

**FOUNDRY UNITED METHODIST CHURCH**  
**(A Nonprofit Organization)**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**

**FOUNDRY UNITED METHODIST CHURCH**  
**(A Nonprofit Organization)**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

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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, 2023 and 2022, 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, 2023 and 2022, 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.

### **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.

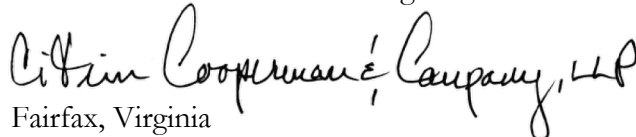
## Auditor's Responsibilities for the Audit of the Financial Statements

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.

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.



Fairfax, Virginia  
April 19, 2024

**FOUNDRY UNITED METHODIST CHURCH**  
**(A Nonprofit Organization)**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b><u>ASSETS</u></b>		
Current assets:		
Cash and cash equivalents	\$ 555,613	\$ 899,060
Accounts receivable	<u>-</u>	<u>96,363</u>
Total current assets	<u>555,613</u>	<u>995,423</u>
Other assets:		
Investments (Note 5)	1,565,838	1,434,130
Property and equipment, net (Note 6)	5,700,864	5,858,548
Finance lease-right-of-use assets	<u>31,093</u>	<u>40,912</u>
Total other assets	<u>7,297,795</u>	<u>7,333,590</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 7,853,408</u></b>	<b><u>\$ 8,329,013</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 7,764	\$ 35,202
Note payable (Note 7)	162,276	155,482
Other liabilities	12,373	5,408
Current portion of finance lease liabilities (Note 9)	<u>9,791</u>	<u>9,640</u>
Total current liabilities	192,204	205,732
Long-term liabilities:		
Note payable, due in more than one year (Note 7)	2,670,383	2,832,780
Finance lease liabilities, net of current portion (Note 9)	<u>21,745</u>	<u>31,536</u>
Total liabilities	<u>2,884,332</u>	<u>3,070,048</u>
Commitments and contingencies (Notes 7, 9 and 11)		
Net assets:		
Without donor restrictions:		
Undesignated	3,038,605	3,307,854
Designated by the board (Note 8)	<u>1,283,510</u>	<u>1,247,784</u>
	<u>4,322,115</u>	<u>4,555,638</u>
With donor restrictions:		
Purpose or time restricted for future periods	437,655	494,021
Perpetual in nature	<u>209,306</u>	<u>209,306</u>
	<u>646,961</u>	<u>703,327</u>
Total net assets	<u>4,969,076</u>	<u>5,258,965</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 7,853,408</u></b>	<b><u>\$ 8,329,013</u></b>

See accompanying notes to financial statements.

**FOUNDRY UNITED METHODIST CHURCH**  
**(A Nonprofit Organization)**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Support and revenues:			
Contributions	\$ 2,400,874	\$ 281,757	\$ 2,682,631
Investment income, net	188,277	46,104	234,381
Rental and other income	26,025	-	26,025
Net assets released from restrictions	<u>384,227</u>	<u>(384,227)</u>	<u>-</u>
Total support and revenues	<u>2,999,403</u>	<u>(56,366)</u>	<u>2,943,037</u>
Expenses:			
Program services	<u>2,182,631</u>	<u>-</u>	<u>2,182,631</u>
Supporting services:			
Management and general	906,007	-	906,007
Fundraising	<u>144,288</u>	<u>-</u>	<u>144,288</u>
Total supporting services	<u>1,050,295</u>	<u>-</u>	<u>1,050,295</u>
Total expenses	<u>3,232,926</u>	<u>-</u>	<u>3,232,926</u>
Change in net assets	(233,523)	(56,366)	(289,889)
Net assets - beginning	<u>4,555,638</u>	<u>703,327</u>	<u>5,258,965</u>
<b>NET ASSETS - ENDING</b>	<b><u>\$ 4,322,115</u></b>	<b><u>\$ 646,961</u></b>	<b><u>\$ 4,969,076</u></b>

See accompanying notes to financial statements.

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

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

See accompanying notes to financial statements.

**FOUNDRY UNITED METHODIST CHURCH**  
**(A Nonprofit Organization)**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	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	\$ 172,833	\$ 219,734	\$ 111,136	\$ 208,612	\$ 198,095	\$ 910,410	\$ 268,389	\$ 94,400	\$ 362,789	\$ 1,273,199
Advertising/website	8,359	8,359	8,359	8,359	8,360	41,796	13,733	4,180	17,913	59,709
Interest expense/bank fees	-	-	-	-	-	-	126,478	33,621	160,099	160,099
Building support	12,573	15,984	8,084	15,175	14,410	66,226	26,389	-	26,389	92,615
Cleaning	9,123	11,598	5,866	11,012	10,456	48,055	19,148	-	19,148	67,203
Depreciation and amortization	43,242	54,976	27,805	52,193	49,562	227,778	90,760	-	90,760	318,538
Miscellaneous	-	-	-	-	-	-	8,266	-	8,266	8,266
Lease expense	1,556	1,977	1,000	1,877	1,782	8,192	3,264	-	3,264	11,456
Information technologies	8,879	11,289	5,710	10,717	10,177	46,772	13,787	4,850	18,637	65,409
Insurance	5,809	7,386	3,736	7,012	6,658	30,601	12,193	-	12,193	42,794
Apportionments	43,583	55,410	28,025	52,606	49,954	229,578	91,478	-	91,478	321,056
Student scholarships	1,201	1,527	772	1,449	1,376	6,325	2,520	-	2,520	8,845
Community support	21,104	26,831	13,570	25,472	24,188	111,165	44,295	-	44,295	155,460
Meals and entertainment	1,378	162	14,628	23,677	411	40,256	-	-	-	40,256
Postage and printing	4,170	5,302	2,682	5,034	4,780	21,968	6,476	2,278	8,754	30,722
Professional fees and contract services	4,500	146,489	-	14,503	21,301	186,793	119,463	-	119,463	306,256
Repairs and maintenance	8,307	10,561	5,342	10,027	9,521	43,758	17,436	-	17,436	61,194
Supplies	1,482	9,482	8,011	-	12,524	31,499	5,518	4,308	9,826	41,325
Telephone	1,192	1,516	767	1,439	1,366	6,280	1,851	651	2,502	8,782
Travel	27,817	1,177	11,954	-	-	40,948	1,000	-	1,000	41,948
Utilities	15,990	20,330	10,282	19,301	18,328	84,231	33,563	-	33,563	117,794
<b>TOTAL EXPENSES</b>	<b>\$ 393,098</b>	<b>\$ 610,090</b>	<b>\$ 267,729</b>	<b>\$ 468,465</b>	<b>\$ 443,249</b>	<b>\$ 2,182,631</b>	<b>\$ 906,007</b>	<b>\$ 144,288</b>	<b>\$ 1,050,295</b>	<b>\$ 3,232,926</b>

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						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	\$ 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/bank 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
Community support	20,031	34,007	25,854	25,854	22,360	128,106	46,584	-	46,584	174,690
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
<b>TOTAL EXPENSES</b>	<b>\$ 332,762</b>	<b>\$ 651,312</b>	<b>\$ 451,947</b>	<b>\$ 435,817</b>	<b>\$ 354,079</b>	<b>\$ 2,225,917</b>	<b>\$ 926,369</b>	<b>\$ 110,105</b>	<b>\$ 1,036,474</b>	<b>\$ 3,262,391</b>

See accompanying notes to financial statements

**FOUNDRY UNITED METHODIST CHURCH**  
**(A Nonprofit Organization)**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ (289,889)	\$ (524,887)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	318,538	290,539
Realized and unrealized loss (gain) on investments	(189,266)	282,146
Non-cash lease expense	9,819	8,183
Changes in operating assets and liabilities:		
Accounts receivable	96,363	(82,890)
Accounts payable and accrued expenses	(27,438)	7,455
Other liabilities	<u>9,077</u>	<u>(10,179)</u>
Net cash used in operating activities	<u>(72,796)</u>	<u>(29,633)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(160,855)	(378,185)
Purchases of investments	(256,450)	(344,685)
Proceeds from sales of investments	<u>314,008</u>	<u>314,821</u>
Net cash used in investing activities	<u>(103,297)</u>	<u>(408,049)</u>
Cash flows from financing activities:		
Repayments of finance lease liabilities	(9,640)	(7,919)
Repayments on notes payable	(157,714)	(165,055)
Drawdowns on notes payable	<u>-</u>	<u>589,181</u>
Net cash provided by (used in) financing activities	<u>(167,354)</u>	<u>416,207</u>
Net decrease in cash and cash equivalents	(343,447)	(21,475)
Cash and cash equivalents - beginning	<u>899,060</u>	<u>920,535</u>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<b><u>\$ 555,613</u></b>	<b><u>\$ 899,060</u></b>
Supplemental disclosures of cash flow information:		
Interest paid	<u>\$ 125,215</u>	<u>\$ 124,965</u>
Supplemental schedules for non-cash investing and financing activities:		
Equipment obtained in connection with finance lease	<u>\$ -</u>	<u>\$ 49,095</u>

See accompanying notes to financial statements.

**FOUNDRY UNITED METHODIST CHURCH**  
**(A Nonprofit Organization)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

**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 8.

*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 and changes in the allowance are included in management and general expense on the accompanying statements of activities. The Church assesses collectibility by reviewing accounts receivable on a collective basis where similar risk characteristics exist. In determining the amount of the allowance for uncollectible accounts, the Church considers historical collectibility, an assessment of current market and economic conditions, and a review of subsequent collections. Uncollectible accounts are written off when all collection efforts have been exhausted. At December 31, 2023 and 2022, the Church has determined that an allowance for uncollectible accounts receivable was immaterial.

**FOUNDRY UNITED METHODIST CHURCH**  
**(A Nonprofit Organization)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

**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, 2023 and 2022.

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.

**FOUNDRY UNITED METHODIST CHURCH**  
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**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 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 a practical expedient, the net asset value per share, determined by the fund at the measurement date. 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. The Church believes the carrying amount of this financial instrument is a reasonable estimate of fair value.

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.

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).

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**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

**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

In June 2016, FASB issued Accounting Standards Update (“ASU”) No. 2016-13, *Financial Instruments—Credit Losses (Topic 326)* (“ASC 326”), along with subsequently issued related ASUs, requires financial assets (or groups of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected, among other provisions. ASC 326 eliminates the probable initial threshold for recognition of credit losses for financial assets recorded at amortized cost, which could result in earlier recognition of credit losses. It utilizes a lifetime expected credit loss measurement model for the recognition of credit losses at the time the financial asset is originated or acquired.

The Church’s financial instruments include billed accounts receivables derived from revenue transactions. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. The Church adopted ASC 326 using the modified retrospective method at the beginning of the year or January 1, 2023, and it did not have a material impact on the financial statements.

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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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, 2023 and 2022, the Church had no unrelated business taxable income.

The Church performed an evaluation of uncertain tax positions for the years ended December 31, 2023 and 2022, 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, 2023 and 2022, 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.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and benefits	Time and effort
Lease expense	Time and effort
Depreciation and amortization	Time and effort

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Subsequent events

In accordance with FASB ASC 855, *Subsequent Events*, the Church has evaluated subsequent events through April 19, 2024, which is the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

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**NOTE 3. LIQUIDITY AND AVAILABILITY**

The following represents the Church's financial assets as of December 31, 2023 and 2022, 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.

	<u>2023</u>	<u>2022</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 555,613	\$ 899,060
Investments	<u>1,565,838</u>	<u>1,434,130</u>
Total	2,121,451	2,333,190
Less: amounts not available to be used within one year:		
Net assets with donor restrictions	646,961	703,327
Less: amounts unavailable to management without board's approval:		
Net assets without donor restrictions - designated by the board	<u>1,283,510</u>	<u>1,247,784</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 190,980</u>	<u>\$ 382,079</u>

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.



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**NOTE 5. INVESTMENTS AND FAIR VALUE MEASUREMENT**

The following are the major categories of investments for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Money market accounts, at cost	\$ 86,590	\$ 122,207
Investments measured at net asset value	<u>1,479,248</u>	<u>1,311,923</u>
Total investments	\$ <u>1,565,838</u>	\$ <u>1,434,130</u>

Investment income (loss) is composed of the following for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 45,115	\$ 33,487
Unrealized and realized gain (loss), net	<u>189,266</u>	<u>(282,146)</u>
Total	\$ <u>234,381</u>	\$ <u>(248,659)</u>

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

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**NOTE 5. INVESTMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)**

The following table summarizes the fair value measurements of investment funds that calculate net assets per share (or its equivalent) as of December 31, 2023:

<u>Investment</u>	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Mid-Atlantic Fdn core fixed income (a)	\$ 293,844	\$ -	Monthly	25th to last day of the month
Mid-Atlantic Fdn international equity (b)	130,685	-	Monthly	25th to last day of the month
Mid-Atlantic Fdn growth equity (c)	243,221	-	Monthly	25th to last day of the month
Mid-Atlantic Fdn value equity (d)	250,142	-	Monthly	25th to last day of the month
Mid-Atlantic Fdn core equity (e)	161,677	-	Monthly	25th to last day of the month
Mid-Atlantic Fdn fixed income (f)	149,158	-	Monthly	25th to last day of the month
Mid-Atlantic Fdn emerging market equity (g)	57,630	-	Monthly	25th to last day of the month
Mid-Atlantic Fdn small cap equity (h)	135,551	-	Monthly	25th to last day of the month
Mid-Atlantic Fdn international plus (i)	<u>57,340</u>	<u>-</u>	Monthly	25th to last day of the month
Total	<u>\$ 1,479,248</u>	<u>\$ -</u>		

- (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.

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**NOTE 5.     INVESTMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)**

- (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 and U.S.- listed shares of foreign companies.
- (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.

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**NOTE 5. INVESTMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)**

- (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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Equipment	\$ 1,072,375	\$ 1,005,207
Furniture and fixtures	104,373	24,732
Building improvements	<u>6,339,250</u>	<u>6,339,250</u>
Subtotal	7,515,998	7,369,189
Less: accumulated depreciation	<u>1,815,134</u>	<u>1,510,641</u>
Property and equipment, net	<u>\$ 5,700,864</u>	<u>\$ 5,858,548</u>

Depreciation and amortization expense totaled \$318,538 and \$290,539 for the years ended December 31, 2023 and 2022, 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.

There were no modifications or drawdowns of the loan during the year ended December 31, 2023.

The agreement requires compliance with certain reporting and financial covenants. As of December 31, 2023 and 2022, the Church was not in compliance with one of the financial covenants, for which it received a waiver from the bank.

Interest incurred for the years ended December 31, 2023 and 2022, was \$124,252 and \$126,310, respectively, and is included within "Interest expense/bank fees" in the accompanying statements of functional expenses.

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**NOTE 7. NOTE PAYABLE (CONTINUED)**

The future loan repayments at December 31, 2023, are as follows:

<u>Year ending December 31:</u>	<u>Amount</u>	<u>Amortization of debt issuance costs</u>	<u>Net</u>
2024	\$ 164,387	\$ (2,111)	\$ 162,276
2025	171,542	(2,111)	169,431
2026	178,973	(2,111)	176,862
2027	186,726	(2,111)	184,615
2028	194,815	(2,111)	192,704
Thereafter	<u>1,964,011</u>	<u>(17,240)</u>	<u>1,946,771</u>
Total	<u>\$ 2,860,454</u>	<u>\$ (27,795)</u>	<u>\$ 2,832,659</u>

**NOTE 8. NET ASSETS**

Without donor restrictions

*Board Designated*

The Church's board has designated net assets without donor restrictions at December 31, 2023 and 2022, as follows:

	<u>2023</u>	<u>2022</u>
Capital reserve fund	\$ 716,558	\$ 684,586
Operating reserve fund	557,009	482,712
General memorial fund	7,504	3,664
Strategic investment fund	2,439	2,080
Capital fund	-	46,618
Building projects fund	-	20,546
Carter memorial fund	-	4,492
Leo Lawless memorial Fund	-	1,697
Persigehl memorial fund	-	675
Harris memorial fund	-	338
John Harden memorial Fund	<u>-</u>	<u>376</u>
Total	<u>\$ 1,283,510</u>	<u>\$ 1,247,784</u>

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**NOTE 8. NET ASSETS (CONTINUED)**

With donor restrictions

Donor restricted net assets at December 31, 2023 and 2022, are as follows:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose and/or time:		
Designated offerings	\$ 180,018	\$ 229,495
Endowment special project fund	78,598	47,140
Advocacy ministries	76,253	86,338
ID ministry	69,786	131,048
Annual contributions - time-restricted	<u>33,000</u>	<u>-</u>
	<u>437,655</u>	<u>494,021</u>
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	<u>10,000</u>	<u>10,000</u>
	<u>209,306</u>	<u>209,306</u>
Total net assets with donor restrictions	<u>\$ 646,961</u>	<u>\$ 703,327</u>

Net assets released from donor restrictions are as follows for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Designated offerings	\$ 179,158	\$ 148,402
ID ministry	150,115	54,811
Advocacy ministries	40,308	19,021
Endowment special project fund	14,646	13,585
Sawyer music fund	<u>-</u>	<u>1,198</u>
Total	<u>\$ 384,227</u>	<u>\$ 237,017</u>

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.

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**NOTE 8. 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 years ended December 31, 2023 and 2022, was as follows:

	<u>2023</u>	<u>2022</u>
With donor restrictions:		
Original donor-restricted gift amount required to be maintained in perpetuity by donor	\$ 209,306	\$ 209,306
Accumulated and unspent investment gains	<u>78,598</u>	<u>47,140</u>
	<u>287,904</u>	<u>256,446</u>

The changes in endowment net assets for 2023, were as follows:

	<u>With donor restrictions</u>
Endowment net assets - January 1, 2023	\$ 256,446
Investment return	46,104
Appropriation of endowment assets for expenditure	<u>(14,646)</u>
Endowment net assets - December 31, 2023	<u>\$ 287,904</u>

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

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

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**NOTE 9. COMMITMENTS**

Finance leases

The Church acquired equipment under a finance lease expiring February 2027. The 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, 2023, were approximately:

Finance lease costs:	
Amortization of finance lease liabilities	\$ 9,819
Interest on lease liabilities	<u>560</u>
Total finance lease costs	<u>\$ 10,379</u>

Maturities of lease liabilities as of December 31, 2023, are as follows:

<u>Year ending December 31:</u>	<u>Finance Leases</u>
2024	\$ 10,200
2025	10,200
2026	10,200
2027	<u>1,700</u>
Net minimum lease payments	32,300
Less interest	<u>764</u>
Present value of lease liabilities	31,536
Less: current portion	<u>9,791</u>
Lease liabilities, net of current portion	<u>\$ 21,745</u>

Supplemental cash flow information related to leases for the year ended December 31, 2023, was as follows:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from finance leases	<u>\$ 9,819</u>
Finance cash flows from finance leases	<u>\$ 9,640</u>
Weighted-average remaining lease term (in years)	
Finance leases	3.16
Weighted-average discount rate (%)	
Finance leases	1.56



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**NOTE 10.     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, 2023 and 2022, the Church's pension expense for its employees was \$81,007 and \$92,831, respectively.

**NOTE 11.     RISKS AND UNCERTAINTIES**

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.