

FRISCO FIRST BAPTIST CHURCH

Financial Statements
(With Auditor's Report Thereon)

Year Ended June 30, 2026

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CERTIFIED PUBLIC ACCOUNTANT
AUDIT, TAX AND CONSULTING SERVICES

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INDEPENDENT AUDITOR'S REPORT

Budget and Finance Team
Frisco First Baptist Church
Frisco, Texas 75034

Opinion

I have audited the accompanying financial statements of Frisco First Baptist Church, (a nonprofit organization), which comprise the statements of financial position as of June 30, 2026, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Frisco First Baptist Church, as of June 30, 2026, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. I am required to be independent of Frisco First Baptist Church and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibility 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, and for 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 Frisco First Baptist Church's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Member of:
American Institute of CPAs
Texas Society of CPAs

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 auditor's report that includes my 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, I:

- 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, Frisco First Baptist 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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Frisco First Baptist Church's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

A handwritten signature in black ink that reads "Nabors CPA Services, P.C." The signature is written in a cursive, flowing style.

Celina, Texas
October 15, 2026

FINANCIAL STATEMENTS

FRISCO FIRST BAPTIST CHURCH

Statement of Financial Position

June 30, 2026

ASSETS:

Current:

Cash and cash equivalents	\$ 1,101,750
Investments	2,420,990
Inventory	1,377
Accounts Receivable	31
Prepaid expenses	<u>158,110</u>
Total current assets	<u>3,682,258</u>

Non-current:

Capital assets, net of accumulated depreciation and amortization	<u>22,525,802</u>
Total non-current assets	<u>22,525,802</u>

Total assets	\$ <u>26,208,060</u>
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LIABILITIES and NET ASSETS

Current liabilities:

Accounts payable	\$ 188,317
Other liabilities	59,999
Deferred revenue	90,808
Note payable Point Bank - due within one year	<u>141,372</u>
Total current liabilities	<u>480,496</u>

Long-term liabilities:

Notes payable Point Bank	<u>7,694,900</u>
Total long-term liabilities	<u>7,694,900</u>

Total liabilities	<u>8,175,396</u>
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Net Assets:

Without donor restrictions	7,307,808
With donor restrictions	<u>10,724,856</u>
Total net assets	<u>18,032,664</u>

Total liabilities and net assets	\$ <u>26,208,060</u>
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The accompanying notes are an integral part of these statements.

FRISCO FIRST BAPTIST CHURCHStatement of Activities
Year Ended June 30, 2026

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT			
Contributions	\$ 5,566,520	2,030,187	7,596,707
Activity income	539,605		539,605
Student fees income	561,507		561,507
Interest income	122,007		122,007
Miscellaneous income	17,738		17,738
Gain/loss on investments	(1,679)		(1,679)
Net assets released from restrictions	<u>340,067</u>	<u>(340,067)</u>	
Total revenues, gains and other support	<u>7,145,765</u>	<u>1,690,120</u>	<u>8,835,885</u>
EXPENSES			
Program expenses:			
Ministry activities	1,996,523		1,996,523
Sonshine School and Academy	<u>557,403</u>		<u>557,403</u>
Total program expenses	<u>2,553,926</u>		<u>2,553,926</u>
Supporting expenses:			
Administrative	3,936,534		3,936,534
Fund raising	<u>146,470</u>		<u>146,470</u>
Total supporting expenses	<u>4,083,004</u>		<u>4,083,004</u>
Total expenses	<u>6,636,930</u>		<u>6,636,930</u>
Change in net assets	508,835	1,690,120	2,198,955
Net assets, July 1 (as restated)	<u>6,798,973</u>	<u>9,034,736</u>	<u>15,833,709</u>
Net assets, June 30	\$ <u>7,307,808</u>	<u>10,724,856</u>	<u>18,032,664</u>

The accompanying notes are an integral part of these statements.

FRISCO FIRST BAPTIST CHURCH

Statement of Cash Flows

Year Ended June 30, 2026

Cash flows from operating activities:	
Gifts, offerings and fee income	\$ 8,682,886
Investment income	120,328
Cash paid to suppliers and employees	<u>(6,974,270)</u>
Net cash provided/(used) by operating activities	<u>1,828,944</u>
 Cash flows from investing activities:	
Acquisition of capital assets	(5,845,050)
Purchase of investments	<u>(125,501)</u>
Net cash provided/(used) by investing activities	<u>(5,970,551)</u>
 Cash flows from financing activities:	
Note proceeds	3,779,261
Note payments	<u>(139,817)</u>
Net cash provided/(used) by financing activities	<u>3,639,444</u>
 Increase/(decrease) in cash and cash equivalents	(502,163)
 Cash and cash equivalents at beginning of year	<u>1,603,913</u>
 Cash and cash equivalents at end of year	\$ <u>1,101,750</u>

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

Cash flows from operating activities:	
Change in net assets	\$ 2,198,955
Adjustment to reconcile change in net assets to net cash provided/(used) by operating activities:	
Depreciation	377,271
(Increase)/decrease in accounts receivable	(31)
(Increase)/decrease in inventory	2,668
(Increase)/decrease in prepaid expenses	19,729
Increase/(decrease) in accounts payable	(34,811)
Increase/(decrease) in deferred revenue	(32,640)
Increase/(decrease) in other liabilities	<u>(702,197)</u>
Net cash provided/(used) by operating activities	\$ <u>1,828,944</u>

The accompanying notes are an integral part of these statements.

FRISCO FIRST BAPTIST CHURCH

Notes to the Financial Statements
For the Year Ended June 30, 2026

(1) SUMMARY OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities

First Baptist Church of Frisco (Church) was organized in 1902. The Church is a nonprofit organization and is dedicated to spreading the Gospel through establishing, developing, and promoting all aspects of church ministry within Frisco, Texas, and the surrounding communities. The Church is supported primarily through contributions from the congregation. The Church operates under a local DBA, Frisco First Baptist Church.

B. Basis of Accounting

The financial statements of the Church were prepared using the accrual basis of accounting. Material purchases of goods and services are recorded as assets or expense at the time liabilities arise, which is normally when title to the goods pass or when the services are received. Encumbrances representing outstanding purchase orders and other commitments for materials or services not yet received are not liabilities as of the reporting date.

C. Basis of Presentation

In order to comply with generally accepted accounting principles, the Church must prepare its external financial statements in accordance with statements issued by the Financial Accounting Standards Board. These standards require reporting amounts for the Church's total assets, liabilities, and net assets in a statement of financial position; reporting the change in the Church's net assets in a statement of activities; and reporting the change in its cash and cash equivalents in a statement of cash flows.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in ASC 958-205-45, "*Financial Statements of Not-for-Profit Organizations*." Under ASC 958-205-45, the Church is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions, and net assets without donor restrictions.

D. Use of Estimates

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

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FRISCO FIRST BAPTIST CHURCH

Notes to the Financial Statements

For the Year Ended June 30, 2026

-continued-

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. 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.

F. Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

G. Capital Assets

Capital assets are carried at cost or, if donated, at the approximate fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Capital assets with an original cost of at least \$5,000 are capitalized.

H. Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met.

Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. An allowance for uncollectible contributions receivables is provided based upon management's judgement, including such factors as prior collection history, type of contribution, and nature of fund raising activity.

Contributions received are recorded as increases in net assets with donor restrictions or net assets without donor restrictions, depending on the existence and/or nature of any donor restrictions.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

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FRISCO FIRST BAPTIST CHURCH

Notes to the Financial Statements

For the Year Ended June 30, 2026

-continued-

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Income Taxes

The Church is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

(2) FINANCIAL INSTRUMENTS

The Church maintains its cash balances in local banks in the surrounding area. The cash balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. Certificates of deposit are held by the Southern Baptist Texas Foundation and are not insured by FDIC or SIPC. At June 30, 2026, the Church had uninsured cash balances of \$817,810, and had uninsured certificate of deposit balances of \$2,420,990.

(3) CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance <u>June 30, 2025</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2026</u>
Land	\$ 6,035,580			6,035,580
Buildings and improvements	11,475,836	371,465		11,847,301
Furniture, fixtures, & equipment	1,537,860		(27,699)	1,510,161
Vehicles	58,300			58,300
ROU Copier Lease	84,000	56,339	(84,000)	56,339
Construction in progress	<u>4,458,896</u>	<u>5,500,976</u>		<u>9,959,872</u>
Total capital assets	23,650,472	5,928,780	(111,699)	29,467,553
Less: accumulated depreciation	(6,555,090)	(377,271)		(6,932,361)
accumulated amortization	<u>(84,000)</u>	<u>(9,390)</u>	<u>84,000</u>	<u>(9,390)</u>
Net capital assets	\$ <u>17,011,382</u>	<u>5,542,119</u>	<u>(27,699)</u>	<u>22,525,802</u>

Depreciation is calculated on the straight-line basis with the following estimated useful lives:

Equipment	5-10 years
Furniture and fixtures	7 years
Buildings and improvements	10-40 years

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FRISCO FIRST BAPTIST CHURCH

Notes to the Financial Statements
For the Year Ended June 30, 2026
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(4) NOTES PAYABLE

Point Bank

On November 18, 2021, the Church refinanced a construction loan previously held at Bank OZK, now with Point Bank. The amount of the loan commitment was \$4,741,500. Commencing on December 18, 2021 and continuing on the same date of each successive calendar month thereafter, principal and interest payments of \$23,840 shall be due and payable until the entire indebtedness evidenced by this note is fully paid, except that any remaining indebtedness, principal and interest if not sooner paid, shall be due and payable in full on or before November 18, 2031. Interest will be calculated on the unpaid principal to the day of each installment payment. Each payment will be credited first to the accrued interest and then to reduction of principal. The minimum interest rate for this loan will be 3.49%.

On March 18, 2025, the Church entered into a loan for construction of new facilities. The note calls for interest only payments in monthly installments due on the 18th day of each month beginning April 18, 2025 until March 18, 2028. Thereafter, monthly installments of principal and accrued interest of \$35,792.71 will be made monthly for a period of 240 months with the first installment due on April 18, 2028 until the entire balance is paid. All principal and interest will be due and payable in full no later than November 18, 2031. The interest rate is variable equal to the Prime Rate minus 1.01% rounded to the nearest 0.125%. The annual interest rate will never be greater than 18% or less than 5.99%. The Church has a line of credit from Point Bank at an interest rate of 3.40%.

Debt service requirements at the current interest rates are as follows:

Period Ending			
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2027	\$ 141,372	144,703	286,075
2028	146,073	140,002	286,075
2029	151,709	134,366	286,075
2030	157,166	128,909	286,075
2031	162,818	123,257	286,075
Thereafter	<u>3,297,873</u>	<u>59,607</u>	<u>3,357,480</u>
Total	\$ <u>4,057,011</u>	<u>730,844</u>	<u>4,787,855</u>

Changes in notes payable for the year ended June 30, 2026, are as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
N/P - Point Bank	\$ 4,196,828		(139,817)	4,057,011	141,372
N/P - LOC Point Bank		1,044,005		1,044,005	
N/P - Construction Point Bank		<u>2,735,256</u>		<u>2,735,256</u>	
	\$ <u>4,331,790</u>	<u>3,779,261</u>	<u>(139,817)</u>	<u>7,836,272</u>	<u>141,372</u>

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FRISCO FIRST BAPTIST CHURCH

Notes to the Financial Statements

For the Year Ended June 30, 2026

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(5) NET ASSETS WITH DONOR RESTRICTIONS

The Church reports gifts of cash and other assets as restricted support 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 statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions.

The Church reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Church reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Net assets with donor restrictions are available for the following purposes at June 30, 2026:

Texas Baptist Men	\$ 200
Benevolence	41,240
Building fund	281,047
Capital Campaign	10,228,201
Missions ministry	<u>174,168</u>
Total	\$ <u>10,724,856</u>

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

Purpose restrictions accomplished:

Benevolence	\$ 48,896
Capital Campaign	146,475
Missions ministry	<u>144,696</u>
Total	\$ <u>340,067</u>

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FRISCO FIRST BAPTIST CHURCH

Notes to the Financial Statements

For the Year Ended June 30, 2026

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(6) OPERATING LEASES

On July 25, 2025, Zeno Imaging delivered new copiers with lease payments of \$894 began for a term of 63 months. Accounting standard ASC 842 requires a right of use asset be recorded on the balance sheet with an offsetting liability. The difference between the value of the original asset and the current year liability balance is recorded as accumulated amortization on a straight-line basis to correlate with the annual lease payments. Future lease payments under this agreement are as follows:

Year Ending	
<u>June 30,</u>	
2027	\$ 10,728
2028	10,728
2029	10,728
2030	10,728
2031	<u>3,594</u>
Total	\$ <u>46,506</u>

(7) COMPENSATED ABSENCES

The Church allows employees to carry 40 up to hours of vacation over each year. Sick leave may also be carried forward, but is not paid upon termination. There was no material accrued vacation payable at June 30, 2026.

(8) LIQUIDITY AND AVAILABILITY

The Church's financial assets available within one year of the balance sheet date for general expenditure are as follows:

Financial assets, at year end	\$ 3,682,258
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor imposed restrictions:	
Restricted by donor with time or purpose restrictions	(<u>10,724,856</u>)
Financial assets available to meet cash needs	
for general expenditures within one year	\$ <u>7,042,598</u>

As part of the Church's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Church's leadership has established a liquidity reserve that will be sufficient to cover operating expenses for a period of at least three months (25%). The calculation of operating expenses includes expenses such as administrative, ministry programs, salaries and benefits and debt payments that are included in the budget. The amount of the Cash Reserve funding requirement will be reviewed and determined annually. The cash reserve had a balance of \$1,610,490 as of June 30, 2026, providing cash which may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

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FRISCO FIRST BAPTIST CHURCH

Notes to the Financial Statements

For the Year Ended June 30, 2026

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(9) NATURAL / FUNCTIONAL EXPENSE CLASSIFICATION

	Program Activities			Supporting Activities			Total
	Ministry Activities	Sonshine S & A	Program Sub-total	Management and General	Fund- Raising	Supporting Sub-total	Expenses
Advertising	\$ 3,170		3,170				3,170
Background checks	2,676	437	3,113	233		233	3,346
Bank fees	26,832	912	27,744	11,699	29,680	41,379	69,123
Benevolence	47,556		47,556				47,556
Catering	95,833	512	96,345	12,911	1024	13,935	110,280
Communications	4,433		4,433	14,620		14,620	19,053
Contract Labor	92,536	393	92,929	1,098	830	1,928	94,857
Copier expense				11,309		11,309	11,309
Curriculum	16,619	2,389	19,008				19,008
Depreciation				377,271		377,271	377,271
Entrance fees	19,864		19,864	469		469	20,333
Equipment	109,771	2,710	112,481	29,171	81	29,252	141,733
Fees and permits	2,322	240	2,562	444	10	454	3,016
Furniture and fixtures	2,099		2,099	2,485	112,455	114,940	117,039
Guest speakers/band	136,267		136,267				136,267
Insurance	342,442		342,442	166,933		166,933	509,375
Interest expense	5		5	208,495		208,495	208,500
Janitorial services				270,090		270,090	270,090
Lawn care				58,834		58,834	58,834
Legal and professional				24,177		24,177	24,177
Meals	28,729	884	29,613	229	172	401	30,014
Mileage reimbursement	2,813		2,813	622	112	734	3,547
Mission support	482,343		482,343	650		650	482,993
Music/video	2,064		2,064				2,064
Payroll	2,039,478	502,819	2,542,297	289,605		289,605	2,831,902
Pest control				13,326		13,326	13,326
Postage	4,648	156	4,804	4,157	493	4,650	9,454
Printing	16,223	4,654	20,877	741		741	21,618
Repair and maintenance	63,800		63,800	84,899		84,899	148,699
Safety and security	1,260		1,260	90,592		90,592	91,852
Sales tax	2,931	153	3,084	165	165	330	3,414
Software and support	14,561	4,994	19,555	141,496	40	141,536	161,091
Staff development	6,032	7,117	13,149	4,598	900	5,498	18,647
Study materials	4,428		4,428				4,428
Subscriptions	8,022	20	8,042	3,177		3,177	11,219
Supplies	175,357	25,611	200,968	9,467	508	9,975	210,943
T-Shirts	24,290	3,402	27,692				27,692
Travel expense	155,416		155,416	188		188	155,604
Utilities	72		72	160,756		160,756	160,828
Vehicle expense				1,615		1,615	1,615
Website	<u>1,643</u>		<u>1,643</u>				<u>1,643</u>
Total Expenses	\$ <u>3,936,535</u>	<u>557,403</u>	<u>4,493,938</u>	<u>1,996,522</u>	<u>146,470</u>	<u>2,142,992</u>	<u>6,636,930</u>

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FRISCO FIRST BAPTIST CHURCH

Notes to the Financial Statements

For the Year Ended June 30, 2026

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(10) RESTATEMENT OF NET ASSETS

Net assets have been restated at June 30, 2025 to reverse impairment recorded in prior year and to reclassify unrestricted net assets as restricted net assets to account for construction projects not released from restrictions.

	As Originally <u>Reported</u>	<u>Restatement</u>	<u>As Restated</u>
Net assets without donor restrictions	\$ 10,026,567	(3,227,594)	6,798,973
Net assets with donor restrictions	<u>4,196,414</u>	<u>4,838,322</u>	<u>9,034,736</u>
Total net assets	\$ <u>14,222,981</u>	<u>1,610,728</u>	<u>15,833,709</u>

(11) SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 15, 2026, which is the date the financial statements were issued.