

GRACE CHURCH OF OVERLAND PARK

FINANCIAL STATEMENTS

**Year Ended May 31, 2026
with
Independent Auditors' Report**

GRACE CHURCH OF OVERLAND PARK

FINANCIAL STATEMENTS

May 31, 2026

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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, 2026, 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, 2026, 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, 2025 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 23, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2025 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, 2026

GRACE CHURCH OF OVERLAND PARK

STATEMENT OF FINANCIAL POSITION

May 31, 2026

(With comparative totals as of May 31, 2025)

ASSETS

	<u>2026</u>	<u>2025</u>
Cash and cash equivalents	\$ 2,680,509	\$ 2,596,101
Cash restricted for capital improvements	688,301	669,464
Investments	200	200
Accounts receivable	85,306	105,654
Prepaid expenses	182,642	166,324
Right-of-use asset - operating leases, net	13,634	27,692
Right-of-use asset - finance leases, net	5,954	8,260
Property and equipment, net	<u>24,741,535</u>	<u>24,831,243</u>
Total Assets	<u>\$ 28,398,081</u>	<u>\$ 28,404,938</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 153,145	\$ 157,952
Accrued expenses	346,101	390,746
Construction retainage payable	35,871	-
Deferred revenue	188,004	158,416
Operating lease liability	13,634	27,692
Finance lease liability	6,312	8,546
Long-term debt, net	<u>10,559,464</u>	<u>11,094,398</u>
Total Liabilities	11,302,531	11,837,750
Net Assets:		
Without donor restrictions	16,165,703	15,804,967
With donor restrictions	<u>929,847</u>	<u>762,221</u>
Total Net Assets	<u>17,095,550</u>	<u>16,567,188</u>
Total Liabilities and Net Assets	<u>\$ 28,398,081</u>	<u>\$ 28,404,938</u>

See accompanying notes

GRACE CHURCH OF OVERLAND PARK

STATEMENT OF ACTIVITIES

Year Ended May 31, 2026

(With comparative totals for the year ended May 31, 2025)

	2026			2025
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and Revenue:				
Cash contributions	\$ 8,661,183	\$ 376,286	9,037,469	\$ 8,127,860
Non-cash contributions	377,946	-	377,946	981,536
Program and activity fees	310,906	-	310,906	277,476
Other income	90,592	-	90,592	82,373
Interest income	112,099	-	112,099	105,673
Gain (loss) on disposal of property	(35)	-	(35)	2,281
Net assets released from restrictions	208,660	(208,660)	-	-
Total Support, Revenue and Gains	9,761,351	167,626	9,928,977	9,577,199
Expenses:				
Program services:				
Ministry	7,040,649	-	7,040,649	7,307,247
Outreach	1,248,439	-	1,248,439	1,249,309
Total Program Services	8,289,088	-	8,289,088	8,556,556
Supporting services:				
Management and general	1,092,808	-	1,092,808	1,168,315
Fundraising	18,719	-	18,719	19,378
Total Supporting Services	1,111,527	-	1,111,527	1,187,693
Total Expenses	9,400,615	-	9,400,615	9,744,249
Change in Net Assets	360,736	167,626	528,362	(167,050)
Net Assets, Beginning of Year	15,804,967	762,221	16,567,188	16,734,238
Net Assets, End of Year	\$ 16,165,703	\$ 929,847	\$ 17,095,550	\$ 16,567,188

See accompanying notes

GRACE CHURCH OF OVERLAND PARK

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended May 31, 2026

(With comparative totals for the year ended May 31, 2025)

	2026						
	Program Services			Supporting Services			
	Ministry	Outreach	Total	Management and General	Fundraising	Total	2025
Wages, benefits, & taxes	\$ 4,315,372	\$ 360,318	\$ 4,675,690	\$ 433,478	\$ 12,749	\$ 5,121,917	\$ 5,290,076
Supplies	343,235	41,485	384,720	26,574	-	411,294	445,767
Missionary & partner support	-	677,221	677,221	-	-	677,221	589,848
Interest	436,437	-	436,437	109,486	-	545,923	560,985
Utilities	233,234	-	233,234	55,393	2,915	291,542	296,203
Repairs & maintenance	155,111	234	155,345	38,441	-	193,786	249,607
Travel	34,784	150,090	184,874	4,517	-	189,391	231,074
Meetings, conferences, and events	216,825	3,226	220,051	-	-	220,051	217,791
Professional services	171,992	8,532	180,524	39,128	2,059	221,711	246,539
Technology	73,908	1,580	75,488	61,320	-	136,808	148,310
Fees	2,077	4,080	6,157	58,131	-	64,288	83,791
Equipment & facility rental	34,675	-	34,675	7,317	-	41,992	54,408
Insurance	88,953	964	89,917	18,919	996	109,832	97,265
Marketing & printing	3,054	161	3,215	13,279	-	16,494	19,397
Benevolence	30,459	-	30,459	-	-	30,459	36,428
Other	5,001	548	5,549	2,942	-	8,491	7,722
Taxes & assessments	6,365	-	6,365	1,591	-	7,956	8,599
Depreciation	889,167	-	889,167	222,292	-	1,111,459	1,160,439
Total Expenses	<u>\$ 7,040,649</u>	<u>\$ 1,248,439</u>	<u>\$ 8,289,088</u>	<u>\$ 1,092,808</u>	<u>\$ 18,719</u>	<u>\$ 9,400,615</u>	<u>\$ 9,744,249</u>

See accompanying notes

GRACE CHURCH OF OVERLAND PARK

STATEMENT OF CASH FLOWS

Year Ended May 31, 2026

(With comparative totals for the year ended May 31, 2025)

	<u>2026</u>	<u>2025</u>
Cash Flows from Operating Activities:		
Cash received from donations and other activities	\$ 9,927,628	\$ 8,905,146
Cash paid to employees, vendors, and others	(7,802,150)	(7,984,029)
Interest paid	<u>(543,043)</u>	<u>(558,105)</u>
Net Cash Provided by Operating Activities	1,582,435	363,012
Cash Flows from Investing Activities:		
Purchases of property and equipment	(913,381)	(306,652)
Proceeds from sale of property and equipment	<u>-</u>	<u>2,862</u>
Net Cash Used by Investing Activities	(913,381)	(303,790)
Cash Flows from Financing Activities:		
Payment of accrued expenses used to		
to finance land, buildings, and equipment acquisition	(77,011)	-
Contributions restricted for capital improvements	51,250	669,464
Principal payments on long-term debt	(537,814)	(128,084)
Principal payments on finance lease	<u>(2,234)</u>	<u>(2,125)</u>
Net Cash (Used) Provided by Financing Activities	<u>(565,809)</u>	<u>539,255</u>
Net Change in Cash, Cash Equivalents and Restricted Cash	103,245	598,477
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	<u>3,265,565</u>	<u>2,667,088</u>
Cash, Cash Equivalents, and Restricted Cash, End of Year	<u>\$ 3,368,810</u>	<u>\$ 3,265,565</u>

See accompanying notes

GRACE CHURCH OF OVERLAND PARK

STATEMENT OF CASH FLOWS (continued)

Year Ended May 31, 2026

(With comparative totals for the year ended May 31, 2025)

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

	2026	2025
Change in Net Assets	\$ 528,362	\$ (167,050)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,111,459	1,160,439
Amortization of debt issuance costs	2,880	2,880
Loss (gain) on disposal of property and equipment	35	(2,281)
Amortization of finance lease right-of-use asset	2,306	2,305
Contributions restricted for capital improvements	(51,250)	(669,464)
(Increase) decrease in operating assets:		
Accounts receivable	20,348	(13,764)
Prepaid expenses	(16,318)	93,266
Increase (decrease) in operating liabilities:		
Accounts payable	(77,341)	(73,234)
Accrued expenses	32,366	18,738
Deferred revenue	29,588	11,177
Net Cash Provided by Operating Activities	<u>\$ 1,582,435</u>	<u>\$ 363,012</u>

NONCASH INVESTING AND FINANCING ACTIVITIES

Purchases of Property and Equipment:		
Using accrued expenses	\$ -	\$ 77,011
Using accounts payables	\$ 72,534	\$ -
Using construction retainage payable	\$ 35,871	\$ -

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Operating Cash Flows from Operating Leases	\$ 15,124	\$ 15,777
Operating Cash Flows from Finance Leases	\$ 2,234	\$ 485
Financing Cash Flows from Finance Leases	\$ 377	\$ 2,125

See accompanying notes

GRACE CHURCH OF OVERLAND PARK

NOTES TO FINANCIAL STATEMENTS

May 31, 2026

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 \$5,340 and \$5,731 for the years ended May 31, 2026 and 2025, 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 \$76,066 and \$78,945 are included as a reduction in the mortgage liability for the years ended May 31, 2026 and 2025, 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, 2026

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, 2026 and 2025, 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 \$370,946 and \$978,875 of donated stock during the years ended May 31, 2026 and 2025, respectively. The Church, immediately liquidates these contributions upon receipt. The Church also received \$7,000 in donated coins during the year ended May 31, 2026. The Church received \$2,661 of cryptocurrency during the year ended May 31, 2025. These amounts are reflected in non-cash contributions on the Statement of Activities.

Estimates – The preparation of financial statements in conformity with U.S. 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, 2026

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes (continued) – Management believes that the Church has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Church would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred. Management believes there are no such positions as of May 31, 2026 and 2025, 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, 2026 and 2025. 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, 2026

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, 2026, and reflected their effects, if any, in these financial statements through September 23, 2026, the date the financial statements were available to be issued.

GRACE CHURCH OF OVERLAND PARK

NOTES TO FINANCIAL STATEMENTS

May 31, 2026

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>2026</u>	<u>2025</u>
Cash, cash equivalents, and restricted cash	\$ 3,368,810	\$ 3,265,565
Investments	200	200
Accounts receivable	<u>85,306</u>	<u>105,654</u>
Total financial assets at year-end	3,454,316	3,371,419
Less: Board designations	(2,162,876)	(2,345,027)
Less: donor-imposed restrictions	<u>(929,847)</u>	<u>(762,221)</u>
Total financial assets available to meet general expenditures over the next 12 months	<u>\$ 361,593</u>	<u>\$ 264,171</u>

Board designations are internal allocations approved by the Board of Directors. They are not donor-imposed or legally enforceable restrictions, and the Board may release any designated amount at its discretion. Included in board-designated net assets is an operating reserve of \$575,000 at May 31, 2026 and 2025 (Note 7), established specifically to support general operations. Including this reserve, \$936,593 and \$839,171 are available to meet general expenditures over the next 12 months at May 31, 2026 and 2025, respectively, with an additional \$1,587,876 and \$1,770,027 accessible upon board action.

As part of its liquidity management, the Church operates on a balanced budget, monitors cash flow against forecast monthly, and maintains the board-designated operating reserve described above. 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 \$16,168 is expected on April 20, 2051. The outstanding balance on this note at May 31, 2026 was \$10,635,530.

GRACE CHURCH OF OVERLAND PARK

NOTES TO FINANCIAL STATEMENTS

May 31, 2026

3. LONG-TERM DEBT (continued)

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, 2026 and 2025, respectively:

	<u>2026</u>	<u>2025</u>
Long -Term Debt	\$ 10,635,530	\$ 11,173,343
Less:		
Unamortized loan issuance costs	<u>(76,066)</u>	<u>(78,945)</u>
Total Long-Term Debt	<u>\$ 10,559,464</u>	<u>\$ 11,094,398</u>

Estimated maturities of long-term debt are as follows:

Year ending May 31,	
2027	\$ 224,436
2028	235,801
2029	247,741
2030	260,287
2031	273,467
Thereafter	<u>9,393,798</u>
Total	<u>\$ 10,635,530</u>

Interest expense was \$545,923 and \$560,985 for the years ended May 31, 2026 and 2025, 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 \$228,163 and \$241,129 were made for the years ended May 31, 2026 and 2025, 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, 2026

5. PROPERTY AND EQUIPMENT

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

	<u>2026</u>	<u>2025</u>
Land	\$ 2,933,451	\$ 2,550,648
Land improvements	479,393	477,413
Building and building improvements	27,796,884	27,670,945
Furniture and equipment	3,644,975	3,680,817
Construction in progress	471,054	-
Vehicles	<u>114,412</u>	<u>114,412</u>
	35,440,169	34,494,235
Less accumulated depreciation	<u>(10,698,634)</u>	<u>(9,662,992)</u>
Property and Equipment, Net	<u>\$ 24,741,535</u>	<u>\$ 24,831,243</u>

Depreciation expense was \$1,111,459 and \$1,160,439 for the years ended May 31, 2026 and 2025, respectively.

6. LEASES

During the years ended May 31, 2026 and 2025, the Church leased copy machines.

Total lease costs for the years ended May 31, 2026 and 2025 are as follows:

Operating lease cost	\$ 15,124	\$ 15,777
Finance lease cost		
Interest expense	377	485
Amortization of right-of-use assets	2,306	2,305

The following summarizes the weighted-average remaining lease term and weighted-average discount rate for the years ended May 31, 2026 and 2025:

Weighted-Average Remaining Lease Term in Years

Operating leases	1.1	2.0
Finance leases	2.6	3.6

GRACE CHURCH OF OVERLAND PARK

NOTES TO FINANCIAL STATEMENTS

May 31, 2026

6. LEASES (continued)

	<u>2026</u>	<u>2025</u>
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>
2027	\$ 12,297	\$ 2,610
2028	1,731	2,610
2029	<u>-</u>	<u>1,522</u>
Total remaining cash payments	14,028	6,742
Less: present value discount	<u>(394)</u>	<u>(430)</u>
Total lease liability	<u>\$ 13,634</u>	<u>\$ 6,312</u>

Components of lease expense for the years ended May 31, 2026 and 2025 were as follows:

	<u>2026</u>	<u>2025</u>
Operating lease expense	\$ 15,124	\$ 15,777
Lease expense on short-term leases	<u>26,868</u>	<u>38,631</u>
Total lease expense	<u>\$ 41,992</u>	<u>\$ 54,408</u>

GRACE CHURCH OF OVERLAND PARK

NOTES TO FINANCIAL STATEMENTS

May 31, 2026

7. BOARD-DESIGNATED NET ASSETS

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

	<u>2026</u>	<u>2025</u>
Outreach	\$ 215,954	\$ 200,495
Capital expenditures	1,242,842	1,021,743
Operating reserves	575,000	575,000
Debt reduction	-	380,284
Church multiplication	<u>129,080</u>	<u>167,505</u>
 Total Board-Designated Net Assets	 <u>\$ 2,162,876</u>	 <u>\$ 2,345,027</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, 2026.

	<u>Capital</u>	<u>Ministries & Programs</u>	<u>Outreach</u>	<u>Total</u>
Beginning balance	\$ 669,464	\$ 5,720	\$ 87,037	\$ 762,221
Contributions with donor restrictions	51,250	11,270	313,766	376,286
Releases from restriction	<u>(32,413)</u>	<u>(1,260)</u>	<u>(174,987)</u>	<u>(208,660)</u>
Ending balance	<u>\$ 688,301</u>	<u>\$ 15,730</u>	<u>\$ 225,816</u>	<u>\$ 929,847</u>

GRACE CHURCH OF OVERLAND PARK

NOTES TO FINANCIAL STATEMENTS

May 31, 2026

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, 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>

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.

In May 2026, the Church entered into a construction contract with a vendor to install and configure audio and video equipment and related software at the Church's North Overland Park campus. The total commitment is \$241,779 for the project. At May 31, 2026, \$72,534 had been incurred and billed and is included on the Statement of Cash Flows. After year-end the project was completed.

GRACE CHURCH OF OVERLAND PARK

NOTES TO FINANCIAL STATEMENTS

May 31, 2026

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>2026</u>	<u>2025</u>
Cash and cash equivalents	\$ 2,680,509	\$ 2,596,101
Cash restricted for capital improvements	<u>688,301</u>	<u>669,464</u>
Total cash, cash equivalents, and restricted cash	<u>\$ 3,368,810</u>	<u>\$ 3,265,565</u>

11. SUBSEQUENT EVENT

In June 2026, the Church entered into a construction contract for improvements to be made to its north Overland Park campus facility, with a total commitment of \$440,884. In June 2026, the Church paid \$22,886, including \$2,242 of retainage.