

RESONATE CHURCH

Financial Statements
With Independent Accountants'
Review Report

June 30, 2021 and 2020

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, 2021 and 2020, 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 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 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
August 16, 2022

RESONATE CHURCH

Statements of Financial Position

	June 30,	
	2021	2020
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 339,389	\$ 564,290
Employee Retention Credit receivable	267,786	-
Prepaid expenses	16,082	19,686
	<u>623,257</u>	<u>583,976</u>
Land, buildings, and equipment-net	<u>18,321,522</u>	<u>14,679,149</u>
Total Assets	<u>\$ 18,944,779</u>	<u>\$ 15,263,125</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 52,369	\$ 75,658
Accrued expenses	132,971	172,217
Notes payable-current portion	219,909	215,165
	<u>405,249</u>	<u>463,040</u>
Notes payable-net of current portion	<u>7,924,762</u>	<u>9,366,546</u>
Total liabilities	<u>8,330,011</u>	<u>9,829,586</u>
Net assets:		
Without donor restrictions	<u>10,614,768</u>	<u>5,433,539</u>
Total net assets	<u>10,614,768</u>	<u>5,433,539</u>
Total Liabilities and Net Assets	<u>\$ 18,944,779</u>	<u>\$ 15,263,125</u>

See accompanying notes and independent accountants' review report

RESONATE CHURCH

Statements of Activities (Without Donor Restrictions)

	Year Ended June 30,	
	2021	2020
SUPPORT AND REVENUE:		
Contributions	\$ 8,583,443	\$ 4,719,758
Employee Retention Credit revenue	267,786	-
Government grant revenue	-	284,600
Program income	77,506	129,724
Total Support and Revenue	<u>8,928,735</u>	<u>5,134,082</u>
EXPENSES:		
Salaries and benefits	1,879,197	1,914,747
Office and supplies	1,048,558	1,126,033
Interest	345,284	322,480
Depreciation	331,282	258,137
Occupancy and utilities	84,523	203,788
Travel and events	57,052	217,362
Other	1,610	2,819
Total Expenses	<u>3,747,506</u>	<u>4,045,366</u>
Change in Net Assets	5,181,229	1,088,716
Net Assets, Beginning of Year	<u>5,433,539</u>	<u>4,344,823</u>
Net Assets, End of Year	<u>\$ 10,614,768</u>	<u>\$ 5,433,539</u>

See accompanying notes and independent accountants' review report

RESONATE CHURCH

Statements of Cash Flows

	June 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 5,181,229	\$ 1,088,716
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	331,282	258,137
Contribution of real property	(3,790,000)	-
Forgiveness of Paycheck Protection Program loan	-	(284,600)
Forgiveness of congregant loan	(15,188)	(60,000)
Net change in:		
Employee Retention Credit receivable	(267,786)	-
Prepays expenses	3,604	31,672
Accounts payable	(23,289)	(1,576)
Accrued expenses	(39,246)	80,162
Net Cash Provided by Operating Activities	1,380,606	1,112,511
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	(183,655)	(827,330)
Net Cash Used in Investing Activities	(183,655)	(827,330)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Paycheck Protection Program loan	-	284,600
Principal paid on notes payable	(1,421,852)	(502,222)
Net Cash Used in Financing Activities	(1,421,852)	(217,622)
Change in Cash and Cash Equivalents	(224,901)	67,559
Cash and Cash Equivalents, Beginning of Year	564,290	496,731
Cash and Cash Equivalents, End of Year	\$ 339,389	\$ 564,290
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	\$ 349,587	\$ 292,725
Land, buildings, and equipment acquired through long-term debt	\$ -	\$ 3,949,546

See accompanying notes and independent accountants' review report

RESONATE CHURCH

Notes to Financial Statements

Years Ended June 30, 2021 and 2020

1. NATURE OF ORGANIZATION:

Resonate Church (the Church) was incorporated in California as a religious not-for-profit organization that exists 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, 2021 and 2020, the Church's cash balances exceeded federally insured limits by approximately \$212,000 and \$340,000, respectively. These deposit accounts may, at times, exceed federally insured limits. The Church has not experienced any losses in such accounts.

EMPLOYEE RETENTION CREDIT RECEIVABLE

The Church has met the requirements for eligibility for the 2020 and 2021 Employee Retention Credit (ERC). The Church calculated the credit based on qualified wages and intends to file the Form 941-X to claim the credit. Laws and regulations concerning government programs, including the Employee Retention Credit, established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act are complex and subject to varying interpretation. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Church's claim to the ERC, and it is not possible to determine the impact (if any) this would have upon the Church.

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.

RESONATE CHURCH

Notes to Financial Statements

Years Ended June 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

PUBLIC SUPPORT, REVENUE, AND EXPENSES, continued

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

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 accrued interest at 1% per annum and matured two years from the date it was funded. During the year ended June 30, 2020, management believed the full loan amount met the requirements for forgiveness. Therefore, \$284,600 was recorded as government grant revenue for the year ended June 30, 2020. The loan was forgiven in full in November 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.

3. LIQUIDITY AND FUNDS AVAILABLE:

The Church has \$607,175 and \$564,290 of financial assets available within one year of the balance sheet of June 30, 2021 and 2020, respectively, which consists of cash and cash equivalents and ERC receivables. 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.

RESONATE CHURCH

Notes to Financial Statements

Years Ended June 30, 2021 and 2020

4. LAND, BUILDINGS, AND EQUIPMENT:

Land, buildings, and equipment consist of:

	June 30,	
	2021	2020
Land	\$ 4,292,991	\$ 3,650,000
Buildings	14,265,517	11,118,508
Furniture and equipment	674,589	499,573
Less accumulated depreciation	(920,214)	(588,932)
	<u>18,312,883</u>	<u>14,679,149</u>
Construction in process	8,639	-
	<u>\$ 18,321,522</u>	<u>\$ 14,679,149</u>

5. NOTES PAYABLE:

Notes payable consists of:

	June 30,	
	2021	2020
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 3.75%. The note is due September 1, 2043.	\$ 5,067,188	\$ 5,208,081
Construction line of credit, collateralized by real property, interest at 3.75%, 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 3.75%. The note is due December 1, 2043.	3,077,483	3,167,365
Loans from congregants of the Church, non-interest bearing, with repayment not to exceed three years.	-	1,206,265
	<u>8,144,671</u>	<u>9,581,711</u>
Less current portion	(219,909)	(215,165)
	<u>\$ 7,924,762</u>	<u>\$ 9,366,546</u>

RESONATE CHURCH

Notes to Financial Statements

Years Ended June 30, 2021 and 2020

5. NOTES PAYABLE, continued:

Annual maturities are as follows:

<u>Year Ending June 30,</u>	
2022	\$ 219,909
2023	248,667
2024	258,154
2025	268,003
2026	278,228
Thereafter	<u>6,871,710</u>
	<u>\$ 8,144,671</u>

LOAN COVENANTS

The Church was in compliance with all covenants, including reporting requirements at June 30, 2021 and 2020.

6. FUNCTIONAL ALLOCATION OF EXPENSES:

The following table presents expenses by both their nature and function for the year ended June 30, 2021:

	<u>Program</u>	<u>Supporting Activities</u>		<u>Total</u>
		<u>General and</u>	<u>Fundraising</u>	
	<u>Services</u>	<u>Administration</u>		
Salaries and benefits	\$ 1,353,022	\$ 526,175	\$ -	\$ 1,879,197
Office and supplies	761,812	286,746	-	1,048,558
Interest	276,227	69,057	-	345,284
Depreciation	265,026	66,256	-	331,282
Occupancy and utilities	67,618	16,905	-	84,523
Travel and events	42,381	14,671	-	57,052
Other	-	1,610	-	1,610
	<u>\$ 2,766,086</u>	<u>\$ 981,420</u>	<u>\$ -</u>	<u>\$ 3,747,506</u>

RESONATE CHURCH

Notes to Financial Statements

Years Ended June 30, 2021 and 2020

6. FUNCTIONAL ALLOCATION OF EXPENSES, continued:

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

	Program Services	Supporting Activities		Total
		General and Administration	Fundraising	
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
Occupancy and utilities	163,030	40,758	-	203,788
Travel and events	161,469	55,893	-	217,362
Other	-	2,819	-	2,819
	\$ 2,999,699	\$ 1,045,667	\$ -	\$ 4,045,366

7. OPERATING LEASE:

During the year ended June 30, 2021, the Church entered into a lease agreement for office equipment maturing through October 2024. Total expenses for the lease were approximately \$21,000, for the year ended June 30, 2021.

The future minimum payments are as follows:

Year Ending June 30,	
2022	\$ 21,000
2023	21,000
2024	21,000
2025	7,000
	\$ 70,000

8. DEFINED CONTRIBUTION PLAN:

During the year ended June 30, 2021, the Church established a 403(b) for all employees with a minimum of one year of employment, under which the Church matches 5%. A separate plan was also established for pastors not in social security, which has a match of 7.65% of the employee's salary. During the year ended June 30, 2021, the Church made total contributions of approximately \$116,000.

RESONATE CHURCH

Notes to Financial Statements

Years Ended June 30, 2021 and 2020

9. RELATED PARTY TRANSACTIONS:

During the years ended June 30, 2021 and 2020, the Church obtained loans from elders, staff, and other congregants, which are included in notes payable in the statements of financial position and disclosed in Note 5. As of the statements of financial position date, loans from staff and congregants consist of:

	June 30,	
	2021	2020
Elders	\$ -	\$ 332,280
Pastoral staff	-	116,393
Non-pastoral staff	-	413,325
Congregants	-	344,267
	<u>\$ -</u>	<u>\$ 1,206,265</u>

10. 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 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.

11. SUBSEQUENT EVENTS:

Subsequent events were evaluated through August 16, 2022, which is the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.