

**GRACE CHURCH
OF OVERLAND PARK**

FINANCIAL STATEMENTS

**Year Ended May 31, 2022
with
Independent Auditors' Report**

GRACE CHURCH OF OVERLAND PARK

FINANCIAL STATEMENTS

May 31, 2022

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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, 2022, 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, 2022, 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, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 15, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2021 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 14, 2022

GRACE CHURCH OF OVERLAND PARK

STATEMENT OF FINANCIAL POSITION

May 31, 2022

(With comparative totals as of May 31, 2021)

ASSETS

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 5,110,908	\$ 2,002,461
Investments	308	1,885
Accounts receivable	3,603	7,632
Inventory	8,513	12,557
Prepaid expenses	125,795	111,386
Property and equipment, net	<u>16,601,943</u>	<u>16,999,874</u>
 Total Assets	 <u>\$ 21,851,070</u>	 <u>\$ 19,135,795</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 308,874	\$ 191,983
Accrued expenses	399,452	336,052
Deferred revenue	104,212	74,258
Long-term debt, net	<u>3,883,932</u>	<u>4,799,448</u>
 Total Liabilities	 4,696,470	 5,401,741
 Net Assets:		
Without donor restrictions	17,047,817	13,678,469
With donor restrictions	<u>106,783</u>	<u>55,585</u>
Total Net Assets	<u>17,154,600</u>	<u>13,734,054</u>
 Total Liabilities and Net Assets	 <u>\$ 21,851,070</u>	 <u>\$ 19,135,795</u>

See accompanying notes

GRACE CHURCH OF OVERLAND PARK

STATEMENT OF ACTIVITIES

Year Ended May 31, 2022

(With comparative totals for the year ended May 31, 2021)

	2022			2021 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and Revenue:				
Cash contributions	\$ 10,077,633	\$ 175,333	\$ 10,252,966	\$ 8,799,976
Gain on the extinguishment of Paycheck				
Protection Program loan	738,702	-	738,702	-
Non-cash contributions	642,730	-	642,730	503,988
Program and activity fees	168,548	-	168,548	55,363
Other income	139,672	-	139,672	140,855
Investment return, net	773	-	773	(1,374)
Net assets released from restrictions	<u>124,135</u>	<u>(124,135)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	11,892,193	51,198	11,943,391	9,498,808
Expenses:				
Program services:				
Ministry	6,160,209	-	6,160,209	5,748,845
Outreach	<u>1,342,434</u>	<u>-</u>	<u>1,342,434</u>	<u>1,208,359</u>
Total Program Services	7,502,643	-	7,502,643	6,957,204
Supporting services:				
Management and general	965,842	-	965,842	961,000
Fundraising	<u>54,360</u>	<u>-</u>	<u>54,360</u>	<u>68,772</u>
Total Supporting Services	<u>1,020,202</u>	<u>-</u>	<u>1,020,202</u>	<u>1,029,772</u>
Total Expenses	<u>8,522,845</u>	<u>-</u>	<u>8,522,845</u>	<u>7,986,976</u>
Change in Net Assets	3,369,348	51,198	3,420,546	1,511,832
Net Assets, Beginning of Year	<u>13,678,469</u>	<u>55,585</u>	<u>13,734,054</u>	<u>12,222,222</u>
Net Assets, End of Year	<u><u>\$ 17,047,817</u></u>	<u><u>\$ 106,783</u></u>	<u><u>\$ 17,154,600</u></u>	<u><u>\$ 13,734,054</u></u>

See accompanying notes

GRACE CHURCH OF OVERLAND PARK

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended May 31, 2022

(With comparative totals for the year ended May 31, 2021)

	2022						2021
	Program Services			Supporting Services			
	Ministry	Outreach	Total	Management and General	Fundraising	Total	
Missionary & partner support	\$ -	\$ 890,200	\$ 890,200	\$ -	\$ -	\$ 890,200	\$ 875,700
Benevolence	31,800	136	31,936	126	12	32,074	33,687
Wages, benefits, & taxes	3,924,175	253,974	4,178,149	378,819	43,847	4,600,815	4,203,522
Utilities	206,326	-	206,326	46,423	5,158	257,907	265,817
Professional services	134,106	4,283	138,389	27,123	3,013	168,525	194,079
Insurance	58,842	909	59,751	11,452	1,326	72,529	71,808
Marketing & printing	4,240	23,817	28,057	15,207	-	43,264	43,672
Technology	67,103	3,759	70,862	55,609	-	126,471	135,901
Supplies	405,238	80,839	486,077	38,845	492	525,414	426,711
Meetings, conferences, and events	142,199	8,189	150,388	3,926	482	154,796	88,083
Travel	28,981	68,765	97,746	8,497	-	106,243	36,255
Equipment & facility rental	128,293	4,054	132,347	24,920	-	157,267	124,129
Fees	10,721	3,094	13,815	100,246	-	114,061	99,681
Repairs & maintenance	173,209	-	173,209	42,842	-	216,051	240,351
Taxes & assessments	13,674	68	13,742	3,402	-	17,144	33,335
Other	4,113	347	4,460	1,607	30	6,097	1,496
Interest	81,136	-	81,136	20,284	-	101,420	215,596
Depreciation & amortization	746,053	-	746,053	186,514	-	932,567	897,153
Total Expenses	<u>\$ 6,160,209</u>	<u>\$ 1,342,434</u>	<u>\$ 7,502,643</u>	<u>\$ 965,842</u>	<u>\$ 54,360</u>	<u>\$ 8,522,845</u>	<u>\$ 7,986,976</u>

See accompanying notes

GRACE CHURCH OF OVERLAND PARK

STATEMENT OF CASH FLOWS

Year Ended May 31, 2022

(With comparative totals for the year ended May 31, 2021)

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Cash received from donations and other activities	\$ 10,670,715	\$ 9,054,772
Cash paid to employees, vendors, and others	(7,443,701)	(6,868,438)
Interest paid	<u>(91,492)</u>	<u>(175,621)</u>
Net Cash Provided by Operating Activities	3,135,522	2,010,713
Cash Flows from Investing Activities:		
Purchases of property and equipment	(395,026)	(759,758)
Proceeds from sale of assets	21,850	2,400
Proceeds from the sale of investments	<u>555,058</u>	<u>748,630</u>
Net Cash Provided (Used) by Investing Activities	181,882	(8,728)
Cash Flows from Financing Activities:		
Payment of short-term trade account used to finance land, buildings, and equipment acquisition	(22,215)	(30,287)
Principal payments on long-term debt	<u>(186,742)</u>	<u>(3,198,281)</u>
Net Cash Used by Financing Activities	<u>(208,957)</u>	<u>(3,228,568)</u>
Net Change in Cash and Cash Equivalents	3,108,447	(1,226,583)
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	<u>2,002,461</u>	<u>3,229,044</u>
Cash, Cash Equivalents, and Restricted Cash, End of Year	<u>\$ 5,110,908</u>	<u>\$ 2,002,461</u>

See accompanying notes

GRACE CHURCH OF OVERLAND PARK

STATEMENT OF CASH FLOWS (continued) Year Ended May 31, 2022

(With comparative totals for the year ended May 31, 2021)

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

	2022	2021
Change in Net Assets	\$ 3,420,546	\$ 1,511,832
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	932,567	897,153
Amortization of debt issuance costs	9,928	39,975
Realized and unrealized (gain) loss on investments	(487)	3,915
Gain on forgiveness of paycheck protection program loan	(738,702)	-
Donated securities	(552,994)	(503,988)
Gain on disposal of assets	(14,476)	(1,055)
(Increase) decrease in operating assets:		
Accounts receivable	4,029	(5,567)
Prepaid expenses	(14,409)	(5,074)
Inventory	4,044	(7,417)
Increase (decrease) in operating liabilities:		
Accounts payable	(7,878)	(4,475)
Accrued expenses	63,400	22,756
Deferred revenue	29,954	62,658
Net Cash Provided by Operating Activities	\$ 3,135,522	\$ 2,010,713

NONCASH INVESTING AND FINANCING ACTIVITIES

Purchases of Property and Equipment:

Using trade payables	\$ 146,984	\$ 22,215
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See accompanying notes

GRACE CHURCH OF OVERLAND PARK

NOTES TO FINANCIAL STATEMENTS

May 31, 2022

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 \$37,018 and \$20,357 for the years ended May 31, 2022 and 2021, 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 \$14,064 and \$23,992 are included as a reduction in the mortgage liability for the years ended May 31, 2022 and 2021, 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, 2022

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Services and In-Kind Contributions – A substantial number of non-professional volunteers donate significant time to the Church. These donated services are not recognized in the financial statements because they do not meet the criteria for recognition under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958-605. Contributed goods and services are recorded at fair value at date of donation. No significant contributions of services were received during the year ended May 31, 2022 or 2021. The Church received \$522,994 and \$503,988 of donated stock during the years ended May 31, 2022 and 2021, respectively. The Church immediately liquidates these contributions upon receipt. The Church also received \$119,736 of cryptocurrency during the year ended May 31, 2022.

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.

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, 2022 and 2021, and, accordingly, no liability has been accrued.

GRACE CHURCH OF OVERLAND PARK

NOTES TO FINANCIAL STATEMENTS

May 31, 2022

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2022 and 2021. 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.”

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.

GRACE CHURCH OF OVERLAND PARK

NOTES TO FINANCIAL STATEMENTS

May 31, 2022

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent Events – Management has evaluated events and transactions that have occurred since May 31, 2022, and reflected their effects, if any, in these financial statements through September 14, 2022, 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>2022</u>	<u>2021</u>
Cash, and cash equivalents	\$ 5,110,908	\$ 2,002,461
Investments	308	1,885
Accounts receivable	<u>3,603</u>	<u>7,632</u>
Total financial assets at year-end	5,114,819	2,011,978
Less: board designations	(1,403,332)	(1,008,061)
Less: donor imposed restrictions	<u>(106,783)</u>	<u>(55,585)</u>
Total financial assets available to meet general expenditures over the next 12 months	<u>\$ 3,604,704</u>	<u>\$ 948,332</u>

In addition to financial assets available to meet general expenditures over the next 12 months, the Church 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 12, 2016, the Church signed a term note for \$4,925,000. Proceeds from the note were used to retire the construction financing mortgage. The note has the following payment terms: monthly principal and interest payments of \$21,528 are due on the note beginning December 1, 2016, through maturity on November 1, 2023, at which time the balance of the loan is due in full. The note bears a fixed interest rate of 2.27% and is secured by assets of the Church. The balance of this note as of May 31, 2022 and 2021 is \$3,897,996 and \$4,084,738, respectively.

GRACE CHURCH OF OVERLAND PARK

NOTES TO FINANCIAL STATEMENTS

May 31, 2022

3. LONG-TERM DEBT (continued)

On April 30, 2018, the Church signed a term note for \$3,338,000. Proceeds from the note were used to purchase a church building. The note has the following payment terms: monthly principal and interest payments of \$20,260 are due on the note beginning June 1, 2018, through maturity on May 1, 2028, at which time the balance of the loan is due in full. The note bears a fixed interest rate of 5.38% through May 31, 2023, at which time it adjusts. The note is secured by assets of the Church. The balance of this note as of May 31, 2021 is \$-0- as the Church paid off the loan during the year.

Note covenants require the Church to maintain its primary operating and savings accounts with the lender, submit annual financial reports and operating budgets to the lender, and maintain a key man life insurance policy on a Church employee.

On May 1, 2020, the Church was approved for a \$738,702 Paycheck Protection Program (“PPP”) loan from a financial institution under the CARES Act, at a fixed interest rate of 1.00%. The agreement calls for payments of principal and interest of \$34,429 per month beginning October 5, 2020 through May 5, 2022. If the Church spends the loan funds on certain qualified expenditures as specified under the rules and regulations referenced in the loan agreement, all or a portion of the PPP loan funds will be forgiven. For any amounts not forgiven, the agreement calls for equal monthly payments of principal and interest in an amount needed to fully amortize the loan by the maturity date. Upon any forgiveness of the loan, the Church will record either a gain on extinguishment of debt in accordance with FASB ASC 470 or contribution revenue in accordance with FASB ASC 958-605. Forgiveness is not guaranteed and conditioned on U.S. Small Business Administration (“SBA”) approval and SBA reimbursement to the Church’s financial institution. Management expects all principal and interest to be forgiven. On July 6, 2021, the Church received notification that principal and interest of this loan was forgiven in full and included in gain on extinguishment of debt on the 2022 statement of activities.

	2022	2021
Long -Term Debt	\$ 3,897,996	\$ 4,823,440
Less:		
Unamortized loan issuance costs	(14,064)	(23,992)
Total Long-Term Debt	\$ 3,883,932	\$ 4,799,448

GRACE CHURCH OF OVERLAND PARK

NOTES TO FINANCIAL STATEMENTS

May 31, 2022

3. LONG-TERM DEBT (continued)

Estimated maturities of long-term debt are as follows:

Year ending May 31,	
2023	\$ 170,401
2024	<u>3,727,595</u>
Total	<u>\$ 3,897,996</u>

Interest expense was \$101,420 and \$215,596 for the years ended May 31, 2022 and 2021, respectively.

4. PROPERTY AND EQUIPMENT

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

	<u>2022</u>	<u>2021</u>
Land	\$ 2,400,953	\$ 2,400,953
Land improvements	650,128	643,344
Building and building improvements	17,308,190	17,218,964
Furniture and equipment	2,717,950	2,848,649
Vehicles	100,978	100,978
Construction in progress	<u>532,163</u>	<u>196,733</u>
	23,710,362	23,409,621
Less accumulated depreciation	<u>(7,108,419)</u>	<u>(6,409,747)</u>
Property and Equipment, Net	<u>\$ 16,601,943</u>	<u>\$ 16,999,874</u>

Depreciation expense was \$932,567 and \$897,153 for the years ended May 31, 2022 and 2021, respectively.

GRACE CHURCH OF OVERLAND PARK

NOTES TO FINANCIAL STATEMENTS

May 31, 2022

5. OPERATING LEASES

The Church leases office equipment under lease agreements expiring March 2027. Total rent expense related to these leases for 2022 and 2021 were \$28,392 and 26,213, respectively. The following is a schedule by year of future minimum lease payments under this lease:

Years Ended May 31,

2023	\$ 18,941
2024	15,012
2025	13,047
2026	13,047
2027	<u>9,786</u>
Total	<u>\$ 69,833</u>

Effective July 13, 2020, the Church entered into a 24-month operating lease for real estate in Olathe, Kansas with the option of extending the lease. This lease was set to expire in June 2022. However, the Church extended the lease for another 18 months in July 2021. Rent payments for the year ended May 31, 2022 and 2021 were \$88,853 and \$79,778. The following is a schedule by year of future minimum lease payments under this lease:

Years Ended May 31,

2023	\$ 89,500
2024	<u>55,500</u>
Total	<u>\$ 145,000</u>

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, if any, by the Church under this plan are at the discretion of the Board. Contributions of \$116,175 and \$101,109 were made for the year ended May 31, 2022 and 2021.

GRACE CHURCH OF OVERLAND PARK

NOTES TO FINANCIAL STATEMENTS

May 31, 2022

7. BOARD-DESIGNATED NET ASSETS

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

	2022	2021
Outreach	\$ 331,373	\$ 400,453
Capital expenditures	237,079	105,994
Operating reserves	410,000	410,000
Debt reduction	405,740	90,000
Church multiplication	19,140	-
Ministry	-	1,614
Total Board-Designated Net Assets	\$ 1,403,332	\$ 1,008,061

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:

	2022		
	Ministries & Programs	Outreach	Total
Beginning balance	\$ 15,393	\$ 40,192	\$ 55,585
Contributions with donor restrictions	7,733	167,600	175,333
Releases from restriction	(9,519)	(114,616)	(124,135)
Ending balance	\$ 13,607	\$ 93,176	\$ 106,783
	2021		
	Ministries & Programs	Outreach	Total
Beginning balance	\$ 16,247	\$ 31,650	\$ 47,897
Contributions with donor restrictions	2,800	147,530	150,330
Releases from restriction	(3,654)	(138,988)	(142,642)
Ending balance	\$ 15,393	\$ 40,192	\$ 55,585

GRACE CHURCH OF OVERLAND PARK

NOTES TO FINANCIAL STATEMENTS

May 31, 2022

9. COMMITMENTS

In August 2016, the Church entered into an agreement to purchase land in Olathe, Kansas. As part of this agreement, the seller and the Church agreed to equally divide between them the future construction costs of Britton Road located on the east side of the purchased land. The Church has paid \$193,048 towards this agreement and based on current estimates expects to pay an additional \$122,804 to satisfy the balance of this agreement with the seller.

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 land mentioned in the above paragraph. The Church has paid no funds towards this agreement and currently has no cost estimates.

In June 2022, the Church entered into an agreement to construct a new building in Olathe, Kansas. The Church believes the completion of the new building will be September 2023.

10. NEW ACCOUNTING PRONOUNCEMENTS

ASU 2016-02, Leases

In February 2016, the FASB issued Accounting Standards Update (“ASU”) No. 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The amendments in this ASU are to be applied using a modified retrospective approach. Subsequent ASUs have allowed for an option for organizations to initially adopt the standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of net assets in the in the period of adoption.

In June 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which deferred the effective date for certain entities to fiscal years beginning after December 15, 2021. Early application continues to be allowed.

GRACE CHURCH OF OVERLAND PARK

NOTES TO FINANCIAL STATEMENTS

May 31, 2022

10. NEW ACCOUNTING PRONOUNCEMENTS (continued)

ASU 2020-07, Not-for-Profit Entities

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for NFPs, including additional disclosure requirements for recognized contributed services. The amendments in this ASU are to be applied on a retrospective basis. The amendments should be applied for fiscal years beginning after June 15, 2021. Early adoption is permitted.

The Church is evaluating the effect that these standards will have on its financial statements and related disclosures.

11. SUBSEQUENT EVENTS

On July 12, 2022, the Church received a letter from an insurance company for proceeds from a claim in the amount of approximately \$154,000.