SANDALS CHURCH

Financial Statements
and
Independent Auditors' Report

<u>For the Year Ended December 31, 2023</u>

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To the Board of Directors
Sandals Church
Riverside, CA

Independent Auditors' Report

Opinion

We have audited the consolidated financial statements of Sandals Church, which comprise the consolidated statement of financial position as of December 31, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to consolidated financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Sandals Church as of December 31, 2023, and the changes in its net assets and its cash flows for the year 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 (GAAS). 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 Sandals 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 the 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 Sandals Church's ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS 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 GAAS, 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 Sandals 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 Sandals 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.

Smith Marion & Co.

April 12, 2024
Redlands, CA

ASSETS	
Current Assets	
Cash	$ 13,024,644
Total Cash, Cash Equivalents, and Restricted Cash	13,024,644
Prepaid expenses	289,065
Employee retention tax credit receivable	1,241,706
Total Current Assets	14,555,415
Other Assets	
Long-term employee benefit	172,626
Investments	719,482
Notes receivables	1,589,466
Property and equipment (net)	56,048,591
Right-of-use asset - operating lease (net)	23,818
Total Other Assets	58,553,983
TOTAL ASSETS	$ 73,109,398
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts payable and accrued liabilities	$ 353,277
Accrued payroll and related taxes	1,453,502
Current portion of note payable	717,454
Current portion of lease liability	23,817
Total Current Liabilities	2,548,050
Non-Current Liabilities	
Note payable	20,754,338
Less loan issuance cost	(214,304)
Lease liability - long-term	-
Total Non-Current Liabilities	20,540,034
Total Liabilities	23,088,084
Net Assets	
Without donor restrictions	49,653,062
With donor restrictions	368,252
Total Net Assets	50,021,314
TOTAL LIABILITIES AND NET ASSETS	$ 73,109,398

SUPPORT AND REVENUE	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT			
Tithes and offerings	$ 23,310,265	$ 275,895	$ 23,586,160
Assets relieved from restrictions	449,307	(449,307)	-
TOTAL SUPPORT	23,759,572	(173,412)	23,586,160
REVENUES			
Café	194,262	-	194,262
Rental income	1,290,173	-	1,290,173
Program income	530,086	-	530,086
Wedding and funeral income	35,643	-	35,643
Interest income	294,082	-	294,082
Incentive income	35,100	-	35,100
Other income	54,405	-	54,405
Gain (loss) on sale of assets	(14,456)	-	(14,456)
Unrealized gain(loss) on investment	67,274	-	67,274
TOTAL REVENUES	2,486,569	-	2,486,569
TOTAL SUPPORT AND REVENUES	26,246,141	(173,412)	26,072,729
EXPENSES			
Ministry expenses	19,095,369	-	19,095,369
Administrative expenses	3,638,175	-	3,638,175
Fundraising expenses	49,138	-	49,138
TOTAL EXPENSES	22,782,682	-	22,782,682
Changes in net assets	3,463,459	(173,412)	3,290,047
Net assets at beginning of year	46,189,603	541,664	46,731,267
NET ASSETS AT END OF YEAR	$ 49,653,062	$ 368,252	$ 50,021,314

See notes to financial statements

Sandals Church
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2023

	Ministry Expenses	Admin Expenses	Fundraising Expenses	Total
Salaries	$ 9,787,719	$ 1,157,130	$ -	$ 10,944,849
Benefits	1,477,406	174,663	-	1,652,069
Payroll taxes	312,713	36,970	-	349,683
Café	182,433	-	-	182,433
Benevolence	438,559	-	-	438,559
Food, gifts, and missions	995,739	1,556	49,138	1,046,433
Retreats and events	177,018	-	-	177,018
Bank and credit card fees	-	426,757	-	426,757
Depreciation	1,658,088	714,556	-	2,372,644
Equipment rentals	20,380	28,415	-	48,795
Insurance	226,693	97,694	-	324,387
Legal and professional	10,039	64,342	-	74,381
Office expenses	198,549	92,592	-	291,141
Postage and printing	141,118	6,130	-	147,248
Rent	108,396	-	-	108,396
Repairs and maintenance	615,104	265,080	-	880,184
Supplies	732,058	-	-	732,058
Travel	226,634	2,638	-	229,272
Utilities	723,296	-	-	723,296
Other taxes	-	65,911	-	65,911
Outside services	269,356	10,650	-	280,006
Training and tuition	157,178	2,322	-	159,500
Marketing	44,250	-	-	44,250
Camp	590,154	-	-	590,154
Building security	-	7,662	-	7,662
Licenses, fees, and permits	-	24,875	-	24,875
Computer expenses	2,489	169,217	-	171,706
Interest expense	-	128,868	-	128,868
Bad debt	-	160,147	-	160,147
	$ 19,095,369	$ 3,638,175	$ 49,138	$ 22,782,682

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 3,290,047
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation expense	2,372,644
Loan issuance cost	27,952
Loss on disposal of assets	(64,169)
Net realized and unrealized gain on investments	(93,427)
(Increase) Decrease in:	
Inventory	112,576
Prepaids	(14,146)
Pledge receivable	160,147
Notes receivable	(300,313)
Long-term employee benefit	25,701
Increase (Decrease) in:	
Accounts payable	166,168
Accrued liabilities	70,886
Lease liabilities	934
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	5,755,000
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of fixed assets	(4,444,429)
Proceeds from sale of fixed assets	1,503,399
Purchases of investments	(838,187)
Proceeds from sale of investments	781,002
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(2,998,215)
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on loans	(2,115,515)
Proceeds from line of credit	(1,705,392)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(3,820,907)
Net increase (decrease) in cash, cash equivalents, and restricted cash	(1,064,122)
Beginning cash, cash equivalents, and restricted cash	14,088,766
Ending Cash, Cash Equivalents, and Restricted Cash	$ 13,024,644
SUPPLEMENTAL INFORMATION:	
Interest paid	$ 80,486

NOTE 1 – PRINCIPAL ACTIVITY AND 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 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 Ministries" and collectively as the "Affiliated Ministries"), 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 organizations 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 Ministries are as follows:

Name	Location	Date Operationally Acquired
East Valley Campus	California	October 2015
Moreno Valley Campus	California	February 2017
Banning Campus	California	June 2017
Palm Avenue Campus	California	August 2017
San Bernardino Campus	California	November 2017
Lake Arrowhead Campus	California	June 2018
ROGO Ministries	California	September 2018
Fresno Campus	California	August 2019
Azusa Campus	California	April 2020
Anaheim Campus	California	December 2020
Santa Rosa Campus	California	December 2021

Basis of Accounting

The financial statements of the Church have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Church reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. The following provides an explanation of net assets categories included in the accompanying financial statements:

Net Assets without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Church. These net assets may be used at the discretion of the Church's management and the Board of Directors.

Net Assets with Donor Restrictions – Net assets subject to stipulations imposed by donors or certain grantors. Some donor restrictions are temporary in nature; those restrictions will be met by the actions of the Church or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Principle of Consolidation

The consolidated financial statements include the accounts of the Church and the Affiliated Ministries. 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.

Cash, Cash Equivalents, and Restricted Cash

The Church considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Funds received from the Momentum pledge campaign is restricted by donors for long term purposes and is not available for operating purposes. As of December 31, 2023, the Church had $- of cash restricted at year end.

Concentrations of Credit and Market Risk

Financial instruments that potentially expose the Church to concentrations of credit and market risk consist primarily of cash and cash equivalents investments. The Church maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. The Church's cash and cash equivalent accounts have been placed with high credit quality financial institutions. The Church has not incurred losses, nor does it anticipate any losses with respect to such accounts related to this activity. As of December 31, 2023, balances in excess of insured amounts were $6,004,943.

The Church maintains cash at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation (FDIC). The FDIC fully insures all funds up to $250,000. The Church also uses Insured Cash Sweep accounts which insurance funds up to $5,900,000.

Investments with brokers are insured by the Securities Investor Protection Corporation (SIPC) up to $500,000 of which $250,000 may be cash. Insurance protects assets in the case of broker-dealer insolvency and not against decline in market values.

Credit risk associated with accounts receivable is considered to be limited due to high historical collection rates and because outstanding amounts are due from individuals supportive of the Church's mission.

Property and Equipment, Net

Property and equipment are stated at cost at date of purchase or estimated fair market value at the date of donation. Depreciation is calculated using the straight-line method over the lesser of the estimated useful lives of the assets or the lease term. The Church's policy is to capitalize renewals and betterments acquired for greater than $3,000, with useful life greater than one year, and expense normal repairs and maintenance as incurred or projects greater than $25,000. The Church's management periodically evaluates whether events or circumstances have occurred indicating the carrying amount of long-lived assets may not be recovered. 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

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Investments
Investments are recorded at cost, if purchased or at fair value, if donated. Thereafter, investments are reported at their fair values in the statement of financial position, and changes in fair value are reported as investment return in the statements of activities. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses. All gains and losses and investment income are recorded in the statement of activities according to the nature of donor restrictions.

Fair Value Measurements
Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Church groups assets at fair value in three levels based on the markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine fair value.

These levels are:

Level 1 Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2 Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in non-active markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 Unobservable inputs that cannot be corroborated by observable market data.

Leases
The Church determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Church does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Revenue and Revenue Recognition
The Church recognizes revenue from products and services when the performance obligations of transferring the products and providing the services are met. Café sales and the sale of merchandise are recognized at the time of purchase.

The Church recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

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.

Advertising
Advertising costs are expensed as incurred. Advertising expense was $44,250 for the year ended December 31, 2023.

Functional Allocation of Expenses
The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of 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 of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Income Tax Status
Sandals Church and the Affiliated Ministries are exempt from income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue Code Section 23701d, though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Church has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Church has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

The Church and the Affiliated Ministries have been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Internal Revenue Code.

The Church and the Affiliated Ministries 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 Ministries 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 Ministries file California income tax returns they would remain subject to examination by the Franchise Tax Board for the prior four tax years.

NOTE 2 – LIQUIDITY AND AVAILABLITY

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	$ 13,024,644
Investments	719,482
Total financial assets available for general expenditure within one year	$ 13,744,126

The Church manages its liquidity following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient funds to provide reasonable assurance that ling-term obligations will be discharged.

NOTE 3 – LONG-TERM EMPLOYEE BENEFIT

In August of 2020, the Church gifted Pastor Matthew Brown a total sum of $214,285 as a retention incentive. The gift was made in the form of a forgivable loan. The Church will forgive a prorated amount each pay period in the amount equal to 1/60th of the gift commencing on the first pay period of 2021, through December 31, 2030. The forgivable loan will be immediately forgiven upon termination without cause, resignation for good reason or death or disability. In the event of termination, or cause, or resignation without good reason prior to full forgiveness, the parties will meet in good faith to establish a repayment schedule for the remaining balance to be paid in equal installments over a period of not less than ten years from the date of termination.

In April of 2022, the Church gifted Daniel Zimbardi a total sum of $25,000 as a retention incentive. The gift was made in the form of a forgivable loan. The Church will forgive a prorated amount each pay period in the amount equal to 1/60th of the gift commencing on the first pay period of 2023, through December 31, 2027. The forgivable loan will be immediately forgiven upon termination without cause, resignation for good reason or death or disability. In the event of termination, or cause, or resignation without good reason prior to full forgiveness, the parties will meet in good faith to establish a repayment schedule for the remaining balance to be paid in equal installments over a period of not less than ten years from the date of termination.

NOTE 4 – INVESTMENTS

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. Investments at December 31, 2023, are as follows:

	Fair Value Measurements on a Recurring Basis as of December 31,2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Exchange traded funds	$ 156,602	$ -	$ -	$ 156,602
Mutual funds	297,259	-	-	297,259
Equity	242,992	-	-	242,992
	$ 696,853	$ -	$ -	696,853
Not subject to fair value hierarchy:				
Cash				22,629
				$ 719,482

NOTE 5 – NOTES RECEIVABLE

In July 2020, the Church entered into an interest only note for the principal amount of $1,075,000. The interest rate on the note is 6.5% per annum, payable in monthly installments equal to interest only of $5,822 beginning on December 1, 2020, and continuing until November 30, 2023, at which time the entire unpaid principal and any accrued interest is all due and payable in full. The note is secured by the Deed of Trust for property located in Ontario, California. The full note receivable balance has been received as of March 2024.

NOTE 6 – FIXED ASSETS

As of December 31, 2023, the Church had the following balances for fixed assets:

	Balance @ 12/31/2022	Additions	Deletions	Balance @ 12/31/2023
Assets				
Nondepreciable assets				
Land	$ 7,668,221	$ -	$ -	$ 7,668,221
Construction in progress	524,213	1,202,121	(1,407,510)	318,824
Parking lot	1,696,487	-	-	1,696,487
Total nondepreciable assets	9,888,921	1,202,121	(1,407,510)	9,683,532
Depreciable assets				
Building 150	14,984,585	-	-	14,984,585
Building 250	3,892,429	-	-	3,892,429
EV building	751,804	-	-	751,804
MV building	839,147	-	-	839,147
BA building	1,115,800	-	-	1,115,800
SB building	3,838,809	516,562	-	4,355,371
PA building	1,954,907	24,505	-	1,979,412
WC building	3,865,521	-	-	3,865,521
LKAH building	2,598,306	-	-	2,598,306
Santa Rosa building	3,328,450	-	-	3,328,450
Fresno building	748,483	5,450	-	753,933
Anaheim building	8,816,800	-	-	8,816,800
Azusa building	1,238,068	356,347	-	1,594,415
Menifee building	-	2,056,347	-	2,056,347
Palm MPB	1,705,392	-	-	1,705,392
Sound and video equipment	5,342,350	98,318	(54,156)	5,386,512
Equipment and computers	1,314,445	26,052	(8,524)	1,331,973
Furniture and fixtures	3,012,461	60,651	-	3,073,112
Environments	258,650	-	-	258,650
Vehicles	393,939	98,076	(33,209)	458,806
Building improvements	272,718	-	-	272,718
Total depreciable assets	60,273,064	3,242,308	(95,889)	63,419,483
Total Fixed Assets	70,161,985	4,444,429	(1,503,399)	73,103,015
Accumulated Depreciation	(14,745,949)	(2,372,644)	64,169	(17,054,424)
	(14,745,949)	(2,372,644)	64,169	(17,054,424)
Net Fixed Assets	$ 55,416,036	$ 2,071,785	$ (1,439,230)	$ 56,048,591

Depreciation expense for the year ended amounted to:	$ 2,372,644

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 $10,944,849, and the total covered payroll amounted to $8,420,533. The matching employer contribution for the year ended December 31, 2023, was $303,287.

NOTE 8 – NOTES PAYABLE

The Church entered into a loan agreement with Pacific Premier Bank in September 2021, for $24,695,000. The Church is to pay principal and interest on a monthly basis, for 120 months, beginning in September 2021, with a final payment on October 2031, for the principal balance plus monthly interest. The interest rate for the loan is fixed at 3%.

The future maturities of notes payable as of December 31, 2023, are as follows:

Current portion	$	717,454
Long-term		20,754,338
Total	$	21,471,792

Future maturities		
2023	$	717,454
2024		741,543
2025		764,415
2026		787,993
2027		810,596
Thereafter		17,649,791
Total	$	21,471,792

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NOTE 9 – LEASES

Lessee

The Church evaluated current contracts to determine which met the criteria of a lease. The right-of-use (ROU) assets represent the Church's right to use underlying assets for the lease term, and the lease liabilities represent the Church's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. The Church has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. The weighted-average discount rate applied to calculate lease liabilities as of December 31, 2023, was 4.60%.

The Church's operating leases consisted primarily of real estate leases. The Church leases building space under various operating leases with expiring dates from 2022 through 2024.

For the year ended December 31, 2023, total operating lease cost was $75,241.

The composition of right-of-use assets are as follows for the fiscal year ending December 31, 2023:

Right-of-use assets - operating	
Office spaces	$ 567,603
Accumulated amortization - operating	(543,785)
	$ 23,818
Lease liability	$ 23,817

The following summarizes the cash flow information related to operating leases for the year ended December 31, 2023:

Cash paid for amounts included in the measurements of lease liabilities:	
Operating cash flows for operating leases	$ 74,306
Lease assets obtained in exchange for lease liabilities:	
Operating leases	$ 74,306

Weighted average lease terms and discount rate as of December 31, 2023, were as follows:

Weighted average remaining lease term	0.42 years
Weighted average discount rate	4.60%

The following operating payments are expected to be paid for each of the following years ending December 31, as follows:

2024	$	24,000
2025		-
2026		-
2027		-
2028		-
Thereafter		-
		24,000
Less present value discount		(183)
Lease liability	$	23,817

For the year ended December 31, 2023, total operating lease cost was $97,530, and total short-term lease cost was approximately $23,224.

Lessor

The Church leases Church-owned property to outside entities for commercial use under noncancelable operating leases. The Church's investment in property rented consisted of 39,863 square feet of building at a cost of $2,586,234 less accumulated depreciation of $849,938, which are recorded in the Church's statement of financial position.

Future minimum rental payments are as follows:

Years Ending December 31,		
2024	$	512,040
2025		512,040
Total	$	1,024,080

The Church also rents space to other entities and congregations under cancelable rent agreements at various locations. Total rental revenue for the fiscal year ended December 31, 2023, was $1,290,173.

NOTE 10 – NET ASSETS

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

Momentum campaign	$	368,252
Net Assets with Donor Restrictions	$	368,252

NOTE 11 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released 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 restrictions	$	449,307
Total Restrictions Released	$	449,307

NOTE 12 – SUBSEQUENT EVENTS

Sandals Church has evaluated subsequent events through April 12, 2024, the date on which the financial statements were available to be issued.

As of March 2024, the note receivable in the amount of $1,075,000, which was secured by the Deed of Trust for the property located in Ontario, California has been fully received.

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