ARMS OF HOPE

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2022 and 2021
with Report of Independent Auditors

ARMS OF HOPE

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2022 and 2021

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of
Arms of Hope

Opinion

We have audited the consolidated financial statements of Arms of Hope (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, and the results of its activities and 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 the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 auditing standards generally accepted in the United States of America 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 auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

Whitley Penn LLP

Dallas, Texas
November 29, 2022

ARMS OF HOPE

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2022	June 30, 2021
Assets		
Cash and cash equivalents	$ 1,519,155	$ 2,827,815
Investments, at fair value	32,934,672	35,407,736
Investments, other	31,935	31,935
Employee retention credit receivable	394,219	-
Other assets	554,371	537,271
Property and equipment, net of accumulated depreciation	11,648,696	11,353,585
Total assets	$ 47,083,048	$ 50,158,342
Liabilities and Net Assets		
Liabilities:		
Accounts payable	$ 237,295	$ 290,765
Accrued expenses	240,213	307,060
Deferred compensation	51,201	78,954
Charitable gift annuities	545,899	672,961
Total liabilities	1,074,608	1,349,740
Commitments and contingencies		
Net assets:		
Without donor restrictions	44,814,189	47,614,351
With donor restrictions	1,194,251	1,194,251
Total net assets	46,008,440	48,808,602
Total liabilities and net assets	$ 47,083,048	$ 50,158,342

See accompanying notes to consolidated financial statements.

ARMS OF HOPE

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Public support:			
Contributions - individuals	$ 1,991,497	$ -	$ 1,991,497
Contributions - congregations	680,770	-	680,770
Contributions - special gifts	1,869,425	-	1,869,425
Special events	104,450	-	104,450
Non-cash contributions	1,306,176	-	1,306,176
Total public support	5,952,318	-	5,952,318
Revenue:			
Grocery revenue	97,892	-	97,892
Thrift store, net	2,122,726	-	2,122,726
Resident support fees assistance	50,020	-	50,020
Oil and gas income	939,225	-	939,225
Investment loss, net of expenses	(3,298,961)	71,283	(3,227,678)
Change in value of split-interest agreements	127,063	-	127,063
Gain on sale of assets	5,300	-	5,300
Other income	68,591	-	68,591
Employee retention credit	585,901	-	585,901
Total revenue, net	697,757	71,283	769,040
Net assets released from restrictions	71,283	(71,283)	-
Total support and revenue	6,721,358	-	6,721,358
Expenses:			
Program services			
Resident care	1,807,230	-	1,807,230
Together program	4,441,963	-	4,441,963
Daycare	633,375	-	633,375
College and career	473,415	-	473,415
Outreach ministries	787,474	-	787,474
Total program expense	8,143,457	-	8,143,457
Supporting services:			
General and administrative	546,294	-	546,294
Public relations and development	831,769	-	831,769
Total supporting services	1,378,063	-	1,378,063
Total expenses	9,521,520	-	9,521,520
Change in net assets	(2,800,162)	-	(2,800,162)
Net assets beginning of year	47,614,351	1,194,251	48,808,602
Net assets end of year	$ 44,814,189	$ 1,194,251	$ 46,008,440

See accompanying notes to consolidated financial statements.

ARMS OF HOPE

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Public support:			
Contributions - individuals	$ 1,568,556	$ -	$ 1,568,556
Contributions - congregations	677,430	-	677,430
Contributions - special gifts	6,498,837	-	6,498,837
Contributions - conditional grants	674,406	-	674,406
Special events	160,485	-	160,485
Non-cash contributions	1,277,023	-	1,277,023
Total public support	10,856,737	-	10,856,737
Revenue:			
Grocery revenue	68,760	-	68,760
Thrift store, net	2,293,624	-	2,293,624
Resident support fees assistance	53,971	-	53,971
Oil and gas income	548,760	-	548,760
Investment income, net of expenses	5,013,011	173,140	5,186,151
Change in value of split-interest agreements	282,501	-	282,501
Gain on sale of assets	21,301	-	21,301
Total revenue, net	8,281,928	173,140	8,455,068
Net assets released from restrictions	173,140	(173,140)	-
Total support and revenue	19,311,805	-	19,311,805
Expenses:			
Program services			
Resident care	2,074,680	-	2,074,680
Together program	4,078,604	-	4,078,604
Daycare	664,592	-	664,592
College and career	361,374	-	361,374
Outreach ministries	791,457	-	791,457
Total program expense	7,970,707	-	7,970,707
Supporting services:			
General and administrative	644,871	-	644,871
Public relations and development	767,693	-	767,693
Total supporting services	1,412,564	-	1,412,564
Total expenses	9,383,271	-	9,383,271
Changes in net assets	9,928,534	-	9,928,534
Net assets beginning of year	37,685,817	1,194,251	38,880,068
Net assets end of year	$ 47,614,351	$ 1,194,251	$ 48,808,602

See accompanying notes to consolidated financial statements.

ARMS OF HOPE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2022

	Program Services						Supporting Services			
	Resident Care	Together Program	Daycare	College and Career	Outreach Ministries	Total Program Services	General and Administrative	Public Relations and Development	Total Supporting Services	Total
Personnel costs	$ 844,590	$ 2,368,829	$ 518,803	$ 195,532	$ 499,935	$ 4,427,690	$ 284,904	$ 525,161	$ 810,065	$ 5,237,755
Insurance	73,586	163,202	9,869	16,777	-	263,434	38,307	3,981	42,288	305,722
Depreciation	330,405	423,583	38,296	29,626	-	821,910	15,318	-	15,318	837,228
Facility and maintenance	114,647	382,053	12,317	53,760	2,562	565,339	1,712	84,215	85,927	651,266
Utilities	133,946	325,502	19,898	33,840	2,350	515,537	10,781	2,464	13,245	528,782
Education	775	3,255	-	5,278	-	9,308	-	-	-	9,308
Information technology	7,938	40,728	7,709	4,377	5,898	66,650	20,507	64,834	85,341	151,991
Annuity related	-	-	-	-	-	-	98,364	-	98,364	98,364
Miscellaneous	7,611	8,338	4,656	368	107	21,081	22,960	40,884	63,843	84,924
Office expense	3,954	18,886	401	1,815	7,587	32,644	22,005	47,801	69,806	102,449
Professional services	6,550	34,717	-	3,275	8,668	53,210	28,517	12,812	41,329	94,539
Resident services	273,387	639,866	20,689	125,371	245,343	1,304,656	1,091	1,385	2,476	1,307,132
Travel and hospitality	9,838	33,004	737	3,396	15,024	61,999	1,828	48,232	50,060	112,059
Total expenses	$ 1,807,230	$ 4,441,963	$ 633,375	$ 473,415	$ 787,474	$ 8,143,457	$ 546,294	$ 831,769	$ 1,378,063	$ 9,521,520

See accompanying notes to consolidated financial statements.

ARMS OF HOPE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2021

	Program Services						Supporting Services			
	Resident Care	Together Program	Daycare	College and Career	Outreach Ministries	Total Program Services	General and Administrative	Public Relations and Development	Total Supporting Services	Total
Personnel costs	$ 1,018,762	$ 2,178,258	$ 553,557	$ 130,876	$ 481,354	$ 4,362,807	$ 321,572	$ 510,541	$ 832,113	$ 5,194,920
Insurance	69,162	148,786	8,507	13,802	989	241,246	40,578	5,302	45,880	287,126
Depreciation	323,027	408,629	36,150	27,365	-	795,171	14,460	-	14,460	809,631
Facility and maintenance	123,289	305,661	14,047	34,137	1,390	478,524	776	80,976	81,752	560,276
Utilities	143,427	297,304	22,343	29,444	2,002	494,519	11,696	2,066	13,762	508,281
Education	1,439	2,077	-	2,793	-	6,310	-	-	-	6,310
Information technology	18,358	52,555	6,581	5,161	9,028	91,682	19,035	72,577	91,612	183,294
Annuity related	-	-	-	-	-	-	162,056	-	162,056	162,056
Miscellaneous	16,684	3,676	-	369	319	21,047	11,652	7,445	19,097	40,144
Office expense	5,584	15,489	831	1,145	4,845	27,893	23,888	34,011	57,900	85,793
Professional services	11,300	36,731	-	2,740	10,949	61,720	36,022	16,184	52,205	113,925
Resident services	331,501	602,617	20,544	111,831	271,498	1,337,990	1,267	1,226	2,493	1,340,483
Travel and hospitality	12,148	26,821	2,031	1,713	9,085	51,797	1,869	37,364	39,234	91,031
Total expenses	$ 2,074,680	$ 4,078,604	$ 664,592	$ 361,374	$ 791,457	$ 7,970,707	$ 644,871	$ 767,693	$ 1,412,564	$ 9,383,271

See accompanying notes to consolidated financial statements.

ARMS OF HOPE

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended June 30, 2022	2021
Cash flows from operating activities:		
Change in net assets	$ (2,800,162)	$ 9,928,534
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	837,228	809,631
Gain on sale of assets	(5,300)	(21,301)
Net realized gain on investments	(837,000)	(1,265,157)
Unrealized loss (gain) on investments	4,478,646	(3,502,665)
Employee retention credit receivable	(394,219)	-
Change in liability under split-interest agreements	(127,063)	(282,501)
Changes in net assets and liabilities:		
Other assets	(11,800)	(5,462)
Accounts payable	(53,470)	108,761
Accrued expenses	(66,846)	72,955
Deferred compensation	(27,753)	(26,141)
Net cash provided by operating activities	992,262	5,816,654
Cash flows from investing activities:		
Purchases of investments	(1,149,920)	(6,660,085)
Proceeds from sale of investments	79,700	611,514
Payments on charitable gift annuities	(98,362)	(161,224)
Purchases of property and equipment	(1,132,339)	(828,292)
Net cash used in investing activities	(2,300,921)	(7,038,087)
Net decrease in cash and cash equivalents	(1,308,660)	(1,221,433)
Cash and cash equivalents at beginning of year	2,827,815	4,049,248
Cash and cash equivalents at end of year	$ 1,519,155	$ 2,827,815

See accompanying notes to consolidated financial statements.

ARMS OF HOPE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022 and 2021

A. Nature of Activities

Arms of Hope (the "Organization") is a not-for-profit organization which was formed for the purpose of establishing, maintaining, and operating Christian homes for the care of children. The Organization has two wholly owned subsidiaries: Medina Children's Home ("Medina"), which was established in 1958 and operates a campus near Medina, Texas, and Boles Children's Home, Inc. ("Boles") which was established in 1924 and operates a campus in Quinlan, Texas. Boles Children's Home Realty Corporation is consolidated with Boles. Both campuses are supported principally by public contributions and supplemented with some agency support and investment income. The Organization's administrative offices are located in Medina, Texas.

B. Summary of Significant Accounting Policies

A summary of the Organization's significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows:

Basis of Accounting

The accompanying consolidated financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Principles of Consolidation

The consolidated financial statements include the accounts of the Organization and its subsidiaries, all of which are wholly owned. Significant intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Organization maintains deposits in financial institutions, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation ("FDIC"). The Organization has not experienced any losses related to amounts in excess of FDIC limits.

B. Summary of Significant Accounting Policies – continued

Investments

Investments in certificates of deposit, equity and debt securities as well as alternative investments, such as private equity funds, with readily determinable fair values are stated at fair value with realized and unrealized gains and losses included in the consolidated statements of activities of the respective period. Investments, other is an oil and gas interest which is recorded at cost. Fluctuations in fair value are recorded in the year in which they occur by adjusting the carrying value of such investments each month and recognizing net unrealized and realized gains and losses in the accompanying consolidated statements of activities.

Fair Value Measurements

GAAP 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 lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

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

Level 2 Observable inputs other than Level 1 which include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- 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 measurements.

B. Summary of Significant Accounting Policies – continued

Fair Value Measurements – continued

Following is a description of the valuation methodologies used for the Organization's investments that are measured at fair value:

- Money Market Funds and Certificates of Deposit — Valued at the net asset value ("NAV") per unit at year end.

- Mutual Funds and Equities — Quoted market prices.

- Private Equity Funds — Valued using the valuation technique, that is, in its judgement, most appropriate in determining an investment's fair value.

  For investments in private operating companies that have been classified within Level 3, the technique selection will typically involve the following: (i) management will use the price of a recent private transaction or a creditable private offer; (ii) if a recent transaction or private offer is not available, management will then generally use the market approach (and will often adjust the EBITDA from actual levels and/or use budget numbers); (iii) management will consider using other valuation metrics if deemed appropriate; or (iv) if none of the aforementioned approaches are available or meaningful, management will generally use the adjusted book value or discounted cash flow approach. Most of these approaches determine an enterprise value or a 100% equity value. From this, management will deduct certain amounts as considered appropriate (management promote, debt, other liabilities, etc.) to arrive at the Organization's equity value.

  Investments in private investment partnerships are valued, as a practical expedient, utilizing the net asset valuations provided by the underlying investment partnerships, without adjustment, when the net asset valuations of the investments are calculated (or adjusted by the Organization if necessary) in a manner consistent with GAAP for investment partnerships. The Organization applies the practical expedient to its investments in investment partnerships on an investment-by-investment basis, and consistently with the Organization's entire position in a particular investment, unless it is probable that the Organization will sell a portion of an investment at an amount different from the net asset valuation. If it is probable that the Organization will sell an investment at an amount different from the net asset valuation or in other situations where the practical expedient is not available, the Organization considers other factors in addition to the net asset valuation, such as features of the investment, including subscription and redemption rights, expected discounted cash flows, transactions in the secondary market, bids received from potential buyers, and overall market conditions in its determination of fair value.

The preceding methods described may produce fair value measurements that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

B. Summary of Significant Accounting Policies – continued

Split-Interest Agreements

The Organization is the beneficiary of or holds a beneficial interest in various split-interest agreements which consist of charitable gift annuities.

Under charitable gift annuities, donors transfer assets to beneficiaries in exchange for a promise to pay an annuity to the donor. Under the terms of the gift annuity, the Organization serves as the trustee of the annuity and is to receive all assets remaining in the annuity when the last annuitant dies. The Organization records the assets in these gift annuities at fair value and a related liability for the expected future payments to the annuitants at the discounted present value of the estimated future cash flows. Annually, an adjustment is made between the liability and the net assets to record the gain or loss due to re-computation of the liability based on revised life expectancy of the annuitants. The Organization uses the actuarial tables appropriate for charitable gift annuities, number of lives covered and age of the income beneficiaries in making the annual adjustment. The discount rate used to make the annual adjustment was 2.80% and 1.22% for the years ended June 30, 2022 and 2021, respectively.

The fair value of those assets at June 30, 2022 and 2021 amounted to $1,158,425 and $357,372, respectively, and are included in investments in the accompanying consolidated statements of financial position.

Trusts, Legacies, and Bequests

The Organization is the beneficiary under various wills and trust agreements, the total realizable amount of which cannot presently be determined. Such amounts are excluded from the accompanying consolidated financial statements until clear title is established and the ultimate realizable amount is reasonably determinable.

Property and Equipment

Property and equipment are stated at cost and depreciated over the estimated useful lives of the various assets using the straight-line method. Major renewals and improvements are capitalized while expenditures for maintenance and repairs are expensed as incurred. Assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the respective accounts and any resulting gain or loss is reflected in the unrestricted revenues and gains (losses) in the accompanying consolidated statement of activities of the respective period. Assets which are donated and used by the Organization are recorded at their fair market value on the date received by the Organization. The estimated useful lives are as follows:

Buildings and improvements	4-50 years
Furniture and fixtures	5-10 years
Automotive equipment	3-7 years
Other equipment	5-30 years

B. Summary of Significant Accounting Policies – continued

Donated Assets and Services

Donated marketable securities and other non-cash donations are recorded at their estimated fair values, as determined by management, at the date of donation.

Donated services are recognized as contributions if the services, (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization pays for most services requiring specialized services. However, a number of individuals volunteer their time and perform a variety of tasks that assist the Organization with specific program functions and various other activities that are not recognized as contributions in the consolidated financial statements, because the recognition criteria under GAAP were not met.

Thrift Shop Revenue

The Organization gathers and delivers donated items to a network of thrift stores. Revenue is recognized when the performance obligation is satisfied, which is at the point in time when the donated items are delivered to the thrift shops. The transaction price is a negotiated rate per pound of donated items received, the Organization is also reimbursed for the cost of collecting and delivering these items

Contributions

Contributions received are recorded as support with or without donor restrictions depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or the purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities of the respective period as net assets released from restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Net Assets

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

> Without Donor Restriction **—** net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors there were no such net assets with board designations as of both June 30, 2022 and 2021.

B. Summary of Significant Accounting Policies – continued

Net Assets – continued

With Donor Restriction — net assets that are subject to donor-imposed stipulations that may or will be met by the occurrence of a specific event or the passage of time. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Some donor restricted net assets require that the principal be invested in perpetuity. Income and appreciation in the value of these funds are restricted for specified purposes and are reported in the accompanying statements of activities as restricted investment income as earned until spent.

Functional Expenses

Certain categories of expenses are attributed to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, travel, information technology, rent, and other various expenses, which are allocated on the basis of estimates of time and effort. Directly identifiable expenses are charged to either program services or supporting activities.

Endowment Funds

The Organization operates under an enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") since the Texas State Legislature enacted UPMIFA on September 1, 2007 ("TUPMIFA"). Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC"), except to the extent that they have unrelated business income. There was no material unrelated business income reflected in the accompanying consolidated financial statements for the years ended June 30, 2022 and 2021. Accordingly, no provision for income taxes has been provided in the accompanying consolidated financial statements.

GAAP prescribes a comprehensive model for the financial statement recognition, measurement, presentation, and disclosure of uncertain income tax positions taken or expected to be taken in income tax returns. Management believes that it has not taken a tax position that, if challenged, would have a material effect on the Organization's consolidated financial statements. The Organization files Form 990 in the United States federal jurisdiction within the United States and no tax returns are currently under examination by any tax authorities.

B. Summary of Significant Accounting Policies – continued

Fair Value of Financial Instruments

The financial instruments recorded in the consolidated statements of financial position include other assets, accounts payable and accrued expenses. Due to their short-term maturities, the carrying amounts of these items are believed to approximate fair market values. The carrying value of the notes payable approximates fair value since these instruments bear a market rate of interest.

Management evaluates credit risk for all financial instruments based on the nature of the transaction. The Organization has credit exposure within the investment portfolio; however, management believes they have mitigated this risk by diversifying the investments in which the Organization invests based on such criteria as industry, geographic region, length of maturity, and credit ratings.

Impairment of Long-Lived Assets

Depreciable long-lived assets that are held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds their fair value. Assets to be disposed of are reported at the lower of the carrying amount or fair value less selling costs. No impairments were recorded in the years ended 2022 and 2021 and assets being held for disposal at June 30, 2022 and 2021, were $4,500, which are included in other assets on the consolidated statement of financial position.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations.

New Accounting Pronouncements

The Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures made by Not-for-Profit Entities for Contributed Nonfinancial Assets*, was announced during 2020 and becomes effective for annual periods beginning after June 15, 2021. This ASU aims to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. Specifically, this ASU requires non-for-profit entities: (1) to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets; and (2) disclose a disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets. The Organization retroactively adopted this guidance on July 1, 2020.

C. Availability and Liquidity

The following represents the Organization's financial assets available to meet cash needs for general expenditures within one year of June 30:

	2022	2021
Financial assets, at year end:		
Cash and cash equivalents	$ 1,519,155	$ 2,827,815
Other assets (accounts receivable)	32,001	27,286
Other assets (notes receivable)	99,745	111,281
Other assets (ERC receivable)	394,219	-
Investments, at fair value	32,934,672	35,407,736
Total financial assets at year end	34,979,792	38,374,118
Less amounts not available for general expenditures within one year:		
Other assets (notes receivable, long term)	(99,745)	(111,281)
Investments, at fair value, with donor-imposed endowment restrictions where that the funds must be maintained in perpetuity	(1,194,251)	(1,194,251)
Investments, at fair value, Level 3 illiquid	(2,522,942)	(1,172,121)
Investments, Level 3 unfunded commitments	(782,338)	(1,600,899)
Financial assets available to meet cash needs for general expenditures within one year	$30,380,516	$34,295,566

The Organization is substantially supported by contributions from individuals, churches and businesses that are not subject to restrictions. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be liquid and available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments. The Organization also has a credit facility with their investment advisor they can use for short term cash needs.

D. Investments

Investments at fair value refer to those amounts held at third party financial institutions and are reported at fair value. Unrealized gains or losses are recorded each year to adjust to fair value. Realized and unrealized gains or losses are determined by comparison of cost to proceeds or market, respectively.

A summary of investments, at fair value, at June 30, 2022, is as follows:

	Cost	Fair Value	Unrealized Appreciation
Money market funds	$ 1,519,838	$ 1,519,838	$ -
Mutual funds	17,376,968	17,885,429	508,461
Equities	10,900,536	11,006,463	105,927
Private equity funds	1,424,699	2,522,942	1,098,243
Total investments	$ 31,222,041	$ 32,934,672	$ 1,712,631

D. Investments – continued

A summary of investments, at fair value, at June 30, 2021, is as follows:

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Money market funds	$ 318,593	$ 318,593	$ -
Mutual funds	20,083,507	21,986,238	1,902,731
Equities	7,859,405	11,930,784	4,071,379
Private equity funds	1,022,730	1,172,121	149,391
Total investments	$ 29,284,235	$ 35,407,736	$ 6,123,501

Investment, other, represents an oil and gas interest which is recorded at cost of $31,935 at both June 30, 2022 and 2021.

Investments in private equity funds have $782,338 and $1,600,899 of unfunded commitments as of June 30, 2022 and 2021, respectively.

E. Fair Value of Investments

The following is a summary of the estimated fair value of the Organization's investments at June 30, 2022:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 1,519,838	$ -	$ -	$ 1,519,838
Mutual funds	17,885,429	-	-	17,885,429
Equities	11,006,463	-	-	11,006,463
Private equity funds	-	-	2,522,942	2,522,942
Total investments, at fair value	$ 30,411,730	$ -	$ 2,522,942	$ 32,934,672

E. Fair Value of Investments – continued

The following is a summary of the estimated fair value of the Organization's investments at June 30, 2021:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 318,593	$ -	$ -	$ 318,593
Mutual funds	21,986,238	-	-	21,986,238
Equities	11,930,784	-	-	11,930,784
Private equity funds	-	-	1,172,121	1,172,121
Total investments, at fair value	$34,235,615	$ -	$ 1,172,121	$35,407,736

The following table summarizes the changes in the fair value of the Organization's level 3 investments for the years ended June 30:

	2022	2021
Balance, beginning of year	$ 1,172,121	$ 920,709
Contributions	755,287	253,941
Distributions	(562,566)	(235,566)
Net realized and unrealized gain on investments	1,158,100	233,038
Balance, end of year	$ 2,522,942	$ 1,172,121

F. Charitable Gift Annuities

The Organization receives charitable gift annuities from time to time. Under charitable gift annuities donors transfer assets to beneficiaries in exchange for a promise to pay an annuity to the donor. The Organization records the assets at fair value and the related liabilities at the discounted present value of the estimated future cash flows. The discount rate used by the Organization to calculate the present value of the estimated future payments at June 30, 2022 and 2021, was 3.60% and 0.6%, respectively the IRC Section 7520 charitable federal midterm rates, respectively.

The actuarial assumptions used in calculating the present value include the life expectancy of the beneficiaries, the weighted average of which was 5.5 and 6.2 for the years at June 30, 2022 and 2021, respectively. Charitable gift annuity assets are held as general assets and are available for unrestricted use. The related liabilities at June 30, 2022 and 2021, were $545,899 and $672,961, respectively.

G. Property and Equipment

Property and equipment consisted of the following at June 30:

	2022	2021
Land	$ 1,275,524	$ 1,275,524
Buildings and improvements	21,883,934	20,658,194
Furniture and fixtures	172,203	172,203
Automotive equipment	1,198,967	1,214,341
Construction in progress	188,879	344,272
Other equipment	2,320,678	2,306,717
	27,040,185	25,971,251
Less accumulated depreciation	(15,391,489)	(14,617,666)
	$11,648,696	$11,353,585

H. Securities-Based Loan and Notes Payable

On March 12, 2014, the Organization entered into a securities-based loan agreement with Morgan Stanley Bank, N.A. ("Morgan Stanley"). The agreement is collateralized by certain designated investments held by Morgan Stanley, and the maximum availability under the facility is determined by Morgan Stanley from time to time based primarily on the value of the investments pledged as collateral. During the prior fiscal year the original securities-based loan agreement with Morgan Stanley was terminated and a new agreement was entered into with a different financial institution. The new agreement is also collateralized by the investments of the Organization, which are now held at a different financial institution, the credit limit is $8,500,000 and bears interest at 2.14% plus 1-month LIBOR.

As of June 30, 2022 and 2021, the total investments that serve as collateral under the agreements were approximately $30,400,000 and $34,200,000, respectively. As of June 30, 2022, the new securities-based loan bears interest at 2.14% plus 1-month LIBOR, which was 1.2%. As of June 30, 2021, the Morgan Stanley securities-based loan bears interest at 2.14% plus 1-month LIBOR, which was 0.07%. The loan has no set maturity date. Payments of amounts advanced and accrued interest are made periodically, and the financial institution may demand full or partial payment at their discretion. As of June 30, 2022 and 2021, the outstanding balance under the securities-based loan agreements was $0.

As of June 30, 2022, no amounts were due on notes payable as all notes were fully paid off during the current year.

I. Commitments and Contingencies

The Organization leases equipment under non-cancelable operating leases that expire in various years through fiscal 2027. Rent expense for each of the years ended June 30, 2022 and 2021, was approximately $42,700 and $29,000, respectively.

Future minimum lease payments consist of the following at June 30, 2022:

2023	$ 40,817
2024	40,817
2025	25,517
2026	5,078
2027	3,808
Thereafter	-
	$ 116,037

From time to time, the Organization is involved in various lawsuits and claims arising in the normal course of business. In management's opinion, the ultimate outcome of these items will not have a material adverse effect on the Organization's consolidated financial position and results of activities.

During 2021, the Organization entered into a grant agreement that consists of a forgivable loan from the government. The Organization would not be liable for the loan provided that all program requirements are met and the Organization is not otherwise in default of the loan terms or the grant contract June 30, 2021. At June 30, 2022, the balance on the loan was $0.

Management believes that the conditions of the loan agreement have been met; therefore, the forgiveness of the loan was recorded as contributions – conditional grants on the consolidated statement of activities for the year ended June 30, 2021 and is not reflected on the statement of financial position as a liability.

Federal grants and contracts may be subject to program compliance audits by the grantors or their representatives. Any disallowed costs, including amounts already collected, may constitute a liability of the Organization. The Organization believes they are in substantial compliance with such grant programs, and disallowed costs, if any, would not be significant.

We have continued to evaluate the impact of the COVID-19 outbreak, which was declared a pandemic by the World Health Organization in March 2020, on our financial statements including the accompanying footnotes, including its impact on the nature of our operations, accounting estimates, vulnerability to significant concentrations, and subsequent event disclosures in accordance with ASC 275 – *Risks and Uncertainties*. We have additionally also contemplated the effect of the impact of the COVID-19 pandemic and the resulting economic decline in the assessment of the Organization's ability to continue as a going concern for at least one year from the date of the issuance of the financial statements.

J. Endowment Fund

As of June 30, 2022 and 2021, the Organization has a donor-restricted endowment fund which provides for operations of the Organization. This endowment fund is classified within net assets with donor restrictions on the accompanying consolidated statements of financial position.

The Organization's management has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment fund absent explicit donor stipulations to the contrary. Accordingly, the Organization classifies the original value of all endowment gifts as net assets with donor restrictions. Accumulated net earnings on endowment funds are classified as net assets with donor restrictions until those amounts are appropriated for expenditure in accordance with any applicable donor designations and in a manner consistent with the standard of prudence prescribed by the UPMIFA. The Organization had no accumulated earnings on the donor-restricted endowment fund for the years ended June 30, 2022 and 2021, as all earnings had been appropriated for operations.

In accordance with UPMIFA, the Organization 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 organization 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 Organization, and
- The investment policies of the Organization.

The Organization's primary investment objectives are growth with income and preservation of capital. Management defines risk as the probability of not meeting these objectives. Accordingly, endowment assets are invested in a manner that is intended to minimize risk.

The Organization has a policy of appropriating for distribution each year a maximum of 5% on its average balance on endowment fund principal at the end of the previous three fiscal years. Any deficiencies in the actual rate above 5% will be advanced by the Organization's net assets without donor restrictions. Future earnings on endowments will be used to repay the advances from such funds.

J. Endowment Fund – continued

Changes in donor-restricted endowment net assets for the years ended June 30, 2022 and 2021, are as follows:

Donor-restricted endowment net assets at July 1, 2020	$ 1,194,251
Investment income, net	16,221
Net appreciation	156,919
Amount appropriated for expenditure	(173,140)
Donor-restricted endowment net assets at June 30, 2021	1,194,251
Investment income, net	14,518
Net appreciation	56,765
Amount appropriated for expenditure	(71,283)
Donor-restricted endowment net assets at June 30, 2022	$ 1,194,251

K. Retirement Plans

The Organization adopted a 401(k) plan effective December 15, 2007, which covers substantially all of its employees. Once eligibility requirements are met, employees may voluntarily contribute a percentage of their gross salaries into the plan. The Organization may make a discretionary matching contribution of up to 7% of gross salary. Employees are vested in matching funds after five years of service. Retirement plan expense for the matching contribution for the years ended June 30, 2022 and 2021, totaled approximately $188,100 and $149,400, respectively.

During the year ended June 30, 1997, a deferred compensation plan under Section 457 of the IRC was adopted for a key employee, which allows for monthly payments of $2,644 commencing February 2009. This plan was subsequently adjusted as of January 1, 2006. The present value of this liability, calculated to be approximately $51,000 and $79,000 at June 30, 2022 and 2021, respectively, is reported in the consolidated statements of financial position as part of the deferred compensation liability.

L. Employee Retention Credit

The CARES Act provides an Employee Retention Credit ("CARES Employee Retention credit"), which is a refundable tax credit against certain employment taxes. The Organization qualifies for the tax credit under the CARES Act and expects to continue to receive additional tax credits under the additional relief provisions for qualified wages through June 30, 2022. During the year ended June 30, 2022, the Organization recorded $585,901 in income related to the CARES Employee Retention Credit included within the statements of operations. As of June 30, 2022, the Organization has a $394,219 receivable balance from the United States government related to the CARES Act.

M. Related Party Transactions

A member of the Board of Directors administers the health plan and life insurance for all of the Organization's employees and dependents under customary and normal market terms.

The spouse of a board member is employed by the Organization in a marketing and development function and reports to the Chief Executive Officer.

N. Subsequent Events

In preparing the consolidated financial statements, the Organization has evaluated all subsequent events and transactions for potential recognition or disclosure through November 29, 2022, the date the consolidated financial statements were available for issuance.