Transformation Church, Inc.

Financial Statements

Year Ended December 31, 2025

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Transformation Church, Inc.
Indian Land, South Carolina

Opinion
We have audited the accompanying financial statements of Transformation Church, Inc. (the "Church" - a nonprofit organization), which comprise the statement of financial position as of December 31, 2025, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Transformation Church, Inc. as of December 31, 2025, 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 of 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Transformation Church, Inc. 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 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 Transformation Church, Inc.'s 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 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, 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.

Transformation Church, Inc.
Indian Land, South Carolina

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 purposes of expressing an opinion on the effectiveness of Transformation Church, Inc.'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 Transformation Church, Inc.'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.

Report on Summarized Comparative Information
We have previously audited the Church's 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 14, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Foard & Company, P.A.
February 13, 2026

TRANSFORMATION CHURCH, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2025, WITH PRIOR YEAR COMPARATIVE TOTALS

	December 31, 2025	December 31, 2024
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 3,701,225	$ 3,262,870
Investments	1,104,783	963,680
Prepaid expenses	100,689	75,772
Inventory	8,543	2,894
Total Current Assets	***4,915,240***	***4,305,216***
Non-Current Assets:		
Property, net of accumulated depreciation	12,300,331	11,531,334
Intangibles, net of accumulated amortization	8,467	9,267
Operating right of use asset	945,060	1,240,265
Security deposits	28,401	28,401
Total Non-Current Assets	***13,282,259***	***12,809,267***
TOTAL ASSETS	***$ 18,197,499***	***$ 17,114,483***
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and credit card payable	$ 102,944	$ 64,925
Donation payable	450,000	-
Payroll liabilities	88,082	266,059
Deferred revenue	17,965	-
Note payable, current portion	246,671	168,867
Operating lease liability, current portion	286,249	286,249
Total Current Liabilities	***1,191,911***	***786,100***
Non-Current Liabilities:		
Note payable, net of loan fees	4,444,217	3,296,894
Operating lease liability	690,306	976,554
Total Non-Current Liabilities	***5,134,523***	***4,273,448***
Total Liabilities	***6,326,434***	***5,059,548***
Net Assets:		
Without donor restrictions	11,871,065	12,054,935
Total Net Assets	***11,871,065***	***12,054,935***
TOTAL LIABILITIES AND NET ASSETS	***$ 18,197,499***	***$ 17,114,483***

TRANSFORMATION CHURCH, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2025, WITH PRIOR YEAR COMPARATIVE TOTALS

	Year Ended December 31, 2025			Prior Year Comparative Totals
	Without Donor Restrictions	With Donor Restrictions	Totals	
SUPPORT AND REVENUE				
Offerings/tithes	$ 11,269,409	$ -	$ 11,269,409	$ 9,965,048
Ministry income	56,073	6,050	62,123	291,023
Investment income	59,850	-	59,850	118,998
Loss on disposal of assets	(4,136)	-	(4,136)	(7,443)
In-kind	26,600	-	26,600	24,541
Other income	34,633	-	34,633	33,772
Net Assets released from restrictions:				
Satisfaction of purpose restrictions	6,050	(6,050)	-	-
TOTAL SUPPORT AND REVENUE	***11,448,479***	***-***	***11,448,479***	***10,425,939***
EXPENSES				
Program expenses	9,379,353	-	9,379,353	7,990,590
Management and general expenses	2,089,654	-	2,089,654	1,768,145
Fundraising expenses	163,342	-	163,342	133,572
TOTAL EXPENSES	***11,632,349***	***-***	***11,632,349***	***9,892,307***
CHANGE IN NET ASSETS	***(183,870)***	***-***	***(183,870)***	***533,632***
NET ASSETS, BEGINNING	***12,054,935***	***-***	***12,054,935***	***11,521,303***
NET ASSETS, ENDING	***$ 11,871,065***	***$ -***	***$ 11,871,065***	***$ 12,054,935***

TRANSFORMATION CHURCH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2025, WITH PRIOR YEAR COMPARATIVE TOTALS

	Year Ended December 31, 2025				Prior Year
	Program Expenses	Management and General	Fundraising	Total	Comparative Totals
EXPENSES					
Generosity	$ 1,453,773	$ -	$ -	$ 1,453,773	$ 1,095,329
Salary and wages	2,932,320	1,183,742	103,385	4,219,447	3,808,410
Payroll taxes and benefits	900,158	349,909	30,560	1,280,627	1,160,307
Church events and retreats	272,043	-	-	272,043	289,344
Advertising and promotion	4,990	-	-	4,990	2,142
Bank charges and processing fees	-	135,577	-	135,577	120,879
Conferences, conventions, and meetings	37,095	14,975	1,308	53,378	43,237
Direct costs	47,507	-	-	47,507	29,885
Depreciation and amortization	1,298,326	13,248	13,248	1,324,822	908,854
Equipment and technology	218,219	109,183	1,308	328,710	432,232
Facilities	675,060	933	933	676,926	541,846
Meals	103,776	-	-	103,776	81,432
Insurance	8,137	40,153	287	48,577	45,610
Interest	168,709	1,722	1,722	172,153	130,127
Other expenses	14,665	92,447	-	107,112	71,388
Postage and delivery	6,473	341	-	6,814	4,246
Printing and copying	25,302	1,332	-	26,634	42,965
Professional and contract services	636,832	50,629	-	687,461	646,648
Repairs and maintenance	124,306	1,268	1,268	126,842	38,681
Supplies	175,155	34,448	2,877	212,480	127,374
Telephone	87,641	35,380	3,090	126,111	88,975
Travel	57,030	23,022	2,011	82,063	73,860
Utilities	131,836	1,345	1,345	134,526	108,536
TOTAL EXPENSES	***$ 9,379,353***	***$ 2,089,654***	***$ 163,342***	***$ 11,632,349***	***9,892,307***

TRANSFORMATION CHURCH, INC.

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2025, WITH PRIOR YEAR COMPARATIVE TOTALS

	Year Ended December 31,	
OPERATING ACTIVITIES	2025	2024
Change in net assets	$ (183,870)	$ 533,632
Adjustments to reconcile change in net assets		
to cash flows from operating activities:		
Depreciation and amortization	1,324,822	908,854
Change in operating right of use asset and liability	8,957	(25,162)
Loss on disposal of assets	4,136	7,443
Decrease (increase) in operating assets:		
Prepaid expenses	(24,917)	58,121
Inventory	(5,649)	1,374
Increase (decrease) in operating liabilities:		
Accounts payable and credit card payable	38,019	(57,234)
Donation payable	450,000	-
Payroll liabilities	(177,977)	57,693
Deferred revenue	17,965	-
Cash from Operating Activities	***1,451,486***	***1,484,721***
INVESTING ACTIVITIES		
Purchase of property	(2,090,543)	(3,740,862)
Purchase of investments	(141,103)	(226,166)
Proceeds from sale of investments	-	1,250,000
Cash from Investing Activities	***(2,231,646)***	***(2,717,028)***
FINANCING ACTIVITIES		
Proceeds from note payable	1,520,000	-
Loan costs	(23,497)	-
Payments on notes payable	(277,988)	(231,523)
Cash from Financing Activities	***1,218,515***	***(231,523)***
CHANGE IN CASH AND CASH EQUIVALENTS	***438,355***	***(1,463,830)***
CASH AND CASH EQUIVALENTS, BEGINNING	***3,262,870***	***4,726,700***
CASH AND CASH EQUIVALENTS, ENDING	***$ 3,701,225***	***$ 3,262,870***

NOTE 1 - NATURE OF OPERATION AND ACTIVITIES

Organization

Transformation Church, Inc. (the "Church") was incorporated as a non-profit organization in South Carolina in April 2010. The Church is a multi-ethnic, multi-generational, mission-shaped community that loves God completely (Upward), ourselves correctly (Inward) and our neighbors compassionately (Outward). The Church's primary source of support is member contributions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis of presentation

The Church is required to report information regarding its financial position and activities according to the following classes of net assets:

- *Net assets without donor restrictions* – These amounts are not subject to any donor-imposed stipulations. Net assets without donor restrictions can be designated by the Church for specific purposes. However, these funds have not been restricted by donors.

- *Net assets with donor restrictions* – These amounts are subject to donor-imposed stipulations. These restrictions may be temporary in nature, with the restriction being met either by actions of the Church or the passage of time, or permanent, such that the net assets must be held in perpetuity by the Church. At year-end the Church had no net assets with donor restrictions.

Contributions

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, contributions and revenue are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Gifts of land, buildings and equipment are recorded as increases in net assets without donor restrictions unless explicit donor restrictions specify how the donated assets must be used. Contributions with donor-imposed restrictions, such as time or purpose restrictions, are recorded as net assets with restrictions. When donor-imposed time restrictions expire, or a donor-imposed purpose restriction is fulfilled, the net assets with restrictions are released to net assets without restrictions and reported in the statement of activities as net assets released from restrictions.

Other support

Contributions of marketable securities are generally sold upon receipt. Donated real property, equipment or materials, if significant, are included in support at fair value.

Cash and cash equivalents
The Church considers all highly liquid investments purchased with a maturity of three months or less, to be cash equivalents.

Inventory
The Church has an inventory of books and apparel which are recorded at the lower of cost or market. As of December 31, 2025, the inventory was valued at $8,543. Management estimates that no allowance for slow-moving inventory was necessary during the period presented.

Property
Property is stated at cost at the date of acquisition or fair value at the date of donation in the case of gifts. Property and equipment acquisitions are capitalized if they are in excess of $2,500. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. The cost of property and equipment sold or retired, and the related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is included in revenue or expense.

Donated services and goods
The Church records donated services as contributions when the services (a) create or enhance nonfinancial assets or (b) would be purchased if they had not been provided by contribution, require specialized skills, and are provided by individuals possessing those skills. Numerous unpaid volunteers have made significant contributions of their time to assist the Church in achieving its mission. The value of this contributed time is not reflected in these financial statements since it does not meet the above recognition criteria. During the year ended December 31, 2025, the Church recognized donated goods of $26,600 which consisted of donated leasehold improvements. The items were valued at the cost the Church would have had to pay had they not been donated.

Leases
The Church determines if an arrangement is or contains a lease at inception. Leases are included in the right of use ("ROU") assets and operating lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term. Operating lease expense is recognized on a straight-line basis over the lease term. The Church does not report ROU assets and lease liabilities for its leases with a term of 12 months or less; rather, they are reported as a lease expense on a straight-line basis over the lease term.

Cost allocation
Certain categories of expenses are attributable to program, supporting function and fundraising and are allocated on a reasonable basis that is consistently applied. Compensation and benefits are allocated based on estimates of time and effort, while all other expenses are allocated based on estimates made by management.

Estimates
The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Income tax status
The Church is a nonprofit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code with respect to its exempt function income.

Prior-year comparative totals
The financial statements include certain prior-year summarized information in total, but not by net asset class or functional expense category. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Church's December 31, 2024, financial statements, from which the summarized information was derived.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Church has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The table below represents financial assets available for general expenditures within one year.

Cash and cash equivalents	$ 3,701,225
Investments	1,104,783
Total financial assets	4,806,008
Less: Amounts not available for general expenditure	-
Assets available to meet expenditures within one year	$ 4,806,008

NOTE 4 – INVESTMENTS

Investments
Investments are recorded at fair value. The investment balance as of December 31, 2025, consists of $1,092,231 in a federated treasury money market mutual fund and $12,552 of a publicly traded stock that was donated at year-end and was liquidated shortly after year-end.

Fair value
Current accounting standards require the fair value of financial instruments to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. It establishes a three-level valuation hierarchy based upon observable and unobservable inputs, as follows:

Level 1 - Fair value is based on quoted prices in active markets for identical assets or liabilities.

Level 2 - Fair value is based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Fair value is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Church's investments are classified as Level 1.

NOTE 5 – PROPERTY

The Church records property at cost and provides for depreciation using the straight-line method over the estimated useful life of the asset which ranges from 5 years to 39 years. Leasehold improvements are depreciated over the life of the lease. Maintenance and repairs are expensed as paid; major renewals or betterments over $2,500 are capitalized. Depreciation expense for the year ended December 31, 2025, was $1,317,410.

Church property at December 31, 2025, consisted of the following:

Land	$ 1,882,322
Building and improvements	9,388,032
Leasehold improvements	2,477,540
Furniture, fixtures and equipment	3,988,642
Total Fixed Assets	17,736,536
Less – accumulated depreciation	5,436,205
Total (Net)	$ 12,300,331

NOTE 6 – INTANGIBLE ASSETS

Intangible assets consist of logo costs exceeding $2,500. Amortization expense is recorded using the straight-line method of amortization over the estimated useful life of the logo, which is fifteen years. The cost of the logo was $16,500, and the accumulated amortization was $8,033, as of December 31, 2025. Amortization expense for the year ended December 31, 2025, was $800.

NOTE 7 – OPERATING LEASES

The Church leases facility and equipment under various long-term non-cancelable operating lease arrangements. The operating ROU assets represent the Church's right to use underlying assets for the lease term, and the operating lease liability represents the Church's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities were calculated based on the present value of future lease payments over the lease term. The Church has made an accounting policy election to use a risk-free rate of interest in lieu of its incremental borrowing rate to discount future lease payments.

At December 31, 2025, the operating lease right-of-use asset balance was $945,060, and the operating lease liability was $976,555. The Church did not have any operating leases with a term of 12 months or less. Total lease costs for the year ended December 31, 2025, was $353,805.

Weighted-average discount rate:	
Operating lease	5.96%
Weighted-average remaining lease term	
Operating lease	2.86

Future minimum lease payments required under the operating lease are as follows:

2026	$ 364,197
2027	374,962
2028	321,158
2029	4,989
Total	1,065,306
Less – present value discount	88,751
Total	$ 976,555

NOTE 8 – NOTE PAYABLE

Descriptions

The Church's loan on its main campus commenced on January 26, 2022 with 120 payments of $24,138 due each month. The maturity date on the loan is January 26, 2032, at which time any unpaid principal and accrued but unpaid interest shall be immediately due and payable. This promissory note is secured by the property and the Church must maintain funds and investments at Truist Bank. At December 31, 2025, the loan balance was $3,238,920.

During the year the Church entered into a new loan to purchase a property in Clover, South Carolina. The loan commenced on June 9, 2025, with 60 payments of $12,641 due each month. The maturity date on the loan is June 9, 2030, at which time any unpaid principal and accrued but unpaid interest shall be immediately due and payable. This promissory note is secured by the property. At December 31, 2025, the loan balance was $1,482,381.

A summary of principal payments on debt for future years is as follows:

2026	$ 246,671
2027	257,114
2028	268,026
2029	279,426
Thereafter	3,670,064
Total	4,721,301
Less – unamortized loan fees	30,413
Total	$ 4,690,888

Loan fees
Loan fees of $42,610 were incurred and are being amortized over the life of the notes payable. Amortization expense of $6,612 was recognized during the year. In accordance with U.S. GAAP, the remaining unamortized costs are presented net of the liability for note payable.

NOTE 9 - PENSION AND HEALTH SAVING ACCOUNTS

The Church contributed $102,147 to employees' HSA accounts during the year ended December 31, 2025. The Church sponsors a 401(k) plan for employees. The Church contributed $155,844 to employees' retirement plans during the year ended December 31, 2025.

NOTE 10 - CONCENTRATIONS OF RISK

Cash and cash equivalents
Financial instruments, which potentially subject the Church to concentrations of credit risk, consist principally of cash. The Church maintains its cash and cash equivalents with a federally insured financial institution located in South Carolina. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At December 31, 2025, the Church had funds above the federally insured limit in the amount of $1,554,157. Management believes that these financial institutions have strong credit ratings and that credit risk related to these deposits is minimal.

Geographic Area
The Church operates in a small geographic area and is, therefore, sensitive to changes in the local economy.

NOTE 12 - SUBSEQUENT EVENTS

The Church has evaluated subsequent events from the date of the statement of financial position through the date of the independent auditors' report, which is the date the audited financial statements were available for issuance. During this period, no material subsequent events were identified.