



The Outreach Foundation of the Presbyterian Church, Inc.

Financial Statements
For the Years Ended December 31, 2022 and 2021

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Independent Auditor's Report

Board of Trustees
The Outreach Foundation of the Presbyterian Church, Inc.

Opinion

We have audited the financial statements of The Outreach Foundation of the Presbyterian Church, Inc. (the Foundation), which comprise the statements of financial position as of December 31, 2022 and 2021, 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 accompanying financial statements present fairly, in all material respects, the financial position of the Foundation 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 (GAAS). 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 Foundation 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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 GAAS 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 GAAS, 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 Foundation'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 Foundation'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.

Blankenship CPA Group, PLLC

Blankenship CPA Group, LLC
Brentwood, Tennessee
April 4, 2023

The Outreach Foundation of the Presbyterian Church, Inc.

Statements of Financial Position

December 31, 2022 and 2021

	2022	2021
Assets		
Cash and cash equivalents	\$ 1,036,501	\$ 2,417,559
Accounts receivable	207	-
Unconditional promises to give	89,623	101,567
Prepaid expenses	10,365	41,165
Investments	8,258,552	8,100,744
Property and equipment, net	16,865	21,669
Lease right-of-use assets	154,860	-
Total assets	<u>\$ 9,566,973</u>	<u>\$ 10,682,704</u>
Liabilities and Net Assets		
Accounts payable	\$ -	\$ 276
Lease liabilities	160,428	-
Total liabilities	<u>160,428</u>	<u>276</u>
Net assets		
Without donor restrictions	2,906,195	3,787,966
With donor restrictions	6,500,350	6,894,462
Total net assets	<u>9,406,545</u>	<u>10,682,428</u>
Total liabilities and net assets	<u>\$ 9,566,973</u>	<u>\$ 10,682,704</u>

The Outreach Foundation of the Presbyterian Church, Inc.

Statement of Activities

For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Contributions of financial assets	\$ 560,547	\$ 8,914,439	\$ 9,474,986
Interest and dividends	121,304	56,792	178,096
Investment income, net	(1,073,979)	(477,037)	(1,551,016)
Net assets released from restrictions	<u>8,888,306</u>	<u>(8,888,306)</u>	<u>-</u>
Total support and revenues	8,496,178	(394,112)	8,102,066
Expenses			
Projects	8,802,194	-	8,802,194
Management and general	302,236	-	302,236
Fundraising	<u>273,519</u>	<u>-</u>	<u>273,519</u>
Total expenses	9,377,949	-	9,377,949
Change in net assets	(881,771)	(394,112)	(1,275,883)
Net assets, beginning of year	<u>3,787,966</u>	<u>6,894,462</u>	<u>10,682,428</u>
Net assets, end of year	\$ 2,906,195	\$ 6,500,350	\$ 9,406,545

The Outreach Foundation of the Presbyterian Church, Inc.

Statement of Activities

For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Contributions of financial assets	\$ 428,019	\$ 7,714,455	\$ 8,142,474
Interest and dividends	75,737	45,922	121,659
Investment income, net	903,445	458,897	1,362,342
Net assets released from restrictions	<u>6,708,151</u>	<u>(6,708,151)</u>	<u>-</u>
Total support and revenues	8,115,352	1,511,123	9,626,475
Expenses			
Projects	6,538,213	-	6,538,213
Management and general	245,220	-	245,220
Fundraising	<u>243,588</u>	<u>-</u>	<u>243,588</u>
Total expenses	7,027,021	-	7,027,021
Change in net assets	1,088,331	1,511,123	2,599,454
Net assets, beginning of year	<u>2,699,635</u>	<u>5,383,339</u>	<u>8,082,974</u>
Net assets, end of year	\$ 3,787,966	\$ 6,894,462	\$ 10,682,428

The Outreach Foundation of the Presbyterian Church, Inc.

Statement of Functional Expenses For the Year Ended December 31, 2022

	Projects	Management and General	Fundraising	Total
Salaries and benefits	\$ 321,173	\$ 216,342	\$ 196,595	\$ 734,110
Board	-	28,914	-	28,914
Equipment and services	24,934	17,665	20,604	63,203
Insurance	8,834	18,808	5,795	33,437
Missionary sending and support	480,472	-	-	480,472
Office lease and utilities	18,624	11,972	13,746	44,342
Office supplies	1,354	870	999	3,223
Postage	567	369	24,366	25,302
Professional fees	35,170	6,207	-	41,377
Project expense	7,893,068	-	-	7,893,068
Travel	17,998	-	11,267	29,265
Entertainment and miscellaneous	-	1,089	147	1,236
	<u>\$ 8,802,194</u>	<u>\$ 302,236</u>	<u>\$ 273,519</u>	<u>\$ 9,377,949</u>

The Outreach Foundation of the Presbyterian Church, Inc.

Statement of Functional Expenses For the Year Ended December 31, 2021

	Projects	Management and General	Fundraising	Total
Salaries and benefits	\$ 285,927	\$ 192,597	\$ 175,025	\$ 653,549
Board	-	6,490	-	6,490
Equipment and services	19,752	13,995	16,316	50,063
Insurance	5,613	11,944	3,680	21,237
Missionary sending and support	348,322	-	-	348,322
Office lease and utilities	21,798	14,013	16,089	51,900
Office supplies	765	491	564	1,820
Postage	547	352	23,288	24,187
Professional fees	29,063	5,129	-	34,192
Project expense	5,814,433	-	-	5,814,433
Travel	11,993	-	7,513	19,506
Entertainment and miscellaneous	-	209	1,113	1,322
	<u>\$ 6,538,213</u>	<u>\$ 245,220</u>	<u>\$ 243,588</u>	<u>\$ 7,027,021</u>

The Outreach Foundation of the Presbyterian Church, Inc.

Statements of Cash Flows

For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash and cash equivalents, beginning of year	\$ 2,417,559	\$ 952,351
Cash flows from operating activities		
Change in net assets	(1,275,883)	2,599,454
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization of property and equipment	7,432	7,486
Unrealized losses (gains) on investments, net	1,551,016	(1,362,342)
Noncash lease expense	5,568	-
Change in:		
Accounts receivable	(207)	-
Unconditional promises to give	11,944	357,695
Prepaid expenses	30,800	(6,437)
Accounts payable	(276)	276
Net cash provided (used) by operating activities	330,394	1,596,132
Cash flows from investing activities		
Proceeds from sales of investments	544,464	2,198,470
Purchase of investments	(2,253,288)	(2,303,739)
Purchase of property and equipment	(2,628)	(25,655)
Net cash provided (used) by investing activities	(1,711,452)	(130,924)
Net change in cash and cash equivalents	(1,381,058)	1,465,208
Cash and cash equivalents, end of year	\$ 1,036,501	\$ 2,417,559

The Outreach Foundation of the Presbyterian Church, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2022 and 2021

Note 1. Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization

The Outreach Foundation of the Presbyterian Church, Inc. (the Foundation) provides resources for the development and promotion of evangelism, missionary support, care of vulnerable children, and domestic and overseas church development. The Foundation seeks projects to support which are consistent with the charter and are approved at the semi-annual meetings of the Board of Trustees. Funding of the Foundation is entirely through contributions by churches, individuals, and organizations. No one donor accounts for more than 30% of contributions.

Summary of Significant Accounting Policies

Basis of Presentation

Financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) 958. Under FASB ASC 958, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets, based upon the existence or absence of donor-imposed restrictions.

Revenue Recognition

Contributions received are recorded to net assets depending on the existence and/or nature of any donor-imposed restrictions.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Basis of Accounting

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

Cash Equivalents

Cash equivalents consist of short-term highly liquid investments which are readily convertible into cash within 90 days of purchase.

Investments

Investments are accounted for under the provisions of FASB ASC 958-320. This statement requires that investments in equity securities with readily determinable fair values and all investments in debt securities be reported at fair value with gains and losses (realized and unrealized) included in the statements of activities. If quoted market values are not available then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Property and Equipment

Property and equipment is stated at cost. The Foundation's policy is to capitalize property and equipment over \$300. Lesser amounts are expensed. Depreciation of office equipment, furniture and fixtures, and computer software is computed by using the straight-line method over the estimated useful lives of the assets. Depreciation of leasehold improvements is computed by using the straight-line method over the lesser of the life of the leased asset or the term of the lease.

The Outreach Foundation of the Presbyterian Church, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2022 and 2021

Note 1. Nature of Organization and Summary of Significant Accounting Policies

Summary of Significant Accounting Policies

Property and Equipment

The general range of useful lives estimated for the principal classifications of assets are:

Office furniture and equipment	3 – 5 years
Furniture and fixtures	5 – 7 years
Leasehold improvements	5 years
Computer software	3 – 5 years

Leases (New Accounting Standard Adopted in 2022)

In February 2016, the FASB issued ASC Topic 842, *Leases*, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their balance sheets as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, *Leases*) and operating leases, with classification affecting the pattern of expense recognition in the income statement. The Foundation adopted Topic 842 on January 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Foundation has applied Topic 842 to reporting periods beginning on January 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Foundation's historical accounting treatment under ASC Topic 840, *Leases*.

The Foundation elected the "package of practical expedients" under the transition guidance within Topic 842, in which the Foundation does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Foundation has not elected to adopt the "hindsight" practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on January 1, 2022.

The Foundation determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Foundation obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Foundation also considers whether its service arrangements include the right to control the use of an asset.

The Foundation made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or January 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Foundation made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

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Notes to Financial Statements

For the Years Ended December 31, 2022 and 2021

Note 1. Nature of Organization and Summary of Significant Accounting Policies

Summary of Significant Accounting Policies

Leases (New Accounting Standard Adopted in 2022)

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred.

The Foundation has made an accounting policy election to use the risk-free rate as the discount rate if the rate implicit in the lease is not readily determinable. The risk-free rate is the rate of a zero coupon US Treasury instrument for the same period as the time of the lease term.

Adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to the Foundation's operating leases of approximately \$13,933 at January 1, 2022. The adoption of the new lease standard did not materially impact net assets or cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

Functional Expenses

The costs of providing project and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the project, management and general, and fundraising services benefited. Such allocations are determined by management on an equitable basis. Office lease and utilities are allocated by square footage, while all other expenses are allocated based on time and effort.

Income Taxes

Income taxes are not provided in the financial statements since the Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. With few exceptions, the Foundation is no longer subject to federal, state, or local income tax examinations by authorities for years before December 31, 2019.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Fair Values

The Foundation has an established process for determining fair values. Fair value is based upon quoted market prices, where available. If listed prices or quotes are not available, fair value is based upon processes that use primarily market-based or independently-sourced market data, including interest rate yield curves, option volatilities, and third party information. Valuation adjustments may be made to ensure that assets and liabilities are recorded at fair value. Furthermore, while the Foundation 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 assets and liabilities could result in a different estimate of fair value at the reporting date. US GAAP has a three-level valuation hierarchy for fair value measurements. Assets and liabilities are categorized within the valuation hierarchy based upon the lowest level of input that is significant to the fair value measurement.

The Outreach Foundation of the Presbyterian Church, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2022 and 2021

Note 1. Nature of Organization and Summary of Significant Accounting Policies

Summary of Significant Accounting Policies

Fair Values

The three levels are explained as follows:

Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

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

During the year ended December 31, 2022, there were no changes to the Foundation's valuation techniques that had, or are expected to have, a material impact on its financial position or results of operations.

Note 2. Availability and Liquidity

The following represents the Foundation's financial assets at December 31:

	2022	2021
Financial assets		
Cash and cash equivalents	\$ 1,036,501	\$ 2,417,559
Accounts receivable	207	-
Unconditional promises to give	89,623	101,567
Investments	<u>8,258,552</u>	<u>8,100,744</u>
Total financial assets	9,384,883	10,619,870
Less amounts not available to be used within one year		
Net assets with donor restrictions	<u>6,500,350</u>	<u>6,894,462</u>
Financial assets available to meet general expenditures over the next 12 months	\$ 2,884,533	\$ 3,725,408

The Foundation is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Foundation must maintain sufficient resources to meet these responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available to meet its general expenditures, liabilities, and other obligations as they come due. In addition, the Foundation invests cash in excess of daily requirements in short-term investments.

The Outreach Foundation of the Presbyterian Church, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2022 and 2021

Note 3. **Credit Risk**

At December 31, 2022 and 2021, cash maintained in a local financial institution was in excess of Federal Deposit Insurance Corporation limits of \$250,000 in the amount of \$188,262 and \$907,703, respectively. Also, at December 31, 2022 and 2021, the Foundation maintained cash and cash equivalents with brokerage firms totaling \$122,798 and \$625,412, respectively. These balances are insured by the Securities Investor Protection Corporation up to \$500,000.

Note 4. **Unconditional Promises to Give**

Unconditional promises to give at December 31, 2022 and 2021 were \$89,623 and \$101,567. All unconditional promises to give are expected to be received within one year. No allowance for uncollectible promises was deemed necessary at December 31, 2022 and 2021.

Note 5. **Investments**

Investments are carried at quoted market prices. Investments consisted of the following as of December 31:

	2022	Without Donor Restrictions	With Donor Restrictions	Total
Equities		\$ 4,155,847	\$ 1,708,760	\$ 5,864,607
Mutual funds, equities		-	46,157	46,157
Mutual funds, bonds		-	105,001	105,001
Government bonds		-	51,275	51,275
Corporate bonds		1,460,828	693,079	2,153,907
Other funds		<u>37,605</u>	<u>-</u>	<u>37,605</u>
		\$ 5,654,280	\$ 2,604,272	\$ 8,258,552

	2021	Without Donor Restrictions	With Donor Restrictions	Total
Equities		\$ 4,431,945	\$ 2,116,787	\$ 6,548,732
Mutual funds, equities		-	57,864	57,864
Mutual funds, bonds		-	123,814	123,814
Government bonds		-	60,896	60,896
Corporate bonds		831,045	424,258	1,255,303
Other funds		<u>54,135</u>	<u>-</u>	<u>54,135</u>
		\$ 5,317,125	\$ 2,783,619	\$ 8,100,744

A summary of return on investments consists of the following for the years ended December 31:

	2022	2021
Interest and dividends	\$ 178,096	\$ 121,659
Realized and unrealized gains (losses), net	<u>(1,551,016)</u>	<u>1,362,342</u>
Total investment return	\$ (1,372,920)	\$ 1,484,001

The Outreach Foundation of the Presbyterian Church, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2022 and 2021

Note 6. Fair Value Measurements

The following tables present the assets carried at fair value as of December 31:

	2022			
	Level 1	Level 2	Level 3	Total
Equities	\$ 5,864,607	\$ -	\$ -	\$ 5,864,607
Mutual funds, equities	46,157	-	-	46,157
Mutual funds, bonds	105,001	-	-	105,001
Government bonds	51,275	-	-	51,275
Corporate bonds	-	2,153,907	-	2,153,907
Other funds	-	-	37,605	37,605
Total assets at fair value	<u>\$ 6,067,040</u>	<u>\$ 2,153,907</u>	<u>\$ 37,605</u>	<u>\$ 8,258,552</u>

	2021			
	Level 1	Level 2	Level 3	Total
Equities	\$ 6,548,732	\$ -	\$ -	\$ 6,548,732
Mutual funds, equities	57,864	-	-	57,864
Mutual funds, bonds	123,814	-	-	123,814
Government bonds	60,896	-	-	60,896
Corporate bonds	-	1,255,303	-	1,255,303
Other funds	-	-	54,135	54,135
Total assets at fair value	<u>\$ 6,791,306</u>	<u>\$ 1,255,303</u>	<u>\$ 54,135</u>	<u>\$ 8,100,744</u>

The valuation methodologies used for assets measured at fair value, including their general classification based on the fair value hierarchy, include the following:

Equities, mutual funds, exchange-traded bonds, and government bonds – valuation is based on a quoted market price in a market that is active and is classified within Level 1 of the valuation hierarchy.

Corporate bonds – valuation is based on quoted prices for similar assets in a market that is active and is classified within Level 2 of the valuation hierarchy.

Other investments – includes amounts held in real estate investment trusts and are classified within Level 3 of the valuation hierarchy.

Note 7. Endowment

The Board of Trustees approved the establishment of an endowment fund on September 28, 2004. These funds are restricted for six mission projects as directed by donors. Accounts are established only after signed agreements with the Foundation are executed to ensure that the application of the investment earnings for each donation is in compliance with the rules established by the Foundation.

The Outreach Foundation of the Presbyterian Church, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2022 and 2021

Note 7. Endowment

The Foundation has adopted investment return objectives and risk parameters for endowment assets. Under this policy, as approved by the Board of Trustees on April 24, 2006, the endowment assets, regardless of purpose or beneficiary, are pooled together for investment purposes and managed in one fund. Earnings are allocated to individual donor accounts on a quarterly basis. Preservation of capital is primary, with income production secondary.

The approved asset allocation is as follows:

Cash and other liquid investments	5%
Fixed income (investment grade – Baa or better)	25% – 65%
Equities (inflation protection)	30% – 70%

In accordance with the Foundation's policy, the payout on endowment funds is 5% based on a rolling 20-quarter average of returns. The Board of Trustees may approve a lower rate of disbursement if investment returns do not justify the 5%.

The changes in endowment assets are comprised of the following at December 31:

	2022	2021
Balance, beginning of year	\$ 3,180,046	\$ 2,315,444
Contributions	-	457,986
Interest and dividends	56,792	45,922
Net realized and unrealized appreciation (depreciation)		
on investment return	(477,037)	459,558
Total investment return	(420,245)	505,480
Amounts appropriated for expenditure	(98,846)	(98,864)
Balance, end of year	\$ 2,660,955	\$ 3,180,046

The Board of Trustees of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring that the Foundation classify as net assets with donor restrictions to be held in perpetuity (a) the original value of donor-restricted gifts to the permanent endowment, (b) the original value of subsequent donor-restricted gifts to the permanent endowment, and (c) accumulations to the permanent 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 held in perpetuity is classified as being held for a specific purpose until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Outreach Foundation of the Presbyterian Church, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2022 and 2021

Note 7. **Endowment**

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate donor-restricted endowment funds:

- The purposes of the Foundation and the donor-restricted endowment fund
- The general economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- The investment policies of the Foundation
- The needs of the beneficiaries of the donor-restricted funds
- The spending rules adopted by the Board of Trustees

Note 8. **Property and Equipment**

A summary of property and equipment at December 31 follows:

	2022	2021
Office equipment	\$ 57,354	\$ 54,726
Furniture and fixtures	13,849	13,849
Leasehold improvements	2,315	2,315
Computer software	<u>36,075</u>	<u>36,075</u>
	109,593	106,965
Less: accumulated depreciation and amortization	<u>(92,728)</u>	<u>(85,296)</u>
	\$ 16,865	\$ 21,669

Depreciation and amortization for the years ended December 31, 2022 and 2021 was \$7,432 and \$7,486, respectively.

Note 9. **Net Assets with Donor Restrictions**

Contributions designated by donors for specific Foundation-supported missionary projects, fundraising, or administrative costs of the Foundation are recorded as net assets with donor restrictions when received. Net assets with donor restrictions were as follows for the years ended December 31:

	2022	2021
Specific purpose	\$ 4,717,269	\$ 5,111,381
Endowment held in perpetuity	<u>1,783,081</u>	<u>1,783,081</u>
	\$ 6,500,350	\$ 6,894,462

The Outreach Foundation of the Presbyterian Church, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2022 and 2021

Note 9. Net Assets with Donor Restrictions

Net assets were released from net assets with donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors during the years ended December 31:

	2022	2021
Purpose restrictions accomplished		
Projects	\$ 8,373,540	\$ 6,162,755
Administrative	<u>514,766</u>	<u>545,396</u>
Total restrictions released	\$ 8,888,306	\$ 6,708,151

Note 10. Operating Leases

The Foundation leases office space and equipment under operating lease agreements that have terms ranging from three to five years.

Operating lease cost is recognized on a straight-line basis over the lease term. Rent expense applicable to operating leases was \$51,728 and \$61,402 for 2022 and 2021, respectively.

Supplemental statement of financial position information related to leases is as follows for the year ended December 31, 2022:

Operating lease right-of-use assets	\$ 154,860
Operating lease liabilities	\$ 160,428

Weighted-average remaining lease term for operating leases as of December 31, 2022 is 4.97 years.

Weighted-average discount rate for operating leases as of December 31, 2022 is 2.83%.

Future undiscounted cash flows for each of the next five years and a reconciliation to the lease liabilities recognized on the statement of financial position as of December 31, 2022 are as follows:

Year ended December 31,	
2023	\$ 37,667
2024	38,327
2025	37,599
2026	36,239
2027	<u>21,509</u>
Total lease payments	171,341
Imputed interest	<u>(10,913)</u>
Total present value of lease liabilities	\$ 160,428

The Outreach Foundation of the Presbyterian Church, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2022 and 2021

Note 10. **Operating Leases**

Future minimum lease commitments, as determined under Topic 840, for all non-cancelable leases as of December 31, 2021 are as follows:

Year ended December 31,		
2023	\$	4,286
2024		3,960
2025		<u>2,448</u>
Total	\$	10,694

Note 11. **Retirement Plans**

The Foundation participates in a 403(b) plan sponsored by the Presbyterian Church for all full-time, non-ordained employees. The Foundation matches employee contributions up to 3%. The Foundation also participates in a defined contribution pension plan sponsored by the Presbyterian Church for all full-time, ordained ministers.

Employer contributions to the plans in December 31, 2022 and 2021 were \$11,490 and \$14,159, respectively.

Note 12. **Subsequent Events**

Management has evaluated subsequent events through April 4, 2023, the date on which the financial statements were available to be issued.