



Sandia Church of the Nazarene

Financial Statements
and
Independent Auditors' Report

April 30, 2026

Sandia Church of the Nazarene

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Independent Auditors' Report

Board of Directors and Management
Sandia Church of the Nazarene

Opinion

We have audited the accompanying financial statements of the Sandia Church of the Nazarene (the "Church") (a nonprofit organization), which comprise the statement of financial position as of April 30, 2026, and the related statements of activities, functional expenses, and cash flows for the year 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 April 30, 2026, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 audit. 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, 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 the Church's ability to continue as a going concern within one year after the date that the financial statements are available to be 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 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 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 have identified during the audit.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The combining statements of financial position and the combining statements of activities are presented for purposes of additional analysis and are not required parts of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

SJT Group LLC

Albuquerque, New Mexico
September 10, 2026

Financial Statements

Sandia Church of the Nazarene

Statement of Financial Position

April 30, 2026

Assets

Current assets

Cash	\$ 164,245
Accounts receivable, net	<u>73,772</u>
Total current assets	238,017

Property and equipment, net	<u>3,446,154</u>
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Total assets	<u><u>\$ 3,684,171</u></u>
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Liabilities and Net Assets

Current liabilities

Accrued liabilities	\$ 47,452
Note payable, current portion	<u>27,532</u>
Total current liabilities	74,984

Note payable, less current portion	<u>1,622,597</u>
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Total liabilities	<u>1,697,581</u>
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Net assets

Without donor restrictions	<u>1,986,590</u>
Total net assets	<u>1,986,590</u>

Total liabilities and net assets	<u><u>\$ 3,684,171</u></u>
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The accompanying notes are an integral part of these financial statements

Sandia Church of the Nazarene

Statement of Activities For the Year Ended April 30, 2026

	Without Donor Restrictions
Support and Revenue	
Insurance settlement	\$ 797,349
Tuition income	749,175
Rental income	217,223
Contributions and gifts	166,568
Donated food	130,595
Fees for services	73,164
Fundraising and program income	23,701
Interest income	12,577
Grant income	8,927
Total support and revenue	<u>2,179,279</u>
Expenses	
Program Services	
Church activities	78,656
Mission Albuquerque	1,188,814
Support Services	
Management and general	320,536
Fundraising	<u>65,931</u>
Total expenses	<u>1,653,937</u>
Change in net assets	525,342
Net assets, beginning of year	<u>1,461,248</u>
Net assets, end of year	<u><u>\$ 1,986,590</u></u>

The accompanying notes are an integral part of these financial statements

Sandia Church of the Nazarene

Statement of Functional Expenses For the Year Ended April 30, 2026

	Program Services				
	Church Activities	Mission Albuquerque	Management and General	Fundraising	Total
Salaries and wages	\$ 16,960	\$ 544,263	\$ 105,229	\$ 35,076	\$ 701,528
Repairs and maintenance	-	190,527	63,509	-	254,036
Food and supplies	607	174,215	3,329	-	178,151
Interest	-	61,163	61,163	-	122,326
Utilities	-	70,066	23,356	-	93,422
Depreciation	248	26,963	27,623	27,623	82,457
Fringe benefits and taxes	6,733	44,978	9,696	3,232	64,639
Events and ministries	33,504	23,031	-	-	56,535
Insurance	-	38,358	12,786	-	51,144
Professional fees	1,541	4,705	9,770	-	16,016
Apportionments	13,502	-	-	-	13,502
Fees	4,312	4,043	629	-	8,984
Other	1,249	1,858	2,250	-	5,357
Travel and gas	-	3,447	-	-	3,447
Advertising	-	1,197	1,196	-	2,393
	<u>\$ 78,656</u>	<u>\$ 1,188,814</u>	<u>\$ 320,536</u>	<u>\$ 65,931</u>	<u>\$ 1,653,937</u>

The accompanying notes are an integral part of these financial statements

Sandia Church of the Nazarene

Statement of Cash Flows For the Year Ended April 30, 2026

Cash flows from operating activities

Cash received from preschool tuition	\$ 731,778
Cash received from contributions and grants	175,495
Cash received from rental activities	217,223
Cash received from insurance claim proceeds	797,349
Interest income received	12,577
Cash paid to employees	(718,715)
Cash paid to suppliers	(552,392)
Cash paid for interest	(122,326)
Other cash received	96,865
Net cash provided by operating activities	<u>637,854</u>

Cash flows from investing activities

Purchase of property and equipment	<u>(950,874)</u>
Net cash used by investing activities	<u>(950,874)</u>

Cash flows from financing activities

Principal payments on notes payable	<u>(23,112)</u>
Net cash used by financing activities	<u>(23,112)</u>

Net decrease in cash (336,132)

Cash, beginning of year 500,377

Cash, end of year \$ 164,245

Reconciliation of change in net assets to net cash provided by operating activities

Change in net assets	<u>\$ 525,342</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	82,457
Changes in assets and liabilities	
Accounts receivable	(17,397)
Accrued liabilities	<u>47,452</u>
Total adjustments	<u>112,512</u>
Net cash provided by operating activities	<u><u>\$ 637,854</u></u>

The accompanying notes are an integral part of these financial statements

Sandia Church of the Nazarene

Notes to Financial Statements

April 30, 2026

1) Organization

Sandia Church of the Nazarene (the “Church”) started operations in October of 1953. The Church’s mission is to share the saving and transforming love of Jesus Christ with the city of Albuquerque and surrounding areas. The Church does this by starting congregations in communities across the area that engage in daily expressions of compassionate ministry, as well as provide engaging worship services and practical in-depth discipleship. Additionally, Mission Albuquerque is one of the biggest components of the Church. Since 1999, Mission Albuquerque has provided ministries of compassion and transformation to people in need in the city of Albuquerque and the surrounding areas. Mission Albuquerque began a full-fledged partnership with the ministries of Sandia Church of the Nazarene and began a move, deep into the impoverished international district of Albuquerque. The Church, through Mission Albuquerque, also operates the Grace Resource Center, a Mission Training Center, Kingdom Builders Preschool and Day Care, and a Resident Services Department. The Grace Resource Center is run primarily by volunteers. The preschool and day care program are located at the Church’s location on Central Avenue. The Mission Training Center is located on the Church’s property on Markham road and offers non-accredited clergy preparation, lay missions’ preparation, as well as life skills and general education services. The Resident Services Department provides resident services as contracted by Yes Housing. Many staff and students live on campus. The training center is operated by both paid staff and student volunteers as part of their training program. The Church is primarily supported by contributions from members, tuition, rental income and program service revenues as mentioned above. The Internal Revenue Service issued a determination letter stating that the Church qualifies as a public charity and is exempt from federal income tax under Section 501(c)(3).

2) Summary of Significant Accounting Policies

This summary of significant accounting policies of the Church is presented to assist in the understanding of the Church’s financial statements. The financial statements and notes are the representations of the Church’s management who is responsible for their integrity and objectivity.

The Financial Accounting Standards Board (FASB) issued the Accounting Standards Codification (ASC or the Codification) as the source of authoritative accounting principles recognized by the FASB to be used by nongovernmental entities when preparing financial statements in accordance with Generally Accepted Accounting Principles (GAAP) in the United States. The Codification essentially reduces the GAAP hierarchy to two levels: authoritative and non-authoritative, with the Codification being authoritative GAAP.

Sandia Church of the Nazarene

Notes to Financial Statements

April 30, 2026

2) Summary of Significant Accounting Policies — continued

Basis of Accounting

The financial statements of the Church are prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Net Assets

The accompanying financial statements are prepared in accordance with generally accepted accounting principles for non-profit organizations. Under these provisions, net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Church and changes therein are classified and reported as follows:

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 Directors.

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, whereby the donor has stipulated the funds be maintained in perpetuity. At April 30, 2026, the Church has no net assets with donor restrictions.

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 statement of activities.

Allowance for Credit Losses

Management believes that receivables are fully collectible and, accordingly, no allowance for credit losses is considered necessary.

Property and Equipment

Property and equipment are recorded at cost if purchased or fair value if contributed. The Church capitalizes items greater than \$5,000. Depreciation is calculated based on the straight-line method over five to forty years.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. However, if a restriction is fulfilled in the same fiscal year in which the contribution is received, the Church reports the support as net assets without donor restrictions.

Sandia Church of the Nazarene

Notes to Financial Statements

April 30, 2026

2) Summary of Significant Accounting Policies — continued

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 reported amounts of assets and liabilities and disclosure of contingent 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.

Cash and Cash Equivalents

The Church considers all cash and short-term investments with an original maturity of three months or less to be cash equivalents. The Church had no cash equivalents at April 30, 2026.

Functional Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities, and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Personnel expenses are allocated based on time and effort while most other expenses are allocated based on specific identification.

Income Taxes

The Church is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code on all income except unrelated business income. The Church evaluates uncertain tax positions in accordance with FASB ASC 740-10, *Income Taxes*, whereby the effect of the uncertainties in tax positions would be recorded if the outcome was considered probable and reasonably estimable. The Church believes that there is appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Revenue Recognition

Revenues from grants and contributions are recognized when the grants are awarded and are recorded as net assets with or without donor restrictions. Revenues from contributions are recognized when cash, securities, other assets, or an unconditional promise to give is received. Grants and contributions available for general purposes are recorded as net assets without donor restrictions. Grants and contributions that are required to be used for a specific purpose – that is, those with a measurable performance or other barrier – are recorded as net assets with donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restrictions expire in the reporting period in which the support is recognized. The Church also generates revenue from renting space. Revenues related to rental income are recognized when the Church's performance obligation is met.

Sandia Church of the Nazarene

Notes to Financial Statements

April 30, 2026

2) Summary of Significant Accounting Policies — continued

Tuition and Fees

The Church also generates revenue from providing preschool and day care services. Tuition and fees are exchange transactions accounted for under FASB ASC 606 and are recognized as revenue as educational and childcare services are provided. Preschool tuition is recognized over the academic period. Daycare fees are recognized over the period of care, generally on a monthly basis, as services are delivered.

Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued or are available to be issued. The Church recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Church's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position, but arose after the statement of financial position date and before financial statements are available to be issued.

The Church has evaluated subsequent events through September 10, 2026, which is the date the financial statements were available to be issued. The Church is in the process of spinning off some of its smaller congregations into separate churches. In addition, the Church is looking to establish a separate nonprofit with Mission Albuquerque with an independent board. These changes should occur in fiscal year 2027.

3) Availability and Liquidity

The following represents the Church's financial assets at April 30, 2026:

Financial assets at year end:

Cash	\$ 164,245
Accounts receivable	<u>73,772</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 238,017</u>

As part of the Church's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Excess cash is maintained in the bank so that funds are easily accessed in times of liquidity needs. During times of cash flow difficulty, the Church has been able to delay payments as well as reduce expenses to an acceptable level until additional revenue is received.

Sandia Church of the Nazarene

Notes to Financial Statements

April 30, 2026

4) Donated Materials and Services

Donated materials and services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Church. The Church receives a significant amount of donated services from volunteers for program activities. The value of these services has not been recorded as the services do not meet the recognition criteria of FASB ASC 958-605, *Revenue Recognition*. See detail of donated food at Note 6.

5) Property and Equipment

Property and equipment consist of the following at April 30, 2026:

Land	\$ 910,000
Buildings	790,000
Building improvements	3,053,776
Vehicles	<u>42,500</u>
	4,796,276
Less accumulated depreciation	<u>(1,350,122)</u>
Total	<u>\$ 3,446,154</u>

6) Donated Food

The Church received approximately 66,300 pounds of food during fiscal year 2026. The largest food donations come from Sprouts, Trader Joe's, Gino's New York Style Pizza, and Tomato Cafe. Donated food is made up of the following during fiscal year 2026:

Food	<u>\$ 130,595</u>
Total	<u>\$ 130,595</u>

Sandia Church of the Nazarene

Notes to Financial Statements

April 30, 2026

7) Rental Income

The Church owns several units which are located at its Markham property. The units consist of apartments, office units, classrooms, and a chapel. The apartments are often leased out to their employees on a temporary basis. During fiscal year 2021 the Church began to manage the Montgomery property on behalf of the New Mexico District Church of the Nazarene. Rental income consists of the following during fiscal year 2026:

Apartment rental income	\$ 163,205
Mission Training Center rental income	30,698
Montgomery rental income	<u>23,320</u>
Total	<u>\$ 217,223</u>

8) Kingdom Builders Preschool and Day Care

The Church, through Mission Albuquerque, owns and operates Kingdom Builders Preschool and Day Care (Kingdom Builders). Kingdom Builders is one of the Church's biggest sources of revenue. The majority of the income comes from the NM Children, Youth and Families Department (CYFD) and the NM Early Childhood Education and Care Department (ECECD). Children who attend the preschool and day care have their tuition expenses covered and it was previously based on a sliding scale depending on the child's parents' income. CYFD and ECECD reimburse Kingdom Builders monthly and the amount varies depending on the child's age and Kingdom Builders star rating. Kingdom Builders is categorized as a 5-star facility. Tuition income consists of the following during fiscal year 2026:

State subsidies	\$ 698,686
CYFD family nutrition	43,315
Day care/preschool fees	<u>7,174</u>
Total	<u>\$ 749,175</u>

9) Insurance Settlement

The Church's property has sustained damage to its roof, and the Church received insurance settlement proceeds of \$797,349 during the year ended April 30, 2026.

Sandia Church of the Nazarene

Notes to Financial Statements

April 30, 2026

10) Long-Term Debt

In December 2023, the Church refinanced its mortgage debt and entered into a \$1,705,158 adjustable rate note with Ministry Partners Investment Company. Monthly payments of \$12,325 are payable in 120 monthly installments of principal and interest, amortized over 11 years, and initially bear interest at 7.35%. A final balloon payment of all remaining principal and interest is due January 2034. The loan is collateralized by the Church's real property. At April 30, 2026, the balance totals \$1,650,129 and the interest rate is still at 7.35%.

The future minimum payments of the Church's mortgage are as follows:

2027	\$	27,532
2028		29,625
2029		31,877
2030		34,301
2031		36,908
Thereafter		<u>1,489,886</u>
Total	\$	<u><u>1,650,129</u></u>

11) Concentrations

The Church derives substantially all of its tuition income from a single funding source. Of the \$749,175 in tuition income recognized during fiscal year 2026, \$742,001, or 99%, was received from the State of New Mexico, consisting of \$698,686 in state subsidies and \$43,315 in CYFD family nutrition reimbursements (see Note 8). Reimbursement rates are subject to change. A reduction in State of NM funding, or a change in Kingdom Builders' star rating, would have a significant effect on the Church's tuition income.

The Church also recognized an insurance settlement of \$797,349 during fiscal year 2026, representing 37% of total support and revenue for the year. This settlement is nonrecurring and should not be relied upon as an indicator of future support and revenue.

Supplementary Information

Sandia Church of the Nazarene
Combining Statements of Financial Position
April 30, 2026

	<u>Church Activities</u>	<u>Mission Albuquerque</u>	<u>Total</u>
Assets			
Current assets			
Cash	\$ 12,430	\$ 151,815	\$ 164,245
Accounts receivable	<u>-</u>	<u>73,772</u>	<u>73,772</u>
Total current assets	12,430	225,587	238,017
Property and equipment, net	<u>12,750</u>	<u>3,433,404</u>	<u>3,446,154</u>
Total assets	<u><u>\$ 25,180</u></u>	<u><u>\$ 3,658,991</u></u>	<u><u>\$ 3,684,171</u></u>
 Liabilities and Net Assets			
Current liabilities			
Accrued liabilities	\$ -	\$ 47,452	\$ 47,452
Note payable, current portion	<u>-</u>	<u>27,532</u>	<u>27,532</u>
Total current liabilities	-	74,984	74,984
Note payable, less current portion	<u>-</u>	<u>1,622,597</u>	<u>1,622,597</u>
Total liabilities	<u>-</u>	<u>1,697,581</u>	<u>1,697,581</u>
Net assets			
Without donor restrictions	<u>25,180</u>	<u>1,961,410</u>	<u>1,986,590</u>
Total net assets	<u>25,180</u>	<u>1,961,410</u>	<u>1,986,590</u>
Total liabilities and net assets	<u><u>\$ 25,180</u></u>	<u><u>\$ 3,658,991</u></u>	<u><u>\$ 3,684,171</u></u>

Sandia Church of the Nazarene

Combining Statements of Activities

For the Year Ended April 30, 2026

	Church Activities	Mission Albuquerque	Total
Support and Revenue			
Insurance settlement proceeds	\$ -	\$ 797,349	\$ 797,349
Tuition income	-	749,175	749,175
Rental income	(30,000)	247,223	217,223
Contributions and gifts	64,639	101,929	166,568
Donated food	-	130,595	130,595
Fees for services	-	73,164	73,164
Fundraising and program income	10,050	13,651	23,701
Interest income	-	12,577	12,577
Grant income	-	8,927	8,927
Total support and revenue	<u>44,689</u>	<u>2,134,590</u>	<u>2,179,279</u>
Expenses			
Program services			
Church activities	78,656	-	78,656
Mission Albuquerque	-	1,188,814	1,188,814
Support services			
Management and general	10,213	310,323	320,536
Fundraising	1,267	64,664	65,931
Total expenses	<u>90,136</u>	<u>1,563,801</u>	<u>1,653,937</u>
Change in net assets	(45,447)	570,789	525,342
Net assets, beginning of year	<u>70,627</u>	<u>1,390,621</u>	<u>1,461,248</u>
Net assets, end of year	<u><u>\$ 25,180</u></u>	<u><u>\$ 1,961,410</u></u>	<u><u>\$ 1,986,590</u></u>