

**GRACE CHURCH
OF OVERLAND PARK**

FINANCIAL STATEMENTS

**Seventeen Month Period Ended May 31, 2019
with
Independent Auditors' Report**

GRACE CHURCH OF OVERLAND PARK

FINANCIAL STATEMENTS

May 31, 2019

CONTENTS

	<u>Page</u>
Independent Auditors' Report.....	1 – 2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities.....	4
Statement of Functional Expenses	5
Statement of Cash Flows.....	6 – 7
Notes to Financial Statements.....	8 – 17



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 May 31, 2019, and the related statements of activities, functional expenses, and cash flows for the seventeen month period 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.

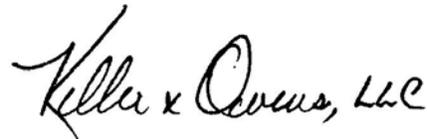
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 May 31, 2019, and the changes in its net assets and its cash flows for the seventeen month period then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Grace Church of Overland Park has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, as described in Note 1. This has had a material effect on the presentation of the May 31, 2019 financial statements.

A handwritten signature in cursive script that reads "Kella x Owens, LLC".

Overland Park, Kansas
September 25, 2019

GRACE CHURCH OF OVERLAND PARK

STATEMENT OF FINANCIAL POSITION

May 31, 2019

ASSETS

Current Assets:

Cash and cash equivalents	\$ 881,951
Investments	509,581
Accounts receivable	16,201
Prepaid expenses	<u>123,527</u>
Total Current Assets	1,531,260

Assets Restricted for Long-term Purposes:

Cash and cash equivalents	<u>227,407</u>
Total Assets Restricted for Long-term Purposes	227,407

Property and Equipment, net

17,557,855

Total Assets

\$ 19,316,522

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 384,201
Accrued expenses	230,411
Deferred revenue	74,998
Current portion of long-term debt	<u>240,012</u>
Total Current Liabilities	929,622

Long-Term Debt

7,200,838

Total Liabilities

8,130,460

Net Assets:

Without donor restrictions	10,803,901
With donor restrictions	<u>382,161</u>
Total Net Assets	<u>11,186,062</u>

Total Liabilities and Net Assets

\$ 19,316,522

See accompanying notes

GRACE CHURCH OF OVERLAND PARK

STATEMENT OF ACTIVITIES Seventeen Month Period Ended May 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Cash contributions	\$ 8,357,271	\$ 860,522	\$ 9,217,793
Non-cash contributions	116,488	25,000	141,488
Program and activity fees	245,517	-	245,517
Other income	182,568	-	182,568
Investment return, net	22,077	-	22,077
Net assets released from restrictions	759,964	(759,964)	-
Total Support and Revenue	9,683,885	125,558	9,809,443
Expenses:			
Program services:			
Ministry	7,289,733	-	7,289,733
Outreach	1,565,134	-	1,565,134
Total Program Services	8,854,867	-	8,854,867
Support services:			
General and administration	1,264,082	-	1,264,082
Fundraising	66,094	-	66,094
Total Support Services	1,330,176	-	1,330,176
Total Expenses	10,185,043	-	10,185,043
Change in Net Assets	(501,158)	125,558	(375,600)
Net Assets, Beginning of Period	11,305,059	256,603	11,561,662
Net Assets, End of Period	\$ 10,803,901	\$ 382,161	\$ 11,186,062

See accompanying notes

GRACE CHURCH OF OVERLAND PARK

STATEMENT OF FUNCTIONAL EXPENSES

Seventeen Month Period Ended May 31, 2019

	Program Services			Management and General	Fundraising	Total
	Ministry	Outreach	Total			
Missionary & partner support	\$ -	\$ 737,807	\$ 737,807	\$ -	\$ -	\$ 737,807
Benevolence	46,593	-	46,593	-	-	46,593
Wages, benefits, & taxes	3,709,938	365,564	4,075,502	847,099	30,014	4,952,615
Utilities	352,928	7,202	360,130	40,009	-	400,139
Professional Services	26,792	4,341	31,133	78,514	26,700	136,347
Insurance	87,401	5,775	93,176	8,036	56	101,268
Marketing & printing	73,876	8,657	82,533	7,218	-	89,751
Technology	158,692	12,300	170,992	34,749	-	205,741
Supplies	742,196	83,267	825,463	8,586	8,302	842,351
Meetings, conferences, and events	135,904	13,022	148,926	2,861	1,022	152,809
Travel	133,182	264,194	397,376	1,700	-	399,076
Equipment & facility rental	126,015	19,789	145,804	27,665	-	173,469
Fees	125,509	4,561	130,070	29,145	-	159,215
Repairs & maintenance	203,242	10,729	213,971	22,524	-	236,495
Taxes & assessments	33,466	678	34,144	3,768	-	37,912
Other	4,737	120	4,857	1,498	-	6,355
Interest	310,310	6,333	316,643	35,183	-	351,826
Depreciation & amortization	<u>1,018,952</u>	<u>20,795</u>	<u>1,039,747</u>	<u>115,527</u>	<u>-</u>	<u>1,155,274</u>
 Total Expenses	 <u>\$ 7,289,733</u>	 <u>\$ 1,565,134</u>	 <u>\$ 8,854,867</u>	 <u>\$ 1,264,082</u>	 <u>\$ 66,094</u>	 <u>\$ 10,185,043</u>

See accompanying notes

GRACE CHURCH OF OVERLAND PARK

STATEMENT OF CASH FLOWS Seventeen Month Period Ended May 31, 2019

Cash Flows from Operating Activities:	
Cash received from donations and other activities	\$ 9,326,011
Cash paid to employees, vendors, and others	(8,420,279)
Interest paid	<u>(338,629)</u>
Net Cash Provided by Operating Activities	567,103
Cash Flows from Investing Activities:	
Change in cash and cash equivalents restricted for acquisition of new church facilities	(87,254)
Purchases of property and equipment	(748,969)
Proceeds from sale of assets	5,500
Proceeds from the sale of CDs	125,000
Purchase of CDs	(625,000)
Proceeds from sale of stock	<u>108,094</u>
Net Cash Used by Investing Activities	(1,222,629)
Cash Flows from Financing Activities:	
Contributions received for the purchase of buildings and furnishings	343,120
Principal payments on long-term debt	(518,674)
Deferred loan costs incurred	<u>(37,954)</u>
Net Cash Used by Financing Activities	<u>(213,508)</u>
Net Change in Cash and Cash Equivalents	(869,034)
Cash and Cash Equivalents, Beginning of Period	<u>1,750,985</u>
Cash and Cash Equivalents, End of Period	<u><u>\$ 881,951</u></u>

See accompanying notes

GRACE CHURCH OF OVERLAND PARK

STATEMENT OF CASH FLOWS (continued) Seventeen Month Period Ended May 31, 2019

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

Change in Net Assets	\$	(375,600)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization		1,155,274
Amortization of debt issuance costs		18,176
Unrealized losses		394
Realized losses		782
Donated securities		(116,488)
Loss on disposal of assets		22,671
Donated services restricted for the purchase of buildings and furnishings		(25,000)
Contributions restricted for purchase of buildings and furnishings		(343,120)
(Increase) decrease in operating assets:		
Accounts receivable		(15,622)
Prepaid expenses		(46,776)
Increase (decrease) in operating liabilities:		
Accounts payable		176,051
Accrued expenses		46,743
Deferred revenue		69,618
Net Cash Provided by Operating Activities	\$	<u>567,103</u>
Supplemental Disclosure of Non-cash Investing and Financing Activity		
Land, buildings and equipment acquired using long-term debt	\$	<u>3,338,000</u>

See accompanying notes

GRACE CHURCH OF OVERLAND PARK

NOTES TO FINANCIAL STATEMENTS

May 31, 2019

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization - Grace Church of Overland Park (the "Church") is a Kansas nonprofit corporation. The Church was incorporated on January 7, 1997, under the laws of the State of Kansas. The Church exists to fulfill the Great Commandment and Great Commission through its vision: "Help everyone become an outward focused follower of Jesus." The Church calls others into a personal relationship with Jesus and encourages sharing the gospel message with others. The Church's donors reside primarily in the greater Kansas City metropolitan area.

Ministry programs include numerous activities in accomplishing the Church's purpose, including worship services, educational training, youth ministry, and children's ministry. Outreach programs include local and global evangelistic efforts, support of missionary endeavors, short-term mission trips, and church planting.

Advertising - The Church incurs costs to promote their activities through various media types. These costs are expensed as incurred and amounted to \$89,751 for the seventeen month period ended May 31, 2019.

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.

Change in Accounting Principle – During the seventeen month period ended May 31, 2019, the Church adopted the provisions of FASB ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. This ASU amends the current reporting model for not-for-profit organizations and enhances their required disclosures. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new quantitative and qualitative disclosures were added regarding the liquidity and availability of resources, and the methodology and allocation information related to the functional allocation of expenses was expanded. The basic financial statements were further affected by adding a statement of functional expenses in order to present expenses by both their natural and functional classifications.

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.

GRACE CHURCH OF OVERLAND PARK

NOTES TO FINANCIAL STATEMENTS

May 31, 2019

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Financing Costs – Deferred financing costs of \$77,690 are included as a reduction in the mortgage liability. All costs are considered to be long-term. The amounts are being amortized over the terms of the applicable loans. Amortization expense is included as a component of interest expense.

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 during the seventeen month period ended May 31, 2019. 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 May 31, 2019, 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 3.

Functional Allocation of Expenses - The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include supplies, professional services, equipment and facility rental, technology, repairs & maintenance, and interest, which are allocated on a square footage basis, as well as wages, taxes, and benefits, which are allocated on the basis of estimates of time and effort.

GRACE CHURCH OF OVERLAND PARK

NOTES TO FINANCIAL STATEMENTS

May 31, 2019

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

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 May 31, 2019, and, accordingly, no liability has been accrued.

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

Net Assets Without Donor Restrictions – Net assets available for general use and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for various reserves.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Church had none of this type for the seventeen month period ended May 31, 2019. When the donor restriction expires, that is, when a stipulated time or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as “net assets released from restrictions.”

Property and Equipment - Expenditures for property and equipment over \$1,500 with an anticipated useful life of more than one year are recorded at cost and depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. Estimated useful lives are as follows:

Building and building improvements	7 - 40 years
Land improvements	7 - 35 years
Furniture and equipment	3 - 7 years
Vehicles	5 years

GRACE CHURCH OF OVERLAND PARK

NOTES TO FINANCIAL STATEMENTS

May 31, 2019

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition – Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Subsequent Events - Management has evaluated events and transactions that have occurred since May 31, 2019, and reflected their effects, if any, in these financial statements through September 25, 2019, the date the financial statements were available to be issued.

2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position sheet date, are comprised of the following:

Cash and cash equivalents	\$ 1,109,358
Investments	509,581
Accounts receivable	<u>16,201</u>
Total financial assets at year-end	1,635,140
Less: board designations	(767,671)
Less: donor imposed restrictions	<u>(382,161)</u>
Total financial assets available to meet general expenditures over the next 12 months	<u>\$ 485,308</u>

In addition to financial assets available to meet general expenditures over the next 12 months, the Church operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted sources. Board designations (Note 8) can be released by the board at any time. Revenue is substantially comprised of contributions and service fees. The Church also has a \$300,000 line of credit available to draw upon.

GRACE CHURCH OF OVERLAND PARK

NOTES TO FINANCIAL STATEMENTS

May 31, 2019

3. 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 May 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds	\$ 9,581	\$ -	\$ -	\$ 9,581
Brokered CDs	<u>-</u>	<u>500,000</u>	<u>-</u>	<u>500,000</u>
Total Assets - Recurring Basis	<u>\$ 9,581</u>	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ 509,581</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

May 31, 2019

4. PROPERTY AND EQUIPMENT

Property and equipment and related accumulated depreciation are summarized as follows at May 31, 2019:

Land	\$ 2,207,905
Land improvements	477,197
Building	17,163,241
Furniture and equipment	2,425,650
Vehicles	100,978
Accumulated depreciation	<u>(4,817,116)</u>
Total Property and Equipment, net	<u>\$ 17,557,855</u>

Depreciation expense was \$1,155,274 for the seventeen-month period ended May 31, 2019.

5. LINE OF CREDIT

On May 29, 2018, 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 December 1, 2019. There was no balance on the line of credit as of May 31, 2019.

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. The balance of this note as of May 31, 2019 is \$4,482,852.

On April 30, 2018, the Church signed a term note for \$3,338,000. Proceeds from the note were used to purchase a church building. The note has the following payment terms: monthly principal and interest payments of \$20,260 are due on the note beginning June 1, 2018, through maturity on May 1, 2028, at which time the balance of the loan is due in full. The note bears a fixed interest rate of 5.38% through May 31, 2023, at which time it adjusts. The note is secured by assets of the Church. The balance of this note as of May 31, 2019 is \$3,035,688.

GRACE CHURCH OF OVERLAND PARK

NOTES TO FINANCIAL STATEMENTS

May 31, 2019

6. LONG-TERM DEBT (continued)

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.

Mortgage loans	\$ 7,518,540
Less:	
Unamortized loan issuance costs	(77,690)
Current portion of long-term debt	<u>(240,012)</u>
Total Long-Term Debt	<u>\$ 7,200,838</u>

Estimated maturities of long-term debt are as follows:

<u>Year ending May 31,</u>	
2020	\$ 240,012
2021	248,152
2022	256,623
2023	265,443
2024	3,929,256
Thereafter	<u>2,579,054</u>
Total	<u>\$ 7,518,540</u>

Interest expense was \$351,826 for the seventeen month period ended May 31, 2019.

GRACE CHURCH OF OVERLAND PARK

NOTES TO FINANCIAL STATEMENTS

May 31, 2019

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 seventeen month period ended May 31, 2019, was \$17,496. The following is a schedule by year of future minimum lease payments under this lease:

Years Ended May 31,

2020	\$ 12,350
2021	12,350
2022	<u>9,263</u>
Total	<u>\$ 33,963</u>

In August 2018, the Church entered into a 63-month operating lease on a copier. This lease will expire November 2023. Lease charges for the copier for the seventeen month period ended May 31, 2019, was \$1,575. The following is a schedule by year of future minimum lease payments under this lease:

Years Ended May 31,

2020	\$ 2,100
2021	2,100
2022	2,100
2023	2,100
2024	<u>1,050</u>
Total	<u>\$ 9,450</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 seventeen month period ended May 31, 2019, was \$57,340. The following is a schedule by year of future minimum lease payments under this lease:

Years Ended May 31,

2020	\$ 37,753
2021	<u>7,845</u>
Total	<u>\$ 45,598</u>

GRACE CHURCH OF OVERLAND PARK

NOTES TO FINANCIAL STATEMENTS

May 31, 2019

8. BOARD-DESIGNATED NET ASSETS

Board-designated net assets consist of the following at May 31, 2019:

Outreach	\$	219,987
Capital expenditures		12,328
Depreciation reserves		35,356
Operating reserves		410,000
Debt reduction		<u>90,000</u>
Total Board-Designated Net Assets		<u>\$ 767,671</u>

9. NET ASSETS WITH DONOR RESTRICTIONS

The following table sets forth information about net assets with donor restrictions for the seventeen month period ended May 31, 2019:

	<u>Building Fund</u>	<u>Ministries & Programs</u>	<u>Outreach</u>	<u>Total</u>
Beginning balance	\$ 140,153	\$ 70,473	\$ 45,977	\$ 256,603
Contributions with donor restrictions	343,120	57,510	484,892	885,522
Releases from restriction	<u>(255,866)</u>	<u>(93,626)</u>	<u>(410,472)</u>	<u>(759,964)</u>
Ending balance	<u>\$ 227,407</u>	<u>\$ 34,357</u>	<u>\$ 120,397</u>	<u>\$ 382,161</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 \$119,666 were made for the seventeen month period ended May 31, 2019.

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

May 31, 2019

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 2016-02, 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.