Hope Fellowship Ministries

Financial Statements

as of

December 31, 2025 and 2024

Together with

Independent Auditors' Report

GUINN SMITH
& COMPANY
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Hope Fellowship Ministries
Frisco, Texas

Opinion

We have audited the accompanying financial statements of Hope Fellowship Ministries (a Texas nonprofit corporation), which comprise the statements of financial position as of December 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 Hope Fellowship Ministries as of December 31, 2025 and 2024, and the changes in its net assets 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. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hope Fellowship Ministries 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 the 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 Hope Fellowship Ministries' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor’s 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 auditor’s 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 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 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, 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 Hope Fellowship Ministries' 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 Hope Fellowship Ministries' 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.

Irving, Texas
June 19, 2026

HOPE FELLOWSHIP MINISTRIES

Statements of Financial Position
December 31, 2025 and 2024

Assets:	2025	2024
Current assets:		
Cash and cash equivalents	$ 9,160,609	$ 7,873,746
Prepaid expenses	263,410	311,665
Total current assets	9,424,019	8,185,411
Property, buildings, and equipment, at cost:		
Land and improvements	6,092,464	6,092,464
Buildings and improvements	51,484,103	50,538,203
Furniture, fixtures, and equipment	4,768,820	5,191,628
Finance lease right-of-use assets	872,509	872,509
Operating lease right-of-use assets	19,938	66,374
Construction in process	-	118,659
	63,237,834	62,879,837
Less allowance for accumulated depreciation and amortization	(18,951,340)	(17,112,333)
Net property, buildings, and equipment	44,286,494	45,767,504
Total assets	$ 53,710,513	$ 53,952,915

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

HOPE FELLOWSHIP MINISTRIES

Statements of Financial Position
December 31, 2025 and 2024

Liabilities and net assets:	2025	2024
Current liabilities:		
Current portion of notes payable	$ 661,075	$ 623,021
Current portion of operating lease liabilities	19,938	46,437
Accounts payable	96,770	111,956
Accrued liabilities	367,971	436,466
Deferred revenue	65,413	74,758
Total current liabilities	1,211,167	1,292,638
Long-term liabilities:		
Notes payable, net of current portion and debt issuance costs	17,929,088	18,574,210
Operating lease liabilities, net of current portion	-	19,938
Total long-term liabilities	17,929,088	18,594,148
Total liabilities	19,140,255	19,886,786
Net assets without donor restrictions	34,570,258	34,066,129
Total liabilities and net assets	$ 53,710,513	$ 53,952,915

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

HOPE FELLOWSHIP MINISTRIES

Statement of Activities
For the Year Ended December 31, 2025

Changes in net assets:	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Tithes and offerings	$ 19,160,051	$ -	$ 19,160,051
Registration fees and sales	1,281,657	-	1,281,657
Christian education revenue	8,740	-	8,740
Missions and outreach offerings	-	247,949	247,949
Building fund contributions	-	18,870	18,870
Net assets released from restrictions	266,819	(266,819)	-
Total support and revenue	20,717,267	-	20,717,267
Operating expenses:			
Program services:			
Church activities	16,092,019	-	16,092,019
Christian education	366,623	-	366,623
Missions and outreach	1,387,369	-	1,387,369
Supporting activities:			
General and administrative	2,638,751	-	2,638,751
Total operating expenses	20,484,762	-	20,484,762
Excess of support and revenue over operating expenses	232,505	-	232,505
Other income and expenses:			
Interest income	279,833	-	279,833
Loss on disposal of property and equipment	(8,209)	-	(8,209)
Total other income, gains, and losses	271,624	-	271,624
Increase in net assets	504,129	-	504,129
Net assets, beginning of year	34,066,129	-	34,066,129
Net assets, end of year	$ 34,570,258	$ -	$ 34,570,258

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

HOPE FELLOWSHIP MINISTRIES

Statement of Activities
For the Year Ended December 31, 2024

Changes in net assets:	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Tithes and offerings	$ 23,041,390	$ -	$ 23,041,390
Registration fees and sales	1,054,153	-	1,054,153
Christian education revenue	19,606	-	19,606
Missions and outreach offerings	-	746,223	746,223
Building fund contributions	-	27,289	27,289
Net assets released from restrictions	773,512	(773,512)	-
Total support and revenue	24,888,661	-	24,888,661
Operating expenses:			
Program services:			
Church activities	14,754,030	-	14,754,030
Christian education	362,944	-	362,944
Missions and outreach	2,516,504	-	2,516,504
Supporting activities:			
General and administrative	2,556,756	-	2,556,756
Total operating expenses	20,190,234	-	20,190,234
Excess of support and revenue over operating expenses	4,698,427	-	4,698,427
Other income and expenses:			
Interest income	125,519	-	125,519
Loss on disposal of property and equipment	(10,162)	-	(10,162)
Total other income, gains, and losses	115,357	-	115,357
Increase in net assets	4,813,784	-	4,813,784
Net assets, beginning of year	29,252,345	-	29,252,345
Net assets, end of year	$ 34,066,129	$ -	$ 34,066,129

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

HOPE FELLOWSHIP MINISTRIES

Statement of Functional Expenses
For the Year Ended December 31, 2025

	Program Services			Supporting Activities	
	Church activities	Christian education	Missions and outreach	General and administrative	Total
Personnel	$ 7,901,373	$ 356,311	$ 385,424	$ 1,971,900	$ 10,615,008
Depreciation and amortization	2,062,584	-	106,966	155,798	2,325,348
Equipment and supplies	1,841,492	-	14,403	22,697	1,878,592
Interest	956,688	-	49,614	72,264	1,078,566
Facility maintenance	795,018	-	23,166	33,742	851,926
Contributions, benevolence, and academic support	85,527	10,312	753,809	-	849,648
Camps and retreats	794,242	-	-	-	794,242
Utilities	361,096	-	18,726	27,276	407,098
Insurance	339,347	-	17,599	25,633	382,579
Gifts and honorariums	244,061	-	-	-	244,061
Bank fees	-	-	-	225,545	225,545
Software and programming	181,901	-	9,433	13,740	205,074
Security	201,603	-	-	-	201,603
Other	100,409	-	2,852	16,631	119,892
Advertising	117,454	-	-	-	117,454
Telephone and internet	81,431	-	4,223	6,151	91,805
Legal and accounting	-	-	-	65,692	65,692
Transportation	27,793	-	1,154	1,682	30,629
Travel	-	-	-	-	-
Total	$ 16,092,019	$ 366,623	$ 1,387,369	$ 2,638,751	$ 20,484,762

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

HOPE FELLOWSHIP MINISTRIES

Statement of Functional Expenses
For the Year Ended December 31, 2024

	Program Services			Supporting Activities	
	Church activities	Christian education	Missions and outreach	General and administrative	Total
Personnel	$ 7,606,855	$ 340,063	$ 376,559	$ 1,922,017	$ 10,245,494
Depreciation and amortization	1,964,695	-	101,890	148,404	2,214,989
Contributions, benevolence, and academic support	76,558	22,881	1,673,804	-	1,773,243
Equipment and supplies	1,544,998	-	47,787	28,843	1,621,628
Interest	846,756	-	43,913	63,960	954,629
Facility maintenance	698,577	-	21,379	31,139	751,095
Camps and retreats	476,620	-	-	-	476,620
Utilities	379,573	-	19,685	28,671	427,929
Insurance	331,551	-	17,194	25,044	373,789
Bank fees	-	-	-	199,963	199,963
Travel	-	-	198,468	-	198,468
Software and programming	166,928	-	8,657	12,609	188,194
Gifts and honorariums	187,346	-	-	-	187,346
Security	167,759	-	-	-	167,759
Other	88,170	-	2,099	21,622	111,891
Advertising	106,674	-	-	-	106,674
Telephone and internet	75,706	-	3,926	5,719	85,351
Legal and accounting	-	-	-	67,100	67,100
Transportation	35,264	-	1,143	1,665	38,072
Total	$ 14,754,030	$ 362,944	$ 2,516,504	$ 2,556,756	$ 20,190,234

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

HOPE FELLOWSHIP MINISTRIES

Statements of Cash Flows
For the Years Ended December 31, 2025 and 2024

Change in cash and cash equivalents:	2025	2024
Cash flows from operating activities:		
Cash received from operations	$ 20,691,654	$ 24,810,869
Cash paid for operating expenses	(17,067,467)	(17,028,240)
Interest received	279,833	125,519
Interest paid	(1,066,059)	(945,191)
Payments on operating lease liabilities	(48,360)	(48,360)
Net cash provided by operating activities	2,789,601	6,914,597
Cash flows from investing activities:		
Capital expenditures	(965,975)	(1,025,139)
Proceeds from sale of property and equipment	66,990	-
Net cash used in investing activities	(898,985)	(1,025,139)
Cash flows from financing activities:		
Principal payments on notes payable	(622,623)	(6,599,807)
Contributions restricted for capital additions	18,870	27,289
Net cash used in financing activities	(603,753)	(6,572,518)
Net change in cash and cash equivalents	1,286,863	(683,060)
Cash and cash equivalents, beginning of year	7,873,746	8,556,806
Cash and cash equivalents, end of year	$ 9,160,609	$ 7,873,746

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

HOPE FELLOWSHIP MINISTRIES

Statements of Cash Flows
For the Years Ended December 31, 2025 and 2024

Reconciliation of change in net assets to net cash provided by operating activities:	2025	2024
Change in net assets	$ 504,129	$ 4,813,784
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,325,348	2,214,989
Amortization of loan fees	15,555	15,555
Loss on disposals of property and equipment	8,209	10,162
Contributions restricted for capital additions	(18,870)	(27,289)
Changes in operating assets and liabilities:		
Prepaid expenses	48,254	(120,946)
Accounts payable	(15,187)	(56,679)
Accrued liabilities	(68,493)	115,244
Deferred revenue	(9,344)	(50,223)
Total adjustments	2,285,472	2,100,813
Net cash provided by operating activities	$ 2,789,601	$ 6,914,597

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

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization

Hope Fellowship Ministries, (the Organization) is incorporated under the laws of the state of Texas as a domestic nonprofit corporation. The Organization's primary source of revenue is free-will donations. The primary activities of the Organization are worship services and related events. The Organization holds Church services and related events at campuses in McKinney, Prosper, and two locations in Frisco, Texas.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and are presented in conformity with accounting principles generally accepted in the United States of America (GAAP). The Organization is required to report information regarding its financial position and activities according to the following two classes of net assets:

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 Organization's management and the board of directors.

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Net Assets With Donor Restrictions--Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. All donations received in 2025 and 2024 were expended for the specified purpose. Accordingly, there are no net assets with donor restrictions as of December 31, 2025 or 2024.

Income Taxes

The Organization is exempt from federal income taxes under Internal Revenue Code section 501(c)(3), as well as state income taxes. The Organization is not required to file tax returns if it has no unrelated business income. The Organization did not have any unrelated business income in 2025 or 2024. Based on its review, management does not believe that the Organization has taken any material uncertain tax positions, including any position that would jeopardize the Organization's tax-exempt status.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and deposits in banks. Deposits in banks may, at times, exceed federally-insured limits. The Organization has not incurred any loss on such accounts and considers the risk of incurring material losses related to this credit risk to be remote. From time to time, the Organization receives donations of stock or other financial instruments. These are converted into cash and transferred into a deposit account as soon as practicable and customarily within a few days of receipt of the stock. The Organization maintains a brokerage account to process these transactions but not for the purpose of holding investments. Accordingly, the Organization classifies these holdings as cash and cash equivalents.

Property and Depreciation

Property, buildings, and equipment is stated at cost, if purchased, or fair value if donated. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets: furniture and equipment (3-10 years), building improvements (5-30 years) and buildings (30 years). Asset additions are capitalized as are betterments and renewals. Maintenance and repairs are charged to operations as incurred.

Leases

A contract contains a lease if, at its inception, the Organization has the right to control the asset during the contract period. Finance and operating lease right-of-use (ROU) assets represent the Organization’s right to use an underlying asset for the lease term and are included in property, buildings, and equipment on the statement of financial position. Finance and operating lease liabilities represent the obligation to make lease payments arising from the lease and are included in long-term liabilities on the statement of financial position. Finance and operating lease ROU assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date. Leases with a lease term of 12 months or less at inception are not recorded on the statement of financial position. Operating lease expense is recognized on a straight-line basis over the lease term and is included in equipment and supplies in the statement of activities. Interest expense on finance lease liabilities is included in interest expense in the statements of activities. Finance lease ROU assets are amortized over the lease term or the estimated useful lives of the ROU assets. Amortization of finance lease right-of-use assets is included in depreciation and amortization expense. If a lease's implicit interest rate cannot be determined, the Organization’s incremental borrowing rate is used to determine the present value of future payments. When a contract contains lease and non-lease components, both components are accounted for as a single lease component.

Debt Issuance Costs

The Organization capitalizes debt issuance costs (loan origination fees) and amortizes these costs over the life of the loan using the straight-line method. Debt issuance cost is included in notes payable, net of accumulated amortization of $80,610 and $65,055 at December 31, 2025 and 2024, respectively.

Contributions

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations limiting the use of the donated assets. A donor restriction expires when a stipulated time restriction ends or a purpose restriction is accomplished. At that time 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.

Donated property and equipment and certain services are reflected as contributions at their estimated fair values on the date of receipt and are recorded in the appropriate asset or expense account. Services are recorded if they create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Classification of Revenue and Expenses

Operating activities include items which are directly related to the Organization's program services or are essential support elements of those programs. Interest income and gains or losses on disposals of assets or liabilities do not meet the Organization's criteria for operating activities and are included with other income and 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, which reports certain categories of expenses that are attributable to more than one program or supporting activity. Accordingly, these expenses have been allocated among the programs and supporting services benefited using allocation bases that are reasonable and consistently applied. Expenses that are allocated include: depreciation, interest, equipment and supplies, facility maintenance, transportation, utilities, software and programming, insurance, and telephone and internet, which are all allocated based on estimates of building usage. Personnel expenses are allocated on the basis of estimates of time and effort.

Financial Instruments

In determining fair value of its financial instruments, the Organization uses a variety of methods and assumptions that are based on market conditions and risks existing at each balance sheet date. For the majority of financial instruments, including long-term investments, notes receivable, and long-term debt, the Organization uses standard market conventions and techniques, such as discounted cash flow analysis, replacement cost, or other valuation methods, to determine fair value. All methods of assessing fair value resulted in a general approximation of value and such value may never actually be realized.

Estimates

Management utilizes estimates in order to record certain transactions in accordance with generally accepted accounting principles. Actual results may differ from those estimates.

Liquidity and Available Resources

The Organization had financial assets consisting of cash and cash equivalents of $9,160,609 and $7,873,746 at December 31, 2025 and 2024, respectively. These financial assets are not subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. As part of its liquidity management, the Organization raises tithes and offerings to meet their cashflow requirements and structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Reclassifications

Certain amounts from the 2024 financial statements have been reclassified to conform to the current year's financial statement presentation and enhance comparability between periods. This change has no effect on net assets or the change in net assets for the year ended December 31, 2024.

2. HEALTH INSURANCE

The Organization maintains a self-insured health benefits plan, which provides medical benefits to employees electing coverage under the plan. The Organization records a liability for medical claims paid in subsequent periods for claims incurred prior to year-end. The Organization’s self-insured medical benefits liability was $250,132 and $328,234 at December 31, 2025 and 2024, respectively, and is included in accrued liabilities in the statements of financial position.

3. NOTES PAYABLE

Following is a summary of notes payable at December 31:	2025	2024
6.75% note payable to a bank in monthly installments of principal and interest through maturity in October 2029, based on a 240 month amortization	$ 9,516,977	$ 9,916,670
4.25% note payable to a bank in monthly installments of principal and interest through maturity in April 2032, based on a 300 month amortization	9,148,125	9,371,055
Debt issuance costs	(74,939)	(90,494)
	18,590,163	19,197,231
Less current maturities included in current liabilities	(661,075)	(623,021)
Notes payable, net of current portion and debt issuance cost	$ 17,929,088	$ 18,574,210

Future scheduled maturities of notes payable for the next five years and in the aggregate thereafter are as follows:

2026	$ 661,075
2027	701,555
2028	741,881
2029	790,279
2030	839,030
Thereafter	14,931,282
Debt Issuance Costs	(74,939)
Total	$ 18,590,163

The note with a balance of $9,516,977 at December 31, 2025, bears interest at the Constant Maturity Treasury rate plus 3.05% with a 4.50% floor.

The interest rate on the $9,148,125 note payable is fixed at 4.25% through April 2027. Subsequent to April 2027 and through maturity, the interest rate will be at the lesser of 4.25% or the Constant Maturity Treasury rate plus 2.99%.

In January 2024, Hope Fellowship Ministries paid off notes with balances of $3,438,303 and $2,583,607 at December 31, 2023.

All of this debt is payable to a single lender and is secured by all of the Organization's land, buildings, and improvements, with a net book value of approximately $42.7 million at December 31, 2025.

4. LEASES

The Organization is the lessee of office equipment under an operating lease expiring in 2026. Operating lease cost is included in equipment and supplies expense.

Minimum future lease payments under operating leases as of December 31, 2025, are as follows:

2026	$ 20,150
Total minimum operating lease payments	20,150
Less amount representing interest	(212)
Present value of net minimum operating lease payments	$ 19,938

Below is a summary of lease costs for the year ended December 31:	2025	2024
Interest on finance lease liabilities	$ -	$ -
Amortization of finance lease right-of-use assets	-	-
Finance lease cost	$ -	$ -
Operating lease cost	$ 48,360	$ 48,360

Other information:

Weighted-average remaining lease term-finance leases	0 months	0 months
Weighted-average remaining lease term-operating leases	5 months	17 months
Weighted-average discount rate-finance leases	0%	0%
Weighted-average discount rate-operating leases	4.25%	4.25%

5. LEADERSHIP CHANGE

In September 2025, the Organization's President and Senior Pastor resigned from his position with the Organization. In that capacity, the President and Senior Pastor served in a key management role and provided primary spiritual leadership for the Organization.

Following the resignation, the Board of Directors and management implemented interim leadership arrangements to support continuity of operations, governance, and ministry activities. In addition, the Board of Directors initiated a process to evaluate and appoint permanent leadership, including a search for a successor to the Senior Pastor.

Management believes the transition has not materially affected the Organization's ability to continue its programs, ministry activities, and normal operations. No amounts have been recognized in the accompanying financial statements specifically as a result of this leadership transition.

6. DEFINED CONTRIBUTION PLAN

The Organization participates in a 403(b) employee benefit plan. The Organization made employer contributions to this plan totaling approximately $350,000 and $361,000 for the years ended December 31, 2025 and 2024, respectively.

7. DONOR CONCENTRATION

There were no donor concentrations in 2025. During 2024, a single donor made contributions to the Organization totaling $3,562,000 or 15% of the Organizations contribution revenue.

8. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 19, 2026, the date the financial statements were available to be issued.