FOUNDRY UNITED METHODIST CHURCH
(A Nonprofit Organization)

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

FOUNDRY UNITED METHODIST CHURCH
(A Nonprofit Organization)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

To the Audit Committee
Foundry United Methodist Church
Washington, D.C.

Opinion

We have audited the accompanying financial statements of Foundry United Methodist Church (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, 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 Foundry United Methodist Church as of December 31, 2022 and 2021, 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 Foundry United Methodist Church 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.

Uncertainty Regarding Impacts of Recent Disruptions in U.S. Banking System

As discussed in Note 12 to the financial statements, in March 2023, the shut down of certain financial institutions raised economic concerns over disruption to the U.S. banking system. Given the uncertainty of the situation, the related financial statement impact cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

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 Foundry United Methodist Church'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 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 Foundry United Methodist 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 Foundry United Methodist Church's ability to continue as a going concern for a reasonable period of time.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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.

Citrin Cooperman & Company, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Fairfax, Virginia
April 25, 2023

FOUNDRY UNITED METHODIST CHURCH
(A Nonprofit Organization)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 899,060	$ 920,535
Accounts receivable	96,363	13,473
Total current assets	995,423	934,008
Other assets:		
Investments, at fair value (Note 5)	1,434,130	1,686,412
Property and equipment, net (Note 6)	5,858,548	5,769,143
Finance lease-right-of-use assets	40,912	-
Total other assets	7,333,590	7,455,555
TOTAL ASSETS	$ 8,329,013	$ 8,389,563
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 35,202	$ 27,747
Note payable, due in less than one year (Note 7)	155,482	144,224
Other liabilities	5,408	15,587
Current portion of finance lease liabilities (Note 10)	9,640	-
Total current liabilities	205,732	187,558
Long-term liabilities:		
Note payable, due in more than one year (Note 7)	2,832,780	2,418,153
Finance lease liabilities, net of current portion (Note 10)	31,536	-
Total liabilities	3,070,048	2,605,711
Commitments and contingencies (Notes 10 and 12)		
Net assets:		
Without donor restrictions:		
Undesignated	3,307,854	3,460,862
Designated by the board (Note 9)	1,247,784	1,653,877
	4,555,638	5,114,739
With donor restrictions:		
Purpose or time restricted for future periods	494,021	459,807
Perpetual in nature	209,306	209,306
	703,327	669,113
Total net assets	5,258,965	5,783,852
TOTAL LIABILITIES AND NET ASSETS	$ 8,329,013	$ 8,389,563

See accompanying notes to financial statements.

FOUNDRY UNITED METHODIST CHURCH
(A Nonprofit Organization)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues:			
Contributions	$ 2,615,772	$ 324,121	$ 2,939,893
Net investment loss	(195,769)	(52,890)	(248,659)
Rental and other income	46,270	-	46,270
Net assets released from restrictions	237,017	(237,017)	-
Total support and revenues	2,703,290	34,214	2,737,504
Expenses:			
Program services	2,225,917	-	2,225,917
Supporting services:			
Management and general	926,369	-	926,369
Fundraising	110,105	-	110,105
Total supporting services	1,036,474	-	1,036,474
Total expenses	3,262,391	-	3,262,391
Change in net assets	(559,101)	34,214	(524,887)
Net assets - beginning	5,114,739	669,113	5,783,852
NET ASSETS - ENDING	$ 4,555,638	$ 703,327	$ 5,258,965

See accompanying notes to financial statements.

FOUNDRY UNITED METHODIST CHURCH
(A Nonprofit Organization)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues:			
Contributions	$ 2,518,167	$ 230,279	$ 2,748,446
Net investment income	162,821	37,641	200,462
Gain on forgiveness of Paycheck Protection Program loan	217,600	-	217,600
Rental and other income	18,221	-	18,221
Net assets released from restrictions	125,354	(125,354)	-
Total support and revenues	3,042,163	142,566	3,184,729
Expenses:			
Program services	1,923,315	-	1,923,315
Supporting services:			
Management and general	822,854	-	822,854
Fundraising	104,543	-	104,543
Total supporting services	927,397	-	927,397
Total expenses	2,850,712	-	2,850,712
Change in net assets	191,451	142,566	334,017
Net assets - beginning	4,923,288	526,547	5,449,835
NET ASSETS - ENDING	$ 5,114,739	$ 669,113	$ 5,783,852

See accompanying notes to financial statements.

FOUNDRY UNITED METHODIST CHURCH
(A Nonprofit Organization)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Services					Total Program Services	Supporting Services		Total Supporting Services	Total Expenses
	Discipleship	Worship and Music	Family	Hospitality and Care	Social Justice		Management and General	Fundraising		
Salaries and benefits	$ 150,314	$ 255,184	$ 194,009	$ 194,009	$ 167,792	$ 961,308	$ 284,023	$ 65,544	$ 349,567	$ 1,310,875
Advertising/website	6,859	11,645	8,854	8,854	7,657	43,869	12,961	2,991	15,952	59,821
Interest expense and bank/online giving fees	-	-	-	-	-	-	130,161	35,212	165,373	165,373
Building support	17,035	28,920	21,987	21,987	19,016	108,945	39,617	-	39,617	148,562
Cleaning	7,808	13,255	10,078	10,078	8,716	49,935	18,158	-	18,158	68,093
Depreciation and amortization	33,315	56,558	43,000	43,000	37,189	213,062	77,477	-	77,477	290,539
Office equipment	777	1,320	1,003	1,003	868	4,971	1,808	-	1,808	6,779
Lease expense	1,005	1,705	1,297	1,297	1,122	6,426	2,337	-	2,337	8,763
Information technologies	11,271	19,134	14,547	14,547	12,581	72,080	21,297	4,915	26,212	98,292
Insurance	4,499	7,637	5,806	5,806	5,022	28,770	10,462	-	10,462	39,232
Apportionments	36,345	61,702	46,910	46,910	40,571	232,438	84,523	-	84,523	316,961
Student scholarships	913	1,551	1,179	1,179	1,020	5,842	2,124	-	2,124	7,966
In/out - collection accounts	2,345	3,982	3,027	3,027	2,618	14,999	5,454	-	5,454	20,453
Community support	17,686	30,025	22,827	22,827	19,742	113,107	41,130	-	41,130	154,237
Meals and entertainment	1,037	1,916	15,686	13,531	-	32,170	-	-	-	32,170
Postage and printing	2,440	4,142	3,149	3,149	2,724	15,604	4,610	1,064	5,674	21,278
Professional fees and contract services	8,363	102,050	220	11,248	-	121,881	114,950	-	114,950	236,831
Repairs and maintenance	8,177	13,882	10,554	10,554	9,128	52,295	19,017	-	19,017	71,312
Supplies	6,167	7,238	13,440	1,527	-	28,372	18,488	-	18,488	46,860
Telephone	870	1,476	1,122	1,122	971	5,561	1,643	379	2,022	7,583
Travel	-	1,615	13,200	110	-	14,925	-	-	-	14,925
Utilities	15,536	26,375	20,052	20,052	17,342	99,357	36,129	-	36,129	135,486
TOTAL EXPENSES	$ 332,762	$ 651,312	$ 451,947	$ 435,817	$ 354,079	$ 2,225,917	$ 926,369	$ 110,105	$ 1,036,474	$ 3,262,391

See accompanying notes to financial statements.

FOUNDRY UNITED METHODIST CHURCH
(A Nonprofit Organization)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services						Supporting Services			
	Discipleship	Worship and Music	Family	Hospitality and Care	Social Justice	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries and benefits	$ 138,185	$ 234,592	$ 178,354	$ 178,354	$ 154,253	$ 883,738	$ 261,104	$ 60,255	$ 321,359	$ 1,205,097
Advertising/website	8,741	14,840	11,282	11,282	9,758	55,903	16,517	3,812	20,329	76,232
Interest expense and bank/online giving fees	-	-	-	-	-	-	113,772	35,212	148,984	148,984
Building support	13,608	23,102	17,564	17,564	15,190	87,028	31,646	-	31,646	118,674
Cleaning	4,034	6,848	5,206	5,206	4,503	25,797	8,981	-	8,981	34,778
Depreciation and amortization	30,890	52,442	39,870	39,870	34,482	197,554	70,952	-	70,952	268,506
Office equipment	2,082	3,535	2,687	2,687	2,324	13,315	4,842	-	4,842	18,157
Information technologies	9,363	15,895	12,084	12,084	10,451	59,877	17,691	4,083	21,774	81,651
Insurance	4,059	6,891	5,239	5,239	4,531	25,959	9,440	-	9,440	35,399
Apportionments	37,929	64,391	48,955	48,955	42,339	242,569	88,207	-	88,207	330,776
Student scholarships	862	1,464	1,113	1,113	963	5,515	2,005	-	2,005	7,520
In/out - collection accounts	386	655	498	498	430	2,467	897	-	897	3,364
Community support	14,487	24,594	18,698	18,698	16,171	92,648	33,690	-	33,690	126,338
Meals and entertainment	531	-	7,386	65	-	7,982	-	-	-	7,982
Postage and printing	1,820	3,089	2,349	2,349	2,031	11,638	3,438	793	4,231	15,869
Professional fees and contract services	4,300	67,033	-	10,911	375	82,619	115,100	-	115,100	197,719
Repairs and maintenance	598	1,014	771	771	667	3,821	1,390	-	1,390	5,211
Supplies	9,951	6,542	11,234	5,351	200	33,278	10,395	-	10,395	43,673
Telephone	890	1,511	1,149	1,149	994	5,693	1,682	388	2,070	7,763
Travel	376	-	-	-	-	376	-	-	-	376
Utilities	13,375	22,707	17,263	17,263	14,930	85,538	31,105	-	31,105	116,643
TOTAL EXPENSES	$ 296,467	$ 551,145	$ 381,702	$ 379,409	$ 314,592	$ 1,923,315	$ 822,854	$ 104,543	$ 927,397	$ 2,850,712

See accompanying notes to financial statements.

FOUNDRY UNITED METHODIST CHURCH
(A Nonprofit Organization)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	$ (524,887)	$ 334,017
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	290,539	268,506
Realized and unrealized loss (gain) on investments	282,146	(177,318)
Non-cash lease expense	8,183	-
Gain on forgiveness of Paycheck Protection Program loan	-	(217,600)
Changes in operating assets and liabilities:		
Accounts receivable	(82,890)	19,591
Accounts payable and accrued expenses	7,455	(3,591)
Other liabilities	(10,179)	2,397
Net cash provided by (used in) operating activities	(29,633)	226,002
Cash flows from investing activities:		
Purchases of property and equipment	(378,185)	(46,875)
Purchases of investments	(344,685)	(706,369)
Proceeds from sales of investments	314,821	439,093
Net cash used in investing activities	(408,049)	(314,151)
Cash flows from financing activities:		
Repayments of finance lease liabilities	(7,919)	-
Repayments on notes payable	(165,055)	(137,888)
Drawdowns on notes payable	589,181	-
Net cash provided by (used in) financing activities	416,207	(137,888)
Net decrease in cash and cash equivalents	(21,475)	(226,037)
Cash and cash equivalents - beginning	920,535	1,146,572
CASH AND CASH EQUIVALENTS - ENDING	$ 899,060	$ 920,535
Supplemental disclosures of cash flow information:		
Interest paid	$ 124,965	$ 112,795
Supplemental schedule for non-cash investing and financing activities:		
Equipment obtained in connection with finance lease	$ 49,095	$ -

See accompanying notes to financial statements.

NOTE 1. PURPOSE OF ORGANIZATION

Foundry United Methodist Church (the "Church") is a nonprofit organization established in Washington, D.C. in 1814 and given non-profit 501(c)(3) status by the Internal Revenue Service in October 1974. The Church is a member of the United Methodist Church, Inc. and of the Baltimore Washington Annual Conference. The Church's Statement of Call is as follows: *We at Foundry are called by God to deepen faith through transcendent worship and challenging study, to create an engaged community through inclusion and caring, and to transform the world through active service and prophetic leadership.*

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements of the Church 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"). Those standards require the Church to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for various purposes, see Note 9.

Net assets with donor restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and cash equivalents

Cash and cash equivalents include amounts invested in short-term investments with original maturities of 90 days or less. Cash and cash equivalents held by an investment custodian to facilitate investment transactions or for investment are excluded from cash and cash equivalents and are included in investments in the accompanying statements of financial position.

Accounts receivable

Accounts receivable are stated at the amount the Church expects to collect. The Church determines the allowance for uncollectible accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectible. At December 31, 2022 and 2021, the Church has determined that an allowance for uncollectible accounts receivable was not needed.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue is reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law.

Contributions of cash and other assets are presented as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give, that is, those with a right of return of funds and a measurable performance or other barrier, are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met.

Investment earnings that are restricted by the donor are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the assets.

Long-lived assets

The Church's long-lived assets, including property and equipment and the Church's right-of-use assets, are reviewed whenever events or changes in circumstances indicate that the carrying amount of the asset in question may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the asset, the Church recognizes an impairment loss based on the estimated fair value of the asset. The Church did not identify any impairment during the years ended December 31, 2022 and 2021.

Property and equipment

The Church follows the practice of capitalizing, at cost, all expenditures for property and equipment in excess of $2,500. Assets donated are capitalized at the fair market value at date of donation. Depreciation of property and equipment is provided for on the straight-line method over the estimated useful lives, ranging from five to 39 years. Repairs and maintenance that do not improve or extend the lives of property and equipment are charged to expense as incurred. When assets are sold or otherwise retired, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reported in the statements of activities.

Leases

The Church has a finance lease agreement for equipment under terms for five years. The Church determines if an arrangement is a lease at the inception of the contract. At the lease commencement date, each lease is evaluated to determine whether it will be classified as an operating or finance lease. For leases with a lease term of 12 months or

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

less (a "Short-term" lease), any fixed lease payments are recognized on a straight-line basis over such term, and are not recognized on the statements of financial position.

The Church uses the risk-free discount rate when the rate implicit in the lease is not readily determinable at the commencement date in determining the present value of lease payments.

The lease agreement does not contain fixed or determinable escalation clauses, any material residual value guarantees, or material restrictive covenants.

Investments

The investments of the Church consist primarily of amounts invested in group or pooled investment funds managed by Mid-Atlantic United Methodist Foundation, Inc. Investments in these funds are valued at fair value based on the applicable ownership of the underlying funds' net assets as of the measurement date. The net asset value is used as the practical expedient to estimate fair value. The net asset value of each of these funds is calculated at least monthly by the fund's management based on quoted market values of the underlying securities of the pools.

All other investments are carried at fair value, which may differ from the amount ultimately realized at the time of sale. Both realized and unrealized gains and losses are reflected in the statements of activities. The cost of securities sold is determined by the specific-identification method. Investments acquired by donation are initially recorded at their fair value at the date of donation.

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 net assets restricted in perpetuity meet the definition of endowment funds under UPMIFA. Amounts in excess of the original corpus are considered to be net assets with donor restrictions until appropriated for expenditure based on the terms of the donors' instructions.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. These reclassification adjustments had no effect on the Church's previously reported change in net assets.

Fair value

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, *Fair Value Measurement,* establishes a 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).

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value (continued)

Categorization within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Fair value is defined as the exit price or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. Investments using net asset value are used as the practical expedient to estimate fair value as excluded from this hierarchy.

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Church has the ability to access.

Level 2 - inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and, inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Recently adopted accounting pronouncements

Leases

In February 2016, FASB issued Accounting Standards Update ("ASU") No. 2016-02, *Leases* (Topic 842) (“ASC 842”) as amended, which requires the recording of operating lease right-of-use assets and lease liabilities and the expanded disclosure for operating and finance leasing arrangements. Leases are classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement. The Church adopted ASC 842 under the alternative modified retrospective method on January 1, 2022.

The Church adopted the package of practical expedients available at transition that retained the lease classification under ASC 840 and initial direct costs for any leases that existed prior to adoption of the standard. Contracts entered into prior to adoption were not reassessed for leases or embedded leases. The Church did not elect the practical expedient to use hindsight in determining its lease terms. The Church made the accounting policy elections to not recognize short-term leases on the statements of

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently adopted accounting pronouncements (continued)

Leases (continued)

financial position and to utilize the risk-free discount rate when the rate implicit in the lease is not readily determinable.

In addition, at the date of initial application, the Church recorded finance lease right of use assets and finance lease liabilities in the amount of $49,095.

Contributed nonfinancial assets

In September 2020, FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (*Topic 958*) ("ASU 2020-07"). ASU 2020-07 requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash and other financial assets. ASU 2020-07 is effective for annual periods beginning after June 15, 2021, with early adoption permitted. This new standard does not have an effect on the Church's financial statements as of December 31, 2022 and 2021.

Income taxes

The Church is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from activities not directly related to the Church's tax-exempt purpose is subject to taxation as unrelated business income. For the years ended December 31, 2022 and 2021, the Church had no unrelated business taxable income.

The Church performed an evaluation of uncertain tax positions for the years ended December 31, 2022 and 2021, and determined that there were no matters that would require recognition in the financial statements or which may have any effect on its tax-exempt status. It is the Church's policy to recognize interest and penalties related to uncertain tax positions, if any, in tax expense.

Donated services

The Church periodically receives in-kind support in the form of services. This support is recorded if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donations. There were no donated services recorded for the years ended December 31, 2022 and 2021, respectively.

Additionally, the Church does not pay rent for its use of the historic building in which it operates. Given the unique, historic nature of the building, the value of the use of the building has not been determined by the Church.

Functional allocation of expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional allocation of expenses (continued)

The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries and benefits	Time and effort
Lease expense	Time and effort
Depreciation and amortization	Time and effort

Subsequent events

In accordance with FASB ASC 855, *Subsequent Events*, the Church has evaluated subsequent events through April 25, 2023, which is the date the financial statements were available to be issued. Except for Note 12, there were no material subsequent events that required recognition or additional disclosure in these financial statements.

NOTE 3. LIQUIDITY AND AVAILABILITY

The following represents the Church's financial assets as of December 31, 2022 and 2021, reduced by any amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or because the governing board has set aside the funds for a specific purpose or reserve.

	2022	2021
Financial assets at year end:		
Cash and cash equivalents	$ 899,060	$ 920,535
Investments	1,434,130	1,686,412
Total	2,333,190	2,606,947
Less: amounts not available to be used within one year:		
Net assets with donor restrictions	703,327	669,113
Less: amounts unavailable to management without board's approval:		
Net assets without donor restrictions - designated by the board	1,247,784	1,653,877
Financial assets available to meet general expenditures over the next 12 months	$ 382,079	$ 283,957

The Church's financial assets available to meet cash needs for general expenditures within one year represent funding for ongoing operational requirements. Amounts designated by the board may be undesignated at the board's discretion at any time. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts.

NOTE 4. CONCENTRATION OF CREDIT RISK

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.

NOTE 5. INVESTMENTS AND FAIR VALUE MEASUREMENT

The following are the major categories of assets measured at fair value on a recurring basis during the years ended December 31, 2022 and 2021:

2022	Total	Level 1	Level 2	Level 3
Money market accounts	$ 122,207	$ 122,207	$ -	$ -
Investments measured at net asset value	1,311,923			
Total investments	$ 1,434,130			

2021	Total	Level 1	Level 2	Level 3
Money market accounts	$ 90,652	$ 90,652	$ -	$ - -
Preferred Inc. partnership	5,657	-	5,657	-
Total	96,309	$ 90,652	$ 5,657	$ -
Investments measured at net asset value	1,590,103			
Total investments	$ 1,686,412			

Investment income (loss) is composed of the following for the years ended December 31, 2022 and 2021:

	2022	2021
Interest and dividends	$ 33,487	$ 23,144
Net unrealized/realized gain (loss)	(282,146)	177,318
Total	$ (248,659)	$ 200,462

NOTE 5. INVESTMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)

The investments measured at net asset value consist of investments in pooled funds managed by Mid-Atlantic United Methodist Foundation ("Mid-Atlantic Fdn"). 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 Mid-Atlantic Fdn.

The value of these alternative investments is based on the net asset value as determined by the investment manager. The fair value of the money market fund is based upon cost plus accrued interest, which approximates fair value based upon the short duration of such investments. The fair value of the marketable securities is based on the closing price reported in an active market in which the individual security is traded.

The following table summarizes the fair value measurements of investment funds that calculate net assets per share (or its equivalent) as of December 31, 2022:

Investment	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Mid-Atlantic Fdn core fixed income (a)	$ 296,538	$ -	Monthly	25th to last day of the month
Mid-Atlantic Fdn international equity (b)	70,684	-	Monthly	25th to last day of the month
Mid-Atlantic Fdn growth equity (c)	195,243	-	Monthly	25th to last day of the month
Mid-Atlantic Fdn value equity (d)	248,382	-	Monthly	25th to last day of the month
Mid-Atlantic Fdn core equity (e)	138,212	-	Monthly	25th to last day of the month
Mid-Atlantic Fdn fixed income (f)	116,043	-	Monthly	25th to last day of the month
Mid-Atlantic Fdn emerging market equity (g)	27,260	-	Monthly	25th to last day of the month
Mid-Atlantic Fdn small cap equity (h)	179,242	-	Monthly	25th to last day of the month
Mid-Atlantic Fdn international plus (i)	40,319	-	Monthly	25th to last day of the month
Total	$ 1,311,923	$ -		

NOTE 5. INVESTMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)

(a) The fund's investment objective is to provide a strong income stream with the possibility of some appreciation but with very little risk. The average maturity of the portfolio is typically in the four- to five-year range with the ability to shift longer and shorter as interest rate forecasts change. Account performance is reviewed quarterly.

(b) The fund strategy pursues its objective through investments in non-U.S. dividend paying stocks that have demonstrated above-median yield, increasing dividends, and favorable earnings growth. The fund invests in the common stocks of companies that represent a broad spectrum of the global economy. Although the strategy invests primarily in large-cap stocks, it is also able to invest in mid-cap and small-cap stocks. The non-U.S. investments are primarily in the form of depositary receipts which are U.S. dollar-denominated instruments representing securities of non-U.S. issuers that are traded in the U.S. The primary benchmark for the strategy is the S&P Global 1200 Index. The secondary benchmark is the S&P 500 Index.

(c) The fund strategy promotes diversification by targeting stocks at three different stages of their growth lifecycle: emerging, secular and structural growth companies. Bottom-up global approach leads to significant differences in regional weightings compared to the benchmark.

(d) The fund builds a diversified portfolio of stocks that, when properly constructed, has an increased probability of success. For the fund, successful investing is executed at the margins where seemingly small gains can lead to long-term success.

(e) The fund strategy pursues its objective through investment in U.S. dividend paying stocks that have demonstrated above-median yield, increasing dividends, and favorable earnings growth. The fund invests in the common stocks of companies that represent a broad spectrum of the economy. Although the strategy invests primarily in large-cap stocks, it is also able to invest in mid-cap and small-cap stocks. The primary benchmark for the strategy is the S&P Global 1200 Index. The secondary benchmark is the S&P 500 Index.

(f) The fund uses a flexible multi-sector approach that takes advantage of the relative valuations among distinct bond sectors, provides greater opportunities to generate income and capital appreciation, while helping to manage risk in changing economic environments. The fund buys only investment grade securities and maintains a similar risk profile to that of the Barclays Aggregate Index.

(g) The fund’s strategy seeks to invest in companies located in emerging markets that are exhibiting above-average profitability and earnings growth and are trading at reasonable valuations. Exposure to these companies is gained through the purchase of American Depositary Receipts (ADRs) and U.S.-listed shares of foreign companies.

NOTE 5. INVESTMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)

(h) The fund seeks out domestic companies with a market capitalization within the range of the Russell 2000 at the time of initial purchase. The fund's target number of companies to have in this discipline is 20 to 30 at any time. No single company will generally be greater than 10% of the portfolio value.

(i) The fund strategy pursues its objective through investments in non-U.S. dividend paying stocks that have demonstrated above-median yield, increasing dividends, and favorable earnings growth. The fund invests in the common stocks of companies that represent a broad spectrum of the global economy. Although the strategy invests primarily in large-cap stocks, it is also able to invest in mid-cap and small-cap stocks. The non-U.S. investments are primarily in the form of depositary receipts which are U.S. dollar-denominated instruments representing securities of non-U.S. issuers that are traded in the U.S. The primary benchmark for the strategy is the S&P Global 1200 Index. The secondary benchmark is the S&P 500 Index.

NOTE 6. PROPERTY AND EQUIPMENT

The following is a summary of property and equipment at December 31, 2022 and 2021:

	2022	2021
Equipment	$ 1,005,207	$ 724,852
Furniture and fixtures	24,732	38,932
Building improvements	6,339,250	6,305,645
Subtotal	7,369,189	7,069,429
Less: accumulated depreciation	1,510,641	1,300,286
Property and equipment, net	$ 5,858,548	$ 5,769,143

Depreciation and amortization expense totaled $290,539 and $268,506 for the years ended December 31, 2022 and 2021, respectively.

NOTE 7. NOTE PAYABLE

In February 2015, the Church entered into a $4,000,000 loan agreement with a bank for renovations to the Church. The funds will be drawn down as applications for payment are made by the Church. Interest-only monthly payments are due during the draw period at a fixed rate of 5% per annum. Monthly principal and interest payments commenced March 6, 2017. In July 2020, the terms of the loan were modified based on a new fixed rate of 4.19% per annum and a maturity date of June 6, 2035.

In March 2022, the Church modified its loan agreement to obtain an additional loan amount of $589,181 to fund green energy improvements. Additionally, the maturity date of the loan was extended to March 6, 2037. All other terms remain unchanged.

The agreement requires compliance with certain reporting and financial covenants. As of December 31, 2022, the Church was not in compliance with one of the financial covenants and received a covenant waiver from the bank. As of December 31, 2021, the Church was in compliance with the financial covenants.

NOTE 7. NOTE PAYABLE (CONTINUED)

Interest incurred for the years ended December 31, 2022 and 2021, was $126,310 and $112,394, respectively, and is included within "Interest expense and bank/online giving fees" in the accompanying statements of functional expenses.

The future loan repayments at December 31, 2022, are as follows:

Year ending December 31:	Amount	Amortization of debt issuance costs	Net
2023	$ 157,593	$ (2,111)	$ 155,482
2024	164,420	(2,111)	162,309
2025	171,542	(2,111)	169,431
2026	178,973	(2,111)	176,862
2027	186,726	(2,111)	184,615
Thereafter	2,158,914	(19,351)	2,139,563
Total	$ 3,018,168	$ (29,906)	$ 2,988,262

NOTE 8. PAYCHECK PROTECTION PROGRAM LOAN

On April 20, 2020, the Church received loan proceeds of $217,600 under the Paycheck Protection Program ("PPP"). The PPP, which was established as part of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times certain average monthly payroll expenses of the qualifying business. The loan and accrued interest, or a portion thereof, may be forgiven after 24 weeks so long as the borrower uses the loan proceeds for eligible purposes including payroll, benefits, rent, mortgage interest and utilities, and maintains its payroll levels, as defined by the PPP. At least 60% of the loan proceeds must be spent on payroll costs, as defined by the PPP for the loan to be eligible for forgiveness.

The PPP loan matures two years from the date of first disbursement of proceeds to the Church (the "PPP Loan Date") and accrues interest at a fixed rate of 1%. Payments are deferred for the first six months and payable in 17 equal consecutive monthly installments of principal and interest commencing upon expiration of the deferral period of the PPP Loan Date.

The Church currently intends to use the proceeds for purposes consistent with the PPP; however, there can be no assurances that the Church will ultimately meet the conditions for forgiveness of the loan or that the Church will not take actions that could cause the Church to be ineligible for forgiveness of the loan, in whole or in part.

NOTE 8. PAYCHECK PROTECTION PROGRAM LOAN (CONTINUED)

U.S. GAAP does not contain authoritative accounting standards for forgivable loans provided by governmental entities. Absent authoritative accounting standards, interpretative guidance issued and commonly applied by financial statement preparers allows for the selection of accounting policies amongst acceptable alternatives. Based on the facts and circumstances, the Church has determined it most appropriate to account for the PPP loan proceeds under the debt model. Under the debt model, the Church recognizes the proceeds received as debt, recognizes periodic interest expense in the period in which the interest accrues at the stated interest rate and defers recognition of any potential forgiveness of the loan principal or interest until the period in which the Church has been legally released from its obligation by the lender. The Church deemed the debt model to be the most appropriate accounting policy for this arrangement as the underlying PPP loan is a legal form of debt and there are significant contingencies outside of the control of the Church, mainly related to the third-party approval process for forgiveness.

In January 2021, the Church received approval from the Small Business Administration ("SBA") for $217,600 of PPP loan forgiveness. If it is determined that the Church was not eligible to receive the PPP loan or that the Church has not adequately complied with the rules, regulations and procedures applicable to the SBA's Loan Program, the Church could be subject to penalties and could be required to repay the amounts previously forgiven.

NOTE 9. NET ASSETS

Without donor restrictions

Board Designated

The Church's board has designated net assets without donor restrictions at December 31, 2022 and 2021, as follows:

	2022	2021
Capital reserve fund	$ 684,586	$ 683,614
Operating reserve fund	482,712	823,009
Capital fund	46,618	-
Building projects fund	20,546	133,739
Carter memorial fund	4,492	4,492
Strategic investment fund	2,080	3,273
General memorial fund	3,664	2,664
Leo Lawless Memorial Fund	1,697	1,697
Persigehl memorial fund	675	675
Harris memorial fund	338	338
John Harden Memorial Fund	376	376
Total	$ 1,247,784	$ 1,653,877

NOTE 9. NET ASSETS (CONTINUED)

With donor restrictions

Donor restricted net assets at December 31, 2022 and 2021, are as follows:

	2022	2021
Subject to expenditure for specified purpose:		
Designated offerings	$ 229,495	$ 146,865
Endowment special project fund	47,140	113,616
Sawyer music fund - music	-	1,198
Advocacy ministries	86,338	88,803
ID ministry	131,048	98,633
Annual contributions - time-restricted	-	10,692
	494,021	459,807
Subject to restriction in perpetuity:		
Smith scholarship fund	112,730	112,730
King children's fund	75,593	75,593
Bauman scholarship fund	10,983	10,983
Schick mission fund	10,000	10,000
	209,306	209,306
Total net assets with donor restrictions	$ 703,327	$ 669,113

Net assets released from donor restrictions are as follows for the years ended December 31, 2022 and 2021:

	2022	2021
Designated offerings	$ 148,402	$ 33,282
Sawyer music fund	1,198	5,211
ID ministry	54,811	42,031
Advocacy ministries	19,021	30,310
Endowment special project fund	13,585	14,520
Total	$ 237,017	$ 125,354

The District of Columbia enacted UPMIFA on July 1, 2008, the provisions of which apply to endowment funds existing on or established after the date of enactment. Those charged with governance have interpreted 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 this interpretation, the Church classifies as donor restricted in perpetuity net assets the original value of gifts donated to the perpetual endowment, the original value of subsequent gifts to the permanent 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. The remaining portion of the donor-restricted endowment fund that is not classified as restricted in perpetuity is classified as restricted for purpose or time until those amounts are appropriated for expenditure by the Church in a manner consistent with the standard of prudence prescribed by UPMIFA.

NOTE 9. NET ASSETS (CONTINUED)

With donor restrictions (continued)

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 Church has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Under this policy, endowment assets are invested in a pooled endowment fund managed by an investment broker. To satisfy its long-term objective, the Church has adopted an investment policy that attempts to maximize return within reasonable and prudent levels of risk. Endowment assets are invested in a well diversified asset mix, which includes cash and cash equivalents, fixed income and equity securities.

The endowment net asset composition by type of fund for the year ended December 31, 2022, was as follows:

	With donor restrictions
Donor-restricted endowment funds	$ 256,446

The changes in endowment net assets for 2022, were as follows:

	With donor restrictions
Endowment net assets - January 1, 2022	$ 322,922
Investment return	(52,890)
Appropriation of endowment assets for expenditure	(13,586)
Endowment net assets - December 31, 2022	$ 256,446

The endowment net asset composition by type of fund for the year ended December 31, 2021, was as follows:

	With donor restrictions
Donor-restricted endowment funds	$ 322,922

The changes in endowment net assets for 2021, were as follows:

	With donor restrictions
Endowment net assets - January 1, 2021	$ 299,800
Investment return	37,642
Appropriation of endowment assets for expenditure	(14,520)
Endowment net assets - December 31, 2021	$ 322,922

NOTE 10. COMMITMENTS

Finance leases

The Church acquired equipment under a finance lease, expiring February 2027. Underlying asset associated with the finance lease is included as finance lease right of use asset in the accompanying statements of financial position.

Components of finance lease expense for the year ended December 31, 2022, were approximately:

Finance lease costs:		
Amortization of finance lease liabilities	$	8,183
Interest on lease liabilities		581
Total finance lease costs	$	8,764

Maturities of lease liabilities as of December 31, 2022, are as follows:

Year ending December 31:		Finance Leases
2023	$	10,200
2024		10,200
2025		10,200
2026		10,200
2027		1,700
Net minimum lease payments		42,500
Less interest		1,324
Present value of lease liabilities		41,176
Less: current portion		9,640
Lease liabilities, net of current portion	$	31,536

Supplemental cash flow information related to leases for the year ended December 31, 2022, was as follows:

Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	$	8,183
Finance cash flows from finance leases	$	7,919
Weighted-average remaining lease term (in years)		
Finance leases		4.16
Weighted-average discount rate (%)		
Finance leases		1.56 %

NOTE 11. RETIREMENT BENEFITS

The Church is a member of the General Board of Pensions of the United Methodist Church pension plan. The Church sponsors eligible employees, its ministers, associates in ministry and certain lay employees, who normally work at least 80 hours per month. Contributions to the plan by the Church are 6% for employees. The Church's contribution on behalf of ministers is calculated by the Baltimore Washington Annual Conference. The General Board of Pensions of the United Methodist Church pension plan is exempt from the provisions of the Employees Retirement Income Security Act of 1974. For the years ended December 31, 2022 and 2021, the Church's pension expense for its employees was $92,831 and $92,099, respectively.

NOTE 12. RISKS AND UNCERTAINTIES

Concentrations and financial services

The Church routinely maintains cash deposits with high credit quality financial institutions in excess of federally insured limits. The Church has not experienced any losses in such accounts and believes it is not exposed to significant credit risk.

In March 2023, the shut down of certain financial institutions raised economic concerns over disruption in the U.S. banking system. The U.S. government took certain actions to strengthen public confidence in the U.S. banking system. However, there can be no certainty that the actions taken by the U.S. government will be effective in mitigating the effects of financial institution failures on the economy, which may include limits on access to short-term liquidity in the near term or other adverse effects. Continued disruption could lead to operational difficulties that could impair the Church’s ability to manage its businesses and could limit its revenue due to customers reducing their level of activity or due to a sell off in markets that would limit anticipated revenue that is based on managed assets. The Church maintains cash amounts in excess of federally insured limits in the aggregate amount of $362,458, as of December 31, 2022, and has certain concentrations in credit risk that expose the Company to risk of loss if the counterparty is unable to perform as a result of future disruptions to the banking system or economy. Given the uncertainty of the situation, the related financial impact cannot be reasonably estimated at this time.