

**GRACE CHURCH
OF OVERLAND PARK**

FINANCIAL STATEMENTS

**Year Ended December 31, 2017
with
Independent Auditors' Report**

GRACE CHURCH OF OVERLAND PARK

FINANCIAL STATEMENTS

December 31, 2017

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Keller & Owens, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Grace Church of Overland Park

We have audited the accompanying financial statements of **Grace Church of Overland Park** (a Kansas non-profit corporation) (the "Church"), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

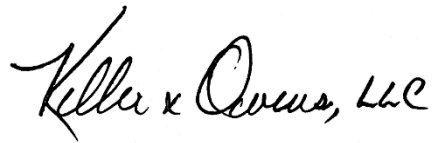
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Grace Church of Overland Park** as of December 31, 2017, 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.

Report on Summarized Comparative Information

We have previously audited **Grace Church of Overland Park's** 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 26, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Keller & Owens, LLC". The signature is written in black ink and is positioned to the right of the date and location text.

Overland Park, Kansas
March 30, 2018

GRACE CHURCH OF OVERLAND PARK

STATEMENT OF FINANCIAL POSITION

December 31, 2017

(With comparative totals as of December 31, 2016)

ASSETS

	<u>2017</u>	<u>2016</u>
Current Assets:		
Cash and cash equivalents	\$ 1,750,985	\$ 1,321,723
Investments	2,362	7,749
Accounts receivable	579	1,622
Prepaid expenses	<u>76,751</u>	<u>26,328</u>
Total Current Assets	1,830,677	1,357,422
Assets Restricted for Capital Campaign:		
Cash and cash equivalents	<u>140,153</u>	<u>43,096</u>
Total Assets Restricted for Capital Campaign	140,153	43,096
Property and Equipment, net	14,629,332	15,132,095
Website Development Costs, net	<u>-</u>	<u>5,833</u>
 Total Assets	 <u>\$ 16,600,162</u>	 <u>\$ 16,538,446</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	\$ 208,150	\$ 154,058
Accrued expenses	183,668	166,194
Deferred revenue	5,380	18,588
Current portion of long-term debt	<u>151,783</u>	<u>146,722</u>
Total Current Liabilities	548,981	485,562
Long-Term Debt	<u>4,489,519</u>	<u>4,702,263</u>
 Total Liabilities	 5,038,500	 5,187,825
Net Assets:		
Unrestricted:		
Net investment in property, equipment, and other assets	9,988,030	10,288,943
Board designated	1,030,788	725,410
Undesignated	<u>286,241</u>	<u>254,747</u>
Total Unrestricted	11,305,059	11,269,100
Temporarily restricted	<u>256,603</u>	<u>81,521</u>
Total Net Assets	<u>11,561,662</u>	<u>11,350,621</u>
 Total Liabilities and Net Assets	 <u>\$ 16,600,162</u>	 <u>\$ 16,538,446</u>

See accompanying notes

GRACE CHURCH OF OVERLAND PARK

STATEMENT OF ACTIVITIES Year Ended December 31, 2017

(With comparative totals for the year ended December 31, 2016)

	2017			2016 Total
	Unrestricted	Temporarily Restricted	Total	
Support and Revenue:				
Cash contributions	\$ 5,379,956	\$ 487,143	\$ 5,867,099	\$ 5,535,756
Non-cash contributions	116,215	-	116,215	21,085
Program and activity fees	182,874	-	182,874	152,145
Other income	45,973	-	45,973	31,233
Investment income	3,623	-	3,623	3,885
Net assets released from restrictions	<u>312,061</u>	<u>(312,061)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	6,040,702	175,082	6,215,784	5,744,104
Expenses:				
Program services:				
Leadership development	83,551	-	83,551	77,666
Worship Arts	1,087,717	-	1,087,717	922,322
Family ministries	1,799,662	-	1,799,662	1,603,485
Connections	1,299,228	-	1,299,228	1,153,201
Outreach	<u>861,934</u>	<u>-</u>	<u>861,934</u>	<u>713,051</u>
Total Program Services	5,132,092	-	5,132,092	4,469,725
Support services:				
General and administration	848,913	-	848,913	825,452
Fundraising	<u>23,738</u>	<u>-</u>	<u>23,738</u>	<u>19,555</u>
Total Support Services	872,651	-	872,651	845,007
Total Expenses	<u>6,004,743</u>	<u>-</u>	<u>6,004,743</u>	<u>5,314,732</u>
Change in Net Assets	35,959	175,082	211,041	429,372
Net Assets, Beginning of Year	<u>11,269,100</u>	<u>81,521</u>	<u>11,350,621</u>	<u>10,921,249</u>
Net Assets, End of Year	<u>\$ 11,305,059</u>	<u>\$ 256,603</u>	<u>\$ 11,561,662</u>	<u>\$ 11,350,621</u>

See accompanying notes

GRACE CHURCH OF OVERLAND PARK

STATEMENT OF CASH FLOWS

Year Ended December 31, 2017

(With comparative totals for the year ended December 31, 2016)

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Cash received from donations and other activities	\$ 5,951,111	\$ 5,515,729
Cash paid to employees, vendors and others	(5,130,916)	(4,512,529)
Interest paid	<u>(110,563)</u>	<u>(148,299)</u>
Net Cash Provided by Operating Activities	709,632	854,901
Cash Flows from Investing Activities:		
Change in cash and cash equivalents restricted for acquisition of new church facilities	(97,057)	525,780
Purchases of property and equipment	(239,054)	(1,233,987)
Proceeds from sale of assets	16,500	-
Proceeds from sale of stock	<u>121,802</u>	<u>47,566</u>
Net Cash Used by Investing Activities	(197,809)	(660,641)
Cash Flows from Financing Activities:		
Contributions received for the purchase of buildings and furnishings	135,050	218,830
Principal payments on long-term debt	(217,611)	(5,586,705)
Deferred loan costs incurred	-	(67,840)
Proceeds from the issuance of long-term debt	-	4,925,000
Payment of short-term trade account used to finance land, buildings, and equipment acquisition	<u>-</u>	<u>(13,191)</u>
Net Cash Used by Financing Activities	<u>(82,561)</u>	<u>(523,906)</u>
Net Change in Cash and Cash Equivalents	429,262	(329,646)
Cash and Cash Equivalents, Beginning of Year	<u>1,321,723</u>	<u>1,651,369</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,750,985</u>	<u>\$ 1,321,723</u>

See accompanying notes

GRACE CHURCH OF OVERLAND PARK

STATEMENT OF CASH FLOWS (continued) Year Ended December 31, 2017

(With comparative totals for the year ended December 31, 2016)

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

	2017	2016
Change in Net Assets	\$ 211,041	\$ 429,372
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	740,150	626,838
Amortization of debt issuance costs	9,928	-
Unrealized losses	6	105
Realized gains	(206)	(466)
Donated securities	(116,215)	(21,085)
Gain on disposal of assets	(9,000)	-
Contributions restricted for purchase of buildings and furnishings	(135,050)	(218,830)
(Increase) decrease in operating assets:		
Prepaid expenses	(50,423)	16,391
Accounts receivable	1,043	(1,157)
Increase (decrease) in operating liabilities:		
Accounts payable	54,092	(24,314)
Accrued expenses	17,474	36,146
Deferred revenue	(13,208)	11,901
Net Cash Provided by Operating Activities	\$ 709,632	\$ 854,901

See accompanying notes

GRACE CHURCH OF OVERLAND PARK

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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.

Advertising - The Church incurs costs to promote their activities through various media types. These costs are expensed as incurred and amounted to \$43,700 and \$45,462 for 2017 and 2016, respectively.

Basis of Accounting - The Church's policy is to prepare its financial statements on the accrual basis of accounting; consequently, certain support and revenue are recognized when earned rather than when received and certain expenses are recognized when the obligation is incurred rather than when cash is disbursed.

Cash and Cash Equivalents - Cash and cash equivalents consist of cash on hand, noninterest-bearing checking, certificates of deposit, and interest-bearing money market accounts subject to minimal withdrawal restrictions.

Comparative Financial Information - The financial statements include certain prior year summarized information in total, but not by net asset category. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Church's financial statements for the year ended December 31, 2016 from which the summarized information is derived.

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 they periodically evaluate the strength of the financial institutions in which it deposits funds.

Contributions - The Church follows the accounting principles under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-605. In accordance with FASB ASC 958-605, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

GRACE CHURCH OF OVERLAND PARK

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Financing Costs – Deferred financing costs of \$57,912 are included as a reduction in the mortgage liability. All costs are considered to be long-term. The amounts are being amortized over the 7 year term of the loan. Amortization expense is included as a component of interest expense.

Donated Materials, Equipment and Services - Donated materials and equipment are reflected as contributions at their estimated fair values at date of receipt. A number of volunteers donated service to the Church in 2017 and 2016. These services do not meet the criteria for recognition as a contribution and are not reflected in the accompanying financial statements.

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

Fair Value of Financial Instruments - The carrying amounts of financial instruments including cash and cash equivalents, receivables, accrued expenses, and accounts payable approximated fair values as of December 31, 2017 due to their short-term nature. The carrying value of the long-term debt approximates fair value based on the terms available to the Church. The fair value of investments is disclosed in Note 2.

Financial Statement Presentation - Financial statement presentation follows the recommendations of FASB ASC 958-210. Under FASB ASC 958-210, entities are required to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets are those currently available at the discretion of the Board for use in the entity's operations and those resources invested in land, buildings, and equipment.

Temporarily restricted net assets are those which are stipulated by donors for specific operating purposes, special projects, or for the acquisition or construction of land, buildings, and equipment.

Permanently restricted amounts are those restricted by donors in perpetuity as endowments or irrevocable trusts. At December 31, 2017, there are no permanently restricted net assets.

GRACE CHURCH OF OVERLAND PARK

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses - Expenses are charged to each program based on direct expenditures incurred. Expenses which cannot readily be related to a specific program are charged to the various programs based upon hours worked, square footage, estimated usage, or other reasonable methods. Supporting services include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Church.

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

The Church's policy with regard to FASB ASC 740-10 is to record a liability for any tax position that is beneficial to the Church, including any related interest and penalties, when it is more likely than not the position taken by management with respect to the transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of December 31, 2017 and, accordingly, no liability has been accrued.

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

Reclassifications - Certain amounts in the 2016 financial statements have been reclassified to conform to the 2017 presentation.

Subsequent Events - Management has evaluated events and transactions that have occurred since December 31, 2017 and reflected their effects, if any, in these financial statements through March 30, 2018, the date the financial statements were available to be issued.

GRACE CHURCH OF OVERLAND PARK

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

2. FAIR VALUE MEASUREMENTS OF ASSETS AND LIABILITIES

The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three-tier hierarchy of inputs is summarized in the three broad levels below:

- Level 1 - inputs are unadjusted quoted market prices in active independent markets for identical assets and liabilities;
- Level 2 - inputs are directly or indirectly observable estimates from quotes for similar but not identical assets and liabilities, market trades for identical assets not actively traded, or other external independent means;
- Level 3 - inputs are unobservable and reflect assumptions on the part of the reporting entity.

The following table sets forth information about the level within the fair value hierarchy at which the Church's financial assets and liabilities are measured on a recurring basis at December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds	\$ 2,362	\$ -	\$ -	\$ 2,362
Total Assets - Recurring Basis	<u>\$ 2,362</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,362</u>

Fair values for the Level 1 assets were determined by unadjusted quoted market prices in active independent markets for identical assets and liabilities.

The following table sets forth information about the level within the fair value hierarchy at which the Church's financial assets and liabilities are measured on a recurring basis at December 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$ 3,937	\$ -	\$ -	\$ 3,937
Mutual Funds	<u>3,812</u>	<u>-</u>	<u>-</u>	<u>3,812</u>
Total Assets - Recurring Basis	<u>\$ 7,749</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,749</u>

Fair values for the Level 1 assets were determined by unadjusted quoted market prices in active independent markets for identical assets and liabilities.

GRACE CHURCH OF OVERLAND PARK

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

3. INVESTMENTS

Investment income for the years ended December 31, 2017 and 2016 is comprised of the following:

	<u>2017</u>	<u>2016</u>
Interest	\$ 3,393	\$ 3,293
Dividends	30	231
Unrealized losses	(6)	(105)
Realized gains	<u>206</u>	<u>466</u>
Total Investment Income	<u>\$ 3,623</u>	<u>\$ 3,885</u>

4. PROPERTY AND EQUIPMENT

Property and equipment and related accumulated depreciation are summarized as follows at December 31, 2017 and 2016:

Land	\$ 1,485,655	\$ 1,485,655
Land improvements	296,828	279,343
Building	14,397,560	14,365,818
Furniture and equipment	2,076,522	2,245,000
Vehicles	100,978	26,023
Accumulated depreciation	<u>(3,728,211)</u>	<u>(3,269,744)</u>
Total Property and Equipment, net	<u>\$ 14,629,332</u>	<u>\$ 15,132,095</u>

Depreciation expense was \$734,317 and \$621,005 for the years ended December 31, 2017 and 2016, respectively.

GRACE CHURCH OF OVERLAND PARK

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

5. WEBSITE DEVELOPMENT COSTS

The Church accounts for website development costs in accordance with FASB ASC 350-50. All costs incurred in the planning stage are expensed as incurred, costs incurred in the website application and infrastructure development stage are accounted for in accordance with ASC 350-50, which requires the capitalization of certain costs that meet specific criteria, and costs incurred in the day to day operation of the website are expensed as incurred. Capitalized website development costs are subject to straight-line amortization over a three-year period. Website development costs as of December 31, 2017 and 2016 are summarized as follows:

	<u>2017</u>	<u>2016</u>
Capitalized Costs	\$ 174,918	\$ 174,918
Less: Accumulated Amortization	<u>(174,918)</u>	<u>(169,085)</u>
Total Website Development Costs, net	<u>\$ -</u>	<u>\$ 5,833</u>

Amortization expense was \$5,833 and \$5,833 for the years ended December 31, 2017 and 2016, respectively.

6. LONG-TERM DEBT

On October 12, 2016, the Church signed a term note for \$4,925,000. Proceeds from the note were used to retire the construction financing mortgage. The note has the following payment terms: monthly principal and interest payments of \$21,528 are due on the note beginning December 1, 2016 through maturity on November 1, 2023 at which time the balance of the loan is due in full. The note bears a fixed interest rate of 2.27% and is secured by assets of the Church.

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

GRACE CHURCH OF OVERLAND PARK

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

6. LONG-TERM DEBT (continued)

On June 10, 2017, the Church extended a line of credit agreement for \$300,000 with the bank. The line of credit bears interest at a rate of one percent plus the One-Month LIBOR Rate. The Church may draw funds against the note for working capital until the expiration date of July 1, 2018. There was no balance on the line of credit as of December 31, 2017.

Mortgage loan	\$ 4,699,214
Less:	
Unamortized loan issuance costs	(57,912)
Current portion of long-term debt	<u>(151,783)</u>
Total Long-Term Debt	<u>\$ 4,489,519</u>

Estimated maturities of long-term debt are as follows:

<u>Year ending December 31,</u>	
2018	\$ 151,783
2019	155,314
2020	158,646
2021	162,616
2022	166,399
Thereafter	<u>3,904,456</u>
Total	<u>\$ 4,699,214</u>

Interest expense was \$120,376 and \$148,535 for the years ended December 31, 2017 and 2016, respectively.

GRACE CHURCH OF OVERLAND PARK

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

7. OPERATING LEASES

In November 2016, the Church entered into a 63-month operating lease on a copier. This lease will expire February 2022. Lease charges for the copier for the years ended December 31, 2017 and 2016 were \$10,456 and \$10,146, respectively. The following is a schedule by year of future minimum lease payments under this lease:

Years Ended December 31,

2018	\$	12,278
2019		12,278
2020		12,278
2021		12,278
2022		<u>2,048</u>
 Total	 \$	 <u>51,160</u>

Effective December 6, 2016, the Church entered into a 44-month operating lease for office space in Olathe, Kansas. This lease will expire August 2020. Lease charges for the office space for the years ended December 31, 2017 and 2016 were \$29,973 and \$0-, respectively. The following is a schedule by year of future minimum lease payments under this lease:

Years Ended December 31,

2018	\$	36,588
2019		36,588
2020		<u>22,798</u>
 Total	 \$	 <u>95,974</u>

8. BOARD-DESIGNATED UNRESTRICTED NET ASSETS

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

	<u>2017</u>	<u>2016</u>
Strategic reserve	\$ 510,326	\$ 284,012
Projects	1,200	129,140
Outreach	281,375	196,843
Capital expenditures	13,594	23,049
Depreciation reserves	134,293	92,366
Debt reduction	<u>90,000</u>	<u>-</u>
 Total Board-Designated Unrestricted Net Assets	 <u>\$ 1,030,788</u>	 <u>\$ 725,410</u>

GRACE CHURCH OF OVERLAND PARK

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

9. TEMPORARILY RESTRICTED NET ASSETS

The following tables set forth information about temporarily restricted net assets for the year ended December 31, 2017:

	<u>Ultimate Investment</u>	<u>Ministries & Programs</u>	<u>Outreach</u>	<u>Total</u>
Beginning balance	\$ 43,096	\$ 35,859	\$ 2,566	\$ 81,521
Restricted contributions	135,051	94,402	257,690	487,143
Releases from restriction	<u>(37,994)</u>	<u>(25,777)</u>	<u>(248,290)</u>	<u>(312,061)</u>
Ending balance	<u>\$ 140,153</u>	<u>\$ 104,484</u>	<u>\$ 11,966</u>	<u>\$ 256,603</u>

The following table sets forth information about temporarily restricted net assets for the year ended December 31, 2016:

	<u>Ultimate Investment</u>	<u>Ministries & Programs</u>	<u>Outreach</u>	<u>Total</u>
Beginning balance	\$ 568,876	\$ 17,519	\$ 16,282	\$ 602,677
Restricted contributions	218,830	40,689	148,033	407,552
Releases from restriction	<u>(744,610)</u>	<u>(22,349)</u>	<u>(161,749)</u>	<u>(928,708)</u>
Ending balance	<u>\$ 43,096</u>	<u>\$ 35,859</u>	<u>\$ 2,566</u>	<u>\$ 81,521</u>

10. EMPLOYEE BENEFITS

The Church has a 403(b) defined contribution salary deferral plan covering eligible employees. Under the plan, employees can contribute the maximum amount allowed by the Internal Revenue Code. Contributions, if any, by the Church under this Plan are at the discretion of the Board. Contributions of \$71,619 and \$65,273 were made for the years ended December 31, 2017 and 2016, respectively.

11. COMMITMENTS

In August 2016, the Church entered into an agreement to purchase land in Olathe, Kansas. As part of this agreement, the seller and the Church agreed to equally divide between them the future construction costs of the bordering public collector streets that the City of Olathe, Kansas will require to be privately constructed in the future.

GRACE CHURCH OF OVERLAND PARK

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

12. NEW ACCOUNTING PRONOUNCEMENTS

ASU 2014-09, Revenue from Contracts with Customers

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The standard permits the use of either the retrospective or cumulative effect transition method.

In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606)*, which deferred the effective date of the new revenue recognition standard for one year. The new standard is effective for fiscal years beginning after December 15, 2019. Early application is permitted.

ASU 2016-14, Not-for-Profit Entities

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*, to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's (NFP's) liquidity, financial performance, and cash flows. The amendments in this ASU are to be applied retrospectively, and are effective for annual financial statements issued for fiscal years beginning after December 15, 2017, with early adoption permitted.

ASU 2016-02, Leases

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The amendments in this ASU are to be applied using a modified retrospective approach. The amendments are effective for annual financial statements issued for fiscal years beginning after December 15, 2019, with early adoption permitted.

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

13. SUBSEQUENT EVENTS

On March 6, 2018, the Church entered into a contract to purchase a church building in Overland Park, Kansas for \$3,300,000 with an expected transaction closing date of April 30, 2018.