



**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2018**

SANDALS CHURCH
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Smith Marion & Co. · Certified Public Accountants

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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, 2018, 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, 2018, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2018, Sandals Church adopted new accounting guidance Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 658) – Presentation of Financial Statements of Not-for-Profit Entities. Our opinion is not modified with respect to this matter.



April 2, 2019

SANDALS CHURCH
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS

Current Assets

Cash	\$	3,313,525
Cash restricted		1,328,271
Total Cash		4,641,796

Accounts receivables		110,442
Pledge receivables (net)		3,501,752
Prepaid expenses		639,073
Inventory		66,556
Total Current Assets		8,893,063

Other Assets

Investments		157,539
Fixed assets (net)		43,890,162
Sinking fund		928,902
Escrow account		529,825
Pledges receivable (net)		2,553,539
Total Other Assets		48,059,967

TOTAL ASSETS	\$	57,019,586
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable and accrued liabilities	\$	956,777
Accrued payroll and related taxes		762,536
Accrued interest		614,530
Current portion of notes payable		36,319
Current portion of bonds payable		651,000
Total Current Liabilities		3,021,162

Non-Current Liabilities

Notes payable		1,500,078
Bonds payable		23,938,000
Less unamortized bond issuance cost		(1,219,108)
Total Non-Current Liabilities		24,218,970
Total Liabilities		27,240,132

Net Assets

Without donor restrictions		21,463,251
With donor restrictions		8,316,203
Total Net Assets		29,779,454

TOTAL LIABILITIES AND NET ASSETS	\$	57,019,586
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SANDALS CHURCH
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

SUPPORT AND REVENUE	Without donor restrictions	With donor restrictions	Total
SUPPORT			
Tithes and offerings	\$ 16,700,174	\$ 7,951,716	\$ 24,651,890
Assets relieved from restrictions	532,253	(532,253)	-
TOTAL SUPPORT	17,232,427	7,419,463	24,651,890
REVENUES			
Café	334,203	-	334,203
Rental income	429,993	-	429,993
Program income	979,979	-	979,979
Wedding and funeral income	15,650	-	15,650
Interest income	20,154	-	20,154
Other income	14,099	-	14,099
Investment gain/(loss)	(243)	-	(243)
Excess of assets acquired over liabilities assumed in acquisition(s)	10,265,772	-	10,265,772
TOTAL REVENUES	12,059,607	-	12,059,607
TOTAL SUPPORT AND REVENUES	29,292,034	7,419,463	36,711,497
EXPENSES			
Ministry expenses	12,606,211	-	12,606,211
Administrative expenses	4,425,344	-	4,425,344
Fundraising expenses	2,224,344	-	2,224,344
TOTAL EXPENSES	19,255,899	-	19,255,899
Changes in Net Assets	10,036,135	7,419,463	17,455,598
Net Assets at Beginning of Year	11,427,116	896,740	12,323,856
NET ASSETS AT END OF YEAR	\$ 21,463,251	\$ 8,316,203	\$ 29,779,454

SANDALS CHURCH
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

EXPENSES	Ministry Expenses	Admin Expenses	Fundraising Expenses	Total
Salaries	\$ 6,284,065	\$ 761,680	\$ -	\$ 7,045,745
Benefits	857,204	107,795	-	964,999
Payroll taxes	265,651	33,406	-	299,057
Café	188,415	-	-	188,415
Benevolence	109,184	-	230	109,414
Food, gifts and missions	769,698	16,202	7,072	792,972
Retreats and events	206,492	-	-	206,492
Bank and credit card fees	-	228,446	67,562	296,008
Depreciation	920,220	511,234	-	1,431,454
Equipment rentals	59,413	42,296	-	101,709
Insurance	150,393	18,912	-	169,305
Legal and professional	36,266	241,068	-	277,334
Miscellaneous	-	-	-	-
Office expenses	158,821	67,099	596	226,516
Postage and printing	105,066	20,632	18,534	144,232
Rent	206,970	-	-	206,970
Repairs and maintenance	512,699	426,622	-	939,321
Supplies	325,564	-	3,516	329,080
Travel	168,240	34,638	-	202,878
Utilities	446,771	-	-	446,771
Other taxes	-	64,950	-	64,950
Outside services	256,039	42,513	3,956	302,508
Training and tuition	143,278	7,249	-	150,527
Marketing	57,098	-	-	57,098
Camp	291,287	-	-	291,287
Building security	-	46,116	-	46,116
Licenses, fees, permits	-	12,306	-	12,306
Computer expenses	87,377	255,220	-	342,597
Interest expense	-	1,486,960	2,122,878	3,609,838
TOTAL EXPENSES	\$ 12,606,211	\$ 4,425,344	\$ 2,224,344	\$ 19,255,899

SANDALS CHURCH
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 17,455,598
Adjustments to reconcile net income to net cash provided by operating activities	
Noncash items:	
Depreciation expense	1,431,454
Unamortized bond issuance cost	46,609
(Increase) decrease in:	
Prepays	(129,376)
Inventory	(66,556)
Accounts receivable	(107,102)
Pledge receivable	(6,055,291)
Increase (decrease) in:	
Accounts payable	506,880
Accrued liabilities	(29,332)
Accrued interest	249,605
	<u>13,052,884</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>13,052,884</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of fixed assets	(2,484,879)
Purchases of investments	(124,756)
Net deposits to escrow account	(9,389,982)
Net payments from escrow account	8,860,156
Net deposits to sinking fund	(1,771,034)
Net payments from sinking fund	1,374,386
	<u>(3,536,109)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(3,536,109)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from bonds	9,341,662
Payments on bonds	(401,000)
Payments on borrowings	(28,968,497)
Gain from acquisition	10,265,772
	<u>(9,762,063)</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(9,762,063)</u>

Net Increase (Decrease) in Cash	4,317
Beginning Cash and Cash Equivalents	<u>4,637,479</u>
Ending Cash and Cash Equivalents	<u>\$ 4,641,796</u>

SUPPLEMENTAL INFORMATION:

Interest paid	<u>\$ 1,168,210</u>
Taxes paid	<u>\$ 64,950</u>

NOTE 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.

Sandals Church Lake Arrowhead Campus – Lakeside Church in Lake Arrowhead was operationally acquired by the Church on June 10, 2018, at which time it changed its name to Sandals Church Lake Arrowhead. Sandals Church Lake Arrowhead is a California non-profit corporation, separate from the Church, but controlled by the Church, as described above. The Lake Arrowhead Campus is located at 1103 North State Highway 173, Lake Arrowhead, California 92352.

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.

Change in Accounting Principle

On August 18, 2016, FASB Issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic (658) – Presentation of Financial Statements of Not-for Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Sandals Church has implemented ASU 2016-14 and has adjusted the presentation in the financial statements accordingly.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

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.

Advertising

Advertising costs are expensed as incurred. Advertising expense was \$57,098 for the year ended December 31, 2018.

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

Funds received from the pledge campaign has been restricted by donors is not available for operating purposes. As of December 31, 2018, the Church had \$1,328,271 of cash restricted 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.

Escrow Fund

Deposits held in the escrow account represent funds that are held in accordance to the bond agreement for the purposes stated in the bond agreement 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 donor 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), with donor restricted net assets are reclassified to without donor 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, 2018 was \$429,993. The Church's investment in property rented consisted of 49,839 square feet of building of \$4,404,650, less accumulated depreciation of \$780,746, 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.

Pledge Receivables

Pledges are recognized as revenue and as a receivable in the period the pledge is received. Pledges are recognized at net realizable value using an allowance method based on the Church's prior experience with pledge collections. Pledges that remain uncollected one year past the due date are expensed for the amount of the pledge less the allowance recognized at the time the pledge was given.

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 markers 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.

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 3,313,525
Accounts receivable	110,442
Investments	157,539
	\$ 3,581,506

SANDALS CHURCH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 3 - 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, 2018 balances in excess of insured amounts were \$3,827,067.

NOTE 4 – PLEDGE RECEIVABLE

The Church held a fund-raising campaign for funds to help the Church to carry out specific improvements, outreach campaigns and debt reduction plans. Pledges are restricted to payment of the costs associated with the campaign. The pledge receivables of December 31, 2018 are as follows:

Current portion		\$	4,449,965
Less allowance for uncollectible pledge receivables			<u>(948,213)</u>
Total current pledge receivables			<u>\$ 3,501,752</u>
Long term portion			
Less allowance for uncollectible pledge receivables			\$ 3,501,752
Total long term pledge receivables			<u>(948,213)</u>
			<u>\$ 2,553,539</u>

NOTE 5 - INVESTMENTS

Investments at December 31, 2018 are as follows:

Description:	Cost	Fair Value	Appreciation (Depreciation)
Stocks and securities	\$ 149,430	\$ 157,539	\$ 8,109
Total	<u>\$ 149,430</u>	<u>\$ 157,539</u>	<u>\$ 8,109</u>
			Unrealized gain (loss) previously recognized <u>\$ 8,352</u>
			Unrealized gain (loss) on investments - current year <u>\$ (243)</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	\$ 157,539	\$ -	\$ -
Total	<u>\$ 157,539</u>	<u>\$ -</u>	<u>\$ -</u>

SANDALS CHURCH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 6 - FIXED ASSETS

As of December 31, 2018 Sandals Church had the following balances for fixed assets:

	Balance @ 12/31/2017	Additions	Deletions	Balance @ 12/31/2018
Assets				
Land	\$ 120,000	\$ 47,605	\$ -	\$ 167,605
Building - 150	16,974,551	70,663	-	17,045,214
Building - 250	5,302,124	20,414	-	5,322,538
SCEV Building	598,254	31,499	-	629,753
Sound and Video Equipment	2,596,885	1,273,048	-	3,869,933
Equipment and Computers	730,025	236,623	-	966,648
Furniture and Fixtures	517,455	124,208	-	641,663
Vehicles	201,568	70,955	-	272,523
MV Building	863,264	19,158	-	882,422
BA Building	796,752	590,705	-	1,387,457
SB Building	8,738	4,170,869	-	4,179,607
PA Building	241,094	3,205,316	-	3,446,410
Parking lot	1,570,982	-	-	1,570,982
WC Building	-	5,162,229	-	5,162,229
LKAH Building	-	2,573,720	-	2,573,720
Ontario Building	-	2,388,800	-	2,388,800
Total Fixed Assets	30,521,692	19,985,812	-	50,507,504
Accumulated Depreciation	(5,185,888)	(1,431,454)	-	(6,617,342)
	(5,185,888)	(1,431,454)	-	(6,617,342)
Net Fixed Assets	\$ 25,335,804	\$ 18,554,358	\$ -	\$ 43,890,162

Depreciation expense for the year ended amounted to: \$ 1,431,454

NOTE 7 - 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 \$7,045,745 and the total covered payroll amounted to \$3,977,459. The matching employer contribution for the year ended December 31, 2018, was \$221,438.

NOTE 8 - NOTES PAYABLE

The Church assumed responsibility for a promissory note between New Hope Fellowship of 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 1st, 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 1st, 2027 for the principal balance plus monthly interest. The interest rate for the loan is stated at 5.019%.

SANDALS CHURCH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

The future maturities of notes payable as of December 31, 2018 are as follows:

Current portion	\$	36,319
Long-Term		<u>1,500,078</u>
Total	\$	<u>1,536,397</u>
Future Maturities		
2019	\$	36,319
2020		38,123
2021		40,017
2022		321,518
2023		34,530
Thereafter		<u>1,065,890</u>
Total	\$	<u>1,536,397</u>

NOTE 9 - BONDS PAYABLE

The Church issued a series of bonds on February 1, 2015. The bonds are secured by the assets of the Church. The bonds issued totaled \$15,675,000 and have interest rates from 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.

The Church issued an additional series of bonds on February 1, 2018. The bonds are secured by the assets of the Church. The bonds issued totaled \$3,630,000 and have interest rates from 1.75% to 6.00%. Interest on the bonds from February 1, 2018 will be payable on August 1, 2018 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 \$5,325 commencing February 23, 2018 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.

The Church issued a series of bonds on July 6, 2018. The bonds are secured by the assets of the Church. The bonds issued totaled \$6,225,000 and have interest rates from 2.60% to 6.30%. Interest on the bonds from July 6, 2018 will be payable on January 6, 2019 and semiannually thereafter on July 6 and January 6 of each year and at maturity or redemption. The Church agreed to make weekly deposits to a sinking fund of \$11,325 commencing on July 20, 2018 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.

SANDALS CHURCH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

Bonds payable at year end is as follows:

Current portion	\$ 651,000
Long-Term	<u>23,938,000</u>
Total	<u>\$ 24,589,000</u>

Future maturities of bonds payable are as follows:

Future Maturities	
2019	\$ 651,000
2020	672,500
2021	696,000
2022	459,500
2023	215,000
Thereafter	<u>21,895,000</u>
Total	<u>\$ 24,589,000</u>

Bond maturities are as follows:

Maturity	Amount	Rate
1/6/2019	\$ 92,000	2.60%
2/1/2019	231,000	3.25% -2.00%
7/6/2019	94,000	2.85%
8/1/2019	234,000	3.50% -2.25%
1/6/2020	95,000	3.10%
2/1/2020	237,000	3.75% -2.50%
7/6/2020	96,000	3.35%
Aug 1 2020 - Feb 1 2021	489,000	4.00% -2.87%
1/6/2021	98,000	3.60%
Aug 1 2021 - Feb 1 2022	507,000	4.25% -3.38%
7/6/2021	100,000	3.85%
1/6/2022	102,000	4.10%
7/6/2022	104,000	4.35%
Jan 6, 2023 - July 6, 2023	215,000	4.85%
Jan 6, 2024 - July 6, 2024	225,000	5.10%
2/1/2024	1,087,000	5.00% -4.13%
Jan 6, 2025 - July 6, 2025	237,000	5.30%
2/1/2027	1,848,000	5.50% -4.75%
7/6/2028	798,000	5.90%
2/1/2033	4,772,000	6.00% -5.25%
7/6/2033	1,685,000	6.05%
7/6/2038	2,284,000	6.30%
2/1/2040	8,217,000	6.25% -5.93%
2/1/2043	<u>742,000</u>	6.00%
	<u>\$ 24,589,000</u>	

SANDALS CHURCH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 10 - BOND ISSUANCE COST

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

	Beginning Balance	Additions	Deletions	Ending Balance
Bond issue cost	\$ 851,750	\$ 513,339	\$ -	\$ 1,365,089
Accumulated Amortization	(99,371)	(46,610)	-	(145,981)
Total	\$ 752,379	\$ 466,729	\$ -	\$ 1,219,108

Amortization of bond issuance costs are as follows:

2019	\$ 54,603
2020	54,603
2021	54,603
2022	54,603
2023	54,603
Thereafter	946,093
Total	\$ 1,219,108

NOTE 11 - 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,	
2019	\$ 84,327
2020	77,715
2021	30,200
2022	3,914
2023	-
Thereafter	-
Total	\$ 196,156

NOTE 12 - NET ASSETS

With donor restriction – funds restricted by the donor, grantor or other outside party for a particular purpose. At year end the restricted net assets is comprised of the following:

Building fund	364,487
Momentum campaign	7,951,716
Total Temporarily Restricted Net Assets	\$ 8,316,203

NOTE 13 - 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:

Net assets released from restriction	<u>\$ 532,253</u>
Total restrictions released	<u><u>\$ 532,253</u></u>

NOTE 14 - SUBSEQUENT EVENTS

Accounting standards require that Sandals Church assess and disclose the date and the basis for that date through which potential subsequent events have been evaluated. The date represents the date the financial statements were issued or were available to be issued. The Church evaluated all potential subsequent events as of April 2, 2019 when the financial statements were authorized and available to be issued. No subsequent events or transactions were identified after the balance sheet date or as of April 2, 2019 that require disclosure in the financial statements.

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