Financial Statements
Year Ended
June 30, 2022

All Souls Church, Unitarian

All Souls Church, Unitarian

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Ubelhart, Rogstad & Associates, P.C.
Certified Public Accountants & Management Consultants

Kevin S. Ubelhart, CPA
T. Sean Rogstad, CPA

Independent Auditors' Report

Board of Trustees of
All Souls Church, Unitarian
Washington, D.C.

Opinion

We have audited the accompanying financial statements of ***All Souls Church, Unitarian*** (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, 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 ***All Souls Church, Unitarian*** as of June 30, 2022, 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

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 ***All Souls Church, Unitarian*** 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 ***All Souls Church, Unitarian's*** ability to continue as a going concern within one year after the date that the financial statements are available to be issued

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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 ***All Souls Church, Unitarian’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 ***All Souls Church, Unitarian’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.

Ubelhart, Rogstad & Associates, P.C.

Chantilly, Virginia
January 30, 2023

All Souls Church, Unitarian

Statement of Financial Position

June 30,		**2022**
Assets		
Current assets		
Cash and cash equivalents	$	49,792
Investments		5,332,260
Prepaid expenses		5,721
Deposits		2,372
Total current assets		5,390,145
Property and equipment - net		9,232,927
Other assets		
Restricted cash and cash equivalents, endowment		273,189
Restricted cash and cash equivalents, security deposits held		35,484
Note receivable		30,000
Beneficial interest in trust held by third parties		3,008,901
Total other assets		3,347,574
	$	17,970,646
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	$	202,674
Donated funds held for other organizations		7,000
Notes payable, due within one year		55,033
Deferred revenue		18,548
Capital lease liability, due within one year		32,218
Total current liabilities		315,473
Long-term liabilities		
Notes payable, due in more than one year		2,209,864
Capital lease liability, due in more than one year		92,661
Security deposits held		35,484
Total long-term liabilities		2,338,009
Total liabilities		2,653,482
Net assets		
Net assets without donor restrictions		7,315,620
Net assets with donor restrictions:		
Restricted by purpose or time		2,985,423
Restricted in perpetuity		5,016,121
		8,001,544
Total net assets		15,317,164
	$	17,970,646

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

All Souls Church, Unitarian

Statement of Activities

Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Contributions	$ 1,270,755	$ 169,205	$ 1,439,960
Contributions - SBA PPP	226,825	-	226,825
Usage agreement income	262,549	-	262,549
Program revenue	29,950	-	29,950
Grant revenue	25,000	-	25,000
Committee revenue	10,846	-	10,846
Fundraising revenue	6,282	-	6,282
Change in value of beneficial interest in trusts	-	(743,845)	(743,845)
Investment return, net	(31,418)	(727,286)	(758,704)
Total support and revenue	1,800,789	(1,301,926)	498,863
Net assets released from restrictions			
Satisfaction of usage restrictions	462,962	(462,962)	-
Total revenue	2,263,751	(1,764,888)	498,863
Expenses			
Program services	2,042,243	-	2,042,243
Supporting services:			
General and administrative	747,658	-	747,658
Fundraising	101,819	-	101,819
Total supporting services	849,477	-	849,477
Total expenses	2,891,720	-	2,891,720
Change in net assets	(627,969)	(1,764,888)	(2,392,857)
Net assets - beginning of year	7,943,589	9,766,432	17,710,021
Net assets - end of year	$ 7,315,620	$ 8,001,544	$ 15,317,164

All Souls Church, Unitarian

Statement of Functional Expenses

Year Ended June 30, 2022

	Program	General and Administrative	Fundraising	Total Expenses
Employee salaries	$ 471,500	$ 345,205	$ 25,259	$ 841,964
Pastor compensation	302,598	40,892	65,427	408,917
Payroll taxes and benefits	192,550	140,974	10,315	343,839
Depreciation and amortization expense	319,806	9,891	-	329,697
Special grant expenditures	247,757	-	-	247,757
Professional fees	-	107,798	-	107,798
Utilities	96,837	2,995	-	99,832
Interest expense	-	91,047	-	91,047
Building repairs and maintenance	60,601	1,874	-	62,475
Music-related activity	60,165	-	-	60,165
Denominational support	60,000	-	-	60,000
Social justice activities	58,356	-	-	58,356
Insurance	43,031	1,331	-	44,362
Computer, copier and website	40,270	1,245	-	41,515
Other program activities	33,661	-	-	33,661
Office supplies	25,161	778	-	25,939
Building supplies and other expenses	10,440	323	-	10,763
Bank and credit card fees	6,548	203	-	6,751
Telephone	5,092	157	-	5,249
Children's religious education	4,840	-	-	4,840
Property tax	-	2,260	-	2,260
Other expenses	2,288	71	-	2,359
Fundraising	-	-	818	818
Advertising	742	-	-	742
Licenses and fees	-	614	-	614
Total Functional Expenses	$ 2,042,243	$ 747,658	$ 101,819	$ 2,891,720

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

All Souls Church, Unitarian

Statement of Cash Flows

Year Ended June 30, 2022	
Cash flows from operating activities	
Change in net assets	$ (2,392,857)
Adjustments to reconcile to net cash from operating activities:	
Depreciation and amortization	329,697
Net realized and unrealized gains (losses) on investments	976,784
Change in value of beneficial interest in trusts	743,845
PPP loan forgiveness	(226,825)
Stock-based contribution	(2,526)
Change in:	
Prepaid expenses	8,118
Accounts payable and accrued expenses	91,606
Deferred revenue	(3,002)
Net cash from operating activities	(475,160)
Cash flows from investing activities	
Purchases of property and equipment	(84,259)
Purchases of investments	(91,086)
Proceeds from sale of investments	431,727
Net cash from investing activities	256,382
Cash flows from financing activities	
Repayment of long-term debt	(51,636)
Repayment of capital lease obligations	(43,284)
Net cash from financing activities	(94,920)
Net change in cash and cash equivalents	(313,698)
Cash and cash equivalents and restricted cash and cash equivalents at beginning of year	672,163
Cash and cash equivalents and restricted cash and cash equivalents at end of year	$ 358,465
Supplemental disclosure of cash flow information	
Cash paid for interest	$ 91,372
Supplemental disclosure of noncash financing activities	
Property and equipment acquisitions in exchange for capital lease	$ 133,003

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

June 30, 2022

1. Nature of Organization

All Souls Church, Unitarian (Church), located in Washington, D.C., is a member of the Unitarian Universalist Association. The Church is dedicated to creating a diverse, spirit growing, justice-seeking community united in the belief in the worth and dignity of all people and the obligation to express faith through acts of justice and compassion.

2. Summary of Significant Accounting Policies

Basis of Accounting

In accordance with accounting principles generally accepted in the United States of America, the accounts of the Church are maintained on the accrual basis of accounting. This accounting and reporting method classifies various resources by their nature and purpose, based on the presence or absence of donor-imposed restrictions, into two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Contributions

Contributions received are classified by their nature and purpose, based on the presence or absence of donor-imposed restrictions, into two classes of net assets.

Net assets without donor restrictions – Net assets not subject to donor imposed restrictions.

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions. Funds whose use is limited by donor-imposed stipulations that either expire by the passage of time or whose restriction can be fulfilled by the Church. Net assets expected to be maintained in perpetuity are funds subject to restrictions of the governing donor instruments that established the nature and purpose of such funds. Principal is invested in perpetuity and only the income is used as determined by the donor.

Many individuals volunteer their time and perform a variety of tasks that assist the Church with its programs, ministry and administrative functions. No amounts have been reflected in the financial statements for these services since they do not meet the criteria for recognition under accounting principles generally accepted in the United States of America.

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 the 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

Cash and cash equivalents include demand deposits at insured financial institutions and money market accounts at investment brokerages.

Notes Receivable

Notes receivable represent programmatic investments in the Washington Area Community Impact Fund. Notes receivable are carried at the unpaid principal balances. The note bears an interest rate of 1.25% per annum. Interest on loans is recognized over the term of the loan and is calculated using the interest method on principal amounts outstanding. Loans are considered impaired if full principal or interest payments are not anticipated in accordance with the contractual terms. The Church's practice is to charge off any loan or portion of a loan when the loan is determined by management to be uncollectible due to the borrower's failure to meet repayment terms, the borrower's deteriorating or deteriorated financial condition, the depreciation of the underlying collateral, or for other reasons.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are stated at their fair values in the statements of financial position. Donated investments are recorded at fair value on the date they are received as a donation. Unrealized gains and losses are included in the change in net assets.

Certain investment amounts are invested in group or pooled investment funds managed by The Investment Fund for Foundations ("TIFF"), which invests these funds in readily marketable securities and other illiquid securities. The net asset value of each of these funds is calculated at least monthly by the fund management based on quoted market values of the underlying securities of the pools. The Church may redeem amounts from its share of the pooled funds at the latest calculated net asset value by giving the fund proper notice. In all cases, the required notice is less than 30 days. Accordingly, the Church carries its investments at their fair value based on these calculated net asset values.

Beneficial interest in remainder trusts

The Church accounts for its beneficial interest in trusts as support upon notice of being a beneficiary of such trusts. Support is recorded at the fair value of the underlying assets of the trust given the right to receive income/benefits from the trust even though the Church will never receive the principal of these trusts. The fair value of the trusts are recorded using Level 3 of the fair value hierarchy approach. Changes in the fair value of the trusts are reported as changes in net assets with donor restrictions.

Functional Expenses

The Church records its expenditures on a functional basis allocated between program, general and administrative, and fundraising. Expenses are charged to these areas based on direct expenditures incurred. Any expenses not directly chargeable are allocated based on management's estimate of the relative time devoted to the different functions by the staff.

Property and Equipment

Property and equipment are reflected in the financial statements at cost if purchased and fair market value at the time of the gift if donated, net of accumulated depreciation and amortization.

Depreciation of the property and equipment is computed using the straight-line method based on the estimated useful lives of 3-40 years for buildings and improvements, 35-40 years for organ and improvements and 5-10 years for furniture, fixtures, equipment, software and vehicles. It is the Church's policy to capitalize expenditures in excess of $1,000.

Donations Classified as Agency Transactions

The Church receives donated funds that are classified as agency transactions because the funds are collected on behalf of other organizations. The Church presents these donations as a liability for amounts that have not been remitted as of the end of the year.

Advertising Costs

The Church expenses advertising costs as they are incurred and advertising communication costs the first time the advertising takes place. Total advertising expense during the year ended June 30, 2022 was $742.

Endowment Funds

The District of Columbia enacted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") on July 1, 2008, the provisions of which apply to endowment funds existing on or established after the date of enactment. The Board of Trustees has determined that the majority of the Church's restricted net assets with donor perpetuity meet the definition of endowment funds under UPMIFA. Amounts in excess of the original corpus are considered with donor restrictions until appropriated for expenditure based on the terms of the donors' instructions.

Income Taxes

As provided in IRC Section 501(c)(3), the Church is exempt from income tax and comparable state law, therefore, no provision for income taxes has been made. Contributions to the Church are tax deductible within the limitations prescribed by the Code. The Church has identified and reviewed potential tax uncertainties in accordance with generally accepted accounting principles and determined that the exposure to those uncertainties did not have a material impact on the Church's results of operations or financial condition as of June 30, 2022. While the Church is exempt from income taxes, it is the Church's policy to evaluate and review its tax positions on an ongoing basis to ensure compliance with the applicable portions of the Internal Revenue Code and other applicable tax rules and regulations.

The Church has determined that it does not have any material unrecognized tax benefits or obligations as of June 30, 2022. Fiscal years ending on or after December 31, 2018 remain subject due to examination by federal and state tax authorities.

Subsequent Events

In preparing these financial statements, the Church has evaluated events and transactions for potential recognition or disclosure through January 30, 2023, the date the financial statements were available to be issued.

Accounting Updates

In June 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-05, Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities. The update allows a one year deferral of the effective date of ASU 2014-09, Revenue from Contracts with Customers (Topic 606) for certain entities that have not yet issued their financial statements (or made financial statements available for issuance). ASU 2014-09 was to be effective for fiscal years beginning after December 15, 2018. The update also allows a one year deferral of the effective date of ASU 2016-02, Leases (Topic 842) for certain entities that have not yet issued their financial statements (or made financial statements available for issuance). ASU 2016-02 is to be effective for fiscal years beginning after December 15, 2021. The Church has elected to defer the implementation of ASU 2016-02 to its fiscal year beginning after December 15, 2021. The Church has not determined what effect implementation of these standards will have on its financial statements.

Change in Accounting Principle

In June 2018, the FASB issued ASU 2018-08, *Not-For-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The ASU clarifies and improves guidance for contributions received and contributions made, and provides guidance to organizations on how to account for certain exchange transactions. This change is preferable in that it clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities.

The change in accounting principle was adopted on a modified prospective basis in the Church's 2022 fiscal year. As a result, there was no cumulative-effect adjustment to opening net assets without donor restrictions or opening net assets with donor restrictions as of July 1, 2021. There is no effect of adopting the new accounting principles to the year ended June 30, 2022.

3. Cash and Cash Equivalents and Restricted Cash Equivalents

For purposes of the statement of financial position and the statement of cash flows, cash and cash equivalents consist of cash and other highly liquid resources, such as investments in money market funds. Assets reserved for community support on the statements of financial position include restricted cash received with restrictions imposed by donors (but not yet spent) for community support.

The following table provides a reconciliation of cash, cash equivalents, restricted cash, and restricted cash equivalents reported within the statements of financial position that sum to the totals of the same such amounts in the statements of cash flows.

		2022
Cash and cash equivalents	$	49,792
Restricted cash and cash equivalents, endowments		273,189
Restricted cash and cash equivalents, security deposits held		35,484
Totals	$	358,465

4. Investments and Fair Value Measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access.

Level 2 – Inputs generally are available indirect information, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets, that are not active, or inputs that are observable for the asset or liability (e.g., interest rates, yield curves).

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The assets or liabilities fair value measurement level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Church's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

The following is a description of the valuation methodologies used for asset measurements at fair value.

Mutual Funds: Valued at the net asset value (NAV) of shares held by the Church at year-end, using the market approach.

Exchange traded funds: Valued at the net asset value (NAV) of shares held by The Church at year-end, using the market approach.

Common stocks: Valued at the closing price reported in the active market in which individual securities are traded.

There have been no changes in the methodologies used at June 30, 2022.

As of June 30, 2022, investments consisted of the following:

		Fair Market Value as of June 30, 2022			
	Realized/ Unrealized Gain (Loss)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets in fair value hierarchy:					
Money market funds	$ -	$ 317	$ -	$ -	$ 317
Total included in cash and cash equivalents	-	317	-	-	317
Mutual funds	(138,743)	1,307,512	-	-	1,307,511
Stocks	(562)	1,964	-	-	1,964
Beneficial interest in trusts	(743,845)	-	-	3,008,901	3,008,901
Total	(883,150)	$ 1,309,793	$ -	$ 3,008,901	4,318,694
Investments measured at net asset value	(819,466)				4,022,468
Total included in investments	$ (1,702,616)				$ 8,341,161

The following schedule summarizes the investment return in the statement of activities:

	2022
Net realized and unrealized gains (losses)	$ (958,771)
Interest and dividend income	218,080
External and direct internal expenses	(18,013)
Total	$ (758,704)

Investment revenues are reported net of related external and direct internal investment expenses in the statement of activities. The amount of expenses netted with revenues was $18,013 for the year ended June 30, 2022.

5. Investments Measured at Net Asset Value

The alternative investments consist of funds managed by TIFF. Such funds include a combination of foreign and domestic common and preferred stocks, U.S. treasury bills and bonds, exchange-traded funds and various derivative contracts managed by TIFF. The value of these alternative investments is based on the net asset value as determined by the investment manager.

The following table summarizes the fair value measurements of investment funds that calculate net assets per share (or its equivalent) as of June 30, 2022:

	June 30, 2022			
	Fair Value	**Unfunded Commitments**	**Redemption frequency**	**Redemption notice period**
Investments:				
TIFF Multi-asset Fund (a)	$ 2,508,848	$ -	Any business day	Any business day
UU Common Endowment Fund (b)	1,513,620	-	Monthly	30 days
Total	$ 4,022,468	$ -		

(a) The fund's investment objective is to attain a growing stream of current income and appreciation of principal that at least offset inflation. The fund's performance objective is to achieve a total return net of expenses that, over a majority of market cycles, exceeds inflation, as measured by the Consumer Price Index, plus 5% per annum.

(b) The overall investment objective is to increase the asset value in order to maintain the real purchasing power of the endowment while allowing for regular distributions. The Fund seeks to achieve consistent returns within a moderate risk tolerance over the long term, sufficient to allow for regular distributions and maintain the value of the principal after adjustment for inflation and after all expenses.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	June 30, 2021	**Change in Value**	**June 30, 2022**
Beneficial interest in trusts:			
Emily B. Mitchell	$ 14,486	$ (2,853)	$ 11,633
Ellen M E Woodhull No. 1	348,338	(68,590)	279,748
Ellen M E Woodhull No. 2	333,342	(65,681)	267,661
Pfeiffer All Souls DC Trust	2,170,300	(425,601)	1,744,699
Fannie Moyers Consaul Trust	886,280	(181,120)	705,160
Total	$ 3,752,746	$ (743,845)	$ 3,008,901

Gains and losses (realized and unrealized) included in change in net assets are reported in the accompanying statement of activities for the year ended June 30, 2022.

6. Property and Equipment

Property and equipment at June 30, 2022 consists of the following:

		2022
Land	$	95,000
Buildings and improvements		14,186,769
Furniture, fixtures and equipment		275,204
Organ and improvements		1,133,994
Software and website development		62,297
Plant		77,860
		15,831,124
Less: accumulated depreciation		(6,598,197)
Net property and equipment	$	9,232,927

Depreciation expense for the year ended June 30, 2022 was $329,697.

7. Capital Leases

The Church is the lessee of equipment under capital leases expiring in various years through 2027. The assets and liabilities under capital leases are recorded at the value of the minimum lease payments. The assets are amortized over their estimated productive lives. Amortization of assets under capital leases is included in depreciation expense for the fiscal year 2022.

Following is a summary of property held under capital leases:

Furniture, fixtures and equipment	$	155,470
Accumulated amortization		(30,591)
Total	$	124,879

The capital leases provide renewal or repurchase options. The purchase options include prices representing the expected fair value of the property and $1 bargain purchase options at the end of the lease period.

Future minimum lease payments as of June 30, 2022 are as follows:

2023	$	32,218
2024		32,218
2025		29,409
2026		26,600
2027		4,434
Total	$	124,879

8. Pension Plan

The Church has established a defined contribution 401(k) plan for eligible employees. Employees who are age 21 or older and work 1,000 hours or more per year are eligible to participate. The Church's contribution is determined at 10% of gross pay. The Church contributed $99,891 for the year ended June 30, 2022.

9. Risks and Uncertainties

Inherent in the Church's operation are various risks and uncertainties, including interest rate movements, general economic conditions, dependence on key employees, litigation incidental to its operations, and the continued support and geographical concentration of its congregation. Management believes these significant risks and uncertainties are appropriately managed.

10. Usage Agreements

The Church receives income from various usage agreements for single events. In addition, the Church entered into a usage agreement on August 1, 2019 with Mysa School. The agreement called for $209,800 per year in monthly payments of $17,483 with a 3% increase per annum, plus an agreed-upon payment of all real estate taxes. The first two months of these payments were waived. The agreement expires September 30, 2024, with the option to renew. Upon execution of the agreement, the Church received a security deposit which was placed in an interest-bearing account for the benefit of Mysa School. The deposit with accrued interest balance amounted to $35,484 at June 30, 2022. Upon expiration of the agreement, the security deposit, together with the interest earned, will be returned to Mysa School.

Future minimum payments to be received under the agreement at June 30, 2022, consist of:

2023	$	228,698
2024		235,559
2025		60,214
Total	$	524,471

11. Notes Payable

During 2014, the Church entered into a debt arrangement with a banking institution for $5,500,000 to be used for renovations to the Church. Interest only was due monthly though April 2017, at the rate of 4.4% per annum. In May 2017, the debt arrangement converted to a term note which is payable in monthly installments of principal and interest at 4.4% per annum in an amount necessary to amortize the then outstanding principal balance computed over a 30-year period. During 2016, the Church entered into an amendment with the same bank to re-advance $400,000 for a total outstanding balance of $3,900,000 at 3.93% per annum. Debt covenants include maintaining a minimum balance of not less than $250,000 in its account with the lender. The loan matures in April 2026, at which time a balloon payment for all unpaid principal is due. The balance outstanding under this agreement amounted to $2,264,897 at June 30, 2022.

Future minimum payments at June 30, 2022 are as follows:

2023	$	55,033
2024		57,235
2025		59,525
2026		2,093,104
	$	2,264,897

Interest expense was $91,047 for the year ended June 30, 2022.

May 9, 2020, the Church received a Small Business Administration (SBA) loan made pursuant to the terms of the Paycheck Protection Program (PPP) under the Coronavirus, Aid, Relief and Economic Security Act enacted March 27, 2020 (the "CARES Act"). The note was in the amount of $226,825. No payments were due for the first 6 months following the date of the first disbursement of the notes. Interest continued to accrue during the deferment period. Interest is 1% per year. All remaining principal and accrued interest is due and payable two years from the date of the first disbursement of the notes. The Church may request and be granted loan forgiveness if the loan proceeds are used for expenses such as payroll, and possibly group health care benefits, retirement plan benefits, mortgage interest, lease payments and utility payments over a 24 week period. The Church was granted forgiveness on the loan during August 2021. The entire loan balance is presented as a contribution on the Statement of Activities.

12. Restriction and Designation of Net Assets

Net assets without donor restrictions at June 30, 2022 include $1,122,241 designated by the Church's Board for operating reserves.

Net assets with donor restrictions consist of the following at June 30, 2022:

	2022
Beckner – community support	$ 2,072,254
Shively – building improvements	476,699
Capital campaign	546,903
Holmwood – building improvements/beautification	803,704
Mason – time restrictions	864,143
A.P. Davies – social justice	151,936
R.E. Endowment – religious education	77,004
Beneficial interest in trusts	3,008,901
Total	$ 8,001,544

Net assets with donor restrictions from assets donated with perpetual restrictions result from donor-imposed stipulations that they be invested to provide a permanent source of income (endowment funds) or assets such as land or works of art donated with stipulations that they be preserved and not be sold. Donations received in response to an appeal for contributions to help the Church build its endowment funds are also considered to be net assets with donor restrictions with perpetual stipulations. Earnings on some endowment funds are to be used for specified purposes and thus are additions to net assets with donor restrictions with stipulations not yet met. Earnings on other endowment funds are available for general operations once they have been appropriated for expenditure and thus are included in investment income in the net assets with donor restrictions with stipulations not yet met until appropriated.

Balances of the funds included in net assets with donor restrictions from perpetual stipulations were as follows at June 30, 2022:

	2022
Beckner	$ 1,000,000
Holmwood	250,000
Mason	757,220
Beneficial interest in trusts	3,008,901
Total	$ 5,016,121

The Church's endowment consists of a number of funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Church is subject to the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of the Church Board interpretation or UPMIFA, the Church classifies as perpetuity the original value of gifts donated to the perpetual endowment, the original value of subsequent gifts to the perpetual endowment, and accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Church considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the fund, the purposes of the Church and the donor-restricted endowment fund, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, other resources of the Church, and the investment policies of the Church.

The changes in endowment net assets during the year ended June 30, 2022 were as follows:

	With Donor Restrictions
Endowment net assets – June 30, 2021	$ 8,242,115
Contributions	91,215
Investment return:	
Investment income (loss), net	(1,323,226)
Appropriation of endowment assets for expenditure	(261,101)
Endowment net assets – June 30, 2022	$ 6,749,003

13. Liquidity and Availability of Financial Assets

The following reflects the Church's financial assets as of the date of the statement of financial position, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions.

	2022
Cash and cash equivalents	$ 358,465
Investments	5,332,260
Beneficial interest in trust held by third parties	3,008,901
Total financial assets	8,699,626
Less – board designated funds	(1,122,241)
Less – donor restrictions	(8,001,544)
Less – security deposits held	(35,057)
Financial Assets Available	$ -

As part of the Church's liquidity management, it invests cash in excess of daily requirements in interest bearing checking accounts, money market mutual funds and for longer term periods in group or pooled investment funds.

14. Concentrations

Major Donors

The Church received approximately 1% for 2022, in contribution revenue from one donor; and, overall, approximately 2% for 2022, of its contribution revenue from three donors.

Cash and Cash Equivalents

Financial instruments that potentially subject the Church to credit risk consist of interest and noninterest bearing transaction accounts. On June 30, 2022, the Church did not have any balances in excess of amounts insured by Federal Deposit Insurance Corporation.

The Church invests in professionally managed portfolios. Such investments are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risk in the near term could materially affect investment balances and the amounts reported in the financial statements.

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