

THE AUSTIN STONE COMMUNITY CHURCH

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

JULY 31, 2025 AND 2024

THE AUSTIN STONE COMMUNITY CHURCH

C O N T E N T S

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statement of Functional Expenses	
Year Ended July 31, 2025	5
Year Ended July 31, 2024	6
Statements of Cash Flows	7
Notes to Financial Statements	8



INDEPENDENT AUDITORS' REPORT

The Austin Stone Community Church
Austin, Texas

Opinion

We have audited the accompanying financial statements of The Austin Stone Community Church (the Church), which comprise the statements of financial position as of July 31, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Church as of July 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Church and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Church's ability to continue as a going concern within one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Church's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Church's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.



Austin, Texas
November 19, 2025

THE AUSTIN STONE COMMUNITY CHURCH
STATEMENTS OF FINANCIAL POSITION
JULY 31, 2025 AND 2024

	<u>ASSETS</u>	
	2025	2024
Current assets		
Cash and cash equivalents	\$ 6,918,424	\$ 9,190,349
Accounts receivable	301,251	802,697
Employee receivables, current portion	229,277	283,087
Prepaid expenses and other assets	409,810	633,639
Total current assets	7,858,762	10,909,772
Employee receivables, net of current portion	232,499	287,499
Property and equipment, net	74,610,807	73,498,205
Right of use assets	4,005,532	5,090,279
Total assets	<u>\$ 86,707,600</u>	<u>\$ 89,785,755</u>

	<u>LIABILITIES AND NET ASSETS</u>	
Current liabilities		
Accounts payable	\$ 2,000,330	\$ 1,515,692
Operating leases, current portion	1,701,117	1,577,952
Notes payable, current portion	1,034,162	1,514,434
Total current liabilities	4,735,609	4,608,078
Long-term liabilities		
Operating leases, net of current portion	4,709,990	6,394,053
Notes payable, net of current portion	22,800,527	36,054,689
Total long-term liabilities	27,510,517	42,448,742
Total liabilities	32,246,126	47,056,820
Net assets		
Without donor restrictions	52,217,267	39,903,594
With donor restrictions	2,244,207	2,825,341
Total net assets	54,461,474	42,728,935
Total liabilities and net assets	<u>\$ 86,707,600</u>	<u>\$ 89,785,755</u>

The accompanying notes are an integral part of the financial statements.

THE AUSTIN STONE COMMUNITY CHURCH
STATEMENTS OF ACTIVITIES
YEARS ENDED JULY 31, 2025 AND 2024

Net assets without restrictions:	2025	2024
Revenues		
Tithes and offerings	\$ 26,219,462	\$ 26,260,830
Program revenue	979,433	1,079,200
Facility rental	639,605	1,374,597
Counseling center	737,344	839,695
Interest income	225,896	181,316
Other revenue	112,793	34,745
Total revenues	<u>28,914,533</u>	<u>29,770,383</u>
Net assets released from restrictions:		
Restrictions satisfied by payments	<u>16,312,104</u>	<u>2,868,706</u>
Total revenues without restrictions and reclassifications	<u>45,226,637</u>	<u>32,639,089</u>
Expenses		
Program services		
Congregational programs	13,300,459	12,634,635
Counseling center	1,182,104	1,228,941
Equipping and resources	1,332,233	975,542
Family ministry	2,836,280	2,729,667
Global mission	1,837,262	2,868,949
Local mission	1,186,858	1,245,815
Soul care	188,997	194,211
Staff and leader development	515,548	382,188
Worship and creative	3,774,754	3,867,734
Total program expenses	<u>26,154,495</u>	<u>26,127,682</u>
General and administrative	<u>6,758,469</u>	<u>6,744,812</u>
Total expenses	<u>32,912,964</u>	<u>32,872,494</u>
Other expense		
Loss on involuntary conversion of nonmonetary assets	<u>-</u>	<u>55,227</u>
Total other expense	<u>-</u>	<u>55,227</u>
Increase (decrease) in net assets without restrictions	12,313,673	(288,632)
Net assets with restrictions		
Contributions	15,730,970	3,115,032
Net assets released from restrictions	<u>(16,312,104)</u>	<u>(2,868,706)</u>
Increase (decrease) in net assets with restrictions	<u>(581,134)</u>	<u>246,326</u>
Change in net assets	11,732,539	(42,306)
Net assets at beginning of year	<u>42,728,935</u>	<u>42,771,241</u>
Net assets at end of year	<u>\$ 54,461,474</u>	<u>\$ 42,728,935</u>

The accompanying notes are an integral part of the financial statements.

THE AUSTIN STONE COMMUNITY CHURCH
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JULY 31, 2025

	Program Services	General and Administrative	Totals
Expenses			
Benefits	\$ 2,185,502	\$ 480,033	\$ 2,665,535
Compensation	9,848,437	2,661,908	12,510,345
Contract labor, royalties, and security	1,726,179	67,649	1,793,828
Depreciation	2,623,626	938,495	3,562,121
Facility expense	2,562,659	1,040,943	3,603,602
Individual support*	1,091,086	-	1,091,086
Insurance	311,644	114,168	425,812
Interest expense	1,515,289	29,432	1,544,721
Meetings and development	908,986	33,860	942,846
Organizational support	261,917	-	261,917
Professional fees	263,383	164,122	427,505
Supplies, software, and fees	2,218,194	1,072,431	3,290,625
Taxes	147,165	143,945	291,110
Travel	490,428	11,483	501,911
Total expenses	<u>\$ 26,154,495</u>	<u>\$ 6,758,469</u>	<u>\$ 32,912,964</u>

*Individual support primarily represents the funds to support our goers, but also includes support for local mercy ministry and national church planters.

The accompanying notes are an integral part of the financial statements.

THE AUSTIN STONE COMMUNITY CHURCH
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JULY 31, 2024

	Program Services	General and Administrative	Totals
Expenses			
Benefits	\$ 2,158,834	\$ 312,260	\$ 2,471,094
Compensation	9,269,241	2,311,274	11,580,515
Contract labor, royalties, and security	1,896,992	149,503	2,046,495
Depreciation	2,557,260	1,113,007	3,670,267
Facility expense	2,396,544	1,145,037	3,541,581
Individual support*	1,219,343	-	1,219,343
Insurance	262,144	134,351	396,495
Interest expense	1,579,763	195,800	1,775,563
Meetings and development	857,926	26,648	884,574
Organizational support	311,090	257	311,347
Professional fees	213,400	151,392	364,792
Supplies, software, and fees	2,685,403	1,040,706	3,726,109
Taxes	89,953	153,073	243,026
Travel	629,789	11,504	641,293
Total expenses	<u>\$ 26,127,682</u>	<u>\$ 6,744,812</u>	<u>\$ 32,872,494</u>

*Individual support primarily represents the funds to support our goers, but also includes support for local mercy ministry and national church planters.

The accompanying notes are an integral part of the financial statements.

THE AUSTIN STONE COMMUNITY CHURCH
STATEMENTS OF CASH FLOWS
YEARS ENDED JULY 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 11,732,539	\$ (42,306)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Loss/(gain) on disposal of property and equipment	(85,101)	44,135
Operating lease right of use asset expense, net	(476,151)	(429,539)
Employee loan forgiveness	55,000	55,000
Depreciation	3,562,121	3,670,267
(Increase) decrease in accounts receivable	501,446	(263,987)
(Increase) decrease in employee receivables	53,810	68,206
(Increase) decrease in prepaid expenses and other assets	223,829	106,226
(Increase) decrease in other assets	-	255
Increase (decrease) in accounts payable	484,638	(1,829,739)
Net cash provided by operating activities	16,052,131	1,378,518
<u>Cash flows from investing activities</u>		
Proceeds from sale or disposal of property and equipment	60,000	35,000
Insurance claim proceeds	83,205	1,064,080
Purchase of property and equipment	(4,732,827)	(5,093,153)
Net cash used in investing activities	(4,589,622)	(3,994,073)
<u>Cash flows from financing activities</u>		
Proceeds from long-term debt	-	6,277,353
Payments on long-term debt	(13,734,434)	(1,213,588)
Net cash provided by financing activities	(13,734,434)	5,063,765
Increase in cash and cash equivalents	(2,271,925)	2,448,210
Cash and cash equivalents - beginning of year	9,190,349	6,742,139
Cash and cash equivalents - end of year	<u>\$ 6,918,424</u>	<u>\$ 9,190,349</u>
<u>Supplemental Disclosure</u>		
Interest paid	<u>\$ 1,544,721</u>	<u>\$ 1,775,563</u>

The accompanying notes are an integral part of the financial statements.

THE AUSTIN STONE COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2025 AND 2024

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Austin Stone Community Church (the Church) is a non-profit corporation established in October 2002. The Church is supported primarily through contributions from the congregation.

Basis of Presentation

The financial statements of the Church have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which require the Church to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Church's management and the board of elders.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Church or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Employee Receivables

The Church has a self-administered, ACA compliant, health plan. In accordance with this plan, the Church provides employees with short-term advances for medical-related services while the employees wait for reimbursement from a third party.

The Church, in accordance with its compensation plan, has also provided forgivable loans to employees within select roles for housing purposes. These loans are being forgiven over time and included in compensation.

THE AUSTIN STONE COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2025 AND 2024

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

Employee Receivables (Continued)

Employee receivables consisted of the following at July 31:

	2025	2024
Medical reimbursement receivables	\$ 174,277	\$ 228,087
Forgivable loans	287,499	342,499
	<u>\$ 461,776</u>	<u>\$ 570,586</u>

Leases

The Church has elected the package of practical expedients permitted in FASB ASC Topic 842. Accordingly, the Church elects the following:

- a) not to apply the recognition requirements to short-term leases of 12 months or less and recognizes the lease payments in the statements of activities on a straight-line basis over the lease term in the period in which the obligation for those payments is incurred;
- b) not to separate lease components from nonlease components for all operating leases; and
- c) to use the risk-free rate as the discount rate for all operating leases.

Property and Equipment

Acquisition of property and equipment in excess of \$5,000 is capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation and are depreciated using the straight-line method. Estimated useful lives are thirty years for buildings and five to seven years for furniture and equipment.

Repair and maintenance items are charged to expense as incurred. When property and equipment are retired, sold, or otherwise disposed of, the asset's carrying amount and related accumulated depreciation are removed from the accounts and any gain or loss is included in operations.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a 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.

THE AUSTIN STONE COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2025 AND 2024

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

Contributions (Continued)

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Contributed Services

The Church receives a substantial amount of services donated by its members in carrying out the Church's ministry. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under U.S. GAAP.

Program Service Fees and Other Revenues

Program revenue is primarily derived from events and retreats held for the Church's members and is recognized upon the occurrence of the event or retreat. Counseling center revenue is derived from payment for counseling services and is recognized upon delivery of the services. Facility rental is recognized based on the rental agreements over the months of use and have varying rates of modest escalation. The nature of these services does not give rise to contract costs, warranties or other related obligations.

Income Taxes

The Church 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 Church 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. The Church has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program and general and administration. Such allocations are determined by management on an equitable basis. Compensation and benefits are allocated by time and effort. Interest expense and facility expenses are allocated by square footage. The remaining expenses presented are directly related to either program or general and administration.

THE AUSTIN STONE COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2025 AND 2024

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management 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.

Subsequent Events

Management of the Church has evaluated subsequent events for disclosure through the date of the Independent Auditors' Report, the date the financial statements were available to be issued. See Note E.

NOTE B - CONCENTRATION OF RISK

The total cash held by the Church at July 31, 2025, includes \$2,433,765 in monies exceeding insurance provided by the Federal Deposit Insurance Corporation. It is the opinion of management that the solvency of the financial institutions is not of particular concern at this time.

NOTE C - AVAILABLE RESOURCES AND LIQUIDITY

The following represents the Church's financial assets at July 31:

	<u>2025</u>	<u>2024</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 6,918,424	\$ 9,190,349
Accounts receivable	<u>301,251</u>	<u>802,697</u>
Total financial assets at year-end	7,219,675	9,993,046
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>2,244,207</u>	<u>2,825,341</u>
Financial assets available to meet cash needs for general expenditures over the next twelve months	<u><u>\$ 4,975,468</u></u>	<u><u>\$ 7,167,705</u></u>

The Church regularly monitors its financial liquidity to meet its operating needs and other commitments. Cash and cash equivalents and contributions to the Church are its primary sources of liquidity. In addition to financial assets available to meet general expenditures over the next twelve months, the Church operates within an elder and partner approved budget and any changes to that budget require pre-approval by one or more elder teams. The Church anticipates only incurring expenses if adequate funds are available to pay for them and aims to maintain an operating cash balance of \$1,250,000. In addition to the minimum operating cash balance, the Church aims to maintain a \$500,000 reserve for its self-administered health plan, and, as of July 31, 2025 and 2024, had \$148,106 and \$1,165,767, respectively, set aside for capital improvements.

THE AUSTIN STONE COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2025 AND 2024

NOTE D - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment, at cost less accumulated depreciation, as of July 31:

	2025	2024
Land	\$19,318,787	\$19,318,787
Building	55,984,398	54,755,791
Equipment	4,973,323	5,084,077
Furniture & fixtures	4,208,830	3,414,604
Improvements	5,422,540	5,422,540
Construction in progress	3,464,991	811,637
	<u>93,372,869</u>	<u>88,807,436</u>
Less: accumulated depreciation	<u>(18,762,062)</u>	<u>(15,309,231)</u>
Total property and equipment	<u><u>\$74,610,807</u></u>	<u><u>\$73,498,205</u></u>

Depreciation of property and equipment amounted to \$3,562,121 and \$3,670,267 for the years ended July 31, 2025 and 2024, respectively.

During a hail storm in September of 2023, the Church sustained material damage to roofs and HVAC units at three of its locations. The Church filed an insurance claim for this damage. The loss incurred by the disposal of the damaged roofs and HVAC units, as well as the insurance proceeds received as part of the claim, are presented as loss on involuntary conversion of nonmonetary assets in the statements of activities.

NOTE E - LONG-TERM DEBT

Long-term debt includes the following as of July 31:

	2025	2024
Note payable to Frost Bank with initial balance of \$27,000,000 and an interest rate of 2.00% above the Daily Simple SOFR rate, adjusted monthly (6.34% at July 31, 2025); secured by a deed of trust on the Church's property; interest and principal payments due monthly. The note matures on March 23, 2032.	\$23,834,689	\$24,829,123
Construction note payable to Frost Bank which provided for up to \$13,000,000 at an interest rate of 2.10% above the 1-Month Term SOFR rate, adjusted monthly. The note was paid off on July 30, 2025.	<u>-</u>	<u>12,740,000</u>
	<u><u>\$23,834,689</u></u>	<u><u>\$37,569,123</u></u>

THE AUSTIN STONE COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2025 AND 2024

NOTE E - LONG-TERM DEBT (Continued)

Expected maturities of long-term debt by year are as follows:

<u>Year ending July 31,</u>	
2026	\$ 1,034,162
2027	1,075,478
2028	1,116,148
2029	1,163,035
2030	1,209,500
Thereafter	<u>18,236,366</u>
	<u><u>\$23,834,689</u></u>

Interest expense less capitalized interest amounted to \$1,544,721 and \$1,775,563 for the years ended July 31, 2025 and 2024, respectively. Interest paid on loans related to constructing property, plant, and equipment that was capitalized for the years ended July 31, 2025 and 2024, totaled \$0 and \$109,644, respectively.

Effective March 23, 2022, the Church entered into an interest rate swap agreement in connection with the \$27,000,000 note payable with Frost Bank. Under the agreement, the Church receives variable rate interest payments, based on the USD-SOFR plus 2.00%, and makes fixed interest rate payments at 3.87% until the agreement terminates on March 23, 2032.

Effective March 24, 2025, the Church entered into a line of credit agreement with Frost Bank. Under the agreement, the Church may request funds up to \$15,000,000, up through the maturity date of March 24, 2027, at which point the entire amount of the note, principal and accrued interest shall be due. As of July 31, 2025, no funds had been requested. Subsequent to July 31, 2025, the Church had drawn a total of \$3,188,785 and made principal payments of \$2,237,738, leaving a current balance of \$951,047.

The Church believes that it was in compliance with the covenants of the loan agreements at the end of year.

NOTE F - NET ASSETS

Net assets with donor restrictions were as follows as of July 31:

	<u>2025</u>	<u>2024</u>
ABLE Fund	\$ 1,432,264	\$ 1,500,453
Missions Fund		
For The Nations Fund	444,476	703,378
Local Mission Fund	249,933	326,915
Mercy Fund	113,179	232,620
Family Ministry Fund	4,355	-
Building Fund	<u>-</u>	<u>61,975</u>
	<u><u>\$ 2,244,207</u></u>	<u><u>\$ 2,825,341</u></u>

THE AUSTIN STONE COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2025 AND 2024

NOTE F - NET ASSETS (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes as follows:

	2025	2024
ABLE Fund	\$14,990,206	\$ 450,688
Missions Fund		
For The Nations Fund	970,747	1,696,146
Local Mission Fund	98,269	377,138
Mercy Fund	190,907	314,156
Building Fund activities	61,975	-
Austin Stone Institute Fund	-	30,578
	<u>\$16,312,104</u>	<u>\$ 2,868,706</u>

NOTE G - COMMITMENTS

Leases

The Church leases facilities and copier equipment under noncancelable operating leases with terms expiring through July 2029. The leases provide for increases in future minimum annual rental payments and the payment for operating costs such as real estate taxes, insurance, and repairs. The lease expense components were as follows:

	2025	2024
Operating lease cost:		
Amortization of right of use asset	\$ 1,276,492	\$ 1,349,920
Operational cost sharing	199,429	467,507
Total operating lease cost	<u>\$ 1,475,921</u>	<u>\$ 1,817,427</u>
Other information:		
Weighted average discount rate	3.09%	3.09%
Weighted average remaining lease term (in years)	4.85	5.59
Right-of-use assets obtained in exchange for new operating lease liabilities	<u>\$ 38,590</u>	<u>\$ 1,770,133</u>
Current lease liability	\$ 1,701,117	\$ 1,577,952
Long - term lease liability	4,709,990	6,394,053
	<u>\$ 6,411,107</u>	<u>\$ 7,972,005</u>

THE AUSTIN STONE COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2025 AND 2024

NOTE G - COMMITMENTS (Continued)

Leases (Continued)

The total remaining lease payments under the noncancelable operating leases with lease terms in excess of one year are as follows:

<u>Year Ending July 31:</u>	<u>Operating Leases</u>
2026	\$ 1,855,094
2027	1,302,392
2028	1,318,526
2029	1,280,277
2030	517,408
Thereafter	<u>626,052</u>
Total undiscounted lease liabilities	6,899,749
Less: risk-free rate discount	<u>(488,642)</u>
Total lease liabilities	<u><u>\$ 6,411,107</u></u>

In addition to the long-term leases above, the Church leases facilities on a month-to-month basis for holding weekly services. Total lease expense, from all leases, for the years ended July 31, 2025 and 2024, was \$1,475,921 and \$1,817,427, respectively.

The Church leases excess space to local non-profits whose missions align with the mission of the Church, with terms expiring through March 2027. Rental rates are typically below market as the Church utilizes these relationships to further its programs and overall mission. Revenue is recognized based on the rental agreements, which have varying rates of modest escalation.

The total remaining lease receipts under noncancelable leases with lease terms in excess of one year are as follows:

<u>Year ending July 31,</u>	
2026	\$ 342,918
2027	156,652
2028	<u>14,702</u>
	<u><u>\$ 514,272</u></u>

THE AUSTIN STONE COMMUNITY CHURCH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2025 AND 2024

NOTE H - PERSONNEL EXPENSES

The Church paid salaries and related payroll benefits and taxes in the years ended July 31, 2025 and 2024, in the amount of \$15,175,880 and \$14,051,609, respectively. The Church also offers full-time staff employees the opportunity to participate in a 403(b) retirement plan. The employees have the option to contribute a portion of their salary to the plan, subject to annual deferral limits. In addition, the Church made employer contributions of \$497,013 and \$424,765 to the plan for the years ended July 31, 2025 and 2024, respectively.