



REALITY SAN FRANCISCO CHURCH

Financial Statements
With Independent Auditor's Report

December 31, 2024 and 2023

REALITY SAN FRANCISCO CHURCH

Table of Contents

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

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Reality San Francisco Church
San Francisco, California

Opinion

We have audited the accompanying financial statements of Reality San Francisco Church, which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Reality San Francisco Church as of December 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Reality San Francisco Church and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Reality San Francisco Church's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Reality San Francisco Church's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Reality San Francisco Church's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Capin Crouse LLC

Ontario, California
July 31, 2025

REALITY SAN FRANCISCO CHURCH

Statements of Financial Position

	December 31,	
	2024	2023
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 1,349,197	\$ 1,926,474
Investments	177,555	69,754
Grant receivable	131,583	-
Other assets	48,605	22,561
	<u>1,706,940</u>	<u>2,018,789</u>
Restricted cash	2,829,030	2,341,058
Property and equipment–net	<u>22,624,721</u>	<u>22,961,556</u>
Total Assets	<u>\$ 27,160,691</u>	<u>\$ 27,321,403</u>
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	\$ 177,824	\$ 84,537
Accrued expenses	225,662	225,837
Long-term debt-current	387,722	1,358,751
	<u>791,208</u>	<u>1,669,125</u>
Long-term debt-net of current	<u>10,363,604</u>	<u>10,739,440</u>
Total liabilities	<u>11,154,812</u>	<u>12,408,565</u>
Net assets:		
Without donor restrictions	13,433,592	12,300,384
With donor restrictions	2,572,287	2,612,454
Total net assets	<u>16,005,879</u>	<u>14,912,838</u>
Total Liabilities and Net Assets	<u>\$ 27,160,691</u>	<u>\$ 27,321,403</u>

See notes to financial statements

REALITY SAN FRANCISCO CHURCH

Statements of Activities

	Year Ended December 31,					
	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS:						
Contributions	\$ 6,561,671	\$ 1,276,574	\$ 7,838,245	\$ 5,199,711	\$ 837,889	\$ 6,037,600
Investment and other income	146,865	-	146,865	184,405	-	184,405
Net assets released from purpose restrictions	1,316,741	(1,316,741)	-	242,481	(242,481)	-
Total Support, Revenue, and Reclassifications	<u>8,025,277</u>	<u>(40,167)</u>	<u>7,985,110</u>	<u>5,626,597</u>	<u>595,408</u>	<u>6,222,005</u>
EXPENSES:						
Salaries and benefits	3,328,674	-	3,328,674	2,983,990	-	2,983,990
Food, supplies, and dues	815,498	-	815,498	629,338	-	629,338
Depreciation and amortization	715,630	-	715,630	698,445	-	698,445
Grants to others	707,373	-	707,373	725,109	-	725,109
Interest	410,542	-	410,542	441,696	-	441,696
Facilities	380,764	-	380,764	412,777	-	412,777
Professional services	314,962	-	314,962	173,881	-	173,881
Travel and events	131,762	-	131,762	157,227	-	157,227
Bank fees	86,864	-	86,864	30,031	-	30,031
Total Expenses	<u>6,892,069</u>	<u>-</u>	<u>6,892,069</u>	<u>6,252,494</u>	<u>-</u>	<u>6,252,494</u>
Change in Net Assets	1,133,208	(40,167)	1,093,041	(625,897)	595,408	(30,489)
Net Assets, Beginning of Year	<u>12,300,384</u>	<u>2,612,454</u>	<u>14,912,838</u>	<u>12,926,281</u>	<u>2,017,046</u>	<u>14,943,327</u>
Net Assets, End of Year	<u>\$ 13,433,592</u>	<u>\$ 2,572,287</u>	<u>\$ 16,005,879</u>	<u>\$ 12,300,384</u>	<u>\$ 2,612,454</u>	<u>\$ 14,912,838</u>

See notes to financial statements

REALITY SAN FRANCISCO CHURCH

Statements of Cash Flows

	Year Ended December 31,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,093,041	\$ (30,489)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	704,746	687,561
Amortization of prepaid loan costs	10,884	10,884
Contributions restricted for long-term purposes	(1,623,775)	(634,877)
Imputed interest on note payable	17,490	34,979
Unrealized loss on investments	14,428	-
Net change in operating assets and liabilities:		
Grant receivable	(131,583)	-
Other assets	(26,044)	89,787
Accounts payable	(1,158)	(179,233)
Accrued expenses	(175)	(1,548)
Net Cash Provided by (Used in) Operating Activities	<u>57,854</u>	<u>(22,936)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(273,466)	(278,404)
Purchases of investments	(122,229)	(69,754)
Net Cash Used in Investing Activities	<u>(395,695)</u>	<u>(348,158)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on long-term debt	(1,375,239)	(359,410)
Contributions restricted for long-term purposes	1,623,775	634,877
Net Cash Provided by Financing Activities	<u>248,536</u>	<u>275,467</u>
Net Change in Cash, Cash Equivalents, and Restricted Cash	(89,305)	(95,627)
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	<u>4,267,532</u>	<u>4,363,159</u>
Cash, Cash Equivalents, and Restricted Cash, End of Year	<u>\$ 4,178,227</u>	<u>\$ 4,267,532</u>

(continued)

See notes to financial statements

REALITY SAN FRANCISCO CHURCH

Statements of Cash Flows (continued)

	Year Ended December 31,	
	2024	2023
SUMMARY OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH:		
Cash and cash equivalents	\$ 1,349,197	\$ 1,926,474
Restricted cash	<u>2,829,030</u>	<u>2,341,058</u>
	<u>\$ 4,178,227</u>	<u>\$ 4,267,532</u>
SUPPLEMENTAL INFORMATION AND NON-CASH ITEMS:		
Cash paid for interest	<u>\$ 375,563</u>	<u>\$ 406,717</u>
Fixed assets acquired through accounts payable	<u>\$ 94,445</u>	<u>\$ -</u>

See notes to financial statements

REALITY SAN FRANCISCO CHURCH

Notes to Financial Statements

December 31, 2024 and 2023

1. NATURE OF ORGANIZATION:

Reality San Francisco Church (the Church) strives to be a church that makes disciples of all nations, teaching them to obey everything Jesus has commanded. The Church believes in being a community following Jesus, seeking renewal in the city of San Francisco.

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. 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(c) of the IRC.

The Church's primary source of support and revenue is contributions from members and regular attenders.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Church have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader. The preparation of the financial statements in conformity with accounting principles generally accepted in the United States 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

Cash and cash equivalents consist of cash on hand and cash on deposit. These accounts may at times exceed federally insured limits. At December 31, 2024 and 2023, the Church's cash balances exceeded federally insured limits by approximately \$3,396,000 and \$3,306,000. The Church has not experienced any losses on such accounts.

RESTRICTED CASH

Cash restricted for long-term purposes consists of contributions restricted for property and equipment and board designated funds for church plants and building fund.

INVESTMENTS

Investments consist of mutual funds and equities which are held at fair value and are Level 1 inputs in the fair value hierarchy. Realized and unrealized gains and losses are recognized when earned and reported within investment and other income on the statements of activities. The Church uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Church measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 1 fair value measurements are based on quoted market prices.

REALITY SAN FRANCISCO CHURCH

Notes to Financial Statements

December 31, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

GRANT RECEIVABLE

Grant receivable consists of a grant from the California Nonprofit Security Program for physical security enhancements and other related activities for the Church. The barriers were met during the year ended December 31, 2024, and the grant revenue was recognized.

PROPERTY AND EQUIPMENT—NET:

Expenditures for leasehold improvements, furniture, and equipment greater than \$5,000 are capitalized at cost. Donated items are recorded at fair value on the date of the gift. Land is not depreciated. Maintenance and repairs are expensed as incurred. Depreciation is computed on the straight line method over the estimated useful lives of the assets as follows:

Land	N/A
Building	30 years
Furniture and equipment	3-7 years

NET ASSETS

The financial statements report amounts by class of net assets:

Net assets without donor restrictions are those resources currently available for operations under the direction of the board.

Net assets with donor restrictions are those resources restricted by donors for specific purposes.

REALITY SAN FRANCISCO CHURCH

Notes to Financial Statements

December 31, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT, REVENUE, AND EXPENSES

Contributions are recorded when cash is received, unconditional promises-to-give have been made, or ownership of donated assets is transferred to the Church. The Church records contributions as net assets with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions, or both. When donor restrictions expire, that is when the purpose restriction is fulfilled or the time restriction expires, the net assets are reclassified from with donor restrictions to without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributions are conditional if the donor agreement includes both a donor-imposed barrier that must be overcome and a right of return of funds (or a release of an obligation to transfer funds). Conditional contributions are recognized as revenue once the donor-imposed barrier is overcome or when right of return of the contribution to the donor no longer exists, as specified in the terms and conditions of the donor agreement.

Investment and other income is recorded when earned. Expenses are recorded when incurred in accordance with the accrual basis of accounting.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various program services and supporting activities have been summarized on a functional basis in Note 8. Accordingly, certain costs have been allocated among the program services and supporting activities. The expenses that are allocated include items such as occupancy, which is allocated on a square-footage basis, as well as items such as salaries and benefits, which are allocated on the basis of estimated time and effort. Major program activities of the Church are conducting worship services, providing Christian teaching and spiritual direction, and providing gifts and grants for justice and evangelism purposes. Furthermore, there are no joint costs that have been allocated among the program services, general and administrative, and fundraising functions.

REALITY SAN FRANCISCO CHURCH

Notes to Financial Statements

December 31, 2024 and 2023

3. LIQUIDITY AND FUNDS AVAILABLE:

The Church has certain donor-restricted net assets that are available for general expenditures within one year of December 31, 2024 and 2023, because the restrictions are expected to be met by conducting the normal activities of the Church in the coming year. The following table reflects the Church's financial assets as of December 31, 2024 and 2023, reduced by amounts not available for general use because of board-designated restrictions within one year of the statement of financial position date:

	December 31,	
	2024	2023
Financial assets:		
Cash and cash equivalents	\$ 4,178,227	\$ 4,267,532
Investments	177,555	69,754
Grant receivable	131,583	-
Accounts receivable (reported in other assets)	33,000	-
Note receivable	-	5,596
	<u>4,520,365</u>	<u>4,342,882</u>
Less:		
Board-designated restrictions unavailable for general expenditure	(603,194)	(164,234)
Donor-imposed restrictions unavailable for general expenditure	<u>(2,225,836)</u>	<u>(2,176,824)</u>
	<u>\$ 1,691,335</u>	<u>\$ 2,001,824</u>

The Church structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Management monitors cash flows closely through periodic reviews and leadership team meetings.

REALITY SAN FRANCISCO CHURCH

Notes to Financial Statements

December 31, 2024 and 2023

4. INVESTMENTS:

Investments consist of the following:

	December 31,	
	2024	2023
Equities	\$ 175,686	\$ 69,754
Mutual funds	1,869	-
	<u>\$ 177,555</u>	<u>\$ 69,754</u>

5. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net consist of:

	December 31,	
	2024	2023
Land	\$ 4,745,270	\$ 4,745,270
Building	20,006,072	19,682,662
Furniture and equipment	295,540	251,039
	<u>25,046,882</u>	<u>24,678,971</u>
Less accumulated depreciation	<u>(2,422,161)</u>	<u>(1,717,415)</u>
	<u>\$ 22,624,721</u>	<u>\$ 22,961,556</u>

REALITY SAN FRANCISCO CHURCH

Notes to Financial Statements

December 31, 2024 and 2023

6. LONG-TERM DEBT:

Long-term debt consists of:

	December 31,	
	2024	2023
Note payable to a financial institution, collateralized by the real property held by the Church, with monthly principal and interest payments of \$59,577. Interest rate is fixed at 3.75%. A balloon payment is due upon maturity on July 15, 2028, in the amount of approximately \$7,382,000.	\$ 8,782,843	\$ 9,155,183
Note payable to another Church with monthly interest only payments of \$4,168. Interest rate is fixed at 2.50%. Any unpaid principal and interest is due upon maturity on October 1, 2028.	2,000,000	2,000,000
Note payable to another nonprofit organization, collateralized by the real property held by the Church, with an interest rate fixed at 0.12% and an imputed interest rate of 3.75%. Any unpaid principal and interest is due upon maturity on June 1, 2024. During the year ended December 31, 2024, the Church paid this loan in full.	-	985,410
	10,782,843	12,140,593
Less prepaid loan costs	(31,517)	(42,402)
	<u>\$ 10,751,326</u>	<u>\$ 12,098,191</u>

Annual maturities are as follows:

<u>Year Ending December 31,</u>	
2025	\$ 387,722
2026	402,723
2027	418,304
2028	9,574,094
	<u>\$ 10,782,843</u>

REALITY SAN FRANCISCO CHURCH

Notes to Financial Statements

December 31, 2024 and 2023

6. LONG-TERM DEBT, continued:

The Church paid loan costs of approximately \$76,000 during year the ended December 31, 2021, related to long-term debt. The prepaid loan costs are amortized on a straight-line basis over the term of the notes. Amortization expense was approximately \$11,000 for each of the years ended December 31, 2024 and 2023.

The Church has financial covenants requiring an audit be submitted to a financial institution. The Church had waivers for the covenant for the years ending December 31, 2024 and 2023.

7. NET ASSETS:

Net assets consist of:

	December 31,	
	2024	2023
Without donor restrictions:		
Undesignated	\$ 12,676,505	\$ 11,982,257
Board-designated:		
Building fund	513,960	-
Benevolence	153,893	153,893
Church plant	89,234	164,234
	<u>13,433,592</u>	<u>12,300,384</u>
With donor restrictions:		
Building fund	1,875,836	1,951,824
Church plant	350,000	225,000
Benevolence	346,451	435,630
	<u>2,572,287</u>	<u>2,612,454</u>
	<u>\$ 16,005,879</u>	<u>\$ 14,912,838</u>

REALITY SAN FRANCISCO CHURCH

Notes to Financial Statements

December 31, 2024 and 2023

8. FUNCTIONAL ALLOCATION OF EXPENSES:

The following table presents expenses by both their nature and function for the year ended December 31, 2024:

	Program Services	Supporting Activity: General and Administrative	Total Expenses
Salaries and benefits	\$ 2,364,405	\$ 964,269	\$ 3,328,674
Food, supplies, and dues	652,943	162,555	815,498
Depreciation and amortization	572,504	143,126	715,630
Grants to others	707,373	-	707,373
Interest	328,434	82,108	410,542
Facilities	310,475	70,289	380,764
Professional services	104,007	210,955	314,962
Travel and events	105,410	26,352	131,762
Bank fees	-	86,864	86,864
	<u>\$ 5,145,551</u>	<u>\$ 1,746,518</u>	<u>\$ 6,892,069</u>

The following table presents expenses by both their nature and function for the year ended December 31, 2023:

	Program Services	Supporting Activity: General and Administrative	Total Expenses
Salaries and benefits	\$ 2,014,689	\$ 969,301	\$ 2,983,990
Food, supplies, and dues	504,073	125,265	629,338
Depreciation and amortization	558,756	139,689	698,445
Grants to others	718,372	6,737	725,109
Interest	353,357	88,339	441,696
Facilities	336,082	76,695	412,777
Professional services	79,130	94,751	173,881
Travel and events	125,782	31,445	157,227
Bank fees	-	30,031	30,031
	<u>\$ 4,690,241</u>	<u>\$ 1,562,253</u>	<u>\$ 6,252,494</u>

REALITY SAN FRANCISCO CHURCH

Notes to Financial Statements

December 31, 2024 and 2023

9. DEFINED CONTRIBUTION PLAN:

The Church maintains a 403(b) defined contributions retirement plan. All employees are eligible to participate. The Church will match up to 4%. During the years ended December 31, 2024 and 2023, the Church made total contributions of approximately \$82,000 and \$123,000, respectively.

10. SUBSEQUENT EVENTS:

Subsequent events were evaluated through July 31, 2025, which is the date the financial statements were available to be issued.