

THE FOURSQUARE CHURCH

2020 FINANCIAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2019

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Overview

In 2019, The Foursquare Church experienced another year of God's financial blessing as net assets increased by \$16.5M. This increase included a 2.4% rise in member church extension tithe revenue, from \$32.9M to \$33.7M (included in Member Church Contributions). For the fifth year in a row, over \$6 million of extension tithe was returned to local churches to be used for missional purposes in expanding the kingdom as we continue to Reimagine Foursquare.

We are on track to hit our next benchmark of returning 80% of the extension tithe to local churches (50%) and districts (30%) starting in 2020. We are continuing to work towards reducing the Central Office reliance on the extension tithe to 20% through a combination of reducing expenses and increasing Aligned Business income. For 2020, the Foursquare Endowment will allocate \$1.62M of the annual spend to help facilitate this goal.

The \$16.5M increase in net assets was approximately \$12.3M more than last year's \$4.2M increase. The components of the \$16.5M change in net assets are explained in the Consolidated Statement of Activities section below. The most significant contributors to this variance are the following:

- Investment income increased by nearly \$37M, from a \$2.2M loss in 2018 to \$34.5M of income in 2019, reflecting the significant market recovery that began in early 2019 and continued throughout the year.
- Member Church Contributions for Loan Payments increased by \$11.6M, reflecting an increased level of loan payoffs, including \$12.3M of debt transferred to Covenant churches.
- These income increases were offset by a \$19.5M increase in Property Services expense (which includes the transfer of \$23.3M of properties that churches that converted from Charter to Covenant status) and a \$22.3M reduction in Member Church Contributions of Properties, as most churches coming into Foursquare now come in as Covenant churches and retain ownership of their property.

Aligned Businesses (primarily the corporate investment portfolio, International Foursquare Loan Fund [IFLF] and Insurance Department) generated net income of \$8M compared to

\$919K in 2018. The significant overall increase in Aligned Business net income compared to 2018 is attributable to the following:

- Net investment income of \$5.6M in 2019 compared to a (\$1.6M) net investment loss in 2018. The net income in 2019 includes \$4.5M of unrealized gains compared to \$1.97M of losses in 2018.
- An increase of \$1.4M in net income from Foursquare Financial Solutions, primarily due to the valuation of a Charitable Remainder Trust acquired at the end of 2019.
- An increase of \$417K increase in net income from the FFS Loan Fund compared to 2018.

For future planning purposes, we are looking to a more normalized annual net income of approximately \$3.9M from Aligned Businesses in 2020.

The Foursquare Church's balance sheet shows approximately \$1.26B in total assets. The most significant assets are land, buildings and equipment (\$798M), primarily local member church properties, the combined Foursquare Foundation corpus/Foursquare Church investment portfolio (\$274M) and loans to member churches (\$130M). [NOTE: The total Foursquare Foundation investment corpus includes the investment in the Parkview Senior Living which is included in Land, Buildings and Equipment (\$13M) and Notes Receivable (\$8.9M) on the balance sheet].]

Total liabilities of \$250M consist primarily of outside bank debt secured by local church properties (\$121M), local church and district deposit accounts (\$57M) and loan fund certificates payable (\$48M) leaving total net assets of \$1B.

The attached Exhibits show the detailed financial reports:

- Consolidated Statement of Activities (pages 2-3)
- Consolidated Statement of Financial Condition (pages 4-5)
- Extension Tithe Allocation (pages 6-8)
- Foursquare Foundation/Endowment financial statements (pages 9-11)
- Foursquare Foundation/Endowment Annual Spend (page 12)
- Foursquare Financial Solutions/FFS Loan Fund financial statements (pages 13-19)

NOTE: In 2019, the Convention body approved the dissolution of the Foursquare Foundation and transfer of the oversight of the Foundation corpus to the newly formed Resource Development and Endowment Committees on behalf of the ICFG board. Most of the Foundation assets were transferred to ICFG by the end of 2019. The remaining assets are expected to be transferred to ICFG by the end of April 2020 after which the Foursquare Foundation entity will be formally dissolved.

The Resource Development Committee (through the Investment Subcommittee) is responsible for managing the Endowment corpus and the corporate investment portfolio in accordance with the ICFG Investment Policy. The Endowment Committee is responsible for recommending the allocation of the annual spend per the ICFG Investment Policy.

Consolidated Statement of Activities

Total revenues and support increased by \$33.2M (from \$123.8M to \$157M), while total expenses increased by \$20.9M (from \$119.6M to \$140.5M) resulting in a \$12.3M increase in the change in net assets compared to the prior year.

- Overall member church contributions increased by \$452K compared to the prior year.
- Member church contributions for loan payments represents principal and interest payments from member churches on loans with outside banks primarily secured by church properties. These revenues are applied to cover outside loan interest expense and reduce the balances of outside loans reflected in notes payable on the balance sheet. The total increased by \$11.6M in 2019 compared to 2018, reflecting higher loan payoffs.
- Member church contributions of properties represent total of church properties transferred into Foursquare plus the net cash contributed by member churches toward the purchase or construction of local church properties. The decrease of \$22.3M, from \$27M in 2018 to \$4.7M in 2019, reflects the impact of new churches coming into Foursquare as Covenant churches and retaining ownership of their properties as well as reduced construction and purchase activity.
- Net investment income of \$34.5M represented an increase of \$36.7M compared to the net loss of (\$2.2M) in 2018 and reflects the significant market recovery that began in early 2019 and continued throughout the year.
- Net gains of \$19.6M on sales of property and equipment in 2019 compared to \$13.8M in 2018 relate primarily to local church properties sold during the year. These gains are part of the net proceeds returned to local churches which are recorded as property services expenses.
- District and church services includes funding for districts, national church office expenses and International Foursquare Loan Fund (IFLF) administrative costs and loan losses.
- Grants and allocations consists of Foursquare Foundation/Endowment grants and allocations (including FMI, NCO Global City Strategy, Foursquare Global Council, LPU support and funding returned to local churches for missional purposes) and earmarked missions expenditures.
- Insurance Services represents the cost of insurance coverage, including the payment of any deductibles, along with the administrative cost of running the Insurance department.

- Loan and deposit interest expense consists of three components:
 - Interest on outside bank notes payable
 - Interest on the corporate credit line
 - Interest paid on deposits payable
- Property services expense consists of depreciation of member church properties, proceeds from sales of member church properties returned to member churches or held to be reinvested for future property needs and the book value of properties transferred to churches that convert from Charter to Covenant status. The \$19.5M increase compared to 2018 includes \$23.3M of Charter to Covenant property transfers.
- General and administrative expenses consist of central office personnel costs (excluding national church and missions), facilities costs and other support functions such as information technology, accounting, legal, credentials and human resources.

Consolidated Statement of Financial Condition

- We ended 2019 with \$9.1M of cash.
- Notes receivable, which consists primarily of internal (IFLF) loans made to member churches net of loan loss reserves, decreased by \$2.2M.
- Total investments showed a net increase of approximately \$32M, from \$241.8M to \$273.8M.
- Land, Buildings and Equipment consist primarily of member church properties held by Foursquare. There was a net decrease of \$41.8M in properties during 2019.
- Assets restricted for split interest agreements represent charitable remainder trusts for which The Foursquare Church is the trustee. There is an offsetting liability representing the distributions to be made to the designated beneficiary or beneficiaries over the term of the trusts.
- Notes payable consists of outside bank loans secured primarily by member church properties (\$121M). We have a bank credit line available to be used to fund internal (IFLF) loans in excess of our deposit base, however as of December 2019 we had a zero balance on the credit line. It is a point of celebration that the amount of outside debt encumbering our local churches decreased by nearly \$28M during the year.
- Deposits payable, represents funds held for districts and member churches utilized as one of the funding sources for our IFLF loan portfolio.
- Loan Fund Certificates Payable represents funds held in time certificates issued by the FFS Loan Fund utilized to fund loans to Foursquare churches.

Outlook for 2020:

- The Foursquare board of directors approved the 2020 Annual Operating Plan (AOP) in February 2020. The 2020 AOP reflects the continuing intentional shift towards using Aligned Business income to fund Central Office operations in addition to significant central office cost-cutting measures over the last several years in order to reduce the reliance on the extension tithe. As previously noted, the Endowment will be contributing \$1.62M to help facilitate the increase of extension tithe being returned to local churches from 20% to 40% in 2020.
- In 2019, we returned over \$6M of extension tithe funds to local churches and districts for the fifth straight year. In 2020, the amount of extension tithe returned to qualifying local churches doubles from 20% to 40%. When combined with the 10% corporate retirement matching funds, this means 50% of the extension tithe is being directly allocated for the benefit of local churches.
- Although we continue to have some risk exposure related to loans, the Lord continues to bless our efforts in addressing troubled loans, through partnering with districts to assist local churches in developing both short-term and long-term strategic plans to resolve their loan issues. This includes meeting with church councils and providing assistance to local churches in reconfiguring their budgets. Both our IFLF and Outside Loan delinquencies remained at under 4% for a sixth straight year. Delinquent IFLF loans as of December 2019 were at 2.4% and Outside Loan delinquencies were at .62%.
- We made a decision to budget based on projected tithe revenue of \$33M for 2020, which includes a cushion of approximately \$700K compared to the actual 2019 revenue of \$33.7M. This reflects our continued commitment to reduce expenses and also provides some cushion in case of financial fluctuations. Because we have used a conservative number as the basis for planning our expenses, the amount of extension tithe income returned to local churches and districts will increase proportionately if tithe revenue comes in above Plan as it has the past two years.
- We will continue to balance the multiple tensions of maintaining a balanced budget, returning more money to the field for ministry, addressing the resolution of delinquent and workout loans and building corporate reserves in 2020 and beyond as we seek to reduce expenses and/or find sources of revenue enhancement to sustainably replace the \$1.62M needed from the Endowment in 2020. There are a number of non-recurring expenses and revenue increases that have already been identified to help close this gap.
- As noted earlier, all of the Foursquare Foundation assets will be transferred to ICFG by the end of April 2020, but will continue to be managed separately as Endowment funds. The annual spend calculated for 2020 is \$7.35M, an increase of over \$279K from the 2019 spend.



International Church of the Foursquare Gospel

*2020 Cabinet Financial Report
Exhibits*

Consolidated Statement of Activities (Income)

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	For the year ended (000s)	
	<u>12/31/19</u>	<u>12/31/18</u>
Member Church Contributions	43,241	42,789
Member Church Contributions for Loan Pmts	35,246	23,657
Member Church Contributions of Properties	4,700	27,022
Contributions and Bequests	1,952	1,383
Investment Income (Loss)	34,505	(2,227)
Rental Income	4,529	4,096
Fees for Services	1,138	1,115
Loan Interest	6,304	6,238
Insurance Premiums	5,307	5,581
Gain on Sale of Property and Equipment	19,550	13,803
Other	<u>556</u>	<u>385</u>
Total Revenues and Support	157,028	123,842



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Consolidated Statement of Activities (Expense)

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	For the year ended (000s)	
	<u>12/31/19</u>	<u>12/31/18</u>
Program Services		
District and Church Services	21,342	20,829
Grants and Allocations	13,858	14,239
Insurance Services	5,281	5,293
Financial Services	2,082	2,017
Media Ministries	1,191	1,138
Missions	7,950	6,923
Senior Living	869	906
Loan and Deposit Interest Expense	6,852	7,222
Property Services	<u>68,266</u>	<u>48,769</u>
Total Program Services	127,691	107,336
General and Administrative	12,832	12,292
Total Expenses	<u>140,523</u>	<u>119,628</u>
Change in Net Assets	<u>16,505</u>	<u>4,214</u>



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Consolidated Statement of Financial Condition (Assets)

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	For the year ended (000s)	
	<u>12/31/19</u>	<u>12/31/18</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	9,123	5,888
Accounts Receivable	1,806	1,410
Notes Receivable	129,978	132,149
Investments	273,803	241,813
Investment Assets Restricted - Split Interest	11,098	9,015
Managed Investments	6,318	4,615
Equity Investment in Stewardship	6,383	5,394
Land, Bldg and Equipment, Net	797,534	839,308
Assets Held for Sale	14,430	7,748
Other Assets Restricted - Split Interest	4,402	2,235
Other Assets	1,735	1,351
Total Assets	<u>1,256,610</u>	<u>1,250,926</u>



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Consolidated Statement of Financial Condition (Liabilities and Net Assets)

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	For the year ended (000s)	
	<u>12/31/19</u>	<u>12/31/18</u>
<u>LIABILITIES</u>		
A/P and Accrued Expenses	5,563	5,845
Deferred Revenue	846	1,903
Notes Payable	121,010	148,848
Deposits Payable	57,035	47,436
Loan Fund Certificates Payable	48,420	44,009
Liability for Managed Assets	6,318	4,615
Liability - Split Interest Agreements	11,188	8,545
Total Liabilities	<u>250,380</u>	<u>261,201</u>
<u>NET ASSETS</u>		
Without Donor Restrictions	997,087	982,461
With Donor Restrictions	<u>9,143</u>	<u>7,264</u>
Total Net Assets	<u>1,006,230</u>	<u>989,725</u>
Total Liabilities and Net Assets	<u>1,256,610</u>	<u>1,250,926</u>



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Extension Tithe Allocation 2019 vs 2018

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	For the year ended (000s)				
	<u>12/31/19</u>	<u>%</u>	<u>12/31/18</u>	<u>%</u>	<u>Change</u>
Extension Tithe Revenue	33,737	100%	32,943	100%	794
Missional Investment Funding (Return of tithe)	(6,686)	-20%	(6,648)	-20%	(38)
Districts	(13,073)	-39%	(12,675)	-38%	(398)
Local Church Retirement Funding	(2,641)	-8%	(2,592)	-8%	(49)
 NCO	 (2,201)		 (2,183)		 (18)
Admin	(10,706)		(9,727)		(979)
Core Ministry Operations	<u>(12,907)</u>		<u>(11,910)</u>		<u>(997)</u>
 <u>Aligned Businesses</u>					
Insurance	434		404		30
Loans	2,122		2,316		(194)
Investments/Other	5,487		(1,801)		7,288
Net Aligned Businesses	<u>8,043</u>		<u>919</u>		<u>7,124</u>
 Foursquare Financial Solutions (Planned Giving)	1,384		(10)		1,394
Foursquare Financial Solutions Loan Fund	579		162		417
Net Aligned Business Income	<u>10,006</u>		<u>1,071</u>		<u>8,935</u>
 Core Ministry Operations net of Aligned Business Income	<u>(2,901)</u>	-9%	<u>(10,839)</u>	-33%	<u>7,938</u>
 Extension Tithe Surplus (Subsidy from Endowment)	<u>8,436</u>	25%	<u>189</u>	1%	<u>8,247</u>



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Extension Tithe Allocation

2020 Annual Operating Plan vs 2019 Actual

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	For the year ended (000s)				
	<u>12/31/20</u>	<u>%</u>	<u>12/31/19</u>	<u>%</u>	<u>Change</u>
Extension Tithe Revenue	33,000	100%	33,737	100%	(737)
Missional Investment Funding (Return of tithe)	(12,023)	-36%	(6,686)	-20%	(5,337)
Districts	(9,970)	-30%	(13,073)	-40%	3,103
Local Church Retirement Funding	(3,349)	-10%	(2,641)	-8%	(708)
 NCO	 (2,086)		 (2,201)		 115
Admin	(11,427)		(10,706)		(721)
Core Ministry Operations	<u>(13,513)</u>		<u>(12,907)</u>		<u>(606)</u>
 <u>Aligned Businesses</u>					
Insurance	328		434		(106)
Loans	1,823		2,122		(299)
Investments/Other	1,760		5,487		(3,727)
Net Aligned Businesses	<u>3,911</u>		<u>8,043</u>		<u>(4,132)</u>
 Foursquare Financial Solutions (Planned Giving)	 (201)		 1,384		 (1,585)
Foursquare Financial Solutions Loan Fund	524		579		(55)
Net Aligned Business Income	<u>4,234</u>		<u>10,006</u>		<u>(5,772)</u>
 Core Ministry Operations net of Aligned Business Income	 (9,279)	 -28%	 (2,901)	 -9%	 (6,378)
 Extension Tithe Surplus (Subsidy from Endowment)	 (1,621)	 -5%	 8,436		 (10,057)



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Tithe Allocation – 2020 AOP vs 2019 Actual

2020 AOP Tithe Allocation	Amt (\$M)	% of tithe	Target %	Change from 2019		2019 Actual Tithe Allocation	Amt (\$M)	% of tithe	Target %
Missional Investment Funding returned to local churches	\$ 12.02	36%	40%	\$ 5.33	79.67%	Missional Investment Funding returned to local churches	\$ 6.69	20%	20%
Local Church Retirement Funding	\$ 3.35	10%	10%	\$ 0.71	26.89%	Local Church Retirement Funding	\$ 2.64	8%	10%
District Funding	\$ 9.97	30%	30%	\$ (3.10)	-23.72%	District Funding	\$ 13.07	39%	40%
Central Office Core Ministry Operations, net of Aligned Business	\$ 9.28	28%	20%	\$ 6.38	220.00%	Central Office Core Ministry Operations, net of Aligned Business	\$ 2.90	9%	30%
Subsidy from Foursquare Endowment to fund Missional Investment Funding*	\$ (1.62)	-5%		\$ (10.06)		Aligned Business contribution in excess of Central Office Core Ministry Operations target**	\$ 8.44	25%	
TOTAL	\$ 33.00	100%	100%	\$ (0.74)	302.85%	TOTAL	\$ 33.74	100%	100%
* Funding from the Endowment needed to fund the increase in Missional Investment Funding from 20% to 40%						** Aligned Business income in 2019 included \$4.5M in unrealized investment gains and \$500K of realized investment gains in excess of Plan.			



Foundation/Endowment Executive Summary

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- Full year Investment Revenue and Interest Income of \$3.8M was \$414K below Plan and \$177K above the prior year.
- Full year Net Realized Investment Gains of \$8.0M were offset by \$1.5M of Investment Management Fees, resulting in a net \$4.2M positive variance compared to Plan and an increase of \$7.3M compared to the prior year.
- Net Unrealized Investment Gains for 2019 were \$16.9M, compared to net unrealized losses of \$5M in 2018 for a \$21.9M improvement from the prior year.
- Full year Grants and Allocations of \$5.3M were \$1.5M below Plan, due to allocated funds that were not spent during 2019, and \$433K more than 2018. These funds are currently expected to be spent and expensed in 2020.
- FSL Echo Park (Parkview) generated full year net cash income of \$259K after adding back non-cash depreciation of \$469K, deducting principal payments of \$193K on the note payable and setting aside \$38K of cash for maintenance reserves. We are currently experiencing a higher than anticipated vacancy rate due to issues with homeless encampments in the neighborhood. We have been working with local authorities to try to mitigate this issue and have hired a security company to patrol the property starting in January.



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Foundation/Endowment Consolidating Statement of Activities for the year ended December 31, 2019

	FOUNDATION/ ENDOWMENT	FSL ECHO PARK	FOUNDATION/ ENDOWMENT CONSOLIDATED	CONSOLIDATED AOP	VARIANCE
REVENUES AND SUPPORT					
Investment Management Fees	(1,463,763)	-	(1,463,763)	(331,772)	(1,131,991)
Investment Revenue and Interest Income	3,849,232	-	3,849,232	4,263,544	(414,312)
Realized Investment Gains and Losses	7,986,610	-	7,986,610	2,611,200	5,375,410
Unrealized Investment Gains and Losses	16,869,821	-	16,869,821	-	16,869,821
Rental Income	-	1,319,020	1,319,020	1,334,448	(15,428)
Loan Interest	526,816	7,928	534,745	529,396	5,349
Contributions and Support	-	-	-	-	-
Other	8,548	37,881	46,428	-	46,428
TOTAL REVENUES AND SUPPORT	27,777,263	1,364,829	29,142,092	8,406,816	20,735,276
EXPENSES					
Compensation	403,670	38,884	442,554	508,726	(66,172)
Interest Expense	-	450,061	450,061	459,768	(9,707)
Management Fee	-	25,000	25,000	25,000	0
Depreciation	-	469,467	469,467	493,308	(23,841)
Grants and Allocations	5,301,657	48	5,301,705	6,818,498	(1,516,793)
Property Management Fee	-	-	-	-	-
Utilities	-	67,069	67,069	67,517	(448)
Maintenance	-	140,124	140,124	116,400	23,724
Legal Fees	26	(183)	(157)	4,000	(4,157)
Legal Settlement	-	-	-	-	-
Professional/Contract Services	11,501	35,004	46,505	73,725	(27,220)
Property Taxes	-	32,456	32,456	30,750	1,706
Insurance	-	38,244	38,244	34,716	3,528
Travel	43,823	557	44,380	53,500	(9,120)
Fees, Licenses and Permits	6,297	14,859	21,156	4,692	16,464
Advertising, Publicity and Promotion	-	6,321	6,321	21,500	(15,179)
Other	212,777	26,488	239,266	146,759	92,507
TOTAL EXPENSES	5,979,752	1,344,398	7,324,150	8,858,859	(1,534,709)
CHANGE IN NET ASSETS	21,797,511	20,431	21,817,942	(452,043)	22,269,984
Add back non-cash depreciation		469,467			
Deduct Principal payments on note payable		(193,320)			
Deduct Maintenance Reserve		(37,500)			
Net cash Income		259,078			



Foundation/Endowment Consolidating Balance Sheet as of December 31, 2019

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	FOUNDATION/ ENDOWMENT	FSL ECHO PARK	ELIMINATIONS	FOUNDATION/ ENDOWMENT CONSOLIDATED
ASSETS				
Cash and Cash Equivalents	\$ 42,497	\$ 817,909		\$ 860,406
Investments	217,408,574			217,408,574
Accounts Receivable	20,378	137		20,515
Notes Receivable				-
Echo Park	8,911,807		(8,911,807)	-
Solar Projects	2,516,629			2,516,629
Accrued Interest Receivable - Solar Loans	37,133		(37,133)	(0)
Land, Buildings and Equipment (net of Depreciation)		13,037,099		13,037,099
Other Assets	48,339	17,902		66,241
TOTAL ASSETS	\$ 228,985,357	\$ 13,873,047	\$ (8,948,940)	\$ 233,909,464
LIABILITIES AND NET ASSETS				
LIABILITIES				
Due to ICFG	-	3,898		3,898
Accounts payable and Accrued Expenses	31,292	6,483		37,775
Tenant Deposits Payable	-	93,955		93,955
Notes Payable				
Echo Park		8,911,807	(8,911,807)	-
Interest Payable	-	37,133	(37,133)	-
Other Liabilities	-	10,298		10,298
TOTAL LIABILITIES	31,292	9,063,574	(8,948,940)	145,926
NET ASSETS - UNRESTRICTED				
Unrestricted	221,964,865	(2,355,958)		213,660,381
Current Year Net Income(Loss)	21,797,510	20,431		21,817,941
Equity Transferred to FSL Echo Park	(7,145,000)	7,145,000		-
Equity Transferred to FSL Portland	(5,948,526)			-
Equity Transferred to FFS Loan Fund	(1,591,384)			(1,591,384)
Equity Transferred to FFS (fixed assets)	(123,400)			(123,400)
TOTAL NET ASSETS - UNRESTRICTED	228,954,065	4,809,473	-	233,763,538
TOTAL LIABILITIES AND NET ASSETS	\$ 228,985,357	\$ 13,873,047	\$ (8,948,940)	\$ 233,909,464



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Foundation/Endowment 2020 Spend

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	<u>2018</u>		<u>2019</u>		<u>2020</u>	
Period End Corpus value	211,842,196		226,962,191		236,763,550	
5 year moving average	191,845,445		201,902,119		209,881,587	
Annual Spend (3.5%)	6,714,591		7,066,574		7,345,856	
	<u>%</u>	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>	<u>\$</u>
<u>Allocations</u>						
Admin	10.9%	733,447	8.2%	576,891	0.5%	35,000
FMI Global Operations	37.2%	2,500,000	35.4%	2,500,000	34.9%	2,562,500 (1)
Global Council	14.9%	1,000,000	14.2%	1,000,000	13.6%	1,000,000 (2)
Risser Endowment - LPC/LPU	13.0%	870,000	12.3%	870,000	11.8%	870,000
NCO Global City Strategy	6.1%	411,000	6.5%	460,000	0.0%	(3)
Risser Endowment - Ignite/LPU Virginia	1.9%	125,000	1.8%	125,000	1.7%	125,000
FSL Subsidies	1.4%	95,000	1.3%	95,000	1.3%	95,000
Foursquare Education	0.8%	51,000	0.7%	51,000	0.0%	
Solar Lending Program	0.0%	-	1.6%	110,000 **	0.0%	
Office of President R&D Initiative	0.0%	-	0.0%		3.1%	230,000
BAM Coordinator Supplement	0.0%	-	0.0%		0.8%	60,000
ICFG/FF Partnerships	6.7%	450,000 *	0.0%		22.1%	1,620,000 (4)
Unallocated	7.1%	479,144	18.1%	1,278,683 ***	0.0%	
	10.2%				10.2%	748,356
Total	100.0%	6,714,591	100.0%	7,066,574	100%	7,345,856

* Church Planting (\$300K) and Foursquare Disaster Relief (\$150K) from 2018 spend was disbursed and expensed in 2019

** Solar Lending Program admin was funded from Foundation/Endowment in 2019, to be covered by RDC starting in 2020

*** The board approved the following allocations totaling \$1.25M from 2019 spend that will be expensed in 2020: \$450K church planting, \$300K North America Area Missionary, \$200K Shared Services \$100K China, \$100K India, \$50K South Pacific, \$50K Global Summit. Additionally, the board approved \$10K for the Bosnia Bee Farm Project which was funded in November.

(1) includes \$100K for Foursquare Missions Press (FMP)

(2) includes \$250K for Global Summit

(3) 2019 disbursement concluded the Foundation's commitment to the NCO Global City Strategy

(4) Endowment funds approved by ICFG board in 2020 AOP



THE FOURSQUARE CHURCH

Foursquare Financial Solutions Executive Summary

- FFS reported a net operating loss of \$114K for the year ended December 31, 2019, which is \$22K better than Plan. The ongoing net operating losses are incurred because the asset management fees are not currently sufficient to cover the annual operating expenses.
- The net operating loss was offset by \$1.5M of Planned Giving Activity income due to the year-end valuations of the Charitable Remainder Annuity Trust Assets and Liabilities, which includes acquisition one large Charitable Remainder Unitrust which is currently valued to generate \$1.8M of income.
- This new CRUT is included in the total assets under management of \$26.6M as of December 31, 2019. There are \$4M of irrevocable planned gifts for which FFS or ICFG are the beneficiary. The income from these irrevocable planned gifts will offset the cumulative operating losses when received.

Statement of Activities for the year ended December 31, 2019

	Actual	Plan	\$ Variance	% Variance
REVENUES AND SUPPORT				
Asset Management Fees	\$ 135,478	\$ 132,000	\$ 3,478	2.6%
Management Fees				
Planned Giving Administration	141,000	141,000	-	0.0%
Other Income	9,695	5,600	4,095	73.1%
TOTAL REVENUES AND SUPPORT	286,172	278,600	7,572	2.7%
EXPENSES				
Compensation	94,126	95,738	(1,612)	-1.7%
Professional/Contract Services	158,674	155,952	2,722	1.7%
Convention Expense	11,916	20,150	(8,234)	-40.9%
Travel	24,935	40,000	(15,065)	-37.7%
Rent/Lease Facilities	10,000	10,000	(0)	0.0%
Insurance	30,054	25,524	4,530	17.7%
Audit and Accounting Fees	12,000	12,000	-	0.0%
Supplies	5,869	2,200	3,669	166.8%
Postage and Shipping	2,097	1,300	797	61.3%
Cable and Internet	3,901	4,020	(119)	-3.0%
Fees, Licenses and Permits	30,952	30,150	802	2.7%
Advertising, Publicity and Promotion	11,243	11,675	(432)	-3.7%
Telephone	178	1,200	(1,022)	-85.2%
Other	3,744	4,060	(316)	-7.8%
TOTAL EXPENSES	399,690	413,969	(14,279)	-3.4%
NET OPERATING INCOME	\$ (113,518)	\$ (135,369)	\$ 21,852	-16.1%

Statement of Activities for the year ended December 31, 2019

	Actual	Plan	\$ Variance	% Variance
PLANNED GIVING ACTIVITY				
Revenue and Support				
Contributions and Bequests	\$ 1,527,913	\$ -	\$ 1,527,913	
Management Fees and other income	412	280	132	
Gain (Loss) on Sale of Assets				
Total Revenue and Support	<u>1,528,325</u>	<u>280</u>	<u>1,528,045</u>	
Expenses				
Gifts			-	
Depreciation	31,301	31,296	5	
Other			-	
Total Expenses	<u>31,301</u>	<u>31,296</u>	<u>5</u>	
NET PLANNED GIVING ACTIVITY	<u>1,497,024</u>	<u>(31,016)</u>	<u>1,528,040</u>	
CHANGE IN NET ASSETS	<u>1,383,507</u>	<u>(166,385)</u>	<u>1,549,892</u>	
NET ASSETS - Beginning of Year	<u>5,806,130</u>	<u>5,806,130</u>	<u>-</u>	
NET ASSETS - End of Period	<u>\$ 7,189,637</u>	<u>\$ 5,639,745</u>	<u>\$ 1,549,892</u>	

Statement of Financial Position As of December 31, 2019

ASSETS

Cash and Cash Equivalents	\$ 716,895
Investments	
Accounts Receivable	34,555
Due from Foundation	
Due from FFSLF	17,903
Due from FSL Portland	
Total Accounts Receivable	<u>52,458</u>
Land, Buildings and Equipment (Net of Depreciation)	3,591,703
Managed Investments	12,725,189
Charitable Remainder Trust Assets	10,232,949
Other Assets	<u>10,717</u>
TOTAL ASSETS	<u><u>\$ 27,329,912</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts Payable and Accrued Expenses	\$ 43,833
Due to ICFG	10,930
Liability for Managed Assets	12,725,189
Liability for Charitable Remainder Trusts	<u>6,185,084</u>
TOTAL LIABILITIES	<u>18,965,036</u>

NET ASSETS

Unrestricted	4,461,417
Current Year Income (Loss)	1,383,507
Temporarily Restricted	2,519,953
Permanently Restricted	
TOTAL NET ASSETS	<u>8,364,876</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 27,329,912</u></u>

FFS Loan Fund Executive Summary

- FFSLF's net income for the year ended December 31, 2019 was \$579K, which was \$21K below Plan.
- The net interest margin (interest income less interest expense) for twelve months was approximately \$980K. The weighted average loan rate as of December 31 was 4.99% and the weighted average rate on investment certificates was 2.90%. Current loan rates (reduced as of 12/6/19) are 4.20% (3 year) and 4.70% (5 year) for Tier 1 credits. Investment certificate rates range from 1.75% for a demand certificate to 2.75% for a 5 year certificate (3.25% for IRAs) with premium rates (additional .25%) available for investments over \$250K.
- Full year loan fundings totaled \$8.9M, \$1.1M less than Plan. We received over \$2.2M in unscheduled principal reductions during the year, including \$1.2M in November and December.
 - We funded 11 new loans totaling just over \$4.7M, including two loans totaling \$1.4M in December.
 - We processed \$4.2M of disbursements on two construction loans during 2019.
 - One of the construction loans is now fully disbursed and other has approximately \$341K still to be disbursed from FFSLF along with a \$3M participation from IFLF.
 - One construction loan for \$2.6M was approved and will begin disbursements in 2020.
- As of December 31, 2019 we had \$4.5M in cash available to fund loans and \$51.5M of loans outstanding. Total investment certificates outstanding are \$51.9M.
- There were no loans 30 or more days past due as of December 31, 2019. We have had no 30+ day delinquent loans in the history of the FFS Loan Fund.

FFS Loan Fund Statement of Activities for the year ended December 31, 2019

	December 31, 2019		\$ Variance
	Actual	Plan	
REVENUES AND SUPPORT			
Loan Interest	2,449,540	2,505,614	(56,074)
Fees for Services	79,400	58,583	20,817
Investment Revenue and Interest	75,938	42,409	33,529
Rental Income	-	-	-
Other	-	-	-
TOTAL REVENUES AND SUPPORT	2,604,878	2,606,606	(1,728)
EXPENSES			
Compensation and Payroll costs	114,167	131,012	(16,845)
Interest Expense	1,469,815	1,400,472	69,343
Management Fee	191,000	191,000	0
Provision for Loan Losses	30,000	60,000	(30,000)
Professional/Contract Services	66,277	64,000	2,277
Legal Fees	34,086	40,000	(5,914)
Audit and Accounting Fees	39,000	40,000	(1,000)
Computer Processing Services	19,676	20,400	(724)
Convention Expense	9,295	12,910	(3,615)
Insurance	28,326	27,420	906
Advertising, Publicity, Promotion	6,261	8,375	(2,114)
Other	18,264	10,960	7,304
TOTAL EXPENSES	2,026,167	2,006,549	19,618
CHANGE IN NET ASSETS	578,711	600,057	(21,346)
NET ASSETS - Beginning of Year	3,165,870		
NET ASSETS - End of Period	3,744,581		

FFS Loan Fund Statement of Financial Position as of December 31, 2019

ASSETS

Cash and Cash Equivalents	\$ 4,508,008
Notes Receivable	50,997,684
Assets Held for Sale	-
Interest Receivable	194,928
Other Assets	9,529
TOTAL ASSETS	<u>\$ 55,710,149</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts Payable/Accrued Expenses	8,470
Accrued Interest Payable	\$ 54
Due to FFS	17,903
Due to ICFG	14,969
Loan Fund Certificates Payable	51,924,172

TOTAL LIABILITIES	<u>51,965,568</u>
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NET ASSETS

Unrestricted	3,744,581
Temporarily Restricted	
Permanently Restricted	
TOTAL NET ASSETS	<u>3,744,581</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 55,710,149</u>
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