GRACE COMMUNITY OF TYLER

CONSOLIDATED FINANCIAL STATEMENTS
(with Independent Auditor's Report thereon)

June 30, 2025

GRACE COMMUNITY OF TYLER
June 30, 2025

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INDEPENDENT AUDITOR'S REPORT

Elder Stewardship Board
Grace Community of Tyler
Tyler, Texas

Opinion

We have audited the consolidated financial statements of Grace Community of Tyler (a religious organization) and affiliate, which comprise the consolidated statement of financial position as of June 30, 2025, and the related consolidated statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Grace Community of Tyler and affiliate as of June 30, 2025, and the changes in their net assets and their 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Grace Community of Tyler, 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Grace Community of Tyler's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 consolidated 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 consolidated 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 consolidated 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 Community of Tyler'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Grace Community of Tyler'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 Community of Tyler’s 2024 financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated January 21, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters – Reporting on Government Grant Activity (Not Subject to Single Audit)

The Organization receives funding from a state government grant. The amount of expenditures for the year ended June 30, 2025 did not exceed the threshold required for an audit in accordance with the Uniform Guidance (2 CFR 200.501), and accordingly, we did not perform such an audit. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole.

Report on Supplementary Information

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

Squyres & Co. LLP

Certified Public Accountants

Tyler, TX
January 20, 2026

GRACE COMMUNITY OF TYLER
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2025
(With Summarized Totals for 2024)

	2025	2024
ASSETS		
Current Assets		
Cash Accounts	$ 2,841,120	$ 2,599,987
Investments	704,592	319,588
Accounts Receivable	349,081	177,682
Accts Rec - Bad Debt Reserve	(5,524)	(8,365)
Accts Rec - 403(b) Plan Forfeitures	3,420	67,573
Advances	12,690	14,198
Prepaid Expenses	197,097	61,248
Contribution Receivable	124,500	683,871
Grant Receivable	52,800	-
Beneficial Interest in Assets Held By:		
National Christian Foundation	835,996	785,822
Total Current Assets	5,115,772	4,701,604
Fixed Assets		
Buildings	33,081,388	32,550,351
Land	5,984,609	5,902,609
Land Improvements	2,456,560	2,205,330
Vehicles	1,284,723	891,534
Office	106,729	85,471
Equipment	1,583,445	1,382,195
Construction in Progress	1,478,287	80,264
Less Accumulated Depreciation	(23,675,205)	(21,901,143)
Total Fixed Assets	22,300,536	21,196,611
Other Assets	4,750	4,750
Right-of-Use Assets	252,687	141,191
Less Accumulated Amortization	(52,886)	(54,502)
Total Other Assets	204,551	91,439
Total Assets	$ 27,620,859	$ 25,989,654

GRACE COMMUNITY OF TYLER
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2025
(With Summarized Totals for 2024)

	2025	2024
LIABILITIES		
Current Liabilities		
Accounts Payable	$ 374,868	$ 133,238
Deferred Revenue	337,636	312,345
Accrued Payroll & Taxes	624,612	850,036
Accrued Employee Vacation	308,648	301,752
Accrued Other Items	177,258	49,439
Line of Credit	146,437	1,412,167
Lease Payable	43,350	50,252
Current Portion of Long-Term Liabilities	427,234	325,590
Total Current Liabilities	2,440,043	3,434,819
Long-Term Liabilities		
Lease Payable	171,699	41,937
Notes Payable	5,841,437	4,529,472
Total Liabilities	8,453,179	8,006,228
NET ASSETS		
Without Donor Restrictions	17,846,003	15,027,580
With Donor Restrictions	1,321,677	2,955,846
Total Net Assets	19,167,680	17,983,426
Total Liabilities and Net Assets	$ 27,620,859	$ 25,989,654

GRACE COMMUNITY OF TYLER
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025
(With Summarized Totals for 2024)

	Without Donor Restrictions	With Donor Restrictions	Total - Year Ended June 30, 2025	2024
Revenue and Other Support				
Tuition, Fees, and				
Other Non-Contributed Receipts	$ 21,689,505	$ -	$ 21,689,505	$ 21,287,961
Less Scholarships and Assistance	(1,903,460)	-	(1,903,460)	(2,283,708)
	19,786,045	-	19,786,045	19,004,253
Contributions Received	7,470,399	1,910,109	9,380,508	9,161,663
Special Events - Gross	-	521,563	521,563	515,920
Less Direct Benefit of Event	-	(89,288)	(89,288)	(87,389)
Net Special Events	-	432,275	432,275	428,531
Investment Income	84,200	-	84,200	42,237
Increase/(Decrease) in Beneficial Interest	57,681	-	57,681	73,412
Other Income (Expense)	765,263	371,882	1,137,145	38,197
Net Assets Released from Restrictions				
for Operating Expenses	2,892,256	(2,892,256)	-	-
Total Revenue and Other Support	31,055,844	(177,990)	30,877,854	28,748,293
Expenses				
Program Expense	23,396,980	-	23,396,980	23,663,712
Support Services:				
Management and General	5,928,088	-	5,928,088	5,621,394
Fundraising Expense	368,532	-	368,532	303,152
Total Expenses	29,693,600	-	29,693,600	29,588,258
Change in Net Assets	1,362,244	(177,990)	1,184,254	(839,965)
Net Assets Beginning of Year	15,027,580	2,955,846	17,983,426	18,823,391
Adjustments to Net Assets	1,456,179	(1,456,179)	-	-
Net Assets at End of Year	$ 17,846,003	$ 1,321,677	$ 19,167,680	$ 17,983,426

GRACE COMMUNITY OF TYLER
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2025
(With Summarized Totals for 2024)

		SUPPORT SERVICES	
	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING
Expenses			
Employee Compensation:			
Salaries	$ 12,503,950	$ 4,183,103	$ 214,488
Employee Benefits and Taxes	2,988,757	549,950	34,178
Total Employee Compensation	15,492,707	4,733,053	248,666
Other Expenses:			
Program Expenses	3,504,732	9,338	75,560
General and Administrative	162,828	651,449	44,306
Facilities	1,235,746	155,408	-
Utilities	435,074	13,462	-
Debt Service	441,747	-	-
Information Technologies/Audio Visual	53,983	320,349	-
Communication, Marketing & Printing	239,853	-	-
Professional Services	6,747	45,029	-
Cost of Direct Benefit of Event	-	-	-
Depreciation of Buildings/Equipment	1,823,563	-	-
Total Other Expenses	7,904,273	1,195,035	119,866
Total Functional Expenses	23,396,980	5,928,088	368,532
Expenses Included with Revenue on the Statement of Activities:			
Cost of Direct Benefit of Event	-	-	-
Total Expenses Included in the Expense Section of the Statement of Activities	$ 23,396,980	$ 5,928,088	$ 368,532
Percentages of Total Expenses by Function	78.79%	19.96%	1.24%

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

TOTAL SUPPORT SERVICES	COSTS OF DIRECT BENEFIT OF EVENT	TOTAL EXPENSES 2025	TOTAL EXPENSES 2024
$ 4,397,591	$ -	$ 16,901,541	$ 16,186,787
584,128	-	3,572,885	3,469,192
4,981,719	-	20,474,426	19,655,979
84,898	-	3,589,630	4,460,925
695,755	-	858,583	987,136
155,408	-	1,391,154	1,372,799
13,462	-	448,536	432,028
-	-	441,747	280,411
320,349	-	374,332	400,259
-	-	239,853	241,758
45,029	-	51,776	185,933
-	89,288	89,288	87,389
-	-	1,823,563	1,571,030
1,314,901	89,288	9,308,462	10,019,668
6,296,620	89,288	29,782,888	29,675,647
-	(89,288)	(89,288)	(87,389)
$ 6,296,620	$ -	$ 29,693,600	$ 29,588,258
21.21%		100.00%	

GRACE COMMUNITY OF TYLER
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2025
(With Summarized Totals for 2024)

	Year Ended June 30, 2025	Year Ended June 30, 2024
Cash Flows from Operating Activities:		
Change in Net Assets	$ 1,184,254	$ (839,965)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used In) Operating Activities:		
Depreciation and Amortization	1,823,563	1,571,029
(Gain) Loss on Sale of Land	(207,726)	-
Non-Cash Donations	(422,000)	(325,225)
(Increase) Decrease in Accounts Receivable	(110,087)	(65,939)
(Increase) Decrease in Prepaid Expenses	(135,849)	7,248
(Increase) Decrease in Contribution Receivable	506,571	58,350
(Increase) Decrease in Beneficial Interest	(50,174)	(65,948)
Increase (Decrease) in Accounts Payable and Accrued Expenses	150,921	(24,400)
Increase (Decrease) in Deferred Revenue	25,291	(60,256)
Net Cash Provided by (Used In) Operating Activities	2,764,764	254,894
Cash Flows from Investing Activities:		
(Increase) Decrease in Advances, net	1,508	(9,420)
Purchase of Investments	(385,004)	-
Fixed Assets Purchased	(2,795,988)	(3,250,728)
Acquisition of Right-of-Use Assets	(246,266)	(141,190)
Proceeds from Sale of Investments	-	823,190
Proceeds from Sale of Land and Equipment	631,380	-
Net Cash Provided By (Used In) Investing Activities	(2,794,370)	(2,578,148)
Cash Flows from Financing Activities:		
Advance on Line of Credit	146,437	1,312,167
Issuance of Debt	2,051,622	141,190
Repayments on Long-Term Debt and Line of Credit	(1,803,913)	(314,914)
Payments of Lease liabilities	(123,407)	(49,002)
Net Cash Provided By (Used In) Financing Activities	270,739	1,089,441
Net Increase (Decrease) in Cash and Cash Equivalents	241,133	(1,233,813)
Cash and Cash Equivalents at Beginning of Year	2,599,987	3,833,800
Cash and Cash Equivalents at End of Year	$ 2,841,120	$ 2,599,987
Supplemental Disclosure of Additional Cash Flow Information:		
Cash Paid for Interest	$ 347,004	$ 284,108
Cash payments for the interest portion of lease liabilities	$ 15,964	$ 3,743
Donation of Building	$ -	$ 269,018
Donation of Land	$ 422,000	$ 56,207

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Grace Community of Tyler (Grace Community) is a religious organization that operates a church, a private school, and an early education center in the Smith County, TX area and is supported by donor contributions, school tuition, and early education center fees. Grace Community's accounting records and reporting is on a fiscal year ending June 30.

Principles of Consolidation

Grace Community and the Foundation each have a separate board of directors which is responsible for the activity of the respective entities. However, Grace Community has voting control over and an economic interest in the Foundation, which results in the accounts of the Foundation being consolidated with those of Grace Community in the accompanying consolidated financial statements. All intercompany balances and transactions have been eliminated in the consolidation. Grace Community and the Foundation are hereinafter collectively referred to as the "Organization".

Prior Year Summarized Comparative Information

The consolidated financial statements and certain notes include certain prior year summarized comparative information in total, but not by fund balance. Such information does not always include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements as of and for the year ended June 30, 2024, from which the summarized comparative information was derived.

Basis of Accounting

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The consolidated financial statements are presented in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-205, Not-for-Profit Entities, Presentation of Financial Statements. During 2018, the Organization adopted the provisions of Accounting Standards Update ("ASU") 2016-14: Not-for-Profit-Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities, which improves the current net asset classification and the related information presented in the consolidated financial statements and notes about the Organization's liquidity, financial performance, and cash flows.

Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers only unrestricted demand deposits and money market accounts, excluding cash equivalent funds held in the Organization's investment portfolio, to be cash equivalents. The Organization also includes amounts in prepaid cash accounts to be cash equivalents.

Concentration of Credit Risk

The Organization maintains its cash and cash equivalents in financial institution accounts, which may, at times, exceed the federally insured limit of $250,000 set by the Federal Deposit Insurance Corporation. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash held in such institutions.

Accounts Receivable

Accounts receivable consist of school tuition, early education center fees, and contribution receivable. Bad debt reserve is based on an analysis of expected collection rates determined from experience. Accounts receivable are written off when deemed uncollectible.

Receivables from contracts with customers are reported as accounts receivable, net in the accompanying statement of financial position. Contract liabilities are reported as deferred revenue in the accompanying statement of financial position.

Investments

Investments consist primarily of assets invested in money market accounts. The Organization accounts for investments in accordance with the FASB standard for investments held by not-for-profit organizations. This standard requires that investments in equity securities with readily determinable fair values and all investments in debt securities be measured at fair value in the consolidated statement of financial position. Fair value of marketable equity and debt securities is based on quoted market prices. Realized and unrealized gains and losses, interest, and dividends on investments are recorded as net assets without donor restriction unless such amounts are restricted by the donor or by law. Investments are classified based on their original maturities. Investments with original maturities of less than 12 months are classified as short-term investments. Investments received as gifts are recorded at the estimated fair value at the date of the gift.

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with various investments, it is reasonably possible that changes in the values of certain investments will occur in the near term and that such changes could materially affect the amounts reported on the consolidated financial statements.

Property, Equipment, and Right-of-Use Assets

All significant acquisitions of property, equipment, and right-of-use assets and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets that exceed a capitalization threshold of $5,000 are capitalized. Property, equipment, and right-of-use assets are recorded on the books at cost, if purchased, or at fair value at the date of donation. Donated property is reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose based on its fair value. Expenditures for maintenance and repairs are charged to expense as incurred. The cost of assets retired or otherwise disposed of, and the related accumulated depreciation, are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposals are reflected in the earnings for the period.

Depreciation of property and equipment and amortization of leasehold improvements and right-of-use assets are computed using the straight-line method over the estimated useful life of the asset as follows:

Buildings	15-20 years
Leasehold Improvements	10-15 years
Vehicles, Equipment, Furniture and Fixtures	5-7 years

Depreciation and amortization expense totaled $1,823,563 and $1,571,030 for the years ended June 30, 2025 and 2024, respectively. Land is not depreciated.

Construction in Progress
Construction in Progress is stated at cost and consists primarily of costs incurred in the construction of building improvements. No provision for depreciation is made on construction in progress until the assets are complete and placed in service.

Contributions Receivable
Unconditional promises to give (pledges) that are to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are initially recorded at the fair value of their estimated future cash flows as of the date of the promise to give through the use of a present value discount technique. In periods subsequent to initial recognition, unconditional promises to give are reported at the amount management expects to collect and are discounted over the collection period using the same discount rate as determined at the time of initial recognition. The discount rate determined at the initial recognition of the unconditional promise to give is based upon management's assessment of many factors, including when the receivable is expected to be collected, the creditworthiness of the other parties, the Organization's past collection experience and its policies concerning the enforcement of promises to give, expectations about possible variations in the amount or timing, or both, of the cash flows, and other factors concerning the receivables collectability. Amortization of the discounts is included in support from contributions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. An allowance for uncollectible pledges is recorded when the Organization determines, based on historical experience and collection efforts, that a contribution receivable (carried over from a prior year) is uncollectible.

Contribution Revenue

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

- An explicit identifying of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met

Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when received.

The Elder Stewardship Board of the Organization from time to time authorizes funds for which expenditures are restricted to specific purposes and for which it solicits contributions from donors. Contributions directed by donors to those funds are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions of the funds.

The Organization does not accept donor-restricted contributions other than those directed to one or more of the restricted funds created by the Elder Stewardship Board.

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. Donor restricted contributions are classified as without donor restrictions if the donor restriction was met in the year the contribution is received. When a restriction expires, 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. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

Grant awards

Grant awards are recorded as other income on the consolidated statement of activities based on criteria contained in the grant award. Grants that qualify as contributions are recorded as invoiced to the funding sources in accordance with the terms of the award. Revenue is recognized in the accounting period when the related allowable expenses or asset acquisition costs are incurred. Amounts received in excess of expenses or asset acquisitions are reflected as grant funds received in advance.

Contributed Nonfinancial Assets

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Some members of the Organization have donated significant amounts of time to the Organization in furthering its programs and objectives. However, no amounts have been included in the consolidated financial statements for donated member or volunteer services since they did not meet the criteria for recognition.

Donated land, investments, and other noncash donations are recorded as contributions at their estimated fair values at the date of donation. The Organization reports the donations in the net assets without donor restrictions category, unless explicit donor stipulations specify how the donated assets must be used. The policy of the Organization is to liquidate noncash donations after receipt.

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) 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 Organization reports donor-restricted contributions and investment return restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished, including appropriation for expenditure of investment return from endowment funds) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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.

Revenue Recognition
Revenue from Exchange Transactions: The Organization recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The Organization records the following exchange transaction revenue in its consolidated statement of activities and changes in net assets for the years ending June 30, 2025 and 2024:

> Tuition and fees – Tuition and fees revenues are recognized in the fiscal year in which the academic programs are delivered. Scholarships and tuition assistance awarded to students reduce the amount of tuition and fees revenue recognized. Payments for tuition and fees are due prior to the start of the academic term in accordance with the School due dates. Generally, students who withdraw prior to February 15 of the previous year may receive a full refund. Refunds issued reduce the amount of revenue recognized.

Scholarships and tuition assistance – Student tuition and fees are presented net of amounts awarded to students to defray their costs of attending the school and early education center.

Deferred revenue – The school and early education center recognizes revenue from student tuition and fees within the fiscal year in which the academic term is conducted as performance obligations are satisfied. Amounts collected in advance of such revenue recognition are deferred.

Fundraising event revenue – The Organization conducts a fundraising event every year in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event – the exchange component, and a portion represents a contribution to the Organization. The fair value of meals and entertainment provided at special events is measured at the actual cost to the Organization. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. The direct costs of the event are recorded as direct benefits of event in the consolidated statement of activities. The performance obligation is delivery of the event. The Organization presents in its notes to consolidated financial statements the exchange and contribution components of the gross proceeds from special events.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on the consolidated statement of activities on a functional basis. Most expenses can be directly attributed to the program or supporting functions. Certain categories of expenses are attributed to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization. The Organization uses an allocation template to allocate these kinds of expenses. Facilities and maintenance expenses are allocated by square footage used and time usage for the year. Human Resources are allocated by head count. IT and accounting expenses are allocated by estimated time spent as determined by department head or supervisor. The consolidated financial statements report expenses by function in the consolidated statement of functional expenses.

Advertising

Advertising costs are charged to operations in the period in which the advertisement is placed.

Income Taxes

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities, and is classified by the Internal Revenue Services as a church and church-related school; and therefore, is not required to file with the Internal Revenue Service.

Employee Retention Credit

During the year, the Organization received payments under the Employee Retention Credit (ERC). The ERC is a refundable credit against certain payroll taxes allowed to an eligible employer for qualifying wages, which was established by the *Coronavirus Aid, Relief, and*

Economic Security (CARES) Act and further amended by the *Consolidated Appropriations Act (CAA)* and the *American Rescue Plan (ARP)*. The Organization expects to meet the ERC's eligibility requirements and recognizes these payments as income upon receipt. For the year ended June 30, 2025, the Organization recognized a net ERC of $182,929 reported as Other Income on the consolidated statement of activities.

Laws and regulations concerning government programs, including the ERC established by the CARES Act, are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Organization's claim to the ERC, and it is not possible to determine the impact (if any) this would have upon the Organization.

Accounting Pronouncements Adopted

Effective July 1, 2024, the Organization adopted the provisions of FASB ASU 2023-01, *Leases (Topic 842): Common Control Arrangements.* This updates lease accounting for common control arrangements by providing a new practical expedient for private companies and certain non-profits, allowing them to use written terms to account for leases without verifying legal enforceability. It also introduces a mandatory update for all common control leases, requiring lessees to amortize leasehold improvements over their useful life to the group, rather than the lease term.

Leases

The Organization is a lessee in multiple financing leases. Right-of-use (ROU) assets and lease liabilities are recognized on the financial statements of the Organization. ROU assets and lease liabilities are recognized at the lease commencement date based on the net present value of the future lease payments over the expected lease term. ROU assets are also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred. Lease liabilities are initially and subsequently recognized based on the net present value of their future lease payments.

ROU assets for finance leases are amortized on a straight-line basis over the lease term.

The Organization has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis.

ROU assets and liabilities as of June 30, 2025 and 2024 are presented as separate line items on the Organization's consolidated statement of financial position.

Reclassifications

Certain reclassifications have been made to the 2024 summarized financial statement information to conform to the current-year presentation. These reclassifications had no effect on the change in net assets for 2024.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF FUNDS

The Organization's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows:

	2025	2024
Cash Accounts	$ 2,841,120	$ 2,599,987
Investments	704,592	319,588
Accounts Receivable (net of reserve)	343,557	169,317
Advances	12,690	14,198
Prepaid Expenses	197,097	61,248
	$ 4,099,056	$ 3,164,338

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Foundation has a beneficial interest in assets held by National Christian Foundation of $835,996 and $785,822 as of June 30, 2025 and 2024, respectively. Although the Foundation does not intend to spend from these assets, amounts could be made available if necessary.

NOTE 3 – CONTRIBUTION RECEIVABLE

Contribution receivable consists of promises to give as of June 30, 2025 and 2024 totaling $124,500 and $683,871, respectively, due on or before June 30, 2026. As of June 30, 2025 and 2024, contributions receivable were net of an allowance for uncollectible pledges of $0.

NOTE 4 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods:

	2025			
	Church	School	Foundation	Total
Subject to expenditure for a specific purpose:				
Various church ministries and missions	$ 574,185	$ -	$ -	$ 574,185
Various school programs	-	356,342	-	356,342
Building and equipment	-	362,942	-	362,942
Total purpose restrictions	574,185	719,284	-	1,293,469
Subject to the passage of time:				
Annual fund	-	-	-	-
Endowment:				
Subject to endowment spending policy and appropriation:				
General endowment	-	150	-	150
Farrar endowment fund	-	-	28,058	28,058
Total subject to endowment spending policy and appropriations	-	150	28,058	28,208
Total net assets with donor restrictions	$ 574,185	$ 719,434	$ 28,058	$ 1,321,677

	2024			
	Church	School	Foundation	Total
Subject to expenditure for a specific purpose:				
Various church ministries and missions	$ 511,878	$ -	$ -	$ 511,878
Various school programs	-	164,064	-	164,064
Building and equipment	143,229	1,252,928	-	1,396,157
Total purpose restrictions	655,107	1,416,992	-	2,072,099
Subject to the passage of time:				
Annual fund	-	855,539	-	855,539
Endowment:				
Subject to endowment spending policy and appropriation:				
General endowment	-	150	-	150
Farrar endowment fund	-	-	28,058	28,058
Total subject to endowment spending policy and appropriations	-	150	28,058	28,208
Total net assets with donor restrictions	$ 655,107	$2,272,681	$ 28,058	$2,955,846

Net assets were released from donor restrictions during 2025 and 2024 by incurring expenses satisfying restricted purposes or by the occurrence of other events specified by donors as follows:

	2025	**2024**
Satisfaction of program restrictions:		
Various church ministries and missions	$ 265,975	$ 343,133
Various school programs	65,111	200,280
Building and equipment	2,350,202	536,903
Total satisfaction of program restrictions	2,681,288	1,080,316
Expiration of time restrictions:		
Annual fund	210,968	744,951
Total net assets released from restriction	$2,892,256	$1,825,267

NOTE 5 – BOARD-DESIGNATED FUNDS

The Elder Stewardship Board of the Organization has designated, from net assets without donor restrictions, net assets for the following purposes:

	Year Ended June 30, 2025	Year Ended June 30, 2024
Endowment Funds	$ 1,258,921	$ 1,126,406
	$ 1,258,921	$ 1,126,406

As of June 30, 2024, the Organization closed the board-designated reserve accounts into the general fund. The board-designated reserve amounts for June 30, 2025 of $244,593 were deposited into designated cash accounts in August 2025.

NOTE 6 – FUND BALANCE TRANSFERS

Certain cash transfers between funds were made during the year to properly report all funds on a basis consistent with board designations and the Organization's accounting policies.

NOTE 7 – TUITION, SCHOLARSHIPS AND EXCHANGE REVENUE

Scholarships and tuition assistance at June 30, 2025 and 2024 were as follows:

	2025	2024
Tuition Assistance/Scholarships	$ 1,743,912	$ 2,023,452
GCON Tuition Assistance/Scholarships	159,548	81,121
GCON Diversity Fund	-	179,135
	$ 1,903,460	$ 2,283,708

As of June 30, deferred revenues consisted of the following:

	2025	2024
Deferred Tuition	$ 227,246	$ 202,184
Deferred Enrollment Fees	34,223	38,881
Deferred Registration Fees	23,823	19,940
Deferred Summer Camp	39,184	49,663
Deferred General Fees	13,160	1,677
	$ 337,636	$ 312,345

NOTE 8 – SUMMARY OF FAIR VALUE MEASUREMENTS

The FASB established a framework for measuring fair value and disclosing fair value measurements to financial statement users. Fair value is the price that would be received to sell an asset or paid to transfer a liability (referred to as the “exit price”) in an orderly transaction between market participants in the principal market, or if none exists, the most advantageous market, for specific assets or liabilities at the measurement dates. The fair value should be based on assumptions that market participants would use, including consideration of nonperformance risk.

In determining fair value, the Organization uses various valuation approaches. The FASB established a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Organization. Unobservable inputs are inputs that reflect the Organization’s assumptions about assumptions market participants would use in pricing the assets or liabilities developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the observability of inputs as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets to which the Organization has access.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in inactive markets; inputs other than quoted market prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to their fair value measurement.

The availability of observable inputs can vary and is affected by a wide variety of factors, including, for example, the type of asset or liability, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Organization in determining fair value is greatest for instruments categorized in Level 3.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Fair value is a market-based measure considered from the perspective of a market participant rather than an organization-specific measure. Therefore, even when market assumptions are not readily available, the Organization’s own assumptions are set to reflect those that the

Organization believes market participants would use in pricing the asset or liability at the measurement date.

The following provide fair value measurement information for financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2025 and 2024:

	2025			
	Level 1	Level 2	Level 3	Total
Money Market Funds	$ 704,592	$ -	$ -	$ 704,592
Beneficial Interest in Assets Held by Others	-	-	835,996	835,996
	$ 704,592	$ -	$ 835,996	$ 1,540,588

	2024			
	Level 1	Level 2	Level 3	Total
Money Market Funds	$ 319,588	$ -	$ -	$ 319,588
Beneficial Interest in Assets Held by Others	-	-	785,822	785,822
	$ 319,588	$ -	$ 785,822	$ 1,105,410

The following table reconciles the Organization's beginning to ending balance of its beneficial interest in assets held by others measured at fair value using significant unobservable inputs (Level 3) during the year ended June 30, 2025:

Balance, beginning of year	$ 785,822
Net realized and unrealized gains included in earnings	57,682
Purchases, issuances, settlements, and expenses	(7,508)
Balance, end of year	$ 835,996
Net unrealized gains on Level 3 securities held at end of year	$ 57,682

The following table represents the Organization's Level 3 assets, the valuation techniques used to measure the fair value of the assets, the significant unobservable inputs, and the ranges of values for those assets.

June 30, 2025

Assets	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range
Beneficial interest in assets held by: National Christian Foundation	$ 835,996	Fair Value of Underlying Assets	Closing prices	Unknown

June 30, 2024

Assets	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range
Beneficial interest in assets held by: National Christian Foundation	$ 785,822	Fair Value of Underlying Assets	Closing prices	Unknown

Investment income consists of interest income and is recorded as an increase in net assets without donor restrictions. Total interest income received as of June 30, 2025 and 2024 was $84,200 and $42,237, respectively.

NOTE 9 – LEASES

The Organization has leased several copiers/printers and a postage machine. The lease agreements qualify as other than short-term leases under FASB ASC Topic 842 (ASU 2016-02), *Leases,* and therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. The terms and conditions for the leases vary. All leases are fixed with periodic payments over the lease term, which ranges between 3-5 years.

The weighted-average discount rate is based on the discount rate implicit in the lease. If the implicit rate is not readily determinable from the lease, the Organization estimates an applicable incremental borrowing rate. The incremental borrowing rate is estimated using the Organization's applicable borrowing rates and contractual lease term.

The lease agreements entered into with the Organization are as follows:

Agreements with Macquarie Equipment Capital, Inc. for multiple copies/printers; average monthly payments of $575; lease liability measured using a discount rate of 2.75% - 5.50%; the leases have various inception and ending dates, the earliest inception of the lease is June 2021 and the last ending date is July 2027. These leases were terminated in August 2024 and a new agreement was signed for all copiers/printers in one lease with a monthly payment of $4,800; lease liability measuring using a discount rate of 8%; the ending date is October 2029.

Agreements with Konica Minolta for multiple copies/printers; average monthly payments of $648; lease liability measured using a discount rate of 3.25%; the leases have various inception and ending dates, the earliest inception of the lease is June 2020 and the last ending date is August 2025. This lease was terminated in August 2024.

Agreement with Quadient Leasing for a postage machine; monthly payment of $224; lease liability measured using a discount rate of 3.50%; the lease has an inception of January 2022 and ending date of October 2025.

Lease Cost	**2025**	**2024**
Finance lease cost:		
Interest Expense	$ 15,964	$ 3,743
Amortization of right-of-use assets	49,499	49,752
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from finance leases	$ 15,964	$ 3,743
Financing cash flows from finance leases	122,860	92,188
Right-of-use assets obtained in exchange for lease liabilites		
Finance leases	$ 252,687	$141,190

Weighted-Average Information

	2025	**2024**
Weighted-average remaining lease term in years:		
Finance leases	4.4	1.7
Weighted-average discount rate:		
Finance leases	8%	3%

Future Minimum Lease Payments

June 30,	
2026	$ 58,947
2027	57,600
2028	57,600
2029	57,600
2030	24,000
Total lease payments	255,747
Less interest	(40,698)
Present value of lease liabilities	$ 215,049

NOTE 10 – NOTES PAYABLE AND LINE OF CREDIT

The Organization’s obligation under notes payable consists of the following:

	Year Ended June 30	
	2025	2024
Note payable, due in monthly installments of $11,823, including interest, through September 30, 2037, secured by land and buildings. Interest is based on the Prime Rate. The rate at June 30, 2025 was 4.95%	$1,300,181	$1,375,620
Note payable, due in monthly installments of $24,428, including interest, through May 30, 2034, secured by land and buildings. Interest is Federal Home Loan Bank 5/15 amortizing advance rate. The rate at June 30, 2025 was 4.95%	2,108,757	2,292,220
Line of Credit, paid in full at August 10, 2024, previously secured by land and building. Interest was fixed. The rate at June 30, 2024 was 4.75%	-	1,000,000
Note payable, due in monthly installments of $9,723 until July 7, 2032, secured by land and building. Interest is based on the Prime Rate. The rate at June 30, 2025 was 4.00%	1,117,007	1,187,222
Line of Credit, due in monthly interest installments until August 10, 2025, secured by land and buildings. Interest is based on the Prime Rate. The rate at June 30, 2025 was 7.25%	146,437	412,167
Note payable, due in monthly installments of $6,031 until August 28, 2031, secured by vehicles. Interest is based on the Prime Rate. The rate at June 30, 2025 was 7.50%	356,579	-
Note payable, due in monthly installments of $11,380 until August 29,2034, secured by land and building. Interest is based on the Prime Rate. The rate at June 30, 2025 was 7.50%	1,386,147	-
Total	$6,415,108	$6,267,229

Interest expense for the year ended June 30, 2025 and 2024 was $347,004 and $284,108, respectively.

The future scheduled maturities of long-term debt are as follows:

Year Ending June 30	Scheduled Maturity
2026	573,671
2027	449,779
2028	473,784
2029	499,894
2030	527,125
2031 and thereafter	3,890,855
	$ 6,415,108

The Organization has a $1,000,000 line of credit with a financial institution with a balance of $- and $1,000,000 as of June 30, 2025 and 2024, respectively. The line of credit matured on August 10, 2024 and bore an interest rate of 4.75%. Interest payments were due monthly with principal and interest due upon maturity. Total interest expense was $6,507 and $36,673 for the year ended June 30, 2025 and 2024, respectively.

The Organization has an additional line of credit for $500,000 with a financial institution with a balance of $146,437 and $412,167 of June 30, 2025 and 2024, respectively. The line of credit matured on August 10, 2024 and bore an interest rate of 8.5%. The line of credit was renewed for one year on August 10, 2024 and the line of credit was increased to $750,000. Interest payments are due monthly with principal and interest due upon maturity. Total interest expense was $7,367 and $10,178 as of June 30, 2025 and 2024, respectively. As of June 30, 2025, the total amount available under this line was $750,000, with $146,437 drawn, leaving $603,563 unused. The line matured on August 10, 2025 and bore an interest rate of 7.25%. The line of credit was renewed for one year on August 10, 2025 and is subject to reporting requirements. This availability supports the Organization’s short-term liquidity needs and ability to respond to unexpected demands for cash.

NOTE 11 – SPECIAL EVENT REVENUE

Gross receipts from special fundraising events recorded by the Organization consist of exchange transaction revenue and contribution revenue. As a result of adopting FASB ASU 2014-09, the Organization is required to separately present the components of this revenue.

	2025	2024
Sponsors	212,502	126,150
Donations & Matching Gifts	309,061	389,770
	$ 521,563	$ 515,920

NOTE 12 – GRANT AWARDS

The Organization was awarded $450,000 from the U.S. Department of Homeland Security, Federal Emergency Management Agency on October 10, 2023. The grant period is from September 1, 2023 – February 28, 2026. The grant was to be used to fund security gates and cameras at the three church campuses. Funds are received once a reimbursement is submitted for qualifying expenses. Amounts reimbursed as of June 30, 2025 and 2024 are $371,882 and $4,987. Expenses incurred but not reimbursed as of June 30, 2025 and 2024 are $52,800 and $-.

NOTE 13 – BENEFICIAL INTEREST IN NET ASSETS OF NATIONAL CHRISTIAN FOUNDATION

The Organization reports assets transferred to National Christian Foundation (NCF) in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-605, Not-for-Profit entities, Presentation of Financial Statements.

The Organization established three separate funds at NCF during the year ended June 30, 2010: The Grace Community School General Endowment Single Charity Fund, The Grace Community School Mr. and Mrs. Glen Uzzel Tuition Assistance Endowment Single Charity Fund, and The Grace Community School Tuition Assistance Endowment Single Charity Fund.

The contributions made by the Organization are considered an irrevocable transfer to NCF. The Organization has granted NCF variance power which gives NCF the power to use the funds for other purposes in certain circumstances. However, the Foundation has named itself or its successor as the beneficiary. Distributions shall be made from income and principal. The Organization reports the fair value of the funds in the consolidated statement of financial position as Beneficial Interest in Assets Held by National Christian Foundation. The net change in value of the assets held is reported as Increase/(Decrease) in Beneficial Interest in the consolidated statement of activities.

Changes in the funds are as follows:

	Glen Uzzel Tuition Assistance Endowment	School Tuition Assistance Endowment	General Endowment	Total
Beginning Balance 7/1/23	$ 118,004	$ 205,304	$ 396,566	$ 719,874
Administration Fee	(1,223)	(2,129)	(4,112)	(7,464)
Unrealized Gain/(Loss)	12,034	20,937	40,441	73,412
Ending Balance 6/30/24	128,815	224,112	432,895	785,822
Administration Fee	(1,231)	(2,141)	(4,136)	(7,508)
Unrealized Gain/(Loss)	9,455	16,451	31,776	57,682
Ending Balance 6/30/25	$ 137,039	$ 238,422	$ 460,535	$ 835,996

NOTE 14 – ENDOWMENT FUNDS

The Organization is subject to the State Prudent Management of Institutional Funds Act ("SPMIFA") and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Directors appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Organization's Board of Directors has interpreted SPMIFA as not requiring maintenance of purchasing power of the original gift amount contributed to an endowment fund unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund, and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has interpreted SPMIFA to permit spending from underwater funds in accordance with prudent measures required under law. Additionally, in accordance with SPMFA, the Organization considers the following factors in deciding to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the Organization and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Organization
(7) The investment policies of the Organization

The Organization has adopted investment and spending policies for endowment assets to preserve the principal and regulate the long-term ability to distribute funds according to donor and board directives. The primary objective of the Endowment Fund investments is to generate a long-term, total rate of return (income plus appreciation) that will permit real growth in endowment assets while at the same time funding an annual payout that is expected to equal approximately 5% of the trailing 12 quarter average market value of the Endowment Fund. The intent is that the spending rate over the long-term will not exceed total real return (return net of inflation). The Board has selected a professional portfolio manager in order to meet investment objectives of the Endowment Fund.

Changes to the Endowment Net Asset funds are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, 7/1/23	$ 1,060,444	$ 28,058	$ 1,088,502
Increase in Beneficial Interest	73,412	-	73,412
Interest Income	14	-	14
Administration Fees	(7,464)	-	(7,464)
Endowment Net Assets, 7/1/24	1,126,406	28,058	1,154,464
Increase in Beneficial Interest	57,682	-	57,682
Interest Income	341	-	341
Gain on Sale of Asset	209,749	-	209,749
Donation of Land	422,000	-	422,000
Contribution to Church	(549,749)	-	(549,749)
Administration Fees	(7,508)	-	(7,508)
Endowment Net Assets, 6/30/25	$ 1,258,921	$ 28,058	$ 1,286,979

NOTE 15 – RETIREMENT PLAN

The Organization has a 403(b) retirement plan (the “403(b) Plan”) covering all full-time employees of the Organization who have six months of service and are age 21 or older. The 403(b) Plan allows for employee contributions to the plan up to the limit allowed by law, as defined in the 403(b) Plan. The Organization may make matching contributions to the Plan at their discretion. Participants vest in the employer match over a five-year period. The Organization made matching contributions of $275,727 and $258,895 as of June 30, 2025 and 2024, respectively.

NOTE 16 - RELATED PARTY TRANSACTIONS

The Organization sold a piece of land to a Board member in an arms-length transaction during the year ended June 30, 2025.

A member of the Organization’s School Board is employed by a bank where the Organization maintains a significant balance. As of June 30, 2025 and 2024, total Organization deposits with this bank were $704,760 and $313,246, respectively.

NOTE 17 – COMMITMENTS AND CONTINGENCIES

The Organization is currently engaged in significant building improvement projects related to Dover church and the Center for Innovation and Creativity (CIC). As of June 30, 2025, the accumulated costs incurred for the construction in progress totaled approximately $1,478,000 and are included in the Construction in Progress line item on the consolidated statement of financial position.

The remaining costs to complete the CIC project are estimated to be approximately $360,929 and $1,406,841 as of June 30, 2025 and 2024, respectively. The contract may be terminated by the Organization or contractor as noted in the contract; however, termination fees will apply.

The remaining costs to complete the Dover church project are estimated to be approximately $397,803 and $880,656 as of June 30, 2025 and 2024, respectively. The Organization has a “cost plus a fee” contract with the contractor to complete the project. There is no set price for the project. The contract may be terminated for convenience without cause with 10 days written notice; however, termination fees will apply.

Management anticipates that funding for these remaining costs will come from capital campaign funds and debt financing. The projects are expected to be completed and placed in service by November 2025.

NOTE 18 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 20, 2026 the date the consolidated financial statements were available to be issued.

SUPPLEMENTAL SCHEDULES

GRACE COMMUNITY OF TYLER
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 2025
(With Summarized Totals for 2024)

	Church		School		Early Education Center		Foundation		Total	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
Assets										
Current Assets										
Cash Accounts	$ 1,875,858	$ 1,593,888	$ 722,834	$ 870,161	$ 213,445	$ 107,296	$ 28,983	$ 28,642	$ 2,841,120	$ 2,599,987
Investments	460,126	226,227	203,899	93,361	40,567	-	-	-	704,592	319,588
Accounts Receivable	107	6,612	251,812	161,633	97,162	9,437	-	-	349,081	177,682
Accts Rec - Bad Debt Reserve	-	-	-	(6,533)	(5,524)	(1,832)	-	-	(5,524)	(8,365)
Accts Rec - 403(b) Plan Forfeitures	3,420	67,573	-	-	-	-	-	-	3,420	67,573
Advances	7,783	-	4,907	14,198	-	-	-	-	12,690	14,198
Prepaid Expenses	12,866	11,983	181,589	48,070	2,642	1,195	-	-	197,097	61,248
Due To/From	47,460	99,574	20,656	(187,635)	(68,116)	88,061	-	-	-	-
Contributions Receivable	-	-	124,500	683,871	-	-	-	-	124,500	683,871
Grant Receivable	52,800	-	-	-	-	-	-	-	52,800	-
Beneficial Interest in Assets Held By:										
National Christian Foundation	-	-	-	-	-	-	835,996	785,822	835,996	785,822
Total Current Assets	2,460,420	2,005,857	1,510,197	1,677,126	280,176	204,157	864,979	814,464	5,115,772	4,701,604
Fixed Assets										
Buildings	16,401,171	16,112,537	15,200,549	15,052,523	1,479,668	1,385,291	-	-	33,081,388	32,550,351
Land	202,062	202,062	4,920,291	4,920,291	440,256	440,256	422,000	340,000	5,984,609	5,902,609
Land Improvements	217,759	82,413	2,227,807	2,111,923	10,994	10,994	-	-	2,456,560	2,205,330
Vehicles	997,535	604,346	200,243	200,243	86,945	86,945	-	-	1,284,723	891,534
Office	74,399	53,141	-	-	32,330	32,330	-	-	106,729	85,471
Equipment	725,728	652,515	818,465	690,428	39,252	39,252	-	-	1,583,445	1,382,195
Construction in Progress	352,111	-	1,126,176	80,264	-	-	-	-	1,478,287	80,264
Less Accumulated Depreciation	(10,817,978)	(10,044,791)	(12,223,357)	(11,334,756)	(633,870)	(521,596)	-	-	(23,675,205)	(21,901,143)
Total Fixed Assets	8,152,787	7,662,223	12,270,174	11,720,916	1,455,575	1,473,472	422,000	340,000	22,300,536	21,196,611
Other Assets	-	-	4,750	4,750	-	-	-	-	4,750	4,750
Right-of-Use Assets	98,671	38,031	154,016	103,160	-	-	-	-	252,687	141,191
Less Accumulated Amortization	(21,244)	(17,255)	(31,642)	(37,247)	-	-	-	-	(52,886)	(54,502)
Total Other Assets	77,427	20,776	127,124	70,663	-	-	-	-	204,551	91,439
Total Assets	$10,690,634	$ 9,688,856	$ 13,907,495	$ 13,468,705	$ 1,735,751	$ 1,677,629	$ 1,286,979	$ 1,154,464	$ 27,620,859	$ 25,989,654

GRACE COMMUNITY OF TYLER
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2025
(With Summarized Totals for 2024)

	Church		School		Early Education Center		Foundation		Total	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
Liabilities										
Current Liabilities										
Accounts Payable	$ 159,635	$ 94,437	$ 203,388	$ 25,738	$ 11,845	$ 13,063	$ -	$ -	$ 374,868	$ 133,238
Deferred Income	-	-	306,640	274,302	30,996	38,043	-	-	337,636	312,345
Accrued Payroll & Taxes	167,033	240,289	358,963	465,671	98,616	144,076	-	-	624,612	850,036
Accrued Employee Vacation	229,037	202,706	14,919	38,208	64,692	60,838	-	-	308,648	301,752
Accrued Other Items	60,565	9,422	98,127	36,752	18,566	3,265	-	-	177,258	49,439
Line of Credit	146,437	1,412,167	-	-	-	-	-	-	146,437	1,412,167
Lease Payable	17,087	17,504	26,263	32,748	-	-	-	-	43,350	50,252
Current Portion of Long-Term Liabilities	154,847	70,460	272,387	255,130	-	-	-	-	427,234	325,590
Total Current Liabilities	934,641	2,046,985	1,280,687	1,128,549	224,715	259,285	-	-	2,440,043	3,434,819
Long-Term Liabilities										
Lease Payable	64,387	3,283	107,312	38,654	-	-	-	-	171,699	41,937
Notes Payable	2,704,886	1,116,762	3,136,551	3,412,710	-	-	-	-	5,841,437	4,529,472
Total Liabilities	3,703,914	3,167,030	4,524,550	4,579,913	224,715	259,285	-	-	8,453,179	8,006,228
Net Assets										
Without Donor Restrictions	6,412,535	5,866,719	8,663,511	6,616,111	1,511,036	1,418,344	1,258,921	1,126,406	17,846,003	15,027,580
With Donor Restrictions	574,185	655,107	719,434	2,272,681	-	-	28,058	28,058	1,321,677	2,955,846
Total Net Assets	6,986,720	6,521,826	9,382,945	8,888,792	1,511,036	1,418,344	1,286,979	1,154,464	19,167,680	17,983,426
Total Liabilities & Net Assets	$ 10,690,634	$ 9,688,856	$ 13,907,495	$ 13,468,705	$ 1,735,751	$ 1,677,629	$ 1,286,979	$ 1,154,464	$ 27,620,859	$ 25,989,654

GRACE COMMUNITY OF TYLER
CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025
(With Summarized Totals for 2024)

	Church		School		Early Education Center		Foundation		Total	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
Changes in Net Assets Without Donor Restrictions:										
Operating:										
Revenue and Other Support										
Tuition, Fees, Other Non-Contributed Receipts	$ -	$ -	$ 16,855,927	$ 16,720,459	$ 4,833,578	$ 4,567,502	$ -	$ -	$ 21,689,505	$ 21,287,961
Less Scholarships and Assistance	-	-	(1,903,460)	(2,282,508)	-	(1,200)	-	-	(1,903,460)	(2,283,708)
	-	-	14,952,467	14,437,951	4,833,578	4,566,302	-	-	19,786,045	19,004,253
Contributions Received	7,212,691	7,083,298	257,708	48,135	-	100	-	-	7,470,399	7,131,533
Investment Income	15,000	281	59,156	41,938	9,703	4	341	14	84,200	42,237
Increase/(Decrease) in Beneficial Interest	-	-	-	-	-	-	57,681	73,412	57,681	73,412
Other Income (Expense)	503,500	13,692	138,187	10,219	41,576	9,299	82,000	-	765,263	33,210
Total Revenue	7,731,191	7,097,271	15,407,518	14,538,243	4,884,857	4,575,705	140,022	73,426	28,163,588	26,284,645
Net Assets Released from Restriction for Operating Expenses	1,493,026	371,228	1,399,230	1,454,039	-	-	-	-	2,892,256	1,825,267
Total Revenue and Other Support	9,224,217	7,468,499	16,806,748	15,992,282	4,884,857	4,575,705	140,022	73,426	31,055,844	28,109,912
Expenses										
Program Services:										
Employee Compensation	4,039,659	3,689,950	8,335,195	8,082,426	3,117,853	3,100,692	-	-	15,492,707	14,873,068
Program Expenses	1,133,645	1,321,617	2,110,722	2,616,002	260,365	284,874	-	-	3,504,732	4,222,493
General and Administrative	18,423	563,384	61,697	120,147	75,201	48,695	7,507	7,464	162,828	739,690
Facilities	642,636	164,419	327,997	644,117	265,113	428,493	-	-	1,235,746	1,237,029
Utilities	205,339	192,619	229,735	229,593	-	-	-	-	435,074	422,212
Debt Service	211,928	-	176,698	188,259	53,121	92,151	-	-	441,747	280,410
Communication, Marketing & Printing	87,988	87,221	151,865	154,536	-	-	-	-	239,853	241,757
Depreciation of Buildings/Equipment	793,087	622,412	918,201	864,047	112,275	84,570	-	-	1,823,563	1,571,029
Other Expenses	-	-	26,559	54,255	34,171	21,768	-	-	60,730	76,023
Total Program Services	7,132,705	6,641,622	12,338,669	12,953,382	3,918,099	4,061,243	7,507	7,464	23,396,980	23,663,711
Fundraising Expense:										
Employee Compensation	-	-	248,666	242,806	-	-	-	-	248,666	242,806
Program Expenses	-	-	75,560	-	-	-	-	-	75,560	-
General and Administrative	-	-	42,440	60,346	1,866	-	-	-	44,306	60,346
Total Fundraising Expense	-	-	366,666	303,152	1,866	-	-	-	368,532	303,152

GRACE COMMUNITY OF TYLER
CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025
(With Summarized Totals for 2024)

	Church		School		Early Education Center		Foundation		Total	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
Management and General:										
Employee Compensation	1,073,039	1,506,131	2,813,755	2,730,548	846,259	303,427	-	-	4,733,053	4,540,106
Program Expenses	-	79,526	9,338	158,907	-	-	-	-	9,338	238,433
General and Administrative	242,865	(588,028)	382,643	544,121	25,941	231,008	-	-	651,449	187,101
Facilities	3,941	38,603	151,467	97,164	-	-	-	-	155,408	135,767
Utilities	-	-	13,462	9,818	-	-	-	-	13,462	9,818
Information Technologies/Audio visual	80,937	82,908	239,412	291,525	-	2,143	-	-	320,349	376,576
Professional Services	14,482	40,049	30,547	93,545	-	-	-	-	45,029	133,594
Total Management and General	1,415,264	1,159,189	3,640,624	3,925,628	872,200	536,578	-	-	5,928,088	5,621,395
Total Functional Expenses	8,547,969	7,800,811	16,345,959	17,182,162	4,792,165	4,597,821	7,507	7,464	29,693,600	29,588,258
Increase (Decrease) in Net Assets Without Donor Restrictions	676,248	(332,312)	460,789	(1,189,880)	92,692	(22,116)	132,515	65,962	1,362,244	(1,478,346)
Changes in Net Assets With Donor Restrictions:										
Contributions Received	$ 909,790	$ 584,086	$ 1,000,319	$ 1,446,044	$ -	$ -	$ -	$ -	$ 1,910,109	$ 2,030,130
Other Income	371,882	4,987	-	-	-	-	-	-	371,882	4,987
Special Events - Gross	-	-	521,563	515,920	-	-	-	-	521,563	515,920
Less Cost of Direct Benefit	-	-	(89,288)	(87,389)	-	-	-	-	(89,288)	(87,389)
Net Special Events	-	-	432,275	428,531	-	-	-	-	432,275	428,531
Net Assets Released from Restrictions	(1,493,026)	(371,228)	(1,399,230)	(1,454,039)	-	-	-	-	(2,892,256)	(1,825,267)
Total Revenue and Other Support	(211,354)	217,845	33,364	420,536	-	-	-	-	(177,990)	638,381
Increase (Decrease) in Net Assets With Donor Restrictions	(211,354)	217,845	33,364	420,536	-	-	-	-	(177,990)	638,381
Increase (Decrease) in Total Net Assets	464,894	(114,467)	494,153	(769,344)	92,692	(22,116)	132,515	65,962	1,184,254	(839,965)
Net Assets, Beginning of Year:										
Without Donor Restrictions	5,866,719	6,199,031	6,616,111	7,805,991	1,418,344	1,440,460	1,126,406	1,060,444	15,027,580	16,505,926
With Donor Restrictions	655,107	437,262	2,272,681	1,852,145	-	-	28,058	28,058	2,955,846	2,317,465
Total Net Assets, Beginning of Year	6,521,826	6,636,293	8,888,792	9,658,136	1,418,344	1,440,460	1,154,464	1,088,502	17,983,426	18,823,391
Adjustments to Net Assets:										
Without Donor Restrictions	(130,432)	-	1,586,611	-	-	-	-	-	1,456,179	-
With Donor Restrictions	130,432	-	(1,586,611)	-	-	-	-	-	(1,456,179)	-
Total Adjustments to Net Assets	-	-	-	-	-	-	-	-	-	-
Net Assets, End of Year:										
Without Donor Restrictions	6,412,535	5,866,719	8,663,511	6,616,111	1,511,036	1,418,344	1,258,921	1,126,406	17,846,003	15,027,580
With Donor Restrictions	574,185	655,107	719,434	2,272,681	-	-	28,058	28,058	1,321,677	2,955,846
Total Net Assets, End of Year	$ 6,986,720	$ 6,521,826	$ 9,382,945	$ 8,888,792	$ 1,511,036	$ 1,418,344	$ 1,286,979	$ 1,154,464	$ 19,167,680	$ 17,983,426