



Batts Morrison  
Wales & Lee

CERTIFIED PUBLIC ACCOUNTANTS

# Blue Oaks Church

Financial Statements

For The Year Ended June 30, 2023

## REVIEW REPORT OF INDEPENDENT ACCOUNTANT

The Elder Board  
Blue Oaks Church  
Pleasanton, California

We have reviewed the accompanying financial statements of Blue Oaks Church ("the Church"), which consist of the statement of financial position as of June 30, 2023, and the related statements of activities, cash flows, and functional expenses 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 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 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.

We are required to be independent of Blue Oaks Church and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

### ***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 conformity with accounting principles generally accepted in the United States of America.



BATTS MORRISON WALES & LEE, P.A.

Plano, Texas  
November 8, 2023

**BLUE OAKS CHURCH**  
STATEMENT OF FINANCIAL POSITION  
June 30, 2023

**ASSETS**

**ASSETS**

Cash and cash equivalents	\$ 412,650
Other assets	219,845
Property and equipment, net	<u>10,538,458</u>

<b>Total assets</b>	<b><u>\$ 11,170,953</u></b>
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**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable and accrued expenses	\$ 265,048
Note payable	<u>4,079,850</u>

<b>Total liabilities</b>	<b><u>4,344,898</u></b>
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**NET ASSETS**

Without donor restrictions	4,560,748
With donor restrictions	<u>2,265,307</u>

<b>Total net assets</b>	<b><u>6,826,055</u></b>
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<b>Total liabilities and net assets</b>	<b><u>\$ 11,170,953</u></b>
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**BLUE OAKS CHURCH**  
**STATEMENT OF ACTIVITIES**  
For The Year Ended June 30, 2023

	Without donor restrictions	With donor restrictions	Total
<b>PUBLIC SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS</b>			
Contributions	\$ 1,697,911	\$ 563,178	\$ 2,261,089
Other revenue	123,148	—	123,148
Net assets released from restrictions	<u>226,013</u>	<u>(226,013)</u>	<u>—</u>
<b>Total public support and revenue and net assets released from restrictions</b>	<u><b>2,047,072</b></u>	<u><b>337,165</b></u>	<u><b>2,384,237</b></u>
<b>EXPENSES</b>			
Program activities	1,558,356	—	1,558,356
Supporting activities	<u>416,354</u>	<u>—</u>	<u>416,354</u>
<b>Total expenses</b>	<u><b>1,974,710</b></u>	<u><b>—</b></u>	<u><b>1,974,710</b></u>
<b>CHANGE IN NET ASSETS</b>	<b>72,362</b>	<b>337,165</b>	<b>409,527</b>
<b>NET ASSETS - Beginning of year</b>	<u><b>4,488,386</b></u>	<u><b>1,928,142</b></u>	<u><b>6,416,528</b></u>
<b>NET ASSETS - End of year</b>	<u><u><b>\$ 4,560,748</b></u></u>	<u><u><b>\$ 2,265,307</b></u></u>	<u><u><b>\$ 6,826,055</b></u></u>

**BLUE OAKS CHURCH**  
STATEMENT OF CASH FLOWS  
For The Year Ended June 30, 2023

**OPERATING CASH FLOWS**

Change in net assets	\$ 409,527
Adjustments to reconcile change in net assets to operating cash flows	
Depreciation	100,335
Contributions restricted for long-term purposes	(432,658)
Change in other assets	(77,829)
Change in accounts payable and accrued expenses	<u>(355,213)</u>
<b>Net operating cash flows</b>	<b><u>(355,838)</u></b>

**INVESTING CASH FLOWS**

Purchases of and improvements to property and equipment	<u>(4,716,137)</u>
<b>Net investing cash flows</b>	<b><u>(4,716,137)</u></b>

**FINANCING CASH FLOWS**

Proceeds from contributions restricted for long-term purposes	<u>432,658</u>
<b>Net financing cash flows</b>	<b><u>432,658</u></b>

**NET CHANGE IN CASH AND CASH EQUIVALENTS** **(4,639,317)**

**CASH AND CASH EQUIVALENTS - Beginning of year** **5,051,967**

**CASH AND CASH EQUIVALENTS - End of year** **\$ 412,650**

**BLUE OAKS CHURCH**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For The Year Ended June 30, 2023

	Program activities	Supporting activities	Total expenses
Salaries and benefits	\$ 997,771	\$ 181,864	\$ 1,179,635
Rent expense	129,324	3,530	132,854
Depreciation	22,335	78,000	100,335
Licenses, fees, and taxes	49,116	50,113	99,229
Office expenses and supplies	87,451	11,126	98,577
Travel and meals	85,193	4,729	89,922
Professional services	67,710	21,196	88,906
Gifts and benevolence	70,355	—	70,355
Maintenance and utilities	7,501	36,830	44,331
Advertising and publicity	41,600	—	41,600
Interest	—	23,017	23,017
Miscellaneous	—	5,949	5,949
<b>Total</b>	<b><u>\$ 1,558,356</u></b>	<b><u>\$ 416,354</u></b>	<b><u>\$ 1,974,710</u></b>

See Accompanying Notes and  
Review Report of Independent Accountant

**BLUE OAKS CHURCH**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2023

**NOTE A – NATURE OF ACTIVITIES**

Blue Oaks Church (“the Church”) is a California not-for-profit corporation. The Church’s mission is to lead everyone into Christ-centered living. The Church conducts numerous activities in accomplishing its mission, including worship services, educational training, child care, evangelistic efforts, support of missionary endeavors, and other similar activities. The Church is located in Pleasanton, California.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Revenue recognition**

The Church recognizes cash contributions when the contributions are received by the Church. Contributions received are recorded as without or with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), 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.”

**Cash and cash equivalents**

The Church considers investment instruments purchased or donated with original maturities of three months or less to be cash equivalents.

**Property and equipment**

Property and equipment are stated at cost, if purchased, or estimated fair value on the date of donation, if donated. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets.

**Net assets**

Net assets without donor restrictions are available for use at the discretion of the Elder Board and/or management for general operating purposes. Net assets with donor restrictions consist of amounts with uses limited by donor-imposed time and/or purpose restrictions.

**Functional allocation of expenses**

The statement of functional expenses presents expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. Indirect costs that benefit multiple functional areas are allocated among the functional areas based primarily on employee time and space utilization.

**Income taxes**

The Church is exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code and from state income tax pursuant to California law. The Church is further classified as a public charity and not as a private foundation for federal tax purposes. The Church has not incurred unrelated business income taxes. As a result, no income tax liability has been provided for in the accompanying financial statements.

**Use of estimates**

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these financial statements include those related to the useful lives of property and equipment. Actual results could differ from the estimates.

**Subsequent events**

The Church has evaluated for possible financial reporting and disclosure subsequent events through the date of the review report of independent accountant, the date as of which the financial statements were available to be issued.

**BLUE OAKS CHURCH**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023

**NOTE C – LIQUIDITY AND AVAILABILITY OF RESOURCES**

Financial assets available for general expenditure within one year of the date of the statement of financial position are as follows:

Financial assets available:

Cash and cash equivalents	\$ 412,650
Investments (included in “other assets”)	<u>216,845</u>

Total financial assets available within one year	629,495
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Less:

Amounts unavailable for general expenditure within one year	<u>—</u>
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Net financial assets available within one year	<u>\$ 629,495</u>
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The Church is primarily supported by contributions. As part of the Church’s liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Church’s donor-restricted net assets for special needs, compassion, and other purposes are available for general expenditure within one year, because the restrictions on net assets are expected to be met by conducting the normal activities of the Church in the coming year. Management believes the Church has sufficient financial assets available for general operations that may be drawn upon in the event of unanticipated financial distress or an immediate liquidity need.

**NOTE D – CONCENTRATIONS**

The Church maintains its cash and cash equivalents in deposit accounts which may not be federally insured, may exceed federally insured limits, or may be insured by an entity other than an agency of the federal government. The Church has not experienced any losses in such accounts, and the Church believes it is not exposed to any significant credit risk related to cash and cash equivalents.

**NOTE E – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following:

<u>Category</u>	
Land and land improvements	\$ 2,122,453
Building	3,120,000
Equipment	1,052,085
Construction in progress	<u>4,976,695</u>
Total property and equipment	11,271,233
Less: Accumulated depreciation	<u>(732,775)</u>
Net property and equipment	<u>\$ 10,538,458</u>

Depreciation expense amounted to approximately \$100,000 during the year ended June 30, 2023.



**BLUE OAKS CHURCH**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023

**NOTE F – NOTE PAYABLE**

The Church is obligated under a construction note payable to a financial institution requiring interest-only payments at 4.75% per annum through November 2024 at which point the note will require monthly installments of principal and interest at a variable interest rate further defined in the loan documents, but not less than 4.75% per annum nor greater than 5.25% per annum. The note is secured by certain real property and other collateral and is subject to a prepayment premium of 1% or 2% of the amount being prepaid as further described in the loan documents. The outstanding principal and interest is due in May 2029.

Approximate future maturities of the note payable are as follows:

Year Ending <u>June 30,</u>	
2024	\$ —
2025	50,000
2026	90,000
2027	94,000
2028	99,000
Thereafter	<u>3,747,000</u>
Total	<u>\$ 4,080,000</u>

During the year ended June 30, 2023, the Church expensed approximately \$23,000 of interest (approximately \$159,000 of interest paid less approximately \$136,000 capitalized as construction in progress).

Subsequent to June 30, 2023, the Church made additional loan draws totaling approximately \$760,000 on the construction note payable.

**NOTE G – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consisted of the following:

<u>Category</u>	
Building fund – asset not yet placed in service	\$ 2,094,580
Special needs, compassion, and other	<u>170,727</u>
Total net assets with donor restrictions	<u>\$ 2,265,307</u>

**NOTE H – RETIREMENT PLAN**

The Church has adopted a 403(b) retirement plan (“the Plan”) for the benefit of eligible employees. Employees are eligible to participate upon meeting the eligibility requirements described in the Plan document. The Church contributes 2% of an eligible employee’s compensation and provides a matching contribution of up to the next 5% of an eligible employee’s deferrals to the Plan. The Church contributed approximately \$57,000 to the Plan during the year ended June 30, 2023.

**BLUE OAKS CHURCH**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023

**NOTE I – COMMITMENT**

During the year ended June 30, 2023, the Church was subject to a contract totaling approximately \$6,239,000 in connection with a renovation project on its campus. Approximately \$2,097,000 remained unpaid as of June 30, 2023, and will be paid as work on the project is completed.