BLUE OAKS CHURCH

FINANCIAL STATEMENTS
WITH INDEPENDENT ACCOUNTANT'S REVIEW REPORT

FOR THE YEARS ENDED JUNE 30, 2026 AND 2025 – *REVIEWED*

DENNISON CPA
Church & Ministry Advisor

BLUE OAKS CHURCH

TABLE OF CONTENTS

TABLE OF CONTENTS 1
INDEPENDENT ACCOUNTANT'S REVIEW PAGE 2
STATEMENT OF FINANCIAL POSITION 3
STATEMENT OF ACTIVITIES 4
STATEMENT OF CASH FLOWS 5
STATEMENT OF FUNCTIONAL EXPENSES – 2026 6
STATEMENT OF FUNCTIONAL EXPENSES – 2025 7
NOTES TO THE FINANCIAL STATEMENTS ..... 8 – 17

DENNISON CPA
Church & Ministry Advisor

1030 4th Street SE
Suite 106
St. Cloud, MN 56304
O: 320.251.3388

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of
Blue Oaks Church
Pleasanton, California

We have reviewed the accompanying financial statements of Blue Oaks Church (a not-for-profit organization), which comprise the statements of financial position as of June 30, 2026 and 2025, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Blue Oaks Church and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our reviews.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Dennison CPA, PC

Saint Cloud, Minnesota
October 14, 2026

BLUE OAKS CHURCH

(a not-for-profit corporation)
Statement of Financial Position
As of June 30,

	2026	2025
ASSETS		
Cash And Cash Equivalents	$ 489,981	$ 220,560
Cash And Cash Equivalents - Restricted	309,470	329,657
Prepaid Expenses	6,516	6,516
Operating Lease Right-Of-Use Asset	108,162	121,579
Property And Equipment - Net	12,712,219	13,077,246
TOTAL ASSETS	**$ 13,626,348**	**$ 13,755,558**
LIABILITIES		
Accounts Payable & Accrued Expenses	$ 33,143	$ 47,812
Payroll Liabilities	73,719	65,023
Lease Liability	113,042	125,068
Mortgage Payable - Net	6,987,978	7,142,667
TOTAL LIABILITIES	**7,207,882**	**7,380,571**
NET ASSETS		
Without Donor Restrictions		
Undesignated	$ 5,608,996	$ 6,045,330
Board Designated	500,000	-
Total Net Assets Without Donor Restrictions	6,108,996	6,045,330
With Donor Restrictions	309,470	329,657
Total Net Assets	6,418,466	6,374,987
TOTAL LIABILITIES AND NET ASSETS	**$ 13,626,348**	**$ 13,755,558**

See independent accountant's review report and notes to the financial statements

BLUE OAKS CHURCH

(a not-for-profit corporation)
Statement of Activities
For the Years Ended June 30,

	2026			2025		
	Without Donor Restrictions	With Donor Restrictions	**Total**	Without Donor Restrictions	With Donor Restrictions	**Total**
SUPPORT, REVENUE, GAINS, AND LOSSES						
Contributions	$ 2,507,640	$ 153,170	**$2,660,811**	$ 2,172,996	$ 238,418	**$2,411,413**
Program Fees	42,290	-	**42,290**	32,624	-	**32,624**
Rental Income	15,980	-	**15,980**	-	-	**-**
Net Investment Return (Loss)	8,274	-	**8,274**	4,897	-	**4,897**
Net Assets Released from Restrictions	173,358	(173,358)	**-**	343,888	(343,888)	**-**
Total Revenue, Support, Gains/Losses	$ 2,747,542	$ (20,187)	**$2,727,355**	$ 2,554,404	$ (105,470)	**$2,448,934**
FUNCTIONAL EXPENSES						
Program Services Expense						
Ministry & Worship	2,183,670	-	**2,183,670**	2,175,567	-	**2,175,567**
Missions & Outreach	243,858	-	**243,858**	276,772	-	**276,772**
Total Program Services Expenses	2,427,528	-	**2,427,528**	2,452,339	-	**2,452,339**
Supporting Services Expense						
Management and General	256,347	-	**256,347**	298,056	-	**298,056**
Fundraising and Development	-	-	**-**	-	-	**-**
Total Supporting Services Expenses	256,347	-	**256,347**	298,056	-	**298,056**
Total Expenses	2,683,876	-	**2,683,876**	2,750,395	-	**2,750,395**
Change in Net Assets	63,667	(20,187)	**43,479**	(195,991)	(105,470)	**(301,461)**
Net Assets, Beginning of Year	6,045,330	329,657	**6,374,987**	6,241,321	435,127	**6,676,448**
Net Assets, End of Year	$ 6,108,996	$ 309,470	**$6,418,466**	$ 6,045,330	$ 329,657	**$6,374,987**

See independent accountant's review report and notes to the financial statements

BLUE OAKS CHURCH

(a not-for-profit corporation)
Statement of Cash Flows
For the Years Ended June 30,

OPERATING ACTIVITIES	**2026**	**2025**
Change in net assets	$ 43,479	$ (301,461)
Adjustments to reconcile net assets to net cash provided by operating activities		
Depreciation	388,388	382,586
Amortization - deferred loan costs	4,624	4,624
(Increase) decrease in operating assets:		
Prepaid expenses	-	(6,516)
Increase (decrease) in operating liabilities:		
Current year lease adjustment	1,391	1,847
Accounts payable & accrued expenses	(14,669)	(59,245)
Payroll liabilities	8,696	112
Net cash provided by operating activities	431,909	21,947
INVESTING ACTIVITIES		
Acquisitions of property and equipment	(23,362)	(542,343)
Net cash flows from investing activities	(23,362)	(542,343)
FINANCING ACTIVITIES		
Proceeds from mortgage borrowing	-	795,409
Mortgage principal payments	(159,313)	(89,415)
Net cash flows from financing activities	(159,313)	705,994
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	249,234	185,599
CASH AND CASH EQUIVALENTS - BEGINNING	550,217	364,618
CASH AND CASH EQUIVALENTS - ENDING	$ 799,451	$ 550,217
Supplemental Information - Cash paid for:		
Interest expense	336,059	334,869

See independent accountant's review report and notes to the financial statements

BLUE OAKS CHURCH

(a not-for-profit corporation)

Statement of Functional Expenses

For the Year Ended June 30, 2026

	Program			Supporting Services			
	Ministry & Worship	Missions & Outreach	Total Program Services	Management and General	Fundraising and Development	Total Supporting Activities	Total
Advertising	$ 16,927	$ 350	**$ 17,277**	$ -	$ -	**$ -**	**$ 17,277**
Bank fees	-	15	**15**	14,794	-	**14,794**	**14,809**
Depreciation	388,388	-	**388,388**	-	-	**-**	**388,388**
Donations	-	57,645	**57,645**	-	-	**-**	**57,645**
Events	9,000	160	**9,160**	-	-	**-**	**9,160**
Facility rent	-	-	**-**	21,398	-	**21,398**	**21,398**
Interest	340,683	-	**340,683**	-	-	**-**	**340,683**
Maintenance & repairs	-	513	**513**	71,072	-	**71,072**	**71,585**
Operations	23,620	6,726	**30,345**	55,964	-	**55,964**	**86,309**
Professional fees	76,890	4,690	**81,580**	5,460	-	**5,460**	**87,040**
Salaries & related benefits	1,162,451	115,846	**1,278,297**	8,185	-	**8,185**	**1,286,482**
Supplies	122,838	55,473	**178,311**	23,928	-	**23,928**	**202,239**
Travel & conferences	42,018	2,359	**44,378**	2,390	-	**2,390**	**46,768**
Utilities	855	80	**936**	53,157	-	**53,157**	**54,093**
Total Expenses	$ 2,183,670	$ 243,858	**$ 2,427,528**	$ 256,347	$ -	**$ 256,347**	**$ 2,683,876**

BLUE OAKS CHURCH

(a not-for-profit corporation)

Statement of Functional Expenses

For the Year Ended June 30, 2025

	Program			Supporting Services			
	Ministry & Worship	Missions & Outreach	Total Program Services	Management and General	Fundraising and Development	Total Supporting Activities	Total
Advertising	$ 94,356	$ 293	**$ 94,649**	-	$ -	**$ -**	**$ 94,649**
Bank fees	-	-	**-**	26,256	-	**26,256**	**26,256**
Depreciation	382,586	-	**382,586**	-	-	**-**	**382,586**
Donations	-	78,397	**78,397**	-	-	**-**	**78,397**
Events	11,000	120	**11,120**	-	-	**-**	**11,120**
Facility rent	-	-	**-**	21,289	-	**21,289**	**21,289**
Interest	339,493	-	**339,493**	-	-	**-**	**339,493**
Maintenance & repairs	-	1,049	**1,049**	66,613	-	**66,613**	**67,662**
Operations	7,462	6,281	**13,743**	53,368	-	**53,368**	**67,111**
Professional fees	81,916	5,342	**87,258**	19,584	-	**19,584**	**106,843**
Salaries & related benefits	1,113,736	116,567	**1,230,303**	6,723	-	**6,723**	**1,237,026**
Supplies	92,553	65,598	**158,151**	43,899	-	**43,899**	**202,050**
Travel & conferences	51,142	2,816	**53,957**	7,581	-	**7,581**	**61,538**
Utilities	1,323	309	**1,632**	52,743	-	**52,743**	**54,375**
Total Expenses	$ 2,175,567	$ 276,772	**$ 2,452,339**	$ 298,056	$ -	**$ 298,056**	**$ 2,750,395**

NOTE 1 - NATURE OF ORGANIZATION:

Blue Oaks Church (Organization) was organized and incorporated in the State of California on April 23, 2012. The purpose of the Organization is to call people to commitment to Christ and His family, to lead believers in Christ-like character, to equip believers to care for others, and to engage believers in the cause of Christ in order to celebrate God. Ministries of the Organization include weekend worship services and classes, children's activities, youth groups, small group fellowships, and ministries to men, women, and families. The Organization carries out its mission through the following programs:

Ministry & Worship: This program encompasses the Organization's congregational and discipleship activities, including weekend worship services and classes, children's activities, youth groups, single adult fellowships, small group fellowships, and ministries to men, women, and families. Its purpose is to foster spiritual growth, biblical teaching, and community among believers.

Missions & Outreach: This program supports the Organization's efforts to extend the cause of Christ locally and globally. Activities include evangelism, community service initiatives, and support for domestic and international missionary work. Its purpose is to engage believers in sharing the gospel and meeting the physical and spiritual needs of others beyond the congregation.

The Organization has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3). The Organization qualifies for the charitable contribution deduction under IRC Section 170(b)(1)(A)(i) as a church, and has been determined not to be a private foundation under IRC Section 509(a)(1). Net income derived from business activities unrelated to the Organization's exempt purposes may be subject to unrelated business income tax. Management has determined that the Organization had no material unrelated business income for the years ended June 30, 2026 and 2025, and, accordingly, no provision for income taxes has been recorded and no Form 990-T has been filed.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Reporting – Method of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP) and include all activities carried on in the name of the Organization. Revenues and expenses are recognized in the period earned or incurred.

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. The governing board from time to time designates, from net assets without donor restrictions, net assets for an operating reserve and/or board-designated programs.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) 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. We report contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. We report conditional contributions restricted by donors as increases in net assets without donor restrictions if the restrictions and conditions expire simultaneously in the reporting period. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are released when received and released from restrictions when the assets are placed in service.

Cash & Cash Equivalents

Cash and cash equivalents include cash on hand and deposits held in bank accounts. The Organization considers all highly liquid investments with maturities of three months or less at the time of purchase to be cash equivalents. These balances are maintained at financial institutions that management believes to be of high credit quality. Deposits are insured up to $250,000 per depositor, per institution. On June 30, 2026 and 2025, the Organization had approximately $540,055 and $296,940, respectively, in deposits in excess of insured limits.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Revenue Recognition

The Organization recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*, and ASC Topic 958, *Not-for-Profit Entities*. The Organization's revenue streams primarily include contributions, program fees, and ancillary activities. Revenue is recognized when performance obligations are satisfied, and control of promised goods or services is transferred to the customer.

Contributions: Contributions received without donor restrictions are recognized as revenue when received or unconditionally promised. These revenues are considered nonexchange transactions and are accounted for under ASC 958-605. Contributions with donor-imposed restrictions are reported as restricted support and are reclassified to net assets without donor restrictions upon satisfaction of the restriction.

Program Revenue and Exchange Transactions: Revenue from exchange transactions is recognized when control of the promised goods or services is transferred to the customer or beneficiary in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those goods or services. This includes program service fees, sales of materials, and event fees. The Organization identifies the contract, performance obligations, transaction price,

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

and allocates the transaction price to the performance obligations, recognizing revenue when or as the performance obligations are satisfied.

Rental Income: The Organization rents portions of its facilities to third parties under lease agreements, and rental income is recognized on a straight-line basis over the term of the lease as the space is made available for use. Rental income is treated as exchange transaction revenue and recorded when earned; amounts received in advance are deferred until the rental period occurs. These leases are classified as operating leases, and no significant variable or non-lease components are included.

Prepaid Expenses

Prepaid expenses consist of payments made in advance for goods or services to be received in future periods and are recorded as assets on the statement of financial position in accordance with FASB Accounting Standards Codification (ASC) 340, *Other Assets and Deferred Costs*. These amounts are expensed over the periods to which they relate as the underlying goods are consumed or services are received. The Organization's prepaid expenses include supplies paid in advance. Such amounts are amortized on a straight-line basis or as the benefit is realized, which approximates the pattern of consumption. Prepaid expenses are reviewed periodically for impairment or recoverability, and any amounts not expected to provide future economic benefit are recognized as expense in the period identified. Prepaid expenses totaled $6,516 and $6,516, respectively, as of June 30, 2026 and 2025.

Donated Services

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. No significant contributions of such goods or services were received during the years ended June 30, 2026 and 2025, respectively.

Advertising Costs

The Organization expenses advertising costs as they are incurred which totaled $17,277 and $94,649 for the years ended June 30, 2026 and 2025, respectively.

Asset Impairment

The Organization routinely evaluates the carry value of its long-lived assets for impairment. The evaluations address the estimated recoverability of assets' carry value, which is principally determined based on projected undiscounted net cash flows generated by the underlying tangible assets. When carrying value of an asset exceeds estimated recoverability, an asset impairment is recognized. No asset impairment changes were recorded during the years ended June 30, 2026 and 2025, respectively.

Property, Equipment, and Depreciation

The Organization follows the practice of capitalizing all expenditures for property, furniture, fixtures, equipment, and leasehold improvements in excess of $2,500. In accordance with GAAP, land is not depreciated, and Construction-in-

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Progress is depreciated when it is completed and placed into service. Maintenance, repairs, and minor renewal are expensed when incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income. We review the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets.

Property and equipment – net consist of the following:

	June 30, 2026	June 30, 2025	Depreciation Lives
Furniture & Equipment	$ 995,641	$ 972,279	5 - 7 Years
Building & Improvements	10,510,776	10,510,776	20 - 39 Years
Land & Improvements	2,491,313	2,491,313	0 - 15 Years
Less: Accumulated depreciation	(1,285,510)	(897,122)	
Total Property & Equipment	$ 12,712,219	$ 13,077,246	

Depreciation expense totaled $388,388 and $382,586 for the years ended June 30, 2026 and 2025, respectively.

Income Taxes

The Organization is exempt from income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions.

Uncertain Tax Positions

The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based upon technical merits, that the position will be sustained upon examinations. Interest and penalties, if any, are included in expenses in the statements of activities. As of June 30, 2026 and 2025, respectively, the Organization had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

Concentration of Support Risk

The Organization is primarily dependent upon contributions from its membership to meet expenses of operation and for the payment of principal and interest on debt, if any. Although management of the Organization expects contributions to be adequate, there can be no assurance that such contributions will be sufficient to meet the obligations. Also, there is no assurance that Organization membership will increase or remain stable, or that per capita

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

contribution by members will increase or remain stable. Support of the Organization comes primarily from tithes and offering concentrated in Pleasanton, California and surrounding geographical area. During the years ended June 30, 2026 and 2025, the Organization received 35.44% and 22.60%, respectively, of contributions from the top 5 donors and 44.32% and 32.94%, respectively, of total contributions from the top 10 donors. The Organization could be negatively impacted if one or more of its largest donors were to change their giving levels.

Fair Value of Financial Instruments

The Organization reports certain assets and liabilities at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2 – Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 – Unobservable inputs that cannot be corroborated by observable market data.

Subsequent Events

The Organization has evaluated events and transactions subsequent to the financial statement date through the date of this report, which is the date the financial statements were available to be issued. Based on this evaluation, no events were identified that require recognition or disclosure in the financial statements. Events occurring after that date have not been evaluated for potential recognition or disclosure.

NOTE 3 – LIQUIDITY AND AVAILABILITY:

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing programs as well as the conduct of services undertaken to support those activities to be general expenditures.

NOTE 3 – LIQUIDITY AND AVAILABLITY: (continued)

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows, which identifies the sources and uses of the Organization's cash and shows cash generated by operations for fiscal years ending June 30, 2026 and 2025.

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, comprise the following:

	June 30,	
	2026	2025
Cash and Cash Equivalents	$ 799,451	$ 550,217
Total Financial Assets	799,451	550,217
Contractual or Donor-Imposed Restrictions:		
Benevolence	(16,440)	(9,376)
Building Fund	(158,865)	(186,880)
Compassion	(109,944)	(105,385)
Scholarship	(20,343)	(25,749)
Special Needs	(3,878)	(2,266)
Total Contractual or Donor-Imposed Restrictions	(309,470)	(329,657)
Board Designations:		
Strategic Projects Fund	(500,000)	-
Total Board Designations	(500,000)	-
Financial Assets Available To Meet Cash Needs For General Expenditures Within One Year	$ (10,019)	$ 220,560

Restricted financial assets totaled $309,470 and $329,657 for the years ending June 30, 2026 and 2025, respectively.

NOTE 4 – LONG-TERM DEBT:

Long-Term Debt consisted of the following amounts as of June 30:

	2026	2025
The Organization executed a $7,250,000 promissory note on April 4, 2022 with Church Development Fund, Inc. with an annual interest rate of 4.7500%. The terms of the promissory note require monthly payments of $41,333.51 until maturity on May 1, 2029. Real estate is held as collateral for this promissory note.	$ 7,001,272	$ 7,160,585
Less unamortized debt issuance costs	(13,294)	(17,918)
Less current portion of debt	(167,047)	(159,317)
Debt-net of current portion	$ 6,820,931	$ 6,983,350

For years subsequent to 2026, long-term liabilities mature based upon the following schedule:

Years Ending June 30,	
2027	$ 167,047
2028	175,157
2029	6,659,068
Thereafter	-
	$ 7,001,272

Interest expense totaled $336,059 and $334,869 for the years ended June 30, 2026 and 2025, respectively.

NOTE 5 – UNAMORTIZED DEBT ISSUANCE COSTS:

The Organization incurred $32,368 of debt issuance costs (closing costs, appraisal, title insurance, etc.) associated with the promissory note described in Note 4. These costs are being amortized using the straight-line method over the term of the promissory note. Under FASB ASC 835-30-45-1A and -3, amortized debt issuance costs are reported as interest expense and totaled $4,624 and $4,624 for the years ended June 30, 2026 and 2025, respectively.

For years subsequent to 2026, amortization of issuance costs is based upon the following schedule:

Years Ending June 30,	
2027	$ 4,624
2028	4,624
2029	4,046
Thereafter	-
Total	$ 13,294

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions are restricted for the following purposes for the years ended June 30, 2026 and 2025:

	2026			
Subject to expenditure for specific purpose:	Beginning Balance	Contributions and Other Income	Releases	Ending Balance
Benevolence	$ 9,376	$ 10,500	$ 3,436	$ 16,440
Building Fund	186,880	39,559	67,574	158,865
Compassion	105,385	63,715	59,157	109,944
Scholarship	25,749	2,044	7,450	20,343
Special Needs	2,266	37,352	35,741	3,878
Total	329,657	153,170	173,358	309,470

	2025			
Subject to expenditure for specific purpose:	Beginning Balance	Contributions and Other Income	Releases	Ending Balance
Benevolence	21,253	1,200	13,077	9,376
Building Fund	286,750	112,713	212,583	186,880
Compassion	95,080	79,856	69,550	105,385
Scholarship	27,934	-	2,185	25,749
Special Needs	4,110	44,649	46,492	2,266
Total	$ 435,127	$ 238,418	$ 343,888	$ 329,657

Per Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, net assets associated with building related activities will be released upon completion of the subject building project.

NOTE 7 – RETIREMENT PLAN AND HEALTH CARE BENEFITS:

403B PLAN

The Organization offers a defined contribution plan under IRS Section 403(b) for the benefit of its eligible employees. The program covers eligible employees who have met the minimum age and service requirements, as defined in the plan document. The Organization contributed approximately $58,501 and $58,885 to the plan during the years ended June 30, 2026 and 2025, respectively.

HEALTH CARE BENEFITS

The Organization provides healthcare insurance coverage for eligible employees through participation in a group health insurance plan. The Organization pays a portion of the monthly premiums, with employees responsible for the remainder through payroll deductions.

NOTE 7 – RETIREMENT PLAN AND HEALTH CARE BENEFITS: (continued)

For the years ended June 30, 2026 and 2025, the Organization incurred $145,780 and $132,297, respectively, in healthcare insurance premium expenses, which are included in salaries and related benefits in the accompanying financial statements. The Organization does not sponsor any post-employment healthcare benefit plans, and its obligations are limited to the payment of insurance premiums for active employees as described above.

NOTE 8 – LEASES – ASC 842 – RIGHT-OF-USE:

The Organization determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12-months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

The Organization leases overflow parking and a storage unit under several long-term noncancelable operating lease(s) that expires at various dates through 2033. 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. The lease agreements require monthly combined payments of $1,783 per month until expiration. The discount rates on these leases range from 6.572% - 6.673%.

Cash paid for amounts in the measurement of lease liabilities:	
Operating cash flows from operating leases:	$ 21,396

The weighted-average discount rate is based on the discount rate implicit in the lease. The Organization has elected the option to use the risk-free rate determined by using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. The Organization has applied the risk-free rate option to the building and office equipment classes of assets.

The following summarizes the weighted average remaining term and the weighted average discount rate:

	2026	2025
Weighted-average remaining lease terms in years:		
Operating leases	6.82	7.53
Weighted-average discount rate:		
Operating leases	6.623%	6.661%

NOTE 8 – LEASES – ASC 842 – RIGHT-OF-USE: (continued)

The future minimum lease payments under noncancelable operating lease(s) with terms greater than one year are listed below as of June 30, 2026:

Years Ending June 30,	
2027	$ 20,472
2028	20,961
2029	21,462
2030	17,784
2031	18,680
Thereafter	42,741
Total lease payments	142,100
Less interest	(29,058)
Present value of lease liabilities	$ 113,042

NOTE 9 – FUNCTIONAL ALLOCATION OF EXPENSES:

The costs of providing the Organization's various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Allocation methods include specific identification, employee time and effort, and usage-based metrics, as appropriate to the nature of the expense.

Expenses are categorized as follows:

- Program Services: Activities that result in goods and services being distributed to beneficiaries, customers, or members that fulfill the purposes or mission of the Organization.
- Management and General: Expenses that are not directly identifiable with any specific program or fundraising activity but are indispensable to the conduct of those activities and to the Organization's existence.
- Fundraising: Costs incurred to induce potential donors to contribute to the Organization.

Expenses that are allocated between two or more categories include occupancy expenses such as rent, utilities, mortgage interest, depreciation, and amortization, which are allocated on a square footage basis. Other expenses such as salaries & wages, benefits, payroll taxes, and other expenses are allocated on the basis of estimates of time and effort.