

**BAYSHORE CHRISTIAN MINISTRIES**  
**(A California Nonprofit Public Benefit Corporation)**

**FINANCIAL STATEMENTS**

**For the Years Ended**  
**September 30, 2017 and 2016**

## CONTENTS

	<u>Page</u>
Independent Auditor's Report	
Financial Statements	
Statements of Financial Position	1
Statements of Activities	2 - 3
Statements of Cash Flows	4
Statements of Functional Expenses	5 - 6
Notes to Financial Statements	7 - 12

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Bayshore Christian Ministries  
East Palo Alto, CA 94303

We have audited the accompanying financial statements of the Bayshore Christian Ministries (a California nonprofit public benefit corporation) which comprise the statements of financial position as of September 30, 2017 and 2016, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

### *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.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bayshore Christian Ministries as of September 30, 2017 and 2016, and the changes in its net assets, cash flows and functional expenses for the years then ended in accordance with accounting principles generally accepted in the United States of America.

December 12, 2017

*Bunker & Company LLP*

**BAYSHORE CHRISTIAN MINISTRIES**  
**(A California Nonprofit Public Benefit Corporation)**

**STATEMENT OF FINANCIAL POSITION**  
**As of September 30, 2017 and 2016**

	2017	2016
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents (Note 1)	\$ 133,379	\$ 155,117
Pledges receivable, current portion (Note 2)	271,945	219,362
Prepaid expenses and deposits	18,373	4,514
Total current assets	423,697	378,993
Building, leasehold improvements, furniture, and equipment, net of accumulated depreciation of \$972,496 in 2017 and \$914,589 in 2016 (Notes 1 and 3)	1,167,083	1,224,990
Pledges receivable, net of current portion and allowance (Note 2)	148,219	273,000
Total assets	\$ 1,738,999	\$ 1,876,983
<b>LIABILITIES and NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 50,362	\$ 47,353
Accrued scholarships (Note 4)	20,050	26,400
Deferred revenue	37,524	-
Line of Credit (Note 5)	78,000	78,000
Mortgage payable, current portion (Note 6)	180,000	180,000
Total current liabilities	365,936	331,753
Total liabilities	365,936	331,753
Net assets:		
Unrestricted net assets	857,849	951,468
Temporarily restricted net assets (Note 7)	440,214	518,762
Permanently restricted net assets (Note 7)	75,000	75,000
Total net assets	1,373,063	1,545,230
Total liabilities & net assets	\$ 1,738,999	\$ 1,876,983

The accompanying notes are an integral part of these financial statements.

**BAYSHORE CHRISTIAN MINISTRIES**  
**(A California Nonprofit Public Benefit Corporation)**

**STATEMENT OF ACTIVITIES**  
**For the year ended September 30, 2017**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT, REVENUE AND TRANSFERS</b>				
Contributions	\$ 503,553	\$ 7,110	\$ -	\$ 510,663
Program fee revenue	-	19,980	-	19,980
Grants	-	76,482	-	76,482
Fundraising events	119,194	-	-	119,194
Interest income	606	-	-	606
Facility use fees	43,000	-	-	43,000
In-kind contributions (Note 8)	95,906	-	-	95,906
Total support and revenue	<u>762,259</u>	<u>103,572</u>	<u>-</u>	<u>865,831</u>
Net assets released from restrictions	<u>182,120</u>	<u>(182,120)</u>	<u>-</u>	<u>-</u>
Total support, revenue and transfers	<u>944,379</u>	<u>(78,548)</u>	<u>-</u>	<u>865,831</u>
<b>EXPENSES</b>				
Program expenses				
Bible Club	104,091	-	-	104,091
Create Academy & Studios	210,870	-	-	210,870
Education and outreach	108,378	-	-	108,378
EPA Fellow	27,988	-	-	27,988
Kidsmart	201,406	-	-	201,406
Leaders in Training	54,776	-	-	54,776
Streetworkz	114,945	-	-	114,945
Total program expenses	<u>822,454</u>	<u>-</u>	<u>-</u>	<u>822,454</u>
General and administrative	55,834	-	-	55,834
Fundraising	159,710	-	-	159,710
Total expenses	<u>1,037,998</u>	<u>-</u>	<u>-</u>	<u>1,037,998</u>
Change in net assets	(93,619)	(78,548)	-	(172,167)
Net assets, beginning of year	<u>951,468</u>	<u>518,762</u>	<u>75,000</u>	<u>1,545,230</u>
Net assets, end of year	<u>\$ 857,849</u>	<u>\$ 440,214</u>	<u>\$ 75,000</u>	<u>\$ 1,373,063</u>

The accompanying notes are an integral part of these financial statements.

**BAYSHORE CHRISTIAN MINISTRIES**  
**(A California Nonprofit Public Benefit Corporation)**

**STATEMENT OF ACTIVITIES**  
**For the year ended September 30, 2016**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT, REVENUE AND TRANSFERS</b>				
Contributions	\$ 403,379	\$ 424,157	\$ -	\$ 827,536
Program fee revenue	-	34,341	-	34,341
Grants	-	62,120	-	62,120
Fundraising events	19,405	-	-	19,405
Interest income	120	-	-	120
Donated capital assets	8,500	-	-	8,500
In-kind Contributions (Note 8)	82,559	-	-	82,559
Total support and revenue	<u>513,963</u>	<u>520,618</u>	<u>-</u>	<u>1,034,581</u>
Net assets released from restrictions	<u>402,341</u>	<u>(402,341)</u>	<u>-</u>	<u>-</u>
Total support, revenue and transfers	<u>916,304</u>	<u>118,277</u>	<u>-</u>	<u>1,034,581</u>
<b>EXPENSES</b>				
Program expenses				
Bible Club	100,142	-	-	100,142
Create Academy	172,089	-	-	172,089
Education and outreach	112,486	-	-	112,486
EPA Fellow	31,147	-	-	31,147
Kidsmart	182,466	-	-	182,466
Streetworkz	108,077	-	-	108,077
Total program expenses	<u>706,407</u>	<u>-</u>	<u>-</u>	<u>706,407</u>
General and administrative	63,879	-	-	63,879
Fundraising	187,019	-	-	187,019
Total operating expenses	<u>957,305</u>	<u>-</u>	<u>-</u>	<u>957,305</u>
Change in net assets	(41,001)	118,277	-	77,276
Net assets, beginning of year	<u>992,469</u>	<u>400,485</u>	<u>75,000</u>	<u>1,467,954</u>
Net assets, end of year	<u>\$ 951,468</u>	<u>\$ 518,762</u>	<u>\$ 75,000</u>	<u>\$ 1,545,230</u>

The accompanying notes are an integral part of these financial statements.

**BAYSHORE CHRISTIAN MINISTRIES**  
**(A California Nonprofit Public Benefit Corporation)**

**STATEMENT OF CASH FLOWS**  
**For the years ended September 30, 2017 and 2016**

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	<u>\$ (172,167)</u>	<u>\$ 77,276</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	57,907	51,587
Changes in assets and liabilities:		
Pledges receivable	72,198	(128,878)
Prepaid expenses and deposits	(13,859)	7,404
Accounts payable and accrued liabilities	3,009	30,489
Accrued scholarships	(6,350)	(10,600)
Deferred revenue	37,524	-
Total adjustments	<u>150,429</u>	<u>(49,998)</u>
Net cash (used) provided by operating activities	<u>(21,738)</u>	<u>27,278</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisitions of property and equipment	-	(8,500)
Net cash used by investing activities	<u>-</u>	<u>(8,500)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Note payable	-	(52,000)
Net cash (used) by financing activities	<u>-</u>	<u>(52,000)</u>
Net (decrease) in cash and cash equivalents	(21,738)	(33,222)
Cash and cash equivalents, beginning of year	<u>155,117</u>	<u>188,339</u>
Cash and cash equivalents, end of year	<u>\$ 133,379</u>	<u>\$ 155,117</u>
Supplementary information:		
Cash paid for interest	<u>\$ 10,972</u>	<u>\$ 11,028</u>

The accompanying notes are an integral part of these financial statements.

**BAYSHORE CHRISTIAN MINISTRIES**  
**(A California Nonprofit Public Benefit Corporation)**

**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the year ended September 30, 2017**

	Program	Management and General	Fundraising	Total
Personnel	\$ 403,920	\$ 26,528	\$ 100,805	\$ 531,253
Payroll taxes and insurance	36,236	2,384	9,059	47,679
Employee benefits	33,275	2,172	8,302	43,749
Professional and outside services	113,749	7,757	5,725	127,231
Bad debt expense	4,374	-	1,240	5,614
Conferences and training	2,344	396	364	3,104
Equipment rental and maintenance	31,800	1,742	1,394	34,936
Food, meals and entertainment	3,778	395	1,466	5,639
Insurance	22,692	1,716	1,144	25,552
Interest	7,683	2,951	338	10,972
Licenses, fees and taxes	9,903	1,885	6,889	18,677
Occupancy and admission fees	17,447	365	9,905	27,717
Postage, printing and publications	1,428	965	5,608	8,001
Stipends and awards	4,758	112	770	5,640
Supplies	39,821	1,671	3,279	44,771
Telephone, fax and internet	6,828	850	298	7,976
Travel, transportation and lodging	8,172	40	-	8,212
Utilities	20,967	1,334	1,067	23,368
Total operating expenses	<u>769,175</u>	<u>53,263</u>	<u>157,653</u>	<u>980,091</u>
Depreciation	53,279	2,571	2,057	57,907
Total expenses	<u>\$ 822,454</u>	<u>\$ 55,834</u>	<u>\$ 159,710</u>	<u>\$ 1,037,998</u>
	80%	5%	15%	100%



**BAYSHORE CHRISTIAN MINISTRIES**  
**(A California Nonprofit Public Benefit Corporation)**

**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the year ended September 30, 2016**

	Program	Management and General	Fundraising	Total
Personnel	\$ 329,928	\$ 27,881	\$ 106,878	\$ 464,687
Payroll taxes and insurance	30,183	3,755	9,778	43,716
Employee benefits	27,088	2,289	8,775	38,152
Professional and outside services	104,036	15,913	3,306	123,255
Bad debt expense	1,566	-	27,000	28,566
Conferences and training	3,377	589	1,303	5,269
Equipment rental and maintenance	27,105	1,557	1,833	30,495
Food, meals and entertainment	18,161	375	1,219	19,755
Insurance	14,602	802	642	16,046
Interest and bank fees	9,764	835	429	11,028
Licenses, fees and taxes	3,711	2,053	6,872	12,636
Occupancy and admission fees	14,056	1,602	10,399	26,057
Postage, printing and publications	1,454	482	1,286	3,222
Staff and volunteer appreciation	3,495	112	430	4,037
Supplies	20,547	749	1,401	22,697
Telephone, fax and internet	7,228	418	439	8,085
Travel, transportation and lodging	19,607	596	1,930	22,133
Utilities	23,552	1,295	1,035	25,882
Total operating expenses	<u>659,460</u>	<u>61,303</u>	<u>184,955</u>	<u>905,718</u>
Depreciation	46,945	2,579	2,063	51,587
Total expenses	<u>\$ 706,405</u>	<u>\$ 63,882</u>	<u>\$ 187,018</u>	<u>\$ 957,305</u>
	74%	6%	20%	100%

**BAYSHORE CHRISTIAN MINISTRIES**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended September 30, 2017 and 2016**

---

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization – The Bayshore Christian Ministries (BCM) was founded in 1984 and incorporated in the State of California in 1987. The mission of BCM is to equip East of Bayshore youth to grow spiritually, gain life skills and develop as leaders so that they have hope and a future. The organization targets its programs primarily to youth from age seven through eighteen years old and offers programs during after school hours, during the summer and year-round. BCM is recognized by the Internal Revenue Service as a nonprofit, public benefit organization under the IRC section 501(c)(3).

Basis of Presentation - Resources are classified for accounting and reporting purposes into three classes of net assets, according to externally imposed restrictions:

*Unrestricted net assets* - Net assets that are not subject to any donor-imposed restrictions. This class may include restricted gifts whose donor-imposed restrictions were met during the fiscal year.

*Temporarily restricted net assets* - Net assets resulting (a) from contributions and other inflows of assets whose use by BCM is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of BCM pursuant to those stipulations, (b) from other asset enhancements and diminishments that are subject to the same kind of stipulations, and (c) from reclassification from (or to) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of BCM pursuant to those stipulations.

*Permanently restricted net assets* - Net assets resulting (a) from contributions and other inflows of assets whose use by BCM is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of BCM, (b) from other asset enhancements and diminishments that are subject to the same kinds of stipulations, and (c) from reclassification from (or to) other classes of net assets as a consequence of donor-imposed stipulations.

Method of Accounting - The financial statements of the Corporation are prepared using the accrual basis of accounting, which reflects revenue when earned and expenses as incurred.

Cash and Cash Equivalents - Cash is defined as cash in demand deposit accounts as well as cash on-hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and investments so near their maturity that the risk of changes in value due to changes in interest rates is negligible. These are generally investments with maturity dates within three months of the acquisition date.

**BAYSHORE CHRISTIAN MINISTRIES**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended September 30, 2017 and 2016**

---

Fair Value Measurements - Accounting standards were created which established a framework for reporting fair value and expand disclosures about fair value measurements, effective for years beginning after November 15, 2007. The Corporation adopted these standards, thereby measuring the fair value of its cash and cash equivalents, investments, and liabilities under a three-level hierarchy, as follows:

Level 1: Quoted market prices for identical assets or liabilities to which an entity has access at the measurement date.

Level 2: Inputs and information other than quoted market indices included in Level 1 that are observable for the assets or liability, either directly or indirectly. Level 2 inputs include:

- a. Quoted prices for similar assets or liabilities in active markets;
- b. Quoted prices for identical or similar assets in markets that are not active;
- c. Observable inputs other than quoted prices for the asset or liability;
- d. Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

Level 3: Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

The Corporation's carrying amounts of its assets and liabilities, including its investments presented in Note 7, approximate fair value under Level 1 and Level 2 for the years ended September 30, 2017 and 2016.

UPMIFA - A standard was created which provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). California adopted UPMIFA on January 1, 2009, the provisions of which apply to endowment funds existing on or established after that date. A key component of the standard is a requirement to classify the portion of investment return from donor-restricted endowment funds that is not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure. The required disclosures are set forth in Note 7.

Contributions - Contributions are recognized when the donor makes a promise to give to the Corporation that is, in substance, unconditional. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**BAYSHORE CHRISTIAN MINISTRIES**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended September 30, 2017 and 2016**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

Pledges Receivable - It is the practice of BCM to expense uncollectibles only after exhausting all efforts to collect the amounts due. An allowance for doubtful accounts was established using an estimate based upon a statistical calculation of receipts of pledges.

Furniture, Equipment and Leasehold Improvements - BCM records furniture, equipment and leasehold improvements at historical cost or, if donated, at fair market value at the date of donation. Depreciation is determined on a straight-line basis over the estimated useful lives of the assets, from 3 to 10 years. BCM capitalizes asset purchases in excess of \$500.

Income Taxes - BCM is exempt from federal and state corporate income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. In the opinion of management, there is no unrelated business income.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Advertising Costs – It is the policy of BCM to expense advertising costs as incurred.

**NOTE 2 PLEDGES RECEIVABLE**

At September 30, 2017 and 2016 pledges receivable consist of the following:

	<u>2017</u>	<u>2016</u>
Pledges receivable, current portion	\$ 271,945	\$ 219,362
Pledges receivable 2018	-	150,000
Pledges receivable 2019	165,000	150,000
Allowance for doubtful accounts	<u>(16,781)</u>	<u>(27,000)</u>
Total non-current	148,219	273,000
Total pledges receivable	<u>\$ 420,164</u>	<u>\$ 492,362</u>

**BAYSHORE CHRISTIAN MINISTRIES**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended September 30, 2017 and 2016**

---

**NOTE 3 FURNITURE, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS**

Furniture, equipment, and leasehold improvements, at cost, consist of the following at September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Land	\$ 225,000	\$ 225,000
Building and improvements	1,754,848	1,754,848
Furniture and equipment	89,355	89,356
Vehicles	70,376	70,375
Less Accumulated depreciation	<u>(972,496)</u>	<u>(914,589)</u>
Fixed assets, net	<u>\$ 1,167,083</u>	<u>\$ 1,224,990</u>

**NOTE 4 SCHOLARSHIP PROGRAM AND ACCRUED SCHOLARSHIPS**

BCM awards scholarships to encourage and assist youth from EPA to pursue their post-secondary education at accredited institutions. BCM awards scholarships based on a formal application process based upon financial need and merit. BCM remits funds directly to the educational institution for the benefit of the awarded student for qualified educational expenses such as tuition, books, supplies, room and board. Accrued scholarships as of September 30, 2017 and 2016 in the amount of \$20,050 and \$26,400, respectively, represent funds received by BCM, and restricted by the donor for the scholarship program, which have not yet been paid.

**NOTE 5 LINE OF CREDIT**

A revolving line of Credit loan is payable to California Bank & Trust and secured by other accounts. Interest is payable on the 15th of each month and the interest rate is fixed at 3.0%. As of September 30, 2017 and 2016, the credit limit was \$100,000 and the outstanding balance was \$78,000, which is due on February 9, 2018.

**NOTE 6 LOAN PAYABLE**

The loan was renewed in September, 2017. A loan payable to an individual donor is secured by BCM's property at 1001 Beech, East Palo Alto, CA and the balance due is \$180,000 for the year ended September 30, 2017. The loan is interest only with a fixed interest rate of 4.25%. Monthly interest payments are due the 5<sup>th</sup> of each month. The loan is due in full September 20, 2018. The Corporation may repay any portion of the principal at any time prior to maturity date without penalty.

**BAYSHORE CHRISTIAN MINISTRIES**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended September 30, 2017 and 2016**

**NOTE 7 NET ASSETS**

Temporarily Restricted Net Assets

BCM receives contributions with donor stipulations that limit the use of the assets for specific purposes or for specific time periods. Temporarily restricted net assets at September 30, 2017 and 2016 are designated for the following uses:

	2017	2016
Time restricted	\$ 420,164	\$ 492,072
Program restricted	-	290
Accrued scholarships	20,050	26,400
Total	\$ 440,214	\$ 518,762

Permanently restricted net Assets

These are endowment funds which are held in perpetuity, the income from which is used for the program execution expenses of the scholarship awards program. Permanently restricted net assets at September 30, 2017 and 2016 were \$75,000.

**NOTE 8 IN-KIND CONTRIBUTIONS**

Contributions of services are recognized if the services received: (a) create or enhance nonfinancial assets, or (b) require specialized skills, are provide by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The fair value of contributed services received recorded as in-kind volunteer revenues in the financials as follows:

	Volunteers	Hours	Value
Bible Club	28	1,161	\$ 13,235
KidSmart	30	2,018	23,003
VBS	10	451	5,141
Streetworks	4	131	1,493
Create Academy	20	630	7,182
Create studios	22	1,477	16,837
LIT	5	281	3,203
Education outreach	194	2,057	23,449
Other programs	9	162	1,846
Total	322	8,368	\$ 95,389

Contributions of equipment and supplies are recognized at the estimated fair market value on the date of receipt which for the years ended September 30, 2017 and 2016 was \$517 and \$542, respectively.

**BAYSHORE CHRISTIAN MINISTRIES**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended September 30, 2017 and 2016**

---

**NOTE 9 OPERATING LEASES**

BCM leases office equipment; the lease will expire at the end of two years. The lease expense for the year ended September 30, 2017 and 2016 was \$3,552 and \$3,514, respectively.

Future minimum obligations under the lease for the remainder of the term are as follows:

<u>September 30,</u>	
2018	3,180
2019	<u>1,855</u>
Total	<u>\$ 5,035</u>

**NOTE 10 SUBSEQUENT EVENTS**

Management has evaluated all subsequent events through the Auditor's Report date, the date the financial statements were available to be issued.