

**GRACE CHURCH
OF OVERLAND PARK**

FINANCIAL STATEMENTS

**Year Ended May 31, 2024
with
Independent Auditors' Report**

GRACE CHURCH OF OVERLAND PARK

FINANCIAL STATEMENTS

May 31, 2024

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Keller & Owens, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Grace Church of Overland Park

Opinion

We have audited the financial statements of **Grace Church of Overland Park** (a Kansas non-profit corporation) (the "Church"), which comprise the statement of financial position as of May 31, 2024, and the related statements of activities, functional expenses, and cash flows for the year 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 **Grace Church of Overland Park** as of May 31, 2024, 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 audit 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 **Grace Church of Overland Park** and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, during the year ended May 31, 2024, the Church adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. Our opinion is not modified with respect to this matter.

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 **Grace Church of Overland Park**'s ability to continue as a going concern for one year after the date that the financial statements are available to be 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 **Grace Church of Overland Park**'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 **Grace Church of Overland Park**'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.

Report on Summarized Comparative Information

We have previously audited **Grace Church of Overland Park's** May 31, 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 15, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Keller & Owens, LLC". The signature is written in a cursive, flowing style.

Overland Park, Kansas
September 10, 2024

GRACE CHURCH OF OVERLAND PARK

STATEMENT OF FINANCIAL POSITION

May 31, 2024

(With comparative totals as of May 31, 2023)

ASSETS

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 2,667,088	\$ 1,788,328
Investments	200	200
Accounts receivable	91,890	83,324
Inventory	-	5,263
Prepaid expenses	259,590	176,286
Right-of-use asset - operating leases, net	41,634	105,879
Right-of-use asset - finance leases, net	10,565	-
Property and equipment, net	<u>25,608,600</u>	<u>22,339,500</u>
 Total Assets	 <u>\$ 28,679,567</u>	 <u>\$ 24,498,780</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 231,186	\$ 1,151,689
Retainage payable	-	452,568
Accrued expenses	294,997	500,369
Deferred revenue	147,239	118,219
Operating lease liability	41,634	110,842
Finance lease liability	10,671	-
Long-term debt, net	<u>11,219,602</u>	<u>5,000,015</u>
 Total Liabilities	 11,945,329	 7,333,702
 Net Assets:		
Without donor restrictions	16,616,086	17,035,243
With donor restrictions	<u>118,152</u>	<u>129,835</u>
Total Net Assets	<u>16,734,238</u>	<u>17,165,078</u>
 Total Liabilities and Net Assets	 <u>\$ 28,679,567</u>	 <u>\$ 24,498,780</u>

See accompanying notes

GRACE CHURCH OF OVERLAND PARK

STATEMENT OF ACTIVITIES

Year Ended May 31, 2024

(With comparative totals for the year ended May 31, 2023)

	2024			2023 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and Revenue:				
Cash contributions	\$ 7,595,437	\$ 241,043	\$ 7,836,480	\$ 7,945,218
Non-cash contributions	548,639	-	548,639	294,497
Program and activity fees	239,638	-	239,638	223,398
Other income	91,401	-	91,401	286,216
Interest income	90,512	-	90,512	23,214
(Loss) gain on disposal of property	(356)	-	(356)	348,339
Net assets released from restrictions	<u>252,726</u>	<u>(252,726)</u>	<u>-</u>	<u>-</u>
Total Support, Revenue and Gains	8,817,997	(11,683)	8,806,314	9,120,882
Expenses:				
Program services:				
Ministry	7,024,387	-	7,024,387	6,693,091
Outreach	<u>1,070,184</u>	<u>-</u>	<u>1,070,184</u>	<u>1,360,214</u>
Total Program Services	8,094,571	-	8,094,571	8,053,305
Supporting services:				
Management and general	1,108,416	-	1,108,416	1,008,151
Fundraising	<u>34,167</u>	<u>-</u>	<u>34,167</u>	<u>48,948</u>
Total Supporting Services	<u>1,142,583</u>	<u>-</u>	<u>1,142,583</u>	<u>1,057,099</u>
Total Expenses	<u>9,237,154</u>	<u>-</u>	<u>9,237,154</u>	<u>9,110,404</u>
Change in Net Assets	(419,157)	(11,683)	(430,840)	10,478
Net Assets, Beginning of Year	<u>17,035,243</u>	<u>129,835</u>	<u>17,165,078</u>	<u>17,154,600</u>
Net Assets, End of Year	<u>\$ 16,616,086</u>	<u>\$ 118,152</u>	<u>\$ 16,734,238</u>	<u>\$ 17,165,078</u>

See accompanying notes

GRACE CHURCH OF OVERLAND PARK

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended May 31, 2024

(With comparative totals for the year ended May 31, 2023)

	2024						2023
	Program Services			Supporting Services			
	Ministry	Outreach	Total	Management and General	Fundraising	Total	
Wages, benefits, & taxes	\$ 4,322,240	\$ 270,997	\$ 4,593,237	\$ 377,917	\$ 22,904	\$ 4,994,058	\$ 5,265,893
Supplies	427,314	82,346	509,660	68,014	-	577,674	508,835
Missionary & partner support	-	521,253	521,253	-	-	521,253	802,353
Interest	296,051	-	296,051	74,013	-	370,064	48,894
Utilities	250,628	-	250,628	56,388	6,265	313,281	288,710
Repairs & maintenance	202,030	-	202,030	49,826	-	251,856	179,001
Travel	48,844	159,921	208,765	11,487	-	220,252	234,206
Meetings, conferences, and events	193,773	17,642	211,415	1,887	-	213,302	190,629
Professional services	167,643	6,854	174,497	32,779	3,642	210,918	197,758
Technology	92,264	1,723	93,987	78,105	-	172,092	144,200
Fees	2,737	1,541	4,278	91,253	-	95,531	94,835
Equipment & facility rental	77,004	3,724	80,728	12,971	-	93,699	166,586
Insurance	61,989	811	62,800	12,202	1,356	76,358	66,583
Marketing & printing	3,155	2,659	5,814	28,685	-	34,499	22,441
Benevolence	31,022	278	31,300	237	-	31,537	29,465
Other	5,586	435	6,021	2,126	-	8,147	7,625
Taxes & assessments	6,074	-	6,074	1,518	-	7,592	16,979
Depreciation	836,033	-	836,033	209,008	-	1,045,041	845,411
Total Expenses	<u>\$ 7,024,387</u>	<u>\$ 1,070,184</u>	<u>\$ 8,094,571</u>	<u>\$ 1,108,416</u>	<u>\$ 34,167</u>	<u>\$ 9,237,154</u>	<u>\$ 9,110,404</u>

See accompanying notes

GRACE CHURCH OF OVERLAND PARK

STATEMENT OF CASH FLOWS

Year Ended May 31, 2024

(With comparative totals for the year ended May 31, 2023)

	2024	2023
Cash Flows from Operating Activities:		
Cash received from donations and other activities	\$ 8,827,125	\$ 8,706,829
Cash paid to employees, vendors, and others	(8,095,046)	(8,116,324)
Interest paid (net of amount capitalized)	(353,443)	(33,150)
Net Cash Provided by Operating Activities	378,636	557,355
Cash Flows from Investing Activities:		
Purchases of property and equipment	(4,249,551)	(5,221,856)
Capitalized interest	(116,263)	(65,576)
Proceeds from sale of property and equipment	51,317	454,034
Proceeds from sale of investments	-	108
Net Cash Used by Investing Activities	(4,314,497)	(4,833,290)
Cash Flows from Financing Activities:		
Payment of short-term trade account used to finance land, buildings, and equipment acquisition	(1,401,231)	(146,984)
Deferred financing costs	-	(86,385)
Proceeds from building construction loan	6,216,707	7,584,720
Principal payments on finance lease	(855)	-
Principal payments on long-term debt	-	(6,397,996)
Net Cash Provided by Financing Activities	4,814,621	953,355
Net Change in Cash and Cash Equivalents	878,760	(3,322,580)
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	1,788,328	5,110,908
Cash, Cash Equivalents, and Restricted Cash, End of Year	\$ 2,667,088	\$ 1,788,328

See accompanying notes

GRACE CHURCH OF OVERLAND PARK

STATEMENT OF CASH FLOWS (continued) Year Ended May 31, 2024

(With comparative totals for the year ended May 31, 2023)

Reconciliation of Change in Net Assets to Net Cash (Used) Provided by Operating Activities

	2024	2023
Change in Net Assets	\$ (430,840)	\$ 10,478
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,045,041	845,411
Amortization of debt issuance costs	2,880	15,744
Gain (loss) on disposal of property and equipment	356	(348,339)
Noncash lease (income) expense on operating leases	(4,963)	4,963
Amortization of finance lease right-of-use asset	961	-
(Increase) decrease in operating assets:		
Accounts receivable	(8,566)	(79,721)
Prepaid expenses	(83,304)	(50,491)
Inventory	5,263	3,250
Increase (decrease) in operating liabilities:		
Accounts payable	28,160	41,136
Accrued expenses	(205,372)	100,917
Deferred revenue	29,020	14,007
Net Cash Provided by Operating Activities	\$ 378,636	\$ 557,355
Supplemental Disclosure of Noncash Investing and Financing Activities:		
Purchases of Property and Equipment:		
Using trade payables	\$ -	\$ 948,663
Using retainage payables	\$ -	\$ 452,568
Supplemental Disclosure of Cash Flow Information:		
Operating Cash Flows from Operating Leases	\$ 48,589	\$ 108,787
Operating Cash Flows from Finance Leases	\$ 233	\$ -
Financing Cash Flows from Finance Leases	\$ 855	\$ -
Right-of-Use Asset Obtained in Exchange for Finance Lease Liability	\$ 11,525	\$ -
Right-of-Use Asset Obtained in Exchange for Operating Lease Liability	\$ -	\$ 203,885

See accompanying notes

GRACE CHURCH OF OVERLAND PARK

NOTES TO FINANCIAL STATEMENTS

May 31, 2024

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Grace Church of Overland Park (the "Church") is a Kansas nonprofit corporation. The Church was incorporated on January 7, 1997, under the laws of the State of Kansas. The Church exists to fulfill the Great Commandment and Great Commission through its vision: "Help everyone become an outward focused follower of Jesus." The Church calls others into a personal relationship with Jesus and encourages sharing the gospel message with others. The Church's donors reside primarily in the greater Kansas City metropolitan area.

Ministry programs include numerous activities in accomplishing the Church's purpose, including worship services, educational training, youth ministry, and children's ministry. Outreach programs include local and global evangelistic efforts, support of missionary endeavors, short-term mission trips, and church planting.

Advertising – The Church incurs costs to promote their activities through various media types. These costs are expensed as incurred and amounted to \$18,500 and \$9,123 for the years ended May 31, 2024 and 2023, respectively.

Basis of Accounting – The Church prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Cash and Cash Equivalents – 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. The Church has classified any cash or money market accounts held by external investment managers as investments as these funds are not intended for current operations.

Concentration of Cash Risk – The Church maintains its cash in bank accounts in amounts that may exceed federally insured limits at times. The Church has not experienced any losses in these accounts in the past, and management believes the Church is not exposed to significant credit risks as it periodically evaluates the strength of the financial institutions in which it deposits funds.

Deferred Financing Costs – Deferred financing costs of \$81,825 and \$84,705 are included as a reduction in the mortgage liability for the years ended May 31, 2024 and 2023, respectively. All costs are considered to be long-term. The amounts are being amortized over the terms of the applicable loans. Amortization expense is included as a component of interest expense.

GRACE CHURCH OF OVERLAND PARK

NOTES TO FINANCIAL STATEMENTS

May 31, 2024

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Goods and Services – Contributed goods are recorded at fair value at the date of donation, and contributed services are recorded at the fair value of services received. No significant contributions of such goods or services were received during the years ended May 31, 2024 and 2023, and accordingly, no amounts have been recognized on the Statement of Activities.

A significant portion of the Church's functions are conducted by unpaid volunteer officers and committees. The value of this contributed time is not reflected in the accompanying financial statements since the volunteers' time does not meet the criteria for recognition.

Donated Stock – The Church received \$469,431 and \$294,157 of donated stock during the years ended May 31, 2024 and 2023, respectively. The Church immediately liquidates these contributions upon receipt. The Church also received \$82,866 and \$1,123 of cryptocurrency during the years ended May 31, 2024 and 2023, respectively. These amounts are reflected in contributed financial instruments on the Statement of Activities.

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

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 presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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. The expenses that are allocated include supplies, professional services, equipment and facility rental, technology, repairs and maintenance, depreciation, and interest, which are allocated on a square footage basis, as well as wages, benefits, and taxes which are allocated on the basis of estimates of time and effort.

Income Taxes – The Church is a nonprofit organization exempt from Federal income taxes, with certain exceptions, under Section 501(c)(3) of the Internal Revenue Code. The Church has been classified as a publicly-supported entity which is not a private foundation under Section 509(a) of the Code.

GRACE CHURCH OF OVERLAND PARK

NOTES TO FINANCIAL STATEMENTS

May 31, 2024

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes (continued) – The Church’s policy is to record a liability for any tax position that is beneficial to the Church, including any related interest and penalties, when it is more likely than not the position taken by management with respect to the transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of May 31, 2024 and 2023, and, accordingly, no liability has been accrued.

Leases – The Church has entered into operating and financing leases for copy machines. The obligations associated with these leases have been recognized as liabilities in the statement of financial position based on future lease payments, discounted by the Church’s incremental borrowing rate. Lease terms may include options to extend or terminate certain leases. The value of a lease is reflected in the valuation if it is reasonably certain management will exercise an option to extend or terminate a lease.

The Church has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing leases, to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on a straight-line basis. The weighted-average discount rate is based on the discount rate implicit in the lease. The Church elected the option to use the incremental borrowing rate, determined using a period comparable to the lease term, as the discount rate for the lease where the implicit rate is not readily determinable. Lastly, the Church elected the practical expedient to not separate lease and non-lease components.

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

Net Assets Without Donor Restrictions – Net assets available for general use and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for various reserves.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Church had none of this type for the years ended May 31, 2024 and 2023. When the donor restriction expires, that is, when a stipulated time or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as “net assets released from restrictions.”

GRACE CHURCH OF OVERLAND PARK

NOTES TO FINANCIAL STATEMENTS

May 31, 2024

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment – Expenditures for property and equipment over \$1,500 with an anticipated useful life of more than one year are recorded at cost and depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis.

Estimated useful lives are as follows:

Building and building improvements	7 – 40 years
Land improvements	7 – 35 years
Furniture and equipment	3 – 7 years
Vehicles	5 years

Recently Adopted Accounting Standards – Effective June 1, 2023, the Church has adopted the Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not accounted for at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model.

This standard was applied using the modified retrospective approach. Management performed an analysis and determined expected credit losses related to accounts receivable were immaterial, and no adjustment was recorded. There was no cumulative effect adjustment to the opening balance of net assets as of June 1, 2023.

Revenue Recognition – Contributions are recognized when cash, securities, or other assets, an unconditional promise to give, or 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 substantially met.

Funds collected prior to meeting such conditions are recorded as refundable advances in the statement of financial position.

Program revenues are recorded when the performance obligation is satisfied, i.e. over the period of class enrollment or at points in time when underlying events or services occur.

Reclassification – A reclassification has been made to the accompanying financial statements to maintain consistency between reporting periods. The reclassification had no impact on previously reported net assets.

GRACE CHURCH OF OVERLAND PARK

NOTES TO FINANCIAL STATEMENTS

May 31, 2024

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent Events – Management has evaluated events and transactions that have occurred since May 31, 2024, and reflected their effects, if any, in these financial statements through September 10, 2024, the date the financial statements were available to be issued.

2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, are comprised of the following:

	<u>2024</u>	<u>2023</u>
Cash, and cash equivalents	\$ 2,667,088	\$ 1,788,328
Investments	200	200
Accounts receivable	<u>91,890</u>	<u>83,324</u>
Total financial assets at year-end	2,759,178	1,871,852
Less: board designations	(2,190,737)	(1,856,410)
Less: donor imposed restrictions	<u>(118,152)</u>	<u>(129,835)</u>
Total financial assets available to meet general expenditures over the next 12 months	<u>\$ 450,289</u>	<u>\$ (114,393)</u>

The Church also operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted sources. Board designations can be released by the board at any time. Revenue is substantially comprised of contributions and service fees.

3. LONG-TERM DEBT

On October 19, 2022, the Church signed a \$12.5 million mortgage note refinancing existing debt and providing additional financing for construction. The note is secured by a mortgage on Church properties located in Johnson County, Kansas. The outstanding balance on this note at May 31, 2024 was \$11,301,427.

GRACE CHURCH OF OVERLAND PARK

NOTES TO FINANCIAL STATEMENTS

May 31, 2024

3. LONG-TERM DEBT (continued)

The mortgage note has the following payment terms: 24 interest only payments monthly beginning November 19, 2022 through October 19, 2024, with regular monthly principal and interest payments of \$68,822 beginning November 19, 2024 through September 19, 2052, and one final principal and interest payment of \$84,797 on October 19, 2052. These terms were based on the note's principal amount of \$12.5 million. However, the construction loan was not fully drawn, and as such, the final payment is estimated to be December 19, 2047. Regular monthly principal and interest payments of \$68,822 are expected to begin October 19, 2024.

The mortgage has a fixed interest rate of 4.95%. Interest may be adjusted on the fourth anniversary of the loan date and every three years after until maturity to the lender's prevailing interest rate, with each adjustment limited to not exceed a 2% increase or decrease. There are no note covenants.

The following is a schedule of long-term debt as of May 31, 2024 and 2023, respectively:

	2024	2023
Long -Term Debt	\$ 11,301,427	\$ 5,084,720
Less:		
Unamortized loan issuance costs	(81,825)	(84,705)
Total Long-Term Debt	\$ 11,219,602	\$ 5,000,015

Estimated maturities of long-term debt are as follows:

Year ending May 31,	
2025	\$ 180,214
2026	281,698
2027	295,963
2028	310,950
2029	326,696
Thereafter	9,905,906
Total	\$ 11,301,427

Interest expense was \$370,064 and \$48,894 for the years ended May 31, 2024 and 2023, respectively.

GRACE CHURCH OF OVERLAND PARK

NOTES TO FINANCIAL STATEMENTS

May 31, 2024

4. PROPERTY AND EQUIPMENT

Property and equipment and related accumulated depreciation are summarized as follows at May 31:

	2024	2023
Land	\$ 2,471,067	\$ 2,520,324
Land improvements	461,012	650,128
Building and building improvements	27,606,065	17,532,956
Furniture and equipment	3,499,889	2,600,887
Vehicles	114,412	114,412
Construction in progress	-	6,669,780
	34,152,445	30,088,487
Less accumulated depreciation	(8,543,845)	(7,748,987)
Property and Equipment, Net	\$ 25,608,600	\$ 22,339,500

Depreciation expense was \$1,045,041 and \$845,411 for the years ended May 31, 2024 and 2023, respectively. Interest of \$116,263 and \$65,576 was capitalized during the years ended May 31, 2024 and 2023, respectively, related to construction of the Church's Olathe campus, and was computed as the weighted average interest of debt multiplied by cumulative monthly construction costs incurred in relation to construction in progress.

5. LEASES

During the years ended May 31, 2024 and 2023, the Church leased copy machines and a building for its Olathe campus. The building lease expired during fiscal 2024.

Total lease costs for the years ended May 31, 2024 and 2023 are as follows:

	2024	2023
Operating lease cost	\$ 67,625	\$ 113,750
Finance lease cost		
Interest expense	233	-
Amortization of right-of-use assets	961	-

GRACE CHURCH OF OVERLAND PARK

NOTES TO FINANCIAL STATEMENTS

May 31, 2024

5. LEASES (continued)

The following summarizes the weighted-average remaining lease term and weighted-average discount rate for the years ended May 31, 2024 and 2023:

	2024	2023
Weighted-Average Remaining Lease Term in Years		
Operating leases	3.0	2.2
Finance leases	4.6	-
Weighted-Average Discount Rate		
Operating leases	5.0%	5.0%
Finance leases	5.0%	-

The following operating lease payments are expected to be paid for each of the following years ended May 31:

Years Ended May 31,	Operating	Finance
2025	\$ 15,124	\$ 2,610
2026	15,124	2,610
2027	12,950	2,610
2028	1,731	2,610
2029	-	1,522
Total remaining cash payments	44,929	11,962
Less: present value discount	(3,295)	(1,291)
Total lease liability	\$ 41,634	\$ 10,671

Components of lease expense for the years ended May 31, 2024 and 2023 were as follows:

	2024	2023
Operating lease expense	\$ 67,625	\$ 105,921
Lease expense on short-term leases	26,074	60,665
Total lease expense	\$ 93,699	\$ 166,586

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NOTES TO FINANCIAL STATEMENTS

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6. EMPLOYEE BENEFITS

The Church has a 403(b) defined contribution salary deferral plan covering eligible employees. Under the plan, employees can contribute the maximum amount allowed by the Internal Revenue Code. Contributions by the Church under this plan are made at the discretion of the Board. Contributions of \$224,157 and \$209,741 were made for the years ended May 31, 2024 and 2023, respectively. Full-time and part-time employees who are 21 years of age or older are eligible to participate in the Church's plan.

7. BOARD-DESIGNATED NET ASSETS

Board-designated net assets consist of the following at May 31:

	2024	2023
Outreach	\$ 135,489	\$ 50,761
Capital expenditures	1,070,535	822,454
Operating reserves	475,000	475,000
Debt reduction	291,349	444,000
Church multiplication	136,987	63,775
Ministry	-	420
Unallocated reserves	81,377	-
Total Board-Designated Net Assets	\$ 2,190,737	\$ 1,856,410

8. NET ASSETS WITH DONOR RESTRICTIONS

The following table sets forth information about net assets with donor restrictions as to purpose for the year ended May 31, 2024.

	Ministries & Programs	Outreach	Total
Beginning balance	\$ 4,512	\$ 125,323	\$ 129,835
Contributions with donor restrictions	13,252	227,791	241,043
Releases from restriction	(14,987)	(237,739)	(252,726)
Ending balance	\$ 2,777	\$ 115,375	\$ 118,152

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8. NET ASSETS WITH DONOR RESTRICTIONS (continued)

The following table sets forth information about net assets with donor restrictions as to purpose for the year ended May 31, 2023.

	Ministries & Programs	Outreach	Total
Beginning balance	\$ 13,607	\$ 93,176	\$ 106,783
Contributions with donor restrictions	3,475	266,475	269,950
Releases from restriction	(12,570)	(234,328)	(246,898)
Ending balance	\$ 4,512	\$ 125,323	\$ 129,835

9. COMMITMENTS

In 2016, the Church entered into an agreement to purchase land in Olathe, Kansas. In October 2019, the Church entered into a street construction agreement with a developer to equally divide the future construction costs of Lindenwood Street located on the west side of the purchased land. The Church has paid no funds towards this agreement. In August 2024, subsequent to fiscal year end, the Church received an estimate of \$447,618 for its share of the street construction costs. Final plans were not yet approved by the City of Olathe when the cost estimate was received.