

**OAK HILLS CHURCH**

**FINANCIAL STATEMENTS**

**August 31, 2017 and 2016**

**OAK HILLS CHURCH**  
**FINANCIAL STATEMENTS**  
**August 31, 2017 (Audited) and 2016 (Reviewed)**

**TABLE OF CONTENTS**

Independent Auditor's Report	1-2
Financial Statements:	
Statements of Financial Position	3
Statement of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6-12
Supplementary Information:	
Schedule of Functional Expenses	13



7800 IH 10 West, Suite 505 | San Antonio, TX 78230  
T: 210.366.9430 | F: 210.366.9451 | randywalkercpa.com

## **INDEPENDENT AUDITOR'S REPORT**

To the Finance Committee  
Oak Hills Church  
San Antonio, Texas

We have audited the accompanying financial statements of Oak Hills Church (a non-profit corporation), which comprise the statement of financial position as of August 31, 2017, and the related statements of activities and cash flows 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's 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**

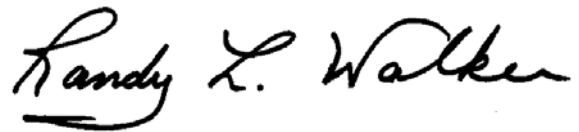
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Oak Hills Church as of August 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Prior Period Financial Statements**

The 2016 financial statements were reviewed by us, and our report thereon, dated March 6, 2017, stated we were not aware of any material modifications that should be made to those statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements as a whole.

### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 13 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Randy L. Walker". The signature is written in a cursive style with a large, stylized 'R' and 'W'.

San Antonio, Texas  
February 25, 2018

**FINANCIAL**  
**STATEMENTS**

**OAK HILLS CHURCH**  
**STATEMENTS OF FINANCIAL POSITION**  
**August 31, 2017 (Audited) and 2016 (Reviewed)**

	<u>2017</u> <u>(Audited)</u>	<u>2016</u> <u>(Reviewed)</u> <u>(Restated)</u>
<b><u>ASSETS</u></b>		
Cash and Cash Equivalents	\$ 4,428,776	\$ 3,853,284
Investments	17,190	52,349
Other Assets	20,226	73,233
Property and Equipment - net	<u>64,506,330</u>	<u>53,616,134</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>68,972,522</u></b>	<b>\$ <u>57,595,000</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 609,203	\$ 273,765
Accrued Expenses	1,068,892	1,127,135
Retainage Payable	-	1,598,096
Notes Payable	<u>18,663,575</u>	<u>9,849,384</u>
<b>TOTAL LIABILITIES</b>	<b><u>20,341,670</u></b>	<b><u>12,848,380</u></b>
<b>NET ASSETS</b>		
Unrestricted:		
Undesignated	45,489,533	42,104,421
Board Designated	<u>2,599,214</u>	<u>2,073,770</u>
Total Unrestricted	<u>48,126,897</u>	<u>44,178,191</u>
Temporarily Restricted	<u>503,955</u>	<u>568,429</u>
<b>TOTAL NET ASSETS</b>	<b><u>48,630,852</u></b>	<b><u>44,746,620</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>68,972,522</u></b>	<b>\$ <u>57,595,000</u></b>

The accompanying notes are an integral part of these financial statements.

**OAK HILLS CHURCH**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended August 31, 2017 (Audited)**  
**(with comparative totals for 2016 - Reviewed)**

	<b>2017</b>			2016
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>	<b>Total</b>
			<b>(Audited)</b>	<b>(Reviewed)</b>
<b>REVENUE AND SUPPORT</b>				
General Contributions	\$ 16,424,508	\$ -	\$ <b>16,424,508</b>	\$ 15,847,489
Restricted Contributions	-	5,557,257	<b>5,557,257</b>	6,020,057
Income from Ministries	641,659	-	<b>641,659</b>	585,132
Gain on Sale of Property	97,857	-	<b>97,857</b>	-
Sales Income	79,967	-	<b>79,967</b>	114,929
Rental Income	70,027	-	<b>70,027</b>	77,297
Miscellaneous Income	2,424	-	<b>2,424</b>	1,580
Interest Income	46	-	<b>46</b>	13,163
Funds Released from Restrictions	5,621,731	(5,621,731)	<b>-</b>	-
<b>TOTAL REVENUE AND SUPPORT</b>	<b>22,938,219</b>	<b>(64,474)</b>	<b>22,873,745</b>	<b>22,659,647</b>
<b>EXPENSES</b>				
Program	14,761,641	-	<b>14,761,641</b>	14,325,916
General and Administrative	3,661,770	-	<b>3,661,770</b>	2,890,925
Fundraising	566,102	-	<b>566,102</b>	570,036
<b>TOTAL EXPENSES</b>	<b>18,989,513</b>	<b>-</b>	<b>18,989,513</b>	<b>17,786,877</b>
<b>CHANGE IN NET ASSETS</b>	<b>3,948,706</b>	<b>(64,474)</b>	<b>3,884,232</b>	<b>4,872,770</b>
<b>NET ASSETS, Beginning of Year (Restated)</b>	<b>44,178,191</b>	<b>568,429</b>	<b>44,746,620</b>	<b>39,873,850</b>
<b>NET ASSETS, End of Year</b>	<b>\$ 48,126,897</b>	<b>\$ 503,955</b>	<b>\$ 48,630,852</b>	<b>\$ 44,746,620</b>

The accompanying notes are an integral part of these financial statements.

**OAK HILLS CHURCH**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended August 31, 2017 (Audited) and 2016 (Reviewed)**

	<u>2017</u> (Audited)	<u>2016</u> (Reviewed)
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Increase in Net Assets from Operations	\$ 3,884,232	\$ 4,872,770
Adjustments to Reconcile Net Change to Net Cash		
Provided by Operations:		
Depreciation	1,704,894	1,060,104
Gain on Sale of Property	(97,857)	-
Decrease (Increase) in Assets:		
Other Assets	53,007	(48,341)
Increase (Decrease) in Liabilities:		
Accounts Payable	335,438	(566,738)
Accrued Expenses	(58,243)	232,381
Retainage Payable	(1,598,096)	1,598,096
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>4,223,375</u>	<u>7,148,272</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Sale (Purchase) of Investments	35,159	(5,857)
Purchases of Fixed Assets	(14,182,391)	(20,315,974)
Proceeds from Sale of Property	1,685,158	-
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(12,462,074)</u>	<u>(20,321,831)</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
New Borrowings on Long-Term Debt	9,475,000	8,249,000
Repayments on Long-Term Debt	(660,809)	(264,440)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<u>8,814,191</u>	<u>7,984,560</u>
<b>NET INCREASE (DECREASE) IN CASH FLOWS</b>	<u>575,492</u>	<u>(5,188,999)</u>
<b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	<u>3,853,284</u>	<u>9,042,283</u>
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<u><u>\$ 4,428,776</u></u>	<u><u>\$ 3,853,284</u></u>
<b><u>SUPPLEMENTAL DISCLOSURES</u></b>		
Interest Paid	\$ 654,006	\$ 70,876

The accompanying notes are an integral part of these financial statements.



**OAK HILLS CHURCH**  
**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 2017 (Audited) and 2016 (Reviewed)**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Accounting*

The accompanying statements of Oak Hills Church (the Church) have been prepared on the accrual basis of accounting. The significant accounting policies of the Church are described below to enhance the usefulness of the financial statements to the reader.

*Organization and Nature of Activities*

The Church was initially founded as Fredericksburg Road Church of Christ and changed its name to Oak Hills Church, Inc. in 2016. The Church is organized as a nonprofit corporation and is governed by a body of Elders. These Elders elect, from within their number, a Coordinating Board to act in an executive capacity. The mission statement of the Church is as follows, "We are the Body of Christ called to be Jesus in every neighborhood in our city and beyond."

*Basis of Presentation*

The Church is required to report information regarding its financial position and activities according to three classes of net assets:

- Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Church and/or the passage of time.
- Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Church. The Church had no permanently restricted net assets at August 31, 2017 and 2016.

*Property and Equipment*

All purchased classes of property and equipment owned by the Church are stated at cost. Donated assets are recorded at estimated market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

Buildings and Improvements	7 – 39 years
Furniture and Fixtures	5 – 7 years
Machinery and Equipment	5 – 7 years

*Income Taxes*

The Church is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and as such qualifies for the maximum charitable contributions deduction by donors.

*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 and disclosures. Accordingly, actual results could differ from those estimates.

**OAK HILLS CHURCH**  
**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 2017 (Audited) and 2016 (Reviewed)**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Church considers all highly liquid savings and securities with a maturity of three months or less to be cash equivalents.

**Investments**

Investments are stated at fair value based upon quoted market prices, when available, or estimates of fair value, in the statements of financial position. Investment securities received as contributions are sold immediately, with the net proceeds being recognized as a contribution.

**NOTE 2 - CONCENTRATION OF CREDIT RISK**

The Church maintains multiple bank accounts at two separate financial institutions. The Federal Deposit Insurance Corporation insures account balances up to \$250,000 per bank. The Church had uninsured cash balances of \$4,213,572 and \$3,447,813, not including reconciling items, at August 31, 2017 and 2016, respectively.

**NOTE 3 - INVESTMENTS**

The Church holds investments in a commercial investment account. The Church's policy is to sell contributed stock donations as soon as practicable after receipt. Due to this arrangement, the Church is exposed to minimal market volatility within these accounts. A cost-to-fair value comparison of investments held at August 31, 2017 and 2016 is summarized as follows:

	<b>2017</b>		<b>2016</b>	
	<b>Cost</b>	<b>Fair Value</b>	<b>Cost</b>	<b>Fair Value</b>
Money Market Fund	\$ 17,190	\$ 17,190	\$ 36,140	\$ 36,140
Equity Securities	-	-	16,393	16,209
Total	\$ 17,190	\$ 17,190	\$ 52,533	\$ 52,349

The Church had interest and dividend income of \$46 and \$13,163 for the years ended August 31, 2017 and 2016, respectively.

**NOTE 4 - FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing the various programs and general and administrative expenses listed in the schedule of functional expenses have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

**OAK HILLS CHURCH**  
**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 2017 (Audited) and 2016 (Reviewed)**

**NOTE 5 - PROPERTY AND EQUIPMENT**

Property and equipment were as follows at August 31:

	<u>2017</u>	<u>2016</u>
Land	\$ 7,306,256	\$ 8,893,557
Buildings	69,417,912	33,994,730
Furniture and Fixtures	1,915,548	1,207,944
Construction in Progress	-	21,948,395
Machinery and Equipment	829,316	829,316
	79,469,032	66,873,942
Less Accumulated Depreciation	(14,962,702)	(13,257,808)
Total	\$ 64,506,330	\$ 53,616,134

The Church's property is primarily held at eight locations in and around San Antonio, Texas. These assets are presented at cost.

Depreciation expense for the years ended August 31, 2017 and 2016 was \$1,704,894 and \$1,060,104, respectively.

**NOTE 6 - OPERATING LEASES**

The Church leases space for its North Central Campus as well as various pieces of office equipment. The leases for these items have various expiration dates from 2017 through 2020. Rent expense for the years ended August 31, 2017 and 2016 was \$322,744 and \$249,346, respectively.

The future minimum rental payments under these operating leases were as follows:

Years Ending August 31,	
2018	\$ 323,209
2019	344,155
2020	258,706
2021	78,636
2022	77,553
Thereafter	12,384
Total	\$ 1,094,643

**NOTE 7 - SUBSEQUENT EVENTS**

The Church has evaluated subsequent events through February 25, 2018, the date the financial statements were available to be issued. During the period beginning with the date of the statements of financial position through this date, no subsequent events were noted.

**OAK HILLS CHURCH**  
**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 2017 (Audited) and 2016 (Reviewed)**

**NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets were available for the following purposes at August 31:

	<b>2017</b>	<b>2016</b>
Benevolence Donations	\$ <b>254,957</b>	\$ 184,347
Tapestry (Show Hope) Ministry	<b>70,946</b>	111,907
Disaster Relief Funds	<b>27,795</b>	820
Russia - Heller	<b>24,382</b>	8,179
Children and Youth Incentives	<b>19,264</b>	-
CHRC Donations	<b>18,205</b>	16,605
Preschool Scholarship Fund	<b>15,680</b>	15,680
Project Hope	<b>14,540</b>	14,490
Memorial Fund	<b>9,105</b>	9,474
Manos de Cristo Shipping	<b>9,080</b>	6,296
South Sudan Refugee Families	<b>8,075</b>	8,075
Water Well Project	<b>5,535</b>	2,515
South Sudan English Initiatives	<b>5,000</b>	5,000
Short-Term Mission Medical	<b>4,006</b>	7,650
Short-Term Mission Trips	<b>3,255</b>	(31,584)
Branch Life	<b>2,455</b>	33,912
Global Outreach	<b>2,019</b>	7,486
College Mission Fund	<b>1,932</b>	1,932
Widows' Homes	<b>1,750</b>	1,750
Short-Term Missions	<b>1,401</b>	-
Homefront Heroes	<b>1,367</b>	18,053
Campus Life Scholarship Fund	<b>851</b>	851
Equipping and Sending	<b>768</b>	2,568
First Aid Equipment	<b>582</b>	745
Monclova, Mexico	<b>557</b>	557
New Campus Development	<b>200</b>	200
Building Donations	<b>120</b>	-
Guatemala Ministry Fund	<b>105</b>	105
India	<b>23</b>	23
Burkina Faso Outreach	-	4,780
El Salvador Ministry	-	436
Miscellaneous Donations Fund	-	135,577
Total	\$ <b><u>503,955</u></b>	\$ <b><u>568,429</u></b>

**OAK HILLS CHURCH**  
**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 2017 (Audited) and 2016 (Reviewed)**

**NOTE 9 - DESIGNATED FUNDS**

Funds were available for the following designated purposes at August 31:

	<u>2017</u>	<u>2016</u>
Contingency/Cash Reserve	\$ <b>1,000,000</b>	\$ 1,000,000
We Are Called Future Payment Reserve	<b>500,000</b>	-
Capital Reserve Account	<b>370,146</b>	358,452
Unfunded Facilities Improvements	<b>156,665</b>	60,575
Missions Contingency Fund	<b>143,858</b>	109,864
New Campus Fund	<b>100,000</b>	100,000
Distribution Account Acts	<b>95,475</b>	170,475
Natal, Brazil	<b>59,003</b>	69,990
Student Scholarship Fund	<b>42,802</b>	52,952
Community Life Development	<b>35,038</b>	35,038
Member Counseling Scholarships	<b>32,706</b>	27,556
Family Ministry Initiatives	<b>22,330</b>	22,330
Year End Offering	<b>19,974</b>	47,127
Member Scholarships – Children’s Ministry	<b>16,948</b>	15,142
Field Leadership Development	<b>4,069</b>	4,069
Tanzania	<b>200</b>	200
Total	\$ <u><b>2,599,214</b></u>	\$ <u>2,073,770</u>

**NOTE 10 - CONSTRUCTION LOAN**

On September 10, 2015, the Church entered into a loan agreement with Amegy Bank. This agreement allows the Church to borrow a maximum of \$30 million for use in the construction of a sanctuary at its Crownridge location and for construction costs at its Far West satellite campus. This loan is secured by the Church’s Crownridge location and has a variable interest rate that is periodically calculated at 2.5% over the London Interbank Offer Rate (LIBOR) based on the Church’s current borrowing level. At borrowings over \$20,000,000, the interest rate of the loan increases to 2.75% over LIBOR. The outstanding balance of the loan as of August 31, 2017 and 2016 was \$17,725,000 and \$8,250,000, respectively. This loan allows for interest-only payments for the first three years of its life. Therefore, principal payments will begin in fiscal year 2019. After this three-year period, the principal balance of this loan is amortized over 15 years.

Future minimum payments on this loan are as follows:

Years Ending August 31,	
2019	\$ 902,630
2020	936,363
2021	971,357
2022	1,007,659
2023	1,045,317
Thereafter	<u>12,861,674</u>
Total	\$ <u>17,725,000</u>

**OAK HILLS CHURCH**  
**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 2017 (Audited) and 2016 (Reviewed)**

**NOTE 11 - JOURNEY FELLOWSHIP EIGHT ACRE PARCEL NOTE PAYABLE**

On May 23, 2007, the Church entered into an agreement with a private lender to borrow funds to purchase an eight acre parcel of land to house the Church's Journey Fellowship location. The original value of this note was \$1,150,000, and the outstanding principal accrues interest at an annual rate of 1.5%. This loan was paid off in its entirety during the year ended August 31, 2017. The balance of this loan at August 31, 2016 was \$471,545.

**NOTE 12 - JOURNEY FELLOWSHIP TEN ACRE PARCEL NOTE PAYABLE**

On May 23, 2007, the Church entered into an agreement with a private lender to borrow funds to purchase a ten acre parcel of land to house the Church's Journey Fellowship location. The original value of this note was \$2,750,000, and the outstanding principal accrues interest at an annual rate of 1.5%. The loan is secured by the real estate purchased with the proceeds from the note. The outstanding balance of the note payable as of August 31, 2017 and 2016 was \$938,575 and \$1,127,839, respectively.

The future maturities of this note are as follows:

Years Ending August 31,		
2018	\$	191,844
2019		194,741
2020		197,682
2021		200,668
2022		<u>153,640</u>
Total	\$	<u>938,575</u>

**NOTE 13 - FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Church adopted the provisions of ASC 820, "*Fair Value Measurements and Disclosures*" (formerly SFAS 157). ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market, and establishes a framework for measuring fair value in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The adoption of ASC 820 did not affect the Church's financial position or results of operations. The valuation techniques required by ASC 820 are based upon observable and unobservable inputs, and ASC 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value.

The three levels of inputs used to measure fair value are as follows:

- Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets or liabilities and have the highest priority.
- Level 2 valuations are based on quoted prices in markets that are not active.
- Level 3 valuations are based on inputs that are unobservable and supported by little or no market activity.

The Church has no Level 2 or Level 3 assets or liabilities.

**OAK HILLS CHURCH**  
**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 2017 (Audited) and 2016 (Reviewed)**

**NOTE 13 - FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

The Church's financial instruments (Level 1) were as follows at August 31:

	<b>2017</b>		<b>2016</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
Financial Assets:				
Cash and Cash Equivalents	\$ 4,428,776	\$ 4,428,776	\$ 3,853,284	\$ 3,853,284
Other Assets	\$ 20,226	\$ 20,226	\$ 73,233	\$ 73,233
Financial Liabilities:				
Accounts Payable	\$ 609,203	\$ 609,203	\$ 273,765	\$ 273,765
Accrued Expenses	\$ 1,068,892	\$ 1,068,892	\$ 1,127,135	\$ 1,127,135
Retainage Payable	\$ -	\$ -	\$ 1,598,096	\$ 1,598,096

The carrying amounts reported in the statements of financial position approximate their fair values because of the short maturities of those instruments.

The Church's financial instruments also include investments. The fair values of investments are based on quoted market prices for those or similar investments.

**NOTE 14 - DEFINED CONTRIBUTION RETIREMENT PLAN**

The Church offers a defined contribution plan to its full-time employees. The Church's contributions to this plan for the years ended August 31, 2017 and 2016 were \$231,492 and \$239,445, respectively.

**NOTE 15 - RETAINAGE LIABILITY**

At August 31, 2016, the Church had a retainage liability in the amount of \$1,598,096. This liability was due to the general contractor for construction performed at the Crownridge campus and was paid in full upon completion of the construction at this location. The Church had no remaining retainage liability at August 31, 2017.

**NOTE 16 - RECLASSIFICATION**

Certain amounts in the 2016 financial statements have been reclassified to conform to the 2017 presentation.

**NOTE 17 - PRIOR PERIOD RESTATEMENT**

During the year ended August 31, 2017, the Church identified an overstatement in temporarily restricted net assets of \$20,137,130 at August 31, 2016. Correction of this misstatement led to a \$20,137,130 decrease in the balance of temporarily restricted net assets and a corresponding increase in unrestricted net assets at August 31, 2016.

**SUPPLEMENTARY**  
**INFORMATION**



**OAK HILLS CHURCH**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**For the Year Ended August 31, 2017 (Audited)**  
**(with comparative totals for 2016 - Reviewed)**

	2017				2016
	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total (Audited)</u>	<u>Total (Reviewed)</u>
<b><u>EXPENSES</u></b>					
Salaries and Wages	\$ 6,574,763	\$ 1,232,768	\$ 410,923	\$ 8,218,454	\$ 8,288,105
Employee Benefits	1,150,328	215,687	71,896	1,437,911	1,599,794
Payroll Taxes	240,704	45,132	15,044	300,880	363,171
Total Payroll Expenses	7,965,795	1,493,587	497,863	9,957,245	10,251,070
Depreciation	1,534,405	170,489	-	1,704,894	1,060,104
Ministry Expense	1,348,678	-	-	1,348,678	1,496,990
Goodwill Expense	244,384	570,230	-	814,614	808,439
Utilities	714,888	37,626	-	752,514	616,587
Interest	-	654,006	-	654,006	70,876
Rental Expense	557,012	61,890	-	618,902	726,143
Services	588,403	-	-	588,403	610,942
Supplies	405,769	108,205	27,051	541,025	456,951
Contract Labor	350,631	61,876	-	412,507	276,575
Fees	96,259	224,605	-	320,864	181,737
Food	226,581	42,484	14,161	283,226	267,580
Advertising	206,480	38,715	12,905	258,100	207,257
Maintenance and Repair	119,504	119,505	-	239,009	292,141
Travel	144,752	36,188	-	180,940	208,858
Purchases	132,556	24,854	8,285	165,695	192,247
Crownridge Miscellaneous	93,387	17,510	5,837	116,734	25,595
Education	32,157	-	-	32,157	36,785
<b>TOTAL EXPENSES</b>	<b>\$ 14,761,641</b>	<b>\$ 3,661,770</b>	<b>\$ 566,102</b>	<b>\$ 18,989,513</b>	<b>\$ 17,786,877</b>

See independent auditor's report.