

**GRACE CHURCH
OF OVERLAND PARK**

FINANCIAL STATEMENTS

**Year Ended May 31, 2025
with
Independent Auditors' Report**

GRACE CHURCH OF OVERLAND PARK

FINANCIAL STATEMENTS

May 31, 2025

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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, 2025, 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, 2025, 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.

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, 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 10, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2024 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 23, 2025

GRACE CHURCH OF OVERLAND PARK

STATEMENT OF FINANCIAL POSITION

May 31, 2025

(With comparative totals as of May 31, 2024)

ASSETS

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 2,596,101	\$ 2,667,088
Cash restricted for capital improvements	669,464	-
Investments	200	200
Accounts receivable	105,654	91,890
Prepaid expenses	166,324	259,590
Right-of-use asset - operating leases, net	27,692	41,634
Right-of-use asset - finance leases, net	8,260	10,565
Property and equipment, net	<u>24,831,243</u>	<u>25,608,600</u>
Total Assets	<u>\$ 28,404,938</u>	<u>\$ 28,679,567</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 157,952	\$ 231,186
Accrued expenses	390,746	294,997
Deferred revenue	158,416	147,239
Operating lease liability	27,692	41,634
Finance lease liability	8,546	10,671
Long-term debt, net	<u>11,094,398</u>	<u>11,219,602</u>
Total Liabilities	11,837,750	11,945,329
Net Assets:		
Without donor restrictions	15,804,967	16,616,086
With donor restrictions	<u>762,221</u>	<u>118,152</u>
Total Net Assets	<u>16,567,188</u>	<u>16,734,238</u>
Total Liabilities and Net Assets	<u>\$ 28,404,938</u>	<u>\$ 28,679,567</u>

See accompanying notes

GRACE CHURCH OF OVERLAND PARK

STATEMENT OF ACTIVITIES

Year Ended May 31, 2025

(With comparative totals for the year ended May 31, 2024)

	2025			2024
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and Revenue:				
Cash contributions	\$ 7,913,401	\$ 214,459	\$ 8,127,860	\$ 7,836,480
Non-cash contributions	265,062	716,474	981,536	548,639
Program and activity fees	277,476	-	277,476	239,638
Other income	82,373	-	82,373	91,401
Interest income	105,673	-	105,673	90,512
Gain (loss) on disposal of property	2,281	-	2,281	(356)
Net assets released from restrictions	286,864	(286,864)	-	-
Total Support, Revenue and Gains	8,933,130	644,069	9,577,199	8,806,314
Expenses:				
Program services:				
Ministry	7,307,247	-	7,307,247	7,024,387
Outreach	1,249,309	-	1,249,309	1,070,184
Total Program Services	8,556,556	-	8,556,556	8,094,571
Supporting services:				
Management and general	1,168,315	-	1,168,315	1,108,416
Fundraising	19,378	-	19,378	34,167
Total Supporting Services	1,187,693	-	1,187,693	1,142,583
Total Expenses	9,744,249	-	9,744,249	9,237,154
Change in Net Assets	(811,119)	644,069	(167,050)	(430,840)
Net Assets, Beginning of Year	16,616,086	118,152	16,734,238	17,165,078
Net Assets, End of Year	\$ 15,804,967	\$ 762,221	\$ 16,567,188	\$ 16,734,238

See accompanying notes

GRACE CHURCH OF OVERLAND PARK

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended May 31, 2025

(With comparative totals for the year ended May 31, 2024)

	2025						
	Program Services			Supporting Services			
	Ministry	Outreach	Total	Management and General	Fundraising	Total	2024
Wages, benefits, & taxes	\$ 4,435,987	\$ 392,436	\$ 4,828,423	\$ 448,463	\$ 13,190	\$ 5,290,076	\$ 4,994,058
Supplies	365,753	47,279	413,032	32,735	-	445,767	577,674
Missionary & partner support	-	589,848	589,848	-	-	589,848	521,253
Interest	448,255	-	448,255	112,910	-	560,985	370,064
Utilities	236,962	-	236,962	56,279	2,962	296,203	313,281
Repairs & maintenance	199,966	-	199,966	49,641	-	249,607	251,856
Travel	34,508	186,402	220,910	10,164	-	231,074	220,252
Meetings, conferences, and events	202,838	13,250	216,088	1,703	-	217,791	213,302
Professional services	196,501	2,935	199,436	44,748	2,355	246,539	210,918
Technology	78,293	10,168	88,461	59,849	-	148,310	172,092
Fees	4,181	3,356	7,537	76,254	-	83,791	95,531
Equipment & facility rental	45,542	1,757	47,299	6,929	-	54,408	93,699
Insurance	78,826	1,011	79,837	16,557	871	97,265	76,358
Marketing & printing	2,846	279	3,125	16,272	-	19,397	34,499
Benevolence	36,428	-	36,428	-	-	36,428	31,537
Other	5,131	588	5,719	2,003	-	7,722	8,147
Taxes & assessments	6,879	-	6,879	1,720	-	8,599	7,592
Depreciation	928,351	-	928,351	232,088	-	1,160,439	1,045,041
Total Expenses	\$ 7,307,247	\$ 1,249,309	\$ 8,556,556	\$ 1,168,315	\$ 19,378	\$ 9,744,249	\$ 9,237,154

See accompanying notes

GRACE CHURCH OF OVERLAND PARK

STATEMENT OF CASH FLOWS

Year Ended May 31, 2025

(With comparative totals for the year ended May 31, 2024)

	2025	2024
Cash Flows from Operating Activities:		
Cash received from donations and other activities	\$ 8,905,146	\$ 8,827,125
Cash paid to employees, vendors, and others	(7,984,029)	(8,095,046)
Interest paid (net of amount capitalized)	(558,105)	(353,443)
Net Cash Provided by Operating Activities	363,012	378,636
Cash Flows from Investing Activities:		
Purchases of property and equipment	(306,652)	(4,249,551)
Capitalized interest	-	(116,263)
Proceeds from sale of property and equipment	2,862	51,317
Net Cash Used by Investing Activities	(303,790)	(4,314,497)
Cash Flows from Financing Activities:		
Payment of short-term trade account used		
to finance land, buildings, and equipment acquisition	-	(1,401,231)
Proceeds from building construction loan	-	6,216,707
Contributions restricted for capital improvements	669,464	-
Principal payments on long-term debt	(128,084)	-
Principal payments on finance lease	(2,125)	(855)
Net Cash Provided by Financing Activities	539,255	4,814,621
Net Change in Cash, Cash Equivalents and Restricted Cash	598,477	878,760
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	2,667,088	1,788,328
Cash, Cash Equivalents, and Restricted Cash, End of Year	\$ 3,265,565	\$ 2,667,088

See accompanying notes

GRACE CHURCH OF OVERLAND PARK

STATEMENT OF CASH FLOWS (continued)

Year Ended May 31, 2025

(With comparative totals for the year ended May 31, 2024)

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

	2025	2024
Change in Net Assets	\$ (167,050)	\$ (430,840)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,160,439	1,045,041
Amortization of debt issuance costs	2,880	2,880
(Gain) loss on disposal of property and equipment	(2,281)	356
Noncash lease income on operating leases	-	(4,963)
Amortization of finance lease right-of-use asset	2,305	961
Contributions restricted for capital improvements	(669,464)	-
(Increase) decrease in operating assets:		
Accounts receivable	(13,764)	(8,566)
Prepaid expenses	93,266	(83,304)
Inventory	-	5,263
Increase (decrease) in operating liabilities:		
Accounts payable	(73,234)	28,160
Accrued expenses	18,738	(205,372)
Deferred revenue	11,177	29,020
Net Cash Provided by Operating Activities	<u>\$ 363,012</u>	<u>\$ 378,636</u>

NONCASH INVESTING AND FINANCING ACTIVITIES

Purchases of Property and Equipment:		
Using accrued expenses	<u>\$ 77,011</u>	<u>\$ -</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Operating Cash Flows from Operating Leases	<u>\$ 15,777</u>	<u>\$ 48,589</u>
Operating Cash Flows from Finance Leases	<u>\$ 485</u>	<u>\$ 233</u>
Financing Cash Flows from Finance Leases	<u>\$ 2,125</u>	<u>\$ 855</u>
Right-of-Use Asset Obtained in Exchange for Finance Lease Liability	<u>\$ -</u>	<u>\$ 11,525</u>

See accompanying notes

GRACE CHURCH OF OVERLAND PARK

NOTES TO FINANCIAL STATEMENTS

May 31, 2025

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 \$5,731 and \$18,500 for the years ended May 31, 2025 and 2024, 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").

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 \$78,945 and \$81,825 are included as a reduction in the mortgage liability for the years ended May 31, 2025 and 2024, 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, 2025

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, 2025 and 2024, 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 \$978,875 and \$469,431 of donated stock during the years ended May 31, 2025 and 2024, respectively. The Church immediately liquidates these contributions upon receipt. The Church also received \$2,661 and \$82,866 of cryptocurrency during the years ended May 31, 2025 and 2024, respectively. These amounts are reflected in non-cash contributions 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, 2025

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, 2025 and 2024, 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, 2025 and 2024. 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, 2025

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

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.

Subsequent Events – Management has evaluated events and transactions that have occurred since May 31, 2025, and reflected their effects, if any, in these financial statements through September 23, 2025, the date the financial statements were available to be issued.

GRACE CHURCH OF OVERLAND PARK

NOTES TO FINANCIAL STATEMENTS

May 31, 2025

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>2025</u>	<u>2024</u>
Cash, cash equivalents, and restricted cash	\$ 3,265,565	\$ 2,667,088
Investments	200	200
Accounts receivable	<u>105,654</u>	<u>91,890</u>
Total financial assets at year-end	3,371,419	2,759,178
Less: Board designations	(2,345,027)	(2,190,737)
Less: donor-imposed restrictions	<u>(762,221)</u>	<u>(118,152)</u>
Total financial assets available to meet general expenditures over the next 12 months	<u>\$ 264,171</u>	<u>\$ 450,289</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 of the Olathe campus. The note is secured by a mortgage on Church properties located in Johnson County, Kansas.

The note was not fully drawn, and the balance of the note at May 31, 2024 was \$11,301,427 upon completion of the Olathe campus and before regular monthly principal and interest payments commenced. The Church made regular monthly interest payments through September 2024, and regular monthly principal and interest payments of \$62,154 commenced in October 2024 and will continue through September 2052. A final payment of \$62,227 is expected on October 19, 2052. The outstanding balance on this note at May 31, 2025 was \$11,173,343.

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.

GRACE CHURCH OF OVERLAND PARK

NOTES TO FINANCIAL STATEMENTS

May 31, 2025

3. LONG-TERM DEBT (continued)

The following is a schedule of long-term debt as of May 31, 2025 and 2024, respectively:

	<u>2025</u>	<u>2024</u>
Long -Term Debt	\$ 11,173,343	\$ 11,301,427
Less:		
Unamortized loan issuance costs	<u>(78,945)</u>	<u>(81,825)</u>
Total Long-Term Debt	<u>\$ 11,094,398</u>	<u>\$ 11,219,602</u>

Estimated maturities of long-term debt are as follows:

Year ending May 31,	
2026	\$ 197,104
2027	207,093
2028	216,129
2029	228,525
2030	240,097
Thereafter	<u>10,084,395</u>
Total	<u>\$ 11,173,343</u>

Interest expense was \$560,985 and \$370,064 for the years ended May 31, 2025 and 2024, respectively.

4. 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 \$241,129 and \$224,157 were made for the years ended May 31, 2025 and 2024, respectively. Full-time and part-time employees who are 21 years of age or older are eligible to participate in the Church's plan.

GRACE CHURCH OF OVERLAND PARK

NOTES TO FINANCIAL STATEMENTS

May 31, 2025

5. PROPERTY AND EQUIPMENT

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

	<u>2025</u>	<u>2024</u>
Land	\$ 2,550,648	\$ 2,471,067
Land improvements	477,413	461,012
Building and building improvements	27,670,945	27,606,065
Furniture and equipment	3,680,817	3,499,889
Vehicles	<u>114,412</u>	<u>114,412</u>
	34,494,235	34,152,445
Less accumulated depreciation	<u>(9,662,992)</u>	<u>(8,543,845)</u>
Property and Equipment, Net	<u>\$ 24,831,243</u>	<u>\$ 25,608,600</u>

Depreciation expense was \$1,160,439 and \$1,045,041 for the years ended May 31, 2025 and 2024, respectively. Interest of \$116,263 was capitalized during the year ending May 31, 2024 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.

6. LEASES

During the years ended May 31, 2025 and 2024, 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, 2025 and 2024 are as follows:

Operating lease cost	\$ 15,777	\$ 48,589
Finance lease cost		
Interest expense	485	233
Amortization of right-of-use assets	2,125	961

GRACE CHURCH OF OVERLAND PARK

NOTES TO FINANCIAL STATEMENTS

May 31, 2025

6. LEASES (continued)

The following summarizes the weighted-average remaining lease term and weighted-average discount rate for the years ended May 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Weighted-Average Remaining Lease Term in Years		
Operating leases	2.0	3.0
Finance leases	3.6	4.6
Weighted-Average Discount Rate		
Operating leases	5.0%	5.0%
Finance leases	5.0%	5.0%

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

<u>Years Ended May 31,</u>	<u>Operating</u>	<u>Finance</u>
2026	\$ 15,124	\$ 2,610
2027	12,297	2,610
2028	1,731	2,610
2029	<u>-</u>	<u>1,522</u>
Total remaining cash payments	29,152	9,352
Less: present value discount	<u>(1,460)</u>	<u>(806)</u>
Total lease liability	<u>\$ 27,692</u>	<u>\$ 8,546</u>

Components of lease expense for the years ended May 31, 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
Operating lease expense	\$ 15,777	\$ 48,589
Lease expense on short-term leases	<u>38,631</u>	<u>45,110</u>
Total lease expense	<u>\$ 54,408</u>	<u>\$ 93,699</u>

GRACE CHURCH OF OVERLAND PARK

NOTES TO FINANCIAL STATEMENTS

May 31, 2025

7. BOARD-DESIGNATED NET ASSETS

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

	<u>2025</u>	<u>2024</u>
Outreach	\$ 200,495	\$ 135,489
Capital expenditures	1,021,743	1,070,535
Operating reserves	575,000	475,000
Debt reduction	380,284	291,349
Church multiplication	167,505	136,987
Unallocated reserves	<u>-</u>	<u>81,377</u>
 Total Board-Designated Net Assets	 <u>\$ 2,345,027</u>	 <u>\$ 2,190,737</u>

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, 2025.

	<u>Capital</u>	<u>Ministries & Programs</u>	<u>Outreach</u>	<u>Total</u>
Beginning balance	\$ -	\$ 2,777	\$ 115,375	\$ 118,152
Contributions with donor restrictions	679,464	9,898	241,571	930,933
Releases from restriction	<u>(10,000)</u>	<u>(6,955)</u>	<u>(269,909)</u>	<u>(286,864)</u>
Ending balance	<u>\$ 669,464</u>	<u>\$ 5,720</u>	<u>\$ 87,037</u>	<u>\$ 762,221</u>

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NOTES TO FINANCIAL STATEMENTS

May 31, 2025

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, 2024.

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

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.

In August 2024, the Church received an estimate of approximately \$453,000 for its share of the street construction costs.

Actual costs incurred by the developer as of May 31, 2025 totaled \$154,022, and the Church's 50% share of \$77,011 is reflected in accrued expenses and land on the statement of financial position as of May 31, 2025.

GRACE CHURCH OF OVERLAND PARK

NOTES TO FINANCIAL STATEMENTS

May 31, 2025

10. 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. 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.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position to the sum of the corresponding amounts within the statement of cash flows:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 2,596,101	\$ 2,667,088
Cash restricted for capital improvements	<u>669,464</u>	<u>-</u>
Total cash, cash equivalents, and restricted cash	<u>\$ 3,265,565</u>	<u>\$ 2,667,088</u>