

# RESONATE CHURCH

Financial Statements  
With Independent Accountants'  
Review Report

June 30, 2020 and 2019

# RESONATE CHURCH

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## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Elders  
Resonate Church  
Fremont, California

We have reviewed the accompanying financial statements of Resonate Church, which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities 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 Resonate 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 with accounting principles generally accepted in the United States of America.

*Capin Crouse LLP*

Pleasanton, California  
December 17, 2020

# RESONATE CHURCH

## Statements of Financial Position

	June 30,	
	<u>2020</u>	<u>2019</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 564,290	\$ 496,731
Prepaid expenses	19,686	51,358
	<u>583,976</u>	<u>548,089</u>
Land, buildings, and equipment–net	<u>14,679,149</u>	<u>10,160,410</u>
Total Assets	<u>\$ 15,263,125</u>	<u>\$ 10,708,499</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 75,658	\$ 77,234
Accrued expenses	172,217	92,055
Notes payable-current portion	215,165	132,966
	<u>463,040</u>	<u>302,255</u>
Notes payable-net of current portion	<u>9,366,546</u>	<u>6,061,421</u>
	<u>9,829,586</u>	<u>6,363,676</u>
Net assets:		
Without donor restrictions	5,433,539	4,344,823
	<u>5,433,539</u>	<u>4,344,823</u>
Total Liabilities and Net Assets	<u>\$ 15,263,125</u>	<u>\$ 10,708,499</u>

See accompanying notes and independent accountants' review report

# RESONATE CHURCH

## Statements of Activities (Without Donor Restrictions)

	June 30,	
	2020	2019
<b>SUPPORT AND REVENUE:</b>		
Contributions	\$ 4,719,758	\$ 4,062,780
Government grant revenue	284,600	-
Program income	129,724	151,337
Other income	-	5,161
Total Support and Revenue	<u>5,134,082</u>	<u>4,219,278</u>
<b>EXPENSES:</b>		
Salaries and benefits	1,914,747	1,654,684
Office and supplies	1,126,033	841,909
Interest	322,480	202,337
Depreciation	258,137	79,039
Travel and events	217,362	199,920
Occupancy and utilities	203,788	448,700
Other	2,819	15,739
Total Expenses	<u>4,045,366</u>	<u>3,442,328</u>
Change in Net Assets	1,088,716	776,950
Net Assets, Beginning of Year	<u>4,344,823</u>	<u>3,567,873</u>
Net Assets, End of Year	<u>\$ 5,433,539</u>	<u>\$ 4,344,823</u>

See accompanying notes and independent accountants' review report

# RESONATE CHURCH

## Statements of Cash Flows

	June 30,	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 1,088,716	\$ 776,950
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	258,137	79,039
Forgiveness of Paycheck Protection Program loan	(284,600)	-
Forgiveness of congregant loan	(60,000)	-
Net change in:		
Prepays expenses	31,672	246,994
Accounts payable	(1,576)	(593)
Accrued expenses	80,162	17,137
Net Cash Provided by Operating Activities	1,112,511	1,119,527
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of fixed assets	(827,330)	(3,703,198)
Proceeds from sales of investments	-	600,000
Net Cash Used in Investing Activities	(827,330)	(3,103,198)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from Paycheck Protection Program loan	284,600	-
Principal paid on notes payable	(502,222)	(112,328)
Net Cash Used in Financing Activities	(217,622)	(112,328)
Change in Cash and Cash Equivalents	67,559	(2,095,999)
Cash and Cash Equivalents, Beginning of Year	496,731	2,592,730
Cash and Cash Equivalents, End of Year	\$ 564,290	\$ 496,731
<b>SUPPLEMENTAL DISCLOSURES:</b>		
Land, buildings, and equipment acquired through long-term debt	\$ 3,949,546	\$ 6,306,715

See accompanying notes and independent accountants' review report

# RESONATE CHURCH

## Notes to Financial Statements

Years Ended June 30, 2020 and 2019

1. NATURE OF ORGANIZATION:

Resonate Church (the Church) was incorporated in California as a religious not-for-profit organization that exists to make 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, 2020 and 2019, the Church's cash balances exceeded federally insured limits by approximately \$340,000 and \$220,000, respectively. These deposit accounts may, at times, exceed federally insured limits. The Church has not experienced any losses in such accounts.

#### LAND, BUILDINGS, 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 within range from 5 to 40 years.

#### 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.

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

# RESONATE CHURCH

## Notes to Financial Statements

Years Ended June 30, 2020 and 2019

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

#### PUBLIC SUPPORT, REVENUE, AND EXPENSES, continued

Due to the uncertainty caused by the Coronavirus (COVID-19), the Church applied for and was approved for a Paycheck Protection Program loan of \$284,600 through the Coronavirus Aid Relief, and Economic Security Act. The loan accrues interest at 1% per annum and matures two years from the date it was funded. This loan may be forgiven up to the full amount if requirements set by the Small Business Administration are met. During the year ended June 30, 2020, management believes the full loan amount has met the requirements for forgiveness. Therefore, \$284,600 has been recorded as government grant revenue for the year ended June 30, 2020.

The Church has adopted the simultaneous release option for funds received through government grants. Therefore, all funds received for which the Church has met the barriers for revenue recognition have been treated as grants without donor restrictions on the statements of activities.

#### FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various program services and supporting activities have been summarized on a functional basis in Note 6. Accordingly, certain costs, have been allocated among the program services and supporting activities. Those expenses include compensation, office and supplies, and travel, which are allocated based on time and effort, as well as depreciation and occupancy, which are allocated based on square footage. 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:

*Net assets without donor restrictions* 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.

*Net assets with donor restrictions* 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 donor restrictions.

#### RECENTLY ADOPTED ACCOUNTING STANDARDS

In 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The Church adopted the provisions of this new standard during the year ended June 30, 2020. This new standard provides guidance on determining whether a transaction should be accounted for as an exchange transaction or a contribution and whether a contribution should be recorded as conditional or unconditional. This standard did not have a material impact on the presentation of the June 30, 2020 financial statements.

# RESONATE CHURCH

## Notes to Financial Statements

Years Ended June 30, 2020 and 2019

3. LIQUIDITY AND FUNDS AVAILABLE:

The Church has \$564,290 and \$496,731 of financial assets available within one year of the balance sheet of June 30, 2020 and 2019, respectively, which consists of cash and cash equivalents. Management did not identify any items not available for general expenditure because of contractual or donor-imposed restrictions within one year of the statements of financial position date. The Church maintains liquidity sufficient to meet general obligations.

4. LAND, BUILDINGS, AND EQUIPMENT:

Land, buildings, and equipment consist of:

	June 30,	
	2020	2019
Land	\$ 3,650,000	\$ -
Buildings	11,118,508	-
Furniture and equipment	499,572	497,230
Less accumulated depreciation	(588,931)	(333,598)
	14,679,149	163,632
Construction in process	-	9,996,778
	\$ 14,679,149	\$ 10,160,410

5. NOTES PAYABLE:

Notes payable consists of:

	June 30,	
	2020	2019
Note payable to a financial institution, collateralized by real property, approximate monthly principal payments starting at \$10,200 and increasing to \$29,400 over the 25 year life of the loan. Interest rate is 4.25%. The note is due September 1, 2043.	\$ 5,208,081	\$ 5,337,672
Construction line of credit, collateralized by real property, interest at 4.25%, monthly interest only payable until January 1, 2020, when the line of credit automatically converted to a term note payable. Principal and interest repayment after conversion is at a rate of 4.25%. The note is due December 1, 2043.	3,167,365	245,454
Loans from congregants of the Church, non-interest bearing, with repayment not to exceed three years.	1,206,265	611,261
	9,581,711	6,194,387
Less current portion	(215,165)	(132,966)
	\$ 9,366,546	\$ 6,061,421

# RESONATE CHURCH

## Notes to Financial Statements

Years Ended June 30, 2020 and 2019

5. NOTES PAYABLE, continued:

Annual maturities are as follows:

<u>Year Ending June 30,</u>	
2021	\$ 215,165
2022	1,430,755
2023	234,219
2024	244,369
2025	254,959
Thereafter	<u>7,202,244</u>
	<u>\$ 9,581,711</u>

### LOAN COVENANTS

The Church was in compliance with all covenants, including reporting requirements at June 30, 2020 and 2019.

6. FUNCTIONAL ALLOCATION OF EXPENSES:

The following table presents expenses by both their nature and function for the year ended June 30, 2020:

	<u>Program</u> <u>Services</u>	<u>Supporting Activities</u>		<u>Total</u>
		<u>General and</u> <u>Administration</u>	<u>Fundraising</u>	
Salaries and benefits	\$ 1,422,383	\$ 492,364	\$ -	\$ 1,914,747
Office and supplies	788,323	337,710	-	1,126,033
Interest	257,984	64,496	-	322,480
Depreciation	206,510	51,627	-	258,137
Travel and events	161,469	55,893	-	217,362
Occupancy and utilities	163,030	40,758	-	203,788
Other	-	2,819	-	2,819
	<u>\$ 2,999,699</u>	<u>\$ 1,045,667</u>	<u>\$ -</u>	<u>\$ 4,045,366</u>

# RESONATE CHURCH

## Notes to Financial Statements

Years Ended June 30, 2020 and 2019

6. FUNCTIONAL ALLOCATION OF EXPENSES, continued:

The following table presents expenses by both their nature and function for the year ended June 30, 2019:

	Program Services	Supporting Activities		Total
		General and Administration	Fundraising	
Salaries and benefits	\$ 1,267,797	\$ 386,887	\$ -	\$ 1,654,684
Office and supplies	624,199	217,710	-	841,909
Interest	161,870	40,467	-	202,337
Depreciation	15,808	63,231	-	79,039
Travel and events	153,938	45,982	-	199,920
Occupancy and utilities	358,960	89,740	-	448,700
Other	-	15,739	-	15,739
	\$ 2,582,572	\$ 859,756	\$ -	\$ 3,442,328

7. OPERATING LEASE:

During the year ended June 30, 2020, the Church entered into a lease agreement for office equipment maturing through October 2024. Total expenses for the lease were approximately \$14,000 for the year ended June 30, 2020.

The future minimum payments are as follows:

Year Ending June 30,	
2021	\$ 21,000
2022	21,000
2023	21,000
2024	21,000
2025	7,000
	\$ 91,000

# RESONATE CHURCH

## Notes to Financial Statements

Years Ended June 30, 2020 and 2019

### 8. RELATED PARTY TRANSACTIONS:

During the years ended June 30, 2020 and 2019, the Church obtained loans from elders, staff, and other congregants, which are included in notes payable in the statement of financial position and disclosed in Note 5. As of the statement of financial position date, loans from staff and congregants consist of:

	June 30,	
	2020	2019
Elders	\$ 332,280	\$ 150,000
Pastoral staff	116,393	50,000
Non-pastoral staff	413,325	200,000
Congregants	344,267	211,261
	<u>\$ 1,206,265</u>	<u>\$ 611,261</u>

### 9. RISKS AND UNCERTAINTIES:

In March 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. COVID-19 has caused a severe negative impact on the world economy through significant declines and volatility in financial markets and increases in unemployment. The Church was forced to stop in-person gatherings and perform services online for the last quarter of the year ended June 30, 2020.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remain unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Church for future periods. Management is carefully monitoring the situation and evaluating its options as circumstances change.

### 10 SUBSEQUENT EVENTS:

Subsequent events were evaluated through December 17, 2020, which is the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.