	<u>\$ 181,072</u>	<u>\$ 186,255</u>
<b>SUPPLEMENTAL DISCLOSURES:</b>		
Cash paid for interest expense (none capitalized)	<u>\$ 880</u>	<u>\$ 1,320</u>

See accompanying notes and independent accountants' compilation report

# BLUE OAKS CHURCH

## Notes to Financial Statements

August 31, 2016 and 2015

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 is also exempt from state income taxes. The Church has been classified as a publicly supported organization, which is not a private foundation, under 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.

#### USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

#### 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.

#### 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.

#### 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 equipment.

*Temporarily restricted net assets* are those stipulated by donors for specific ministry purposes.

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

# BLUE OAKS CHURCH

## Notes to Financial Statements

August 31, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

### SUPPORT, REVENUE, AND EXPENSES

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

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

### ADVERTISING EXPENSE

Advertising expense is used to promote the Church. All advertising expenses are expensed when incurred and totaled \$23,058 and \$53,892 for the years ended August 31, 2016 and 2015, respectively .

### UNCERTAIN TAX POSITIONS

The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the statements of activities. As of August 31, 2016 and 2015, the Church had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

3. EQUIPMENT:

Equipment consists of:

	August 31,	
	2016	2015
Audio-visual equipment	\$ 427,087	\$ 414,837
Equipment	13,845	13,845
	440,932	428,682
Less accumulated depreciation	(159,016)	(112,445)
Net investment in equipment	\$ 281,916	\$ 316,237



# BLUE OAKS CHURCH

## Notes to Financial Statements

August 31, 2016 and 2015

4. NOTE PAYABLE:

Note payable consists of:

	August 31,	
	2016	2015
Unsecured note payable to a foundation bearing interest at 0.88%, requiring annual principal payments of \$50,000 plus interest through 2017.	\$ 50,000	\$ 100,000
Less current portion	(50,000)	(50,000)
	<u>\$ -</u>	<u>\$ 50,000</u>

5. RETIREMENT PLAN:

The Church has a defined contribution pension plan under Internal Revenue Code Section 403(b). All full-time employees are eligible to participate and can voluntarily contribute to the plan in accordance with plan specifications. The Church contributes an automatic 2% for all full-time employees. Additionally, the Church matches up to the next 5% of the employee's contribution. The Church's contributions for the plan were \$45,098 and \$57,224 for the years ended August 31, 2016 and 2015, respectively.

6. LEASES:

During the year, the Church had an operating lease agreement for office space through March 2018. The total lease expense for the years ended August 31, 2016 and 2015 were \$86,088 and \$118,356, respectively.

The future minimum payments are:

<u>Year Ending August 31,</u>	
2017	\$ 86,088
2018	50,218
	<u>\$ 136,306</u>

The Church also has a facility use agreement with a school district. The Church pays by the hour for use of a local high school for its weekly services. The total expense for the years ended August 31, 2016 and 2015 were \$73,078 and \$64,398, respectively.

7. SUBSEQUENT EVENTS:

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

## **SUPPLEMENTAL INFORMATION**

# BLUE OAKS CHURCH

## Schedule of Functional Expenses

Year Ended August 31, 2016

	Program Services	General and Administrative	Fundraising	Total
Salary and benefits	\$ 475,139	\$ 309,848	\$ -	\$ 784,987
Rent	132,335	44,890	-	177,225
Outside professionals	37,097	9,079	22,000	68,176
Transportation and travel	63,455	2,671	-	66,126
Printing and copying	11,552	45,743	701	57,996
Camps, conferences, and events	52,238	2,585	-	54,823
Depreciation	46,574	-	-	46,574
Postage and shipping	73	37,666	542	38,281
Food and beverage	26,645	1,898	-	28,543
Ministry supplies	26,477	913	-	27,390
Office equipment	20,318	4,594	-	24,912
Advertising and publicity	100	22,958	-	23,058
Charitable gifts	22,777	-	-	22,777
Benevolence	17,261	-	-	17,261
Dues and subscriptions	4,719	9,668	2,000	16,387
Honorariums	13,500	-	-	13,500
Recruitment/personnel	1,324	9,730	-	11,054
Books, videos, and curriculum	9,612	600	-	10,212
Bank fees	-	9,043	-	9,043
Property tax	-	(8,349)	-	(8,349)
Computer equipment	1,688	5,184	-	6,872
Furnishings	4,772	1,491	-	6,263
Staff training	5,922	-	-	5,922
Building maintenance	3,114	2,349	-	5,463
Gifts and flowers	4,382	201	-	4,583
Utilities	2,357	1,778	-	4,135
Licenses and permits	1,216	245	2,500	3,961
Business insurance	-	3,245	-	3,245
Phone, internet, and web	-	3,184	-	3,184
Office supplies	670	1,828	15	2,513
Equipment rent and repair	929	1,105	-	2,034
Other expenses	395	1,042	-	1,437
Other facility expenses	814	614	-	1,428
<b>Total expenses</b>	<b>\$ 987,455</b>	<b>\$ 525,803</b>	<b>\$ 27,758</b>	<b>\$ 1,541,016</b>

See independent accountants' compilation report

# BLUE OAKS CHURCH

## Schedule of Functional Expenses

Year Ended August 31, 2015

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total</u>
Salary and benefits	\$ 430,888	\$ 247,415	\$ 678,303
Rent	143,698	39,056	182,754
Advertising and publicity	26	53,866	53,892
Outside professionals	23,032	30,213	53,245
Depreciation	44,253	-	44,253
Camps, conferences, and events	35,326	339	35,665
Food and beverage	23,557	2,322	25,879
Missionary support	22,127	-	22,127
Printing and copying	6,854	14,281	21,135
Office equipment	15,918	4,573	20,491
Ministry supplies	17,242	600	17,842
Benevolence	11,535	-	11,535
Dues and subscriptions	3,860	7,434	11,294
Honorariums	10,600	-	10,600
Transportation and travel	9,548	587	10,135
Books and curriculum	9,437	262	9,699
Utilities	6,129	3,008	9,137
Gifts and flowers	7,484	1,240	8,724
Staff training	3,401	4,934	8,335
Computer equipment	3,315	4,613	7,928
Furnishings	6,140	1,404	7,544
Bank fees	-	6,241	6,241
Property tax	-	5,343	5,343
Equipment rent and repair	4,666	374	5,040
Business insurance	-	3,741	3,741
Building maintenance	2,441	1,203	3,644
Phone, internet, and web	-	3,233	3,233
Postage and shipping	191	2,387	2,578
Volunteer training	1,607	16	1,623
Office supplies	325	1,197	1,522
Recruitment/personnel	1,365	100	1,465
Interest expense	-	1,320	1,320
Other expenses	899	338	1,237
Total expenses	<u>\$ 845,864</u>	<u>\$ 441,640</u>	<u>\$ 1,287,504</u>

See independent accountants' compilation report