

# RESONATE CHURCH

FINANCIAL STATEMENTS  
With Independent Accountants' Review Report

June 30, 2018

# RESONATE CHURCH

## Table of Contents

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

## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Elders  
Resonate Church  
Fremont, California

We have reviewed the accompanying financial statements of Resonate Church (the Church), which comprise the statement of financial position as of June 30, 2018, and the related statement of activities and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Church's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error.

### *Accountants' Responsibility*

Our responsibility is to conduct the review engagements 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 the modified cash basis of accounting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### *Accountants' Conclusion*

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance accounting principles generally accepted in the United States of America.

*Capin Crouse LLP*

Pleasanton, California  
December 10, 2018

# RESONATE CHURCH

## Statement of Financial Position

June 30, 2018

### ASSETS:

#### Current assets:

Cash and cash equivalents	\$ 2,592,730
Investments	600,000
Prepaid expenses	298,352
	<u>3,491,082</u>

Property and equipment–net	<u>229,536</u>
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Total Assets	<u><u>\$ 3,720,618</u></u>
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### LIABILITIES AND NET ASSETS:

#### Liabilities:

#### Current liabilities:

Accounts payable	77,827
Accrued expenses	74,918
	<u>152,745</u>

#### Net assets:

Unrestricted	<u>3,567,873</u>
	<u>3,567,873</u>

Total Liabilities and Net Assets	<u><u>\$ 3,720,618</u></u>
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See accompanying notes and independent accountants' review report

# RESONATE CHURCH

## Statement of Activities

Year Ended June 30, 2018

	<u>Unrestricted</u>
<b>SUPPORT AND REVENUE:</b>	
Contributions	\$ 4,470,878
Program income	55,950
Other income	8,069
Total Support and Revenue	<u>4,534,897</u>
<b>EXPENSES:</b>	
Salaries and benefits	1,607,525
Church ministries	426,877
Facilities	325,879
Office expenses	283,566
Missions and outreach	162,307
Depreciation	77,213
Other	54,652
Total Expenses	<u>2,938,019</u>
Change in Net Assets	1,596,878
Net Assets, Beginning of Year	<u>1,970,995</u>
Net Assets, End of Year	<u>\$ 3,567,873</u>

See accompanying notes and independent accountants' review report

# RESONATE CHURCH

## Statement of Cash Flows

Year Ended June 30, 2018

### CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 1,596,878
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	77,213
Net change in:	
Prepays and other assets	(264,056)
Accounts payable	70,550
Accrued expenses	23,995
Net Cash Provided by Operating Activities	<u>1,504,580</u>

### CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of equipment	(65,744)
Purchases of investments	(600,000)
Net Cash Used in Investing Activities	<u>(665,744)</u>

Change in Cash and Cash Equivalents	838,836
Cash and Cash Equivalents, Beginning of Year	<u>1,753,894</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,592,730</u>

See accompanying notes and independent accountants' review report

# RESONATE CHURCH

## Notes to Financial Statements

Year Ended June 30, 2018

1. NATURE OF ORGANIZATION:

Resonate Church (the Church) was incorporated in California as a religious not-for-profit organization with a mission to make disciples of Jesus who make more disciples of Jesus. The Church is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and comparable state laws under a group exemption with the Evangelical Free Church of America. 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) for the IRC. Contributions to the Church by members are the primary source of revenue and are deductible for income tax purposes.

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 the significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

#### 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.

#### CASH AND CASH EQUIVALENTS

For statements of financial position and cash flow purposes, cash includes cash on hand and cash on deposit. At June 30, 2018, the Church's cash balances exceeded federally insured limits by approximately \$1,933,000. These deposit accounts may, at times, exceed federally insured limits. The Church has not experienced any losses in such accounts.

#### INVESTMENTS

Investments consist of certificates of deposits with original maturities of ninety days or greater.

#### PROPERTY AND EQUIPMENT

Capital purchases greater than \$2,500 with an expected useful life extending beyond one year are capitalized. Expenditures for furniture and equipment are capitalized at cost. Depreciation is computed on the straight-line basis over the estimated useful lives over those assets with estimated useful lives of 5 years.

# RESONATE CHURCH

## Notes to Financial Statements

Year Ended June 30, 2018

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

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

Revenue is recorded when earned. Expenses are recorded when incurred in accordance with the accrual basis of accounting.

#### FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various program services and supporting activities have been summarized on a functional basis in note 4. Accordingly, certain costs, such as depreciation and payroll, have been allocated among the program services and supporting activities. Currently, there are no joint costs that have been allocated among program, general and administrative, and fundraising functions.

#### 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 land, buildings, and equipment.

*Temporarily restricted net assets* are those which are stipulated by donors for specific operating purposes, capital projects, or time restrictions. At this time, the Church has not accepted any contributions with temporary restrictions.

### 3. PROPERTY AND EQUIPMENT:

Land, buildings, and equipment at June 30, 2018, consist of:

Property and equipment	\$ 452,053
Less accumulated depreciation	(222,517)
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	\$ 229,536
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# RESONATE CHURCH

## Notes to Financial Statements

Year Ended June 30, 2018

4. FUNCTIONAL EXPENSE ALLOCATION:

The following is an allocation of expenses by function as of June 30, 2018:

Program services	\$ 676,575
Supporting activities:	
General and administrative	<u>2,261,444</u>
Total expenses	<u><u>\$ 2,938,019</u></u>

5. SUBSEQUENT EVENTS:

On August 6, 2018, Resonate Church purchased a building at 40650 Encyclopedia Circle, Fremont, CA for \$7,500,000, of which \$5,450,000 was financed through Christian Investors Financial. The loan will mature on September 1, 2043 and accrue interest at a variable interest rate. The Church also opened a construction line of credit of \$3,200,000 with CIF to finance renovations on the building, of which no funds have been drawn as of the report date.

Subsequent events were evaluated through December 10, 2018, which is the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.