

**COAST HILLS COMMUNITY CHURCH
OF THE SADDLEBACK VALLEY, INC.**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

June 30, 2023 and 2022

**COAST HILLS COMMUNITY CHURCH
OF THE SADDLEBACK VALLEY, INC.**

June 30, 2023 and 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Elders
Coast Hills Community Church
of the Saddleback Valley, Inc.
Aliso Viejo, California

Opinion

We have audited the financial statements of Coast Hills Community Church of the Saddleback Valley, Inc., which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Coast Hills Community Church of the Saddleback Valley, Inc. as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Coast Hills Community Church of the Saddleback Valley, Inc. 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 Coast Hills Community Church of the Saddleback Valley, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' 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 auditors' 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 Coast Hills Community Church of the Saddleback Valley, Inc.'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 Coast Hills Community Church of the Saddleback Valley, Inc.'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.



Ronald Blue & Co. CPAs

Santa Ana, California
November 15, 2023

**COAST HILLS COMMUNITY CHURCH
OF THE SADDLEBACK VALLEY, INC.**

STATEMENTS OF FINANCIAL POSITION

June 30, 2023 and 2022

	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 349,208	\$ 912,192
Cash and cash equivalents - restricted	<u>256,997</u>	<u>312,098</u>
Total cash and cash equivalents	606,205	1,224,290
Investments	1,012,863	-
Other receivables	<u>354</u>	<u>2,000</u>
Total current assets	<u>1,619,422</u>	<u>1,226,290</u>
Noncurrent assets:		
Property and equipment, net	<u>6,261,916</u>	<u>6,517,196</u>
Total noncurrent assets	<u>6,261,916</u>	<u>6,517,196</u>
Total assets	<u>\$ 7,881,338</u>	<u>\$ 7,743,486</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 34,895	\$ 1,560
Accrued salaries and vacation	65,869	60,205
Rent deposits	1,710	4,000
Note payable - current portion	<u>125,973</u>	<u>120,033</u>
Total current liabilities	<u>228,447</u>	<u>185,798</u>
Noncurrent liabilities:		
Note payable, net	<u>5,123,506</u>	<u>5,240,589</u>
Total noncurrent assets	<u>5,123,506</u>	<u>5,240,589</u>
Total liabilities	<u>5,351,953</u>	<u>5,426,387</u>
Net assets:		
Without donor restrictions	2,272,388	2,005,001
With donor restrictions	<u>256,997</u>	<u>312,098</u>
Total net assets	<u>2,529,385</u>	<u>2,317,099</u>
Total liabilities and net assets	<u>\$ 7,881,338</u>	<u>\$ 7,743,486</u>

See accompanying notes and independent auditors' report

**COAST HILLS COMMUNITY CHURCH
OF THE SADDLEBACK VALLEY, INC.**

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2023 and 2022

	2023			2022		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Support and revenues:						
Tithes and offerings	\$ 2,086,135	\$ 57,512	\$ 2,143,647	\$ 2,165,877	\$ 49,061	\$ 2,214,938
Stock donations	41,025	-	41,025	-	-	-
Ministry fees	37,965	-	37,965	28,190	-	28,190
Mission trips	30,020	-	30,020	6,635	-	6,635
Retreats, camps and events, net	7,943	-	7,943	8,343	-	8,343
Investment income, net	13,683	-	13,683	-	-	-
Rental income	295,063	-	295,063	170,820	-	170,820
Grant income - ERC	62,797	-	62,797	-	-	-
Other income	190	-	190	512	-	512
Loss on disposal of assets	-	-	-	(672)	-	(672)
Net assets released from restrictions	112,613	(112,613)	-	11,911	(11,911)	-
Total support and revenues	2,687,434	(55,101)	2,632,333	2,391,616	37,150	2,428,766
Expenses:						
Program activities:						
Ministry	1,854,740	-	1,854,740	2,235,445	-	2,235,445
Supporting activities:						
General and administrative	562,329	-	562,329	393,140	-	393,140
Fundraising	2,978	-	2,978	505	-	505
Total supporting activities	565,307	-	565,307	393,645	-	393,645
Total expenses	2,420,047	-	2,420,047	2,629,090	-	2,629,090
Change in net assets	267,387	(55,101)	212,286	(237,474)	37,150	(200,324)
Net assets, beginning of year	2,005,001	312,098	2,317,099	2,242,475	274,948	2,517,423
Net assets, end of year	\$ 2,272,388	\$ 256,997	\$ 2,529,385	\$ 2,005,001	\$ 312,098	\$ 2,317,099

See accompanying notes and independent auditors' report

**COAST HILLS COMMUNITY CHURCH
OF THE SADDLEBACK VALLEY, INC.**

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2023

	<u>Program activities</u>	<u>Supporting activities</u>		<u>Total</u>
	<u>Ministry</u>	<u>General and administrative</u>	<u>Fundraising</u>	
Expenses:				
Salaries	\$ 514,965	\$ 302,440	\$ -	\$ 817,405
Payroll taxes	28,414	16,687	-	45,101
Employee benefits	95,562	56,124	-	151,686
Total salaries and related expenses	638,941	375,251	-	1,014,192
Advertising and marketing	-	-	2,978	2,978
Auto and mileage	8,597	266	-	8,863
Bank and merchant Fees	-	42,817	-	42,817
Conferences and travel	11,170	-	-	11,170
Depreciation	348,048	10,764	-	358,812
Dues and subscriptions	53,393	1,651	-	55,044
Food and Beverage	59,651	-	-	59,651
Guest artists and speakers	150	-	-	150
Musicians and contract workers	68,418	33,699	-	102,117
Insurance	-	26,075	-	26,075
Interest	256,419	7,930	-	264,349
Ministry and outreach	49,045	-	-	49,045
Miscellaneous	274	14	-	288
Missions and missionary support	108,922	-	-	108,922
Postage and shipping	1,427	611	-	2,038
Printing	6,677	2,862	-	9,539
Professional services	-	46,210	-	46,210
Repairs and maintenance	98,617	3,050	-	101,667
Small equipment	15,700	826	-	16,526
Supplies	22,909	1,206	-	24,115
Taxes and licenses	3,632	3,632	-	7,264
Telephones	7,561	2,521	-	10,082
Utilities	95,189	2,944	-	98,133
Total expenses	\$ 1,854,740	\$ 562,329	\$ 2,978	\$ 2,420,047

See accompanying notes and independent auditors' report

**COAST HILLS COMMUNITY CHURCH
OF THE SADDLEBACK VALLEY, INC.**

STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)

For the Year Ended June 30, 2022

	Program activities	Supporting activities		Total
	Ministry	General and administrative	Fundraising	
Expenses:				
Salaries	\$ 874,663	\$ 154,352	\$ -	\$ 1,029,015
Payroll taxes	34,958	6,169	-	41,127
Employee benefits	99,315	17,526	-	116,841
Total salaries and related expenses	1,008,936	178,047	-	1,186,983
Advertising and marketing	-	-	505	505
Auto and mileage	2,567	79	-	2,646
Bank and merchant Fees	-	60,435	-	60,435
Conferences and travel	24,155	-	-	24,155
Depreciation	352,241	10,894	-	363,135
Dues and subscriptions	32,196	996	-	33,192
Food and Beverage	56,161	-	-	56,161
Guest artists and speakers	37,320	-	-	37,320
Musicians and contract workers	25,236	12,429	-	37,665
Insurance	-	52,442	-	52,442
Interest	211,417	6,539	-	217,956
Ministry and outreach	123,433	-	-	123,433
Miscellaneous	33,013	1,738	-	34,751
Missions and missionary support	83,838	-	-	83,838
Postage and shipping	1,254	538	-	1,792
Printing	12,527	5,369	-	17,896
Professional services	-	51,769	-	51,769
Repairs and maintenance	103,996	3,216	-	107,212
Small equipment	9,524	501	-	10,025
Supplies	13,841	729	-	14,570
Taxes and licenses	2,921	2,921	-	5,842
Telephones	4,558	1,519	-	6,077
Utilities	96,311	2,979	-	99,290
Total expenses	\$ 2,235,445	\$ 393,140	\$ 505	\$ 2,629,090

See accompanying notes and independent auditors' report

**COAST HILLS COMMUNITY CHURCH
OF THE SADDLEBACK VALLEY, INC.**

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Change in net assets	\$ 212,286	\$ (200,324)
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	358,812	363,135
Loss on disposal of assets	-	672
Unrealized gain on investments	(6,642)	-
Stock donations	(41,025)	-
Interest expense - loan fees	2,573	214
Loss on loan fees	-	2,754
Changes in:		
Other receivables	1,646	(1,400)
Accounts payable	33,335	(15,202)
Accrued interest	-	(12,880)
Rent deposits	(2,290)	2,000
Accrued salaries and vacation	<u>5,664</u>	<u>(13,604)</u>
Net cash provided by operating activities	<u>564,359</u>	<u>125,365</u>
Cash flows from investing activities		
Purchase of investments	(1,000,000)	-
Sales of investments	34,805	-
Purchases of property and equipment	<u>(103,533)</u>	<u>(50,250)</u>
Net cash used by investing activities	<u>(1,068,728)</u>	<u>(50,250)</u>
Cash flows from financing activities		
Extinguishment of note payable	-	(5,203,332)
Proceeds from new note payable	-	5,400,000
Acquisition of loan fees	-	(25,725)
Principal payments on notes payable	<u>(113,716)</u>	<u>(267,197)</u>
Net cash used by financing activities	<u>(113,716)</u>	<u>(96,254)</u>
Net change in cash and cash equivalents	(618,085)	(21,139)
Total cash and cash equivalents, beginning of year	<u>1,224,290</u>	<u>1,245,429</u>
Total cash and cash equivalents, end of year	<u>\$ 606,205</u>	<u>\$ 1,224,290</u>

See accompanying notes and independent auditors' report

**COAST HILLS COMMUNITY CHURCH
OF THE SADDLEBACK VALLEY, INC.**

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

Note 1 – Summary of significant accounting policies

The following significant accounting policies are presented to assist the reader in understanding the financial statements of Coast Hills Community Church of the Saddleback Valley, Inc. (Coast Hills). The financial statements and notes are representations of Coast Hills' management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (US GAAP) and have been consistently applied in the preparation of the financial statements.

Nature of activities

Coast Hills, a California non-profit corporation, is a non-denominational church in the city of Aliso Viejo, California. The purpose of Coast Hills is to glorify God together through LIFE in the pursuit of real and right relationships with Him and others, as we live out the love and truth of Scripture. Coast Hills is also known as Coast Hills Church. Coast Hills is primarily supported by tithes and offerings from the church body.

Basis of accounting

The financial statements of Coast Hills have been prepared on the accrual basis in accordance with US GAAP and accordingly reflect all significant receivables, payables, and other liabilities.

Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Concentration of credit risk

Coast Hills maintains its cash deposit accounts at commercial banks located in Southern California. Cash held at Five Star Bank, Bank of the West, and Merrill Lynch is insured by the Federal Deposit Insurance Corporation (FDIC), with each account insured up to \$250,000. Approximately \$347,350 and \$621,073 was on deposit at financial institutions in excess of FDIC limits at June 30, 2023 and 2022, respectively. These accounts may also, at times, exceed the privately insured limits. Coast Hills has not experienced any losses on such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

Cash and cash equivalents

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. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

**COAST HILLS COMMUNITY CHURCH
OF THE SADDLEBACK VALLEY, INC.**

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

Note 1 – Summary of significant accounting policies (continued)

Cash and cash equivalents – restricted

Coast Hills routinely receives contributions that are subject to donor-imposed restrictions. Restricted cash consists of those amounts set aside to comply with such restrictions.

Certificates of deposit

Investments consist of certificates of deposits at various banks, carried at fair market value, with initial maturity dates of less than twelve months. All certificates of deposit are within the FDIC insured limits. Coast Hills recognizes the realized and unrealized gains/loss in the change in net assets in the year that it occurs. Although some of the investments meet the definition of cash and cash-equivalents, they are part of a larger pool, and therefore are classified as investments.

Fair value measurements

The framework for measuring fair value provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Coast Hills has the ability to access.

Level 2: Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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.

**COAST HILLS COMMUNITY CHURCH
OF THE SADDLEBACK VALLEY, INC.**

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

Note 1 – Summary of significant accounting policies (continued)

Property and equipment

Capital expenditures over \$5,000 for property and equipment are capitalized, and presented at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, which range from 5 to 40 years. Donated assets are capitalized at their approximate fair market value at the date of the gift. Depreciation expense for the years ended June 30, 2023 and 2022, was \$358,812, and \$363,135, respectively.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows (undiscounted and without interest) expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. During 2023 and 2022, there were no events or changes in circumstances indicating that the carrying amount of long-lived assets may not be recoverable.

Net assets

Coast Hills reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as net assets with donor restrictions, depending on the nature of restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. At June 30, 2023 and 2022, net assets with donor restrictions consisted of \$256,997 and \$312,098, respectively.

Revenue recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a benefit interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Revenue is recognized when earned.

Rental income under an operating lease agreement should be recognized on a straight-line basis. Coast Hills records rental income according to each tenant's lease agreement. The difference between the two methods was determined to be immaterial to the financial statements.

**COAST HILLS COMMUNITY CHURCH
OF THE SADDLEBACK VALLEY, INC.**

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

Note 1 – Summary of significant accounting policies (continued)

Revenue recognition (continued)

Revenue from contracts is recognized when Coast Hills satisfies a performance obligation by transferring a promised good or service to a customer. Coast Hills considers the terms of the contract and all relevant facts and circumstances when applying the revenue recognition standard. Coast Hills also applies the revenue recognition standard consistently to contracts with similar characteristics and in similar circumstances.

Gifts-in-kind

Volunteers contribute amounts of time to the program activities, administration, and fundraising and development activities carried out by Coast Hills. However, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by US GAAP. Contributed goods and services are recorded at fair value at the date of the donation. During the years ended June 30, 2023 and 2022, Coast Hills received no significant gifts-in-kind.

Concentration of support and revenue

Coast Hills receives approximately 81% of its annual budget from the church body and other donor contributions.

Functional allocation of expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Certain significant expenses are allocated on a basis of square footage, such as depreciation and interest; while others are allocated on a basis of time and effort estimates, such as salaries, payroll taxes, and employee benefits.

Advertising and marketing costs

Coast Hills expenses all advertising and marketing costs as they are incurred. Advertising and marketing costs for the years ended June 30, 2023 and 2022, was \$2,978 and \$505, respectively.

Income taxes

Coast Hills is exempt from Federal and California income tax under Internal Revenue Code Section 501(c)(3). Coast Hills is subject, however, to Federal and California income tax on unrelated business income as stipulated in Internal Revenue Code Section 511 and Regulation Section 1.511. During the years ended June 30, 2023 and 2022, Coast Hills had incurred no tax liability due to unrelated business income. Coast Hills does not believe its financial statements include (or reflect) any uncertain tax positions.

**COAST HILLS COMMUNITY CHURCH
OF THE SADDLEBACK VALLEY, INC.**

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

Note 1 – Summary of significant accounting policies (continued)

Adoption of new accounting standards

Gifts-in-kind

Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, went into effect and was adopted by Coast Hills for the year ended June 30, 2022. The ASU requires Coast Hills to present gifts-in-kind as a separate line item in the statements of activities, apart from contributions of cash and other financial assets. The standard also increases the disclosure requirements related to contributed materials and services, including a disaggregation of contributions by type. Adoption of this ASU did not have a significant impact on the financial statements, with the exception of increased disclosure.

Leases

In February 2016, the Financial Accounting Standards Board (FASB) established Accounting Standards Codification (ASC) Topic 842, *Leases*, by issuing Accounting Standards Update (ASU) 2016-02, which requires lessees to recognize leases on the statement of financial position, and disclose key information about leasing arrangements. The ASU went into effect for non-public entities with fiscal years beginning after December 15, 2021. Therefore, Coast Hills has adopted the new accounting standard on July 1, 2022.

Coast Hills has elected to transition using the effective method under the modified retrospective approach, by which a cumulative-effect adjustment is made on the initial date of adoption for existing leases, and comparative periods are presented under the prior lease Topic ASC 840, that was superseded by ASC 842. Additionally, Coast Hills has elected to apply the package of practical expedients that allows opting out of re-evaluation and re-assessment of existing lease agreements under the new standard, instead relying on the historical determination and values.

Coast Hills has lease arrangements for certain equipment. These leases typically have original terms of 36 to 60 months, and do not include extension or purchase options that Coast Hills is reasonably certain to exercise. None of the lease arrangements include residual value guarantees or restrictive covenants. Coast Hills's lease arrangements may contain nonlease components; Coast Hills has elected to combine and account for lease and nonlease components as a single lease component for all leases. Payments for the leases are predominantly fixed, but can contain variable costs for usage-based metrics. Such payments are accounted for separately and are not included in the capitalization and amortization of the leases. In accordance with US GAAP, Coast Hills considers materiality of the present value total lease payments when applying lease accounting standards and preparing disclosures. As of June 30, 2023, there were no leases that met the threshold for recognition under ASC 842.

Under ASC 840 for the year ended June 30, 2022, lease expense was \$13,382.

**COAST HILLS COMMUNITY CHURCH
OF THE SADDLEBACK VALLEY, INC.**

NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

Note 1 – Summary of significant accounting policies (continued)

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications had no impact on net assets.

Note 2 – Liquidity and availability

As part of liquidity management, Coast Hills has put a policy in place to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Financial assets available for general expenditure within one year consisted of the following at June 30, 2023:

Total cash and cash equivalents	\$	606,205
Other receivables		<u>354</u>
Total financial assets		<u>606,559</u>
Donor contributions with specific purpose restrictions		<u>256,997</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u><u>349,562</u></u>

Note 3 – Investments

Investments consisted as of the following at the years ended June 30:

	2023	2022
Cash and cash equivalents	\$ 527,339	\$ -
Certificates of deposit	<u>485,524</u>	<u>-</u>
Total investments	<u><u>\$ 1,012,863</u></u>	<u><u>\$ -</u></u>

Investment income consisted of the following at the years ended June 30:

	2023	2022
Interest and dividends	\$ 7,420	\$ -
Unrealized gain	6,642	-
Less: fees	<u>(379)</u>	<u>-</u>
Total investment income, net	<u><u>\$ 13,683</u></u>	<u><u>\$ -</u></u>

**COAST HILLS COMMUNITY CHURCH
OF THE SADDLEBACK VALLEY, INC.**

NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

Note 4 – Fair value measurement

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2023.

Certificates of deposit: Valued at amortized cost which approximates fair value.

The following table sets forth by level, within the fair value hierarchy Coast Hills’s assets at fair value as of June 30:

	2023			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Cash and cash equivalents	\$ 527,339	\$ -	\$ -	\$ 527,339
Certificates of deposit	485,524	-	-	485,524
Total investments	<u>\$ 1,012,863</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,012,863</u>

Note 5 – Property and equipment

Property and equipment consisted of the following at June 30:

	2023	2022
Land	\$ 3,242,559	\$ 3,242,559
Building and improvements	8,691,093	8,661,681
Furniture and fixtures	423,647	411,197
Machinery and equipment	496,022	495,855
Vehicles	26,687	26,687
Construction in progress	51,077	-
Total property and equipment	12,931,085	12,837,979
Less: accumulated depreciation	(6,669,169)	(6,320,783)
Property and equipment, net	<u>\$ 6,261,916</u>	<u>\$ 6,517,196</u>

Land and building and improvements are encumbered. See Note 6.

Construction in progress consists primarily of a bathroom renovation project.

**COAST HILLS COMMUNITY CHURCH
OF THE SADDLEBACK VALLEY, INC.**

NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

Note 6 – Note payable

Note payable consisted of the following at June 30:

	2023	2022
On May 13, 2022, Coast Hills entered into as note payable, secured by real property. With an original amount of \$5,400,000, the note requires monthly principal and interest payments of \$31,291 at a rate of 4.84%. All outstanding principal and interest are due May 13, 2032.	<u>\$ 5,272,417</u>	<u>\$ 5,386,133</u>
Total note payable	5,272,417	5,386,133
Less: current portion	(125,973)	(120,033)
Less: loan fees, net	<u>(22,938)</u>	<u>(25,511)</u>
Total note payable, net	<u><u>\$ 5,123,506</u></u>	<u><u>\$ 5,240,589</u></u>

Future minimum principal payments consist of the following for the years ended June 30:

2024	\$ 125,973
2025	132,208
2026	138,750
2027	145,617
2028	152,823
Thereafter	4,577,046

Interest expense for the years ended June 30, 2023 and 2022, was \$264,349 and \$217,956 of which \$2,573 and \$214 was related to loan fees, respectively.

**COAST HILLS COMMUNITY CHURCH
OF THE SADDLEBACK VALLEY, INC.**

NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

Note 8 – Net assets

Net assets consisted of the following at June 30:

	2023	2022
Without donor restrictions:		
Undesignated	<u>\$ 2,272,388</u>	<u>\$ 2,005,001</u>
With donor restrictions:		
34 Stitches	15,963	16,407
Building fund	189,139	251,878
Family Life	35,849	31,367
Foster & Adoption	5,391	5,391
Gift of the Word	<u>10,655</u>	<u>7,055</u>
Total net assets with donor restrictions	<u>256,997</u>	<u>312,098</u>
Total net assets	<u><u>\$ 2,529,385</u></u>	<u><u>\$ 2,317,099</u></u>

Note 9 – Retreats, camps and events

Retreats, camps, and events income and expenses were comprised of the following for the years ended June 30:

	2023	2022
Income	\$ 201,719	\$ 138,356
Expenses	<u>(193,776)</u>	<u>(130,013)</u>
Retreats, camps and events, net	<u><u>\$ 7,943</u></u>	<u><u>\$ 8,343</u></u>

Note 10 – Rental income

On February 7, 2023, Coast Hills executed a second amendment lease agreement with New Cingular Wireless PCS, LLC for a cell tower on the premises. Th amendment is pursuant to an original agreement dated in May 2002, which contains four consecutive 5-year options to renew. Coast Hills has renewed each option, and expects the agreement to continue through all possible renewal options, which would expire in May 2032. The annual rental income increases by 3% each calendar year.

Coast Hills also receives rental income from short-term arrangements of less than 12 months.

**COAST HILLS COMMUNITY CHURCH
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NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

Note 11 – Grant income

Coast Hills was approved to receive funds from the IRS through the Employee Retention Credit in the amount of \$62,797. During the year ended June 30, 2023, the full amount of \$62,797 was received and recognized as grant income on the statement of activities.

Note 12 – Annuity plan

Coast Hills provides a tax deferred annuity plan under IRS Code Section 403(b) for eligible employees. There is no age or service requirement for participating in the plan; however, to be eligible for employer contributions, an employee must be 21 years of age, have completed one year of service, and normally work more than 30 hours per week. Coast Hills' contributions are determined annually as a percentage of each participant's compensation. The assets, liabilities and results of operations of each employee plan are not included in the financial statements of Coast Hills. Coast Hills made contributions of \$27,664 and \$40,626, respectively the plan for the years ended June 30, 2023 and 2022.

Note 13 – Supplemental disclosures of cash flow information

	2023	2022
Cash paid for interest	\$ <u>261,776</u>	\$ <u>215,202</u>
Cash paid for income taxes	\$ <u>-</u>	\$ <u>-</u>

There were no noncash investing or financing activities for the years ended June 30, 2023 and 2022.

Note 14 – Subsequent events

Management has evaluated subsequent events through November 15, 2023, the date on which the financial statements were available to be issued.