



**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2017**

# **SANDALS CHURCH**

## **FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR THE YEAR ENDED DECEMBER 31, 2017**

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**Board of Directors**  
**Sandals Church**  
Riverside, CA

## INDEPENDENT AUDITORS' REPORT

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Sandals Church, which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities, cash flows, and functional expenses for the year 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 Sandals Church as of December 31, 2017, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

April 26, 2018

(Except for Note 12, accounts payable and accrued liabilities, and food, gifts and missions, as to which the date is June 7, 2018)

## **FINANCIAL STATEMENTS**

**SANDALS CHURCH**  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2017

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**ASSETS**

**Current Assets**

Cash	\$ 4,272,992
Cash restricted for building	364,487
<b>Total Cash</b>	<u>4,637,479</u>

Accounts receivables	3,340
Prepaid expenses	509,697
<b>Total Current Assets</b>	<u>5,150,516</u>

**Other Assets**

Investments	32,783
Fixed assets (net)	25,335,803
Sinking Fund	532,253
<b>Total Other Assets</b>	<u>25,900,839</u>

<b>TOTAL ASSETS</b>	<u><u>\$ 31,051,355</u></u>
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**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts payable and accrued liabilities	\$ 505,377
Accrued payroll and related taxes	478,361
Accrued interest	364,925
Current portion of notes payable	64,808
Current portion of bonds payable	371,000
<b>Total Current Liabilities</b>	<u>1,784,471</u>

**Non-Current Liabilities**

Notes payable	2,673,380
Bonds payable	14,764,000
Less unamortized bond issuance cost	(752,379)
<b>Total Non-Current Liabilities</b>	<u>16,685,001</u>
<b>Total Liabilities</b>	<u>18,469,472</u>

**Net Assets**

Unrestricted	11,685,143
Temporarily restricted	896,740
<b>Total Net Assets</b>	<u>12,581,883</u>

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 31,051,355</u></u>
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**SANDALS CHURCH**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

<b>SUPPORT AND REVENUE</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>SUPPORT</b>			
Tithes and offerings	\$ 11,464,293	\$ 159,118	\$ 11,623,411
Assets relieved from restrictions	257,222	(257,222)	-
<b>TOTAL SUPPORT</b>	<b>11,721,515</b>	<b>(98,104)</b>	<b>11,623,411</b>
 <b>REVENUES</b>			
Café	265,382	-	265,382
Rental income	364,035	-	364,035
Program income	480,147	-	480,147
Wedding and funeral income	17,611	-	17,611
Investment return	8,352	-	8,352
Interest income	4,464	-	4,464
Other income	29,201	-	29,201
Excess of assets acquired over liabilities assumed in acquisition(s)	876,943	-	876,943
<b>TOTAL REVENUES</b>	<b>2,046,135</b>	<b>-</b>	<b>2,046,135</b>
<b>TOTAL SUPPORT AND REVENUES</b>	<b>13,767,650</b>	<b>(98,104)</b>	<b>13,669,546</b>
 <b>EXPENSES</b>			
Ministry expenses	9,211,983	-	9,211,983
Administrative expenses	3,036,469	-	3,036,469
Fundraising expenses	7,837	-	7,837
<b>TOTAL EXPENSES</b>	<b>12,256,289</b>	<b>-</b>	<b>12,256,289</b>
 Changes in Net Assets	1,511,361	(98,104)	1,413,257
 Net Assets at Beginning of Year	10,173,782	994,844	11,168,626
 <b>NET ASSETS AT END OF YEAR</b>	<b>\$ 11,685,143</b>	<b>\$ 896,740</b>	<b>\$ 12,581,883</b>

**SANDALS CHURCH**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 1,413,257
Adjustments to reconcile net income to net cash provided by operating activities	
<b>Noncash items:</b>	
Depreciation expense	990,999
Unamortized bond issuance cost	34,070
<b>(Increase) decrease in:</b>	
Prepays	(129,800)
Accounts receivable	63,993
<b>Increase (decrease) in:</b>	
Accounts payable	15,654
Accrued liabilities	203,983
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>2,592,156</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchases of fixed assets	(1,102,230)
Purchases of investments	(32,783)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>(1,102,230)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Payments on bonds	(362,000)
Payments on borrowings	(2,555,635)
Payments to sinking fund	(172,406)
Gain from acquisition	876,943
Proceeds from borrowings	2,145,000
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<u>(3,090,041)</u>

Net Increase (Decrease) in Cash	1,389,045
Beginning Cash and Cash Equivalents	<u>3,248,434</u>
<b>Ending Cash and Cash Equivalents</b>	<u>\$ 4,637,479</u>

**SUPPLEMENTAL INFORMATION:**

Interest paid	<u>\$ 923,318</u>
Taxes paid	<u>\$ 53,108</u>

**SANDALS CHURCH****CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

<b>EXPENSES</b>	<b>Ministry Expenses</b>	<b>Admin Expenses</b>	<b>Fundraising Expenses</b>	<b>Total</b>
Salaries	\$ 4,224,283	\$ 707,473	\$ -	\$ 4,931,756
Benefits	565,254	100,093	-	665,347
Payroll taxes	149,984	26,559	-	176,543
Café	128,826	-	-	128,826
Benevolence	127,187	-	-	127,187
Food, gifts and missions	522,601	31,607	-	554,208
Retreats and events	155,614	-	-	155,614
Bank and credit card fees	-	165,161	-	165,161
Depreciation	637,071	353,928	-	990,999
Equipment rentals	422,468	70,829	-	493,297
Insurance	78,699	43,722	-	122,421
Legal and professional	2,758	150,901	-	153,659
Miscellaneous	-	34	-	34
Office expenses	148,598	25,022	-	173,620
Postage and printing	67,676	53,038	-	120,714
Rent	197,228	-	-	197,228
Repairs and maintenance	253,255	140,697	-	393,952
Supplies	579,220	21,853	7,837	608,910
Travel	106,634	2,797	-	109,431
Utilities	221,228	70,822	-	292,050
Other taxes	-	53,108	-	53,108
Outside services	142,161	-	-	142,161
Training and tuition	117,257	4,685	-	121,942
Marketing	48,166	-	-	48,166
Camp	215,203	-	-	215,203
Building security	-	28,199	-	28,199
Licenses, fees, permits	-	7,779	-	7,779
Computer expenses	100,612	-	-	100,612
Interest expense	-	978,162	-	978,162
<b>TOTAL EXPENSES</b>	<b>\$ 9,211,983</b>	<b>\$ 3,036,469</b>	<b>\$ 7,837</b>	<b>\$ 12,256,289</b>



# SANDALS CHURCH

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Activities

Sandals Church (the Church) is a nonprofit organization incorporated on November 16, 1999 in the state of California. Sandals Church is dedicated to spreading the Gospel through establishing, developing, and promoting all aspects of church ministry within Riverside, California and the surrounding communities.

The Church is currently a multi-site church whereby it is one congregation meeting at seven different locations under the Sandals congregation name and trade style. The Church is the sole member of the following California non-profit corporations (sometimes referred to individually as an “Affiliated Church” and collectively as the “Affiliated Churches”), all of which are organized and operated in accordance with those purposes described in section 501(c)(3) of the Internal Revenue Code. The Church controls these nonprofit corporations by being their sole member and because a majority of board members from the Church’s Board of Directors serve as directors for these organizations. The Affiliated Churches are as follows:

Sandals Church Banning Campus – New Hope Fellowship of the Pass was operationally acquired by the Church on June 25, 2017. Sandals Church Banning is a California non-profit corporation, separate from the Church Corporation, but controlled by the Church as described above. The Banning Campus is located at 2637 W. Nicolet Street, Banning, California 92220.

Sandals Church East Valley Campus – Amethyst Bible Church was operational acquired by the Church on October 6, 2015. Sandals Church East Valley is a California non-profit corporation, separate from the Church Corporation, but controlled by the Church, as described above. The East Valley Campus is located at 1325 Amethyst Street, Mentone, California 92359.

Sandals Church Moreno Valley Campus – Renewal Christian Fellowship was operationally acquired by the Church on February 5, 2017. Sandals Church Moreno Valley is a California non-profit corporation, separate from the Church Corporation, but controlled by the Church, as described above. The Moreno Valley Campus is located at 14093 Business Center Drive, Moreno Valley, California 92553.

Sandals Church Palm Avenue Campus – Palm Baptist Church was operationally acquired by the Church on August 27, 2017. Sandals Church Palm Avenue is a California non-profit corporation, separate from the Church Corporation, but controlled by the Church, as described above. The Palm Avenue Campus is located at 6807 Palm Ave. Riverside, California 92506.

Sandals Church San Bernardino Campus – Northpoint Christian Fellowship was operationally acquired by the Church on November 12, 2017. Sandals Church San Bernardino is a California non-profit corporation, separate from the Church Corporation, but controlled by the Church, as described above. The San Bernardino Campus is located at 3701 North Sierra Way, San Bernardino, California 92405.

#### Basis of Accounting

The financial statements are prepared, on the accrual basis of accounting. Accordingly, revenues are recognized when earned, and expenses are recognized when incurred.

#### Basis of Presentation

The assets, liabilities, and net assets of the Church are reported in the following net asset groups:

*Unrestricted net assets* include these resources that are not temporarily or permanently restricted by donor and are available for operations of the Church without limitation. Unrestricted net assets also included resources restricted by donor-imposed criteria for which the restrictions are met within the same time period as the funds were received.

*Temporarily restricted net assets* included those resources whose use is restricted by donor-imposed criteria that either expires with the passage of time or by action of the Church.

*Permanently restricted net assets* included those resources whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Church.

**Principle of Consolidation**

The consolidated financial statements include the accounts of the Church and the affiliated Churches. Accounting principles generally accepted in the United States of America require all organizations over which the Church has both control and an economic interest to be accounted for as consolidated affiliates. All material inter-organizational accounts and transactions and have been eliminated.

**Support and Revenue**

Support and revenue include all resources over which the board of directors has discretionary control to use in carrying on the general operations of the Church. Support and revenue is considered unrestricted unless specifically restricted by the donor.

**Tax Status**

Sandals Church and the affiliated Churches are exempt from income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue Code Section 23701d. The Church and the affiliated Churches have been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Internal Revenue Code.

In accordance with accounting standards, which provide accounting and disclosure guidance about uncertain tax positions taken by an organization, Management believes that all of the positions taken by Sandals Church and the affiliated Churches in its federal and state income tax status are more likely than not to be sustained upon examination.

Sandals Church and the affiliated Churches are not required to file income tax returns in the U.S. Federal jurisdiction or the state of California, except in some instances. Should The Church or the affiliated Churches file Federal income tax returns they would remain subject to examination by the Internal Revenue Service for the prior three tax years. Should the Church or the affiliated Churches file California income tax returns they would remain subject to examination by the Franchise Tax Board for the prior four tax years.

**Property and Equipment**

The Church follows the practice of capitalizing all expenses for equipment in excess of \$1,000; the fair market value of donated fixed assets is similarly capitalized. Depreciation is provided on equipment over the estimated useful lives of the assets using the straight-line method of depreciation. The estimated useful lives are as follows:

Vehicles	5 years
Equipment and Computers	5 – 10 years
Furniture and Fixtures	10 years
Building and Improvements	39 – 40 years

**Amortization**

Bond issuance cost is amortized on a straight line basis over the life of the bonds, 25 years.

**Advertising**

Advertising costs are expensed as incurred. Advertising expense was \$48,166 for the year ended December 31, 2017

**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.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Church considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash.

**Cash Restricted to Building**

Cash restricted to build the new sanctuary has been restricted by donors is not available for operating purposes. As of December 31, 2017, the Church had \$364,487 of cash restricted to building at year end.

**Sinking Fund**

Deposits held in the sinking fund represent funds held in accordance to the bond agreement for debt service associated with the repayment of bonds and are considered restricted and unavailable for operating purposes.

**Contributions**

Contributions are recognized when the donor makes a promise to give to the Church that is, in substance, unconditional. Unconditional promises to give are recorded at net realizable value. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of operations and changes in net assets as net assets released from restrictions.

**Rental Income**

The Church rents Church-owned property to outside entities for commercial use. Total rental revenue for the fiscal year ended December 31, 2017 was \$364,035. The Church's investment in property rented consisted of 49,839 square feet of building of \$4,404,650, less accumulated depreciation of \$567,287, which amounts are recorded in the Church's statement of financial position.

**Accounts Receivable**

Accounts receivable represent other outside receivables due to the Church. Management considered all receivables collectible at year end and accordingly has not established an allowance for other receivables.

**Investments**

Investments are recorded when purchased at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position, and unrealized gains or losses are included in the statements of activities. All gains and losses and investment income are recorded in the statement of activities according to the nature of donor restrictions.

**Fair Value Measurements**

Generally accepted accounting principles (GAAP) provide guidance on how fair value should be determined when financial elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

- **Level 1:** Observable prices in active markets for identical assets or liabilities.
- **Level 2:** Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full-term of the assets and liabilities.
- **Level 3:** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

**2. CASH**

Sandals Church places its cash and investments with high quality financial institutions. At times, such investments may be in excess of the Federal Deposits Insurance Corporation and American Share Insurance insured limits. Sandals Church has not incurred losses related to this activity. As of December 31, 2017 balances in excess of insured amounts were \$2,608,968.

**3. INVESTMENTS**

Investments at December 31, 2017 are as follows:

Description:	Cost	Fair Value	Appreciation (Depreciation)
Stocks and securities	\$ 24,521	\$ 32,783	\$ 8,352
<b>Total</b>	<u>\$ 24,521</u>	<u>\$ 32,783</u>	<u>\$ 8,352</u>
	Unrealized gain (loss) previously recognized		<u>\$ -</u>
	Unrealized gain (loss) on investments - current year		<u>\$ 8,352</u>

Investments are reported at fair value on a recurring basis determined by reference to quoted market prices and other relevant information generated by market transactions.

Description:	Level 1	Level 2	Level 3
Stocks and securities	\$ 32,783	\$ -	\$ -
<b>Total</b>	<u>\$ 32,783</u>	<u>\$ -</u>	<u>\$ -</u>

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**4. FIXED ASSETS**

As of December 31, 2017 Sandals Church had the following balances for fixed assets:

	Balance @ 12/31/2016	Additions	Deletions	Balance @ 12/31/2017
<b>Assets</b>				
Land	\$ 120,000	\$ -	\$ -	\$ 120,000
Building - 150	16,918,592	55,959	-	16,974,551
Building - 250	5,302,124	-	-	5,302,124
SCEV Building	583,517	14,737	-	598,254
Sound and Video Equipment	2,127,742	469,143	-	2,596,885
Equipment and Computers	682,149	47,875	-	730,024
Furniture and Fixtures	441,054	76,401	-	517,455
Vehicles	118,222	83,346	-	201,568
MV Building	-	863,264	-	863,264
BA Building	-	796,752	-	796,752
SB Building	-	8,738	-	8,738
PA Building	-	241,094	-	241,094
Parking lot	1,535,913	35,069	-	1,570,982
<b>Total Fixed Assets</b>	<b>27,829,313</b>	<b>2,692,378</b>	<b>-</b>	<b>30,521,691</b>
<b>Accumulated Depreciation</b>	<b>(4,194,888)</b>	<b>(943,794)</b>	<b>-</b>	<b>(5,185,888)</b>
<b>Net Fixed Assets</b>	<b>\$ 23,634,425</b>	<b>\$ 1,748,584</b>	<b>\$ -</b>	<b>\$ 25,335,803</b>

Depreciation expense for the year ended amounted to: \$ 990,999

**5. PENSION PLAN**

The Church sponsors a 403(b) plan for all employees from the date of hire who agree to make contributions to the plan. The Church makes a matching contribution if the participant contributes more than \$52.50 per month and meets eligibility requirements, at various rates based on the employee's class of employment with The Church. The total payroll for the year was \$4,931,756 and the total covered payroll amounted to \$3,600,608. The matching employer contribution for the year ended December 31, 2017, was \$157,831.

**6. NOTES PAYABLE**

The Church entered into a loan agreement with Community Bank on June 13, 2016 for \$650,000. The Church is to pay \$3,319.97 for principal and interest on a monthly basis, for 120 months, beginning in August 2016. The interest rate for the loan is stated at 3.618%.

The Church assumed responsibility for a promissory note between Renewal Christian Fellowship and Community Bank as of March 16, 2017. The promissory note is for \$570,000 and was placed in effect on March 16, 2017. The terms of the promissory note call for 120 monthly payments of \$ 3,367.36 beginning on April 16, 2017, with a final payment on March 16, 2017 for the principal balance plus monthly interest. The interest rate for the promissory note is stated at 5.01%.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Church assumed responsibility for a promissory note between New Hope Fellowship if the Pass and Community Bank as of August 1, 2017. The promissory note is for \$325,000 and was placed in effect on August 1, 2017. The terms of the promissory note call for 60 monthly payments of \$ 1,778.81 beginning on October 1, 2017, with a final payment on September 1, 2022 for the principal balance plus monthly interest. The interest rate for the promissory note is stated at 4.287%.

The Church entered into a loan agreement with Community Bank on December 1<sup>st</sup>, 2017 for \$1,250,000. The Church is to pay \$7,386 for principal and interest on a monthly basis, for 120 months, beginning in December 2017 with a final payment on November 1<sup>st</sup>, 2027 for the principal balance plus monthly interest. The interest rate for the loan is stated at 5.019%.

The future maturities of notes payable as of December 31, 2017 are as follows:

Current portion	\$	64,808
Long-Term		2,673,380
	<b>Total</b>	<u><u>2,738,188</u></u>

<b>Future Maturities</b>		
2018	\$	64,808
2019		67,821
2020		70,977
2021		74,281
2022		356,957
Thereafter		2,103,344
	<b>Total</b>	<u><u>\$ 2,738,188</u></u>

**7. BONDS PAYABLE**

The Church issued a series of bonds on February 1, 2015. The bonds are secured by all of the assets of the Church. The bonds issued totaled \$15,675,000 and have interest rates form 2.00% to 6.25%. Interest on the bonds from February 1, 2015 will be payable on August 1, 2015 and semi-annually thereafter on February 1 and August 1 of each year and at maturity or redemption. The Church agreed to make weekly deposits to a sinking fund of \$17,880 commencing March 6, 2015, through and including July 31, 2015, and in the amount of \$17,130 commencing August 7, 2015, through and including January 29, 2016, and in the amount of \$23,985 commencing February 5, 2016, and each seven days thereafter while any bonds are outstanding and unpaid except that scheduled weekly deposits may be reduced in the event of redemption of outstanding bonds at the option of the Church, and certain weekly deposits may be reduced through prepayment of such weekly deposits or through the accumulation of investment income in the Sinking Fund Account. Accrued interest on bonds payable at year end is \$364,925.

Bonds payable at year end is as follows:

Current portion	\$	371,000
Long-Term		14,764,000
	<b>Total</b>	<u><u>\$ 15,135,000</u></u>

Future maturities of bonds payable are as follows:

Future Maturities	
2018	\$ 371,000
2019	383,000
2020	398,000
2021	404,000
2022	429,000
Thereafter	13,150,000
<b>Total</b>	<b>\$ 15,135,000</b>

Bond maturities is as follows:

	<b>Maturity</b>	<b>Amount</b>	<b>Rate</b>
	February 1, 2018	184,000	2.75%
	August 1, 2018	187,000	3.00%
	February 1, 2019	190,000	3.25%
	August 1, 2019	193,000	3.50%
	February 1, 2020	196,000	3.75%
	August 1, 2020 - February 1 2021	404,000	4.00%
	August 1, 2021 - February 1, 2022	420,000	4.25%
	February 1, 2024	901,000	5.00%
	February 1, 2027	1,539,000	5.50%
	February 1, 2033	3,999,000	6.00%
	February 1, 2040	6,922,000	6.25%
	<b>Total</b>	<b>\$ 15,135,000</b>	

## 8. BOND ISSUANCE COST

Bond issuance costs of \$851,750 are being amortized on the straight-line method over the 25 year life of the bonds. The changes in bond issuance costs during the year are as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
Bond issue cost	\$ 851,750	\$ -	\$ -	\$ 851,750
Accumulated Amortization	(65,301)	(34,070)	-	(99,371)
<b>Total</b>	<b>\$ 786,449</b>	<b>\$ (34,070)</b>	<b>\$ -</b>	<b>\$ 752,379</b>

Amortization of bond issuance costs is as follows:

2018	\$ 34,070
2019	34,070
2020	34,070
2021	34,070
2022	34,070
Thereafter	582,029
<b>Total</b>	<b>\$ 752,379</b>

**9. LEASES**

The Church leases building space and office equipment under various operating leases expiring at various dates through 2022.

Future minimum lease payments are as follows:

Years Ending December 31,	
2018	\$ 66,960
2019	66,960
2020	62,637
2021	23,600
2022	3,600
<b>Total</b>	<b><u><u>\$ 223,757</u></u></b>

**10. NET ASSETS**

Temporarily Restricted – funds restricted by the donor, grantor or other outside party for a particular purpose.

At year end the temporarily restricted net assets is comprised of the following:

Building Fund	\$ 364,487
Sinking Fund	532,253
<b>Total Temporarily Restricted Net Assets</b>	<b><u><u>\$ 896,740</u></u></b>

**11. NET ASSETS RELEASED FROM RESTRICTION**

Net assets were release from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

Building Fund	<u>\$ 257,222</u>
<b>Total restrictions released</b>	<b><u><u>\$ 257,222</u></u></b>

**12. SUBSEQUENT EVENTS**

Following the close of the fiscal year Sandal Church finalized the articles of incorporation for Sandals Church San Bernardino and obtained recognition from the State of California. In January of 2018 Sandals Church assumed and recognized liabilities of \$1,213,132 and assets of \$3,856,452 related to the operational control of the San Bernardino Campus.

Subsequent to year end the Church issued additional bonds for \$3,630,000. Proceeds from the sale of the bonds will be used to retire outstanding bank loans with Community Bank and renovations to the San Bernardino Campus.

Subsequent events were evaluated through April 26, 2018, the date the financial statements were available to be issued. Management concluded that no other subsequent events have occurred that would require recognition or disclosure in the financial statements.

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