

BETHEL BIBLE VILLAGE

FINANCIAL STATEMENTS

MARCH 31, 2021 AND 2020



CERTIFIED PUBLIC ACCOUNTANTS

BETHEL BIBLE VILLAGE

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MARCH 31, 2021 AND 2020

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CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Bethel Bible Village
Chattanooga, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of Bethel Bible Village, which comprise the statements of financial position as of March 31, 2021 and 2020, and the related statements of activities, changes in net assets, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bethel Bible Village as of March 31, 2021 and 2020, 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.

Chattanooga, Tennessee
June 30, 2021

*Henderson Hutcherson
& McCullough, PLLC*

BETHEL BIBLE VILLAGE

STATEMENTS OF FINANCIAL POSITION

MARCH 31, 2021 AND 2020

ASSETS		
	2021	2020
Cash and temporary cash investments	\$ 376,439	\$ 492,612
Accounts receivable	8,496	4,823
Accrued interest receivable	924	1,213
Other receivables	340	40,000
Investments, non-endowment	2,260,219	1,047,086
Investments, endowment	2,443,817	1,802,663
Unconditional promises to give from estates	-	15,000
Assets due from charitable trusts	10,000	10,000
Prepaid expenses	32,657	17,710
Property and equipment, net of accumulated depreciation	<u>1,004,321</u>	<u>1,033,291</u>
TOTAL ASSETS	<u><u>\$ 6,137,213</u></u>	<u><u>\$ 4,464,398</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 102,747	\$ 76,648
Refundable deposits on special events	71,950	100,150
Accrued expenses	2,820	637
Deferred compensation liability	<u>197,853</u>	<u>197,577</u>
Total liabilities	<u>375,370</u>	<u>375,012</u>
NET ASSETS		
Without donor restrictions –		
Available for current operations	2,841,812	425,533
Designated for discretionary endowment purposes	595,513	1,421,368
Designated for discretionary retirement	389,919	234,386
Invested in ministry property and equipment	<u>1,004,321</u>	<u>1,033,292</u>
	<u>4,831,565</u>	<u>3,114,579</u>
With donor restrictions –		
Until trusts and estates make distributions	10,000	15,000
By donors for designated program purposes	151,574	185,726
For building projects restricted by donor	741	7,258
Endowment	<u>767,963</u>	<u>766,823</u>
	<u>930,278</u>	<u>974,807</u>
Total net assets	<u>5,761,843</u>	<u>4,089,386</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 6,137,213</u></u>	<u><u>\$ 4,464,398</u></u>

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

BETHEL BIBLE VILLAGE

STATEMENT OF ACTIVITIES

YEAR ENDED MARCH 31, 2021

	Without Restrictions	With Restrictions	Total
SUPPORT AND REVENUES			
Contributions	\$ 1,228,734	\$ 56,328	\$ 1,285,062
Bequests	1,007,023	150	1,007,173
Program fees	52,254	-	52,254
Special events	316,093	-	316,093
Special events – direct expenses	(54,516)	-	(54,516)
Return on investments	1,183,114	66,394	1,249,508
Net loss on sale of assets	(3,241)	-	(3,241)
Net assets released from restrictions	167,401	(167,401)	-
Government grant income	346,659	-	346,659
Net loss from rental	(155,621)	-	(155,621)
Net income thrift shop	4,049	-	4,049
Total support and revenues	<u>4,091,949</u>	<u>(44,529)</u>	<u>4,047,420</u>
EXPENSES			
Program services	2,047,706	-	2,047,706
General and administrative	177,653	-	177,653
Fund raising	149,604	-	149,604
Total expenses	<u>2,374,963</u>	<u>-</u>	<u>2,374,963</u>
CHANGE IN NET ASSETS	1,716,986	(44,529)	1,672,457
Net assets - beginning of year	<u>3,114,579</u>	<u>974,807</u>	<u>4,089,386</u>
Net assets - end of year	<u>\$ 4,831,565</u>	<u>\$ 930,278</u>	<u>\$ 5,761,843</u>

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

BETHEL BIBLE VILLAGE

STATEMENT OF ACTIVITIES

YEAR ENDED MARCH 31, 2020

	Without Restrictions	With Restrictions	Total
SUPPORT AND REVENUES			
Contributions	\$ 1,855,204	\$ 104,293	\$ 1,959,497
Bequests	264,389	27,370	291,759
Program fees	75,043	-	75,043
Special events	468,865	-	468,865
Special events – direct expenses	(76,053)	-	(76,053)
Return on investments	(189,078)	24,269	(164,809)
Net loss on sale of assets	(79,717)	-	(79,717)
Net assets released from restrictions	97,444	(97,444)	-
Net income thrift shop	104,405	-	104,405
Total support and revenues	<u>2,520,502</u>	<u>58,488</u>	<u>2,578,990</u>
EXPENSES			
Program services	2,250,582	-	2,250,582
General and administrative	165,327	-	165,327
Fund raising	145,383	-	145,383
Total expenses	<u>2,561,292</u>	<u>-</u>	<u>2,561,292</u>
CHANGE IN NET ASSETS	(40,790)	58,488	17,698
Net assets - beginning of year	<u>3,155,369</u>	<u>916,319</u>	<u>4,071,688</u>
Net assets - end of year	<u>\$ 3,114,579</u>	<u>\$ 974,807</u>	<u>\$ 4,089,386</u>

BETHEL BIBLE VILLAGE

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED MARCH 31, 2021

	Program Services	General and Administrative	Fund Raising	Total
EXPENSES				
Salaries and wages	\$ 1,077,887	\$ 85,544	\$ 96,663	\$ 1,260,094
In-kind expenses	266,307	-	-	266,307
Other employee benefits	144,441	19,616	11,763	175,820
Depreciation	137,967	24,347	-	162,314
Payroll taxes	77,878	6,413	7,330	91,621
Utilities	78,409	2,476	1,651	82,536
Retirement	55,758	4,592	5,248	65,598
Facilities maintenance	54,478	1,720	1,147	57,345
Insurance	49,659	1,568	1,045	52,272
Food	28,142	-	-	28,142
Miscellaneous	13,541	4,686	1,033	19,260
Telephone	17,723	560	373	18,656
Education and daycare	14,561	-	-	14,561
Training	998	1,540	12,000	14,538
Accounting fees	-	14,129	-	14,129
Promotion and communication	6,000	2,603	5,051	13,654
Printing and publications	6,413	712	3,958	11,083
Supplies	3,943	3,128	192	7,263
Advertising	2,967	-	1,979	4,946
Vehicle maintenance	4,805	-	-	4,805
Memberships	-	3,819	-	3,819
Hiring costs	2,486	200	171	2,857
Psychological services	2,298	-	-	2,298
Recreation	809	-	-	809
Doctors and medicine	236	-	-	236
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	<u>\$ 2,047,706</u>	<u>\$ 177,653</u>	<u>\$ 149,604</u>	<u>\$ 2,374,963</u>

BETHEL BIBLE VILLAGE

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED MARCH 31, 2020

	Program Services	General and Administrative	Fund Raising	Total
EXPENSES				
Salaries and wages	\$ 1,070,039	\$ 82,500	\$ 89,169	\$ 1,241,708
In-kind expenses	401,673	-	-	401,673
Other employee benefits	185,335	15,263	17,443	218,041
Depreciation	142,971	25,227	-	168,198
Payroll taxes	76,888	6,332	7,237	90,457
Utilities	73,133	1,925	1,925	76,983
Retirement	47,382	3,902	4,459	55,743
Facilities maintenance	49,380	1,299	1,299	51,978
Insurance	39,177	4,609	2,305	46,091
Education and daycare	37,782	-	-	37,782
Food	31,963	-	-	31,963
Miscellaneous	20,032	2,504	2,504	25,040
Promotion and communication	6,000	2,603	12,991	21,594
Telephone	16,295	1,917	959	19,171
Accounting fees	-	14,076	-	14,076
Vehicle maintenance	12,287	323	323	12,933
Supplies	7,384	923	923	9,230
Printing and publications	7,005	876	875	8,756
Advertising	2,946	-	1,965	4,911
Recreation	4,859	-	-	4,859
Hiring costs	3,684	296	254	4,234
Psychological services	4,088	-	-	4,088
Training	3,142	393	393	3,928
Memberships	2,871	359	359	3,589
Allowances	3,247	-	-	3,247
Doctors and medicine	527	-	-	527
Clothing	492	-	-	492
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	<u>\$ 2,250,582</u>	<u>\$ 165,327</u>	<u>\$ 145,383</u>	<u>\$ 2,561,292</u>

BETHEL BIBLE VILLAGE

STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,672,457	\$ 17,698
Adjustments to reconcile change in net assets to net cash from operating activities –		
Depreciation	162,314	168,198
Net unrealized (gain) loss on investment transactions	(507,811)	28,195
Net realized gains on investment transactions	(571,563)	272,632
Net loss from disposal of property and equipment	3,241	-
Net change in operating assets –		
Accounts receivable	(3,673)	(4,353)
Unconditional promises to give from estates	15,000	250,000
Other accounts receivable	39,949	46,564
Assets held for sale	-	(800)
Assets due from charitable trusts	-	222,000
Prepaid expenses	(14,947)	5,768
Net change in operating liabilities –		
Accounts payable	26,099	470
Refundable deposits on special events	(28,200)	(18,560)
Accrued expenses	2,183	(2,802)
Deferred compensation liability	276	(4,696)
Net cash from operating activities	<u>795,325</u>	<u>980,314</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale or maturity of investments	4,736,933	3,681,741
Purchase of investments	(5,392,297)	(4,318,271)
Reinvested dividends and interest from investments	(119,549)	(143,233)
Purchase of property and equipment	<u>(136,585)</u>	<u>(15,456)</u>
Net cash from investing activities	<u>(911,498)</u>	<u>(795,219)</u>
NET CHANGE IN CASH	(116,173)	185,095
Cash and cash equivalents – beginning	<u>492,612</u>	<u>307,517</u>
Cash and cash equivalents – ending	<u>\$ 376,439</u>	<u>\$ 492,612</u>

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

BETHEL BIBLE VILLAGE

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2021 AND 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Bethel Bible Village, a non-profit organization, is a nondenominational Christian home for children located in Chattanooga, Tennessee. Its purpose is to provide homes and services for children and youth of families in crisis.

Bethel Bible Village (the “Organization”) is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and comparable state laws, and contributions to it are tax deductible within the limitations prescribed by the code. The Organization has been classified as a publicly supported organization which is not a private foundation under Section 509(a) of the code.

The Organization receives the majority its revenues from two basic sources: (1) donations from individuals, businesses, and churches, (2) investment income from its board-discretionary and donor-directed endowment funds. The ability of the Organization to sustain its current level of service is dependent upon the continued support of the general public and the return on its investment portfolio.

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (“US GAAP”), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization’s management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

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 statement of activities.

(Continued)

BETHEL BIBLE VILLAGE

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2021 AND 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Assets, Services, and In-Kind Contributions

Donated property, investments and other noncash donations are recorded as contributions at their estimated fair values at the date of donation. During the years ended December 31, 2021 and 2020, the Organization received \$266,307 and \$401,673, respectively, of in-kind donations and services which were recognized as contributions on the accompanying statements of activities.

A significant number of volunteers have donated their time to the Organization’s program services. However, those services are not professional in nature and do not meet the accounting pronouncement criteria which would require recognition of their value in the financial statements.

Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported support, revenues and expenses. Actual results could vary from the estimates that were used.

Property and Equipment

All purchased property and equipment that cost over \$1,000 are capitalized at cost. Property and equipment are recorded on the books at cost or fair market value at the date of donation and depreciated over their estimated useful lives on the straight-line method. Estimated useful lives are as follows:

Buildings and improvements	5-30 years
All other property and equipment	3-8 years

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period the promise is made. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Revenue Recognition

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers* (Topic 606). The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted the new standards effective April 1, 2019.

(Continued)

BETHEL BIBLE VILLAGE

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2021 AND 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Revenue Recognition (Continued)

The adoption of this ASU did not have a material impact on the Organization's financial statements. The Organization's revenue arrangements generally consist of a single performance obligation to transfer promised goods and services. Based on the Organization's evaluation process, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption.

Revenues from fees and special events are recognized at the time of the related program or event. Deposits for special events received in advance are recognized as a contract liability and deferred until the event occurs which represents the time at which the performance obligation is satisfied.

Cash and Cash Equivalents

For the purposes of the cash flow statement, the Organization considers all unrestricted, highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Presentation of Sales Tax

The state of Tennessee and counties within the state impose a sales tax on all of the Organization's thrift shop sales to non-exempt customers. The Organization collects that sales tax from customers and remits the entire amount to the state. The Organization's accounting policy is to exclude the tax collected and remitted to the state from revenue and cost of sales.

Investments

The Organization follows FASB Accounting Standards Codification ("ASC") 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the inputs used to measure fair value and enhances disclosure requirements for fair value measurements. FASB ASC 820 maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the transparency of inputs as follows:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of March 31. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

(Continued)

BETHEL BIBLE VILLAGE

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2021 AND 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of March 31. The nature of these securities includes investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.

Level 3 – Securities that have little to no pricing observability as of March 31. These securities are measured using management’s best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes “observable” requires significant judgment by the Organization. The Organization considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Organization’s perceived risk of that instrument.

Allowance for Doubtful Pledges and Estate Receivables

The Organization estimates losses on pledges and estate receivables based on prior bad debt experience and a review of existing receivables. Pledges and estates deemed uncollectible and bad debt recoveries are charged against the allowance account as realized. Based on management review of pledges and estate receivables, there is no allowance for doubtful pledges as of March 31, 2021 and 2020.

Advertising

Advertising costs are expensed as incurred. Advertising expense was \$4,946 and \$4,911 for the years ended March 31, 2021 and 2020, respectively.

Endowment

The Organization accounts for its endowment funds in accordance with FASB ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements for Not-for-Profit Entities*, which provides guidance on the net asset classification of donor-restricted endowment funds for not-for-profit organization’s endowment funds.

(Continued)

BETHEL BIBLE VILLAGE

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2021 AND 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Organization is exempt from federal and state taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is reflected in the financial statements.

Reclassification

Certain balances in the 2020 financial statements have been reclassified for comparative purposes to conform to the presentation in the 2021 financial statements. These reclassifications had no effect on total net assets.

NOTE 2 – AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at March 31, 2021:

Current financial assets at year-end:	
Cash and temporary cash investments	\$ 376,439
Accounts receivables	8,496
Other receivables	340
Unconditional promises to give	10,000
Investments	4,704,036
Accrued interest receivable	<u>924</u>
Total current financial assets	5,100,235
Less amounts not available to be used within one year:	
Contractual or donor-imposed restrictions:	
Restricted by donors with time or purpose restrictions	(930,278)
Board designations:	
Designated for discretionary retirement purposes	<u>(389,919)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,780,038</u>

As part of the Organization's cash management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization has approximately 159% of its estimated annual functional expenditures in assets available to meet expenditures over the next twelve months.

The Organization is substantially supported by contributions with and without restrictions, as well as, by sponsors and participants of the various events they host throughout the year. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors.

As described in Note 17, the donor-restricted endowment has a spending rate of 5%. Approximately \$110,000 of appropriations from the endowment will be available within the next 12 months.

BETHEL BIBLE VILLAGE

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2021 AND 2020

NOTE 3 – NET ASSETS WITH RESTRICTIONS

Net assets with restrictions represent donor-imposed time and purpose restrictions as to how and when the funds can be used such as restrictions requiring that the donated principal be maintained in permanent endowment funds. Only the income from such funds may be used to support program services.

NOTE 4 – THRIFT STORE

The Organization operates a thrift store in which it sells donated items to provide funds for operations and also to promote the Organization in the community. The fair value of the items at the time of donation is not readily determinable. Therefore, the Organization does not record the contribution of donated items to be sold in the thrift store. Revenue from sale of donated merchandise is recognized only upon sale to customers due to significant uncertainties about its value prior to sale. Sales are not a part of the Organization's ongoing major or central operations and activities. During the year ended March 31, 2021, the store was forced to close due to the global COVID-19 pandemic. As of March 31, 2021 the store has reopened and is returning to pre-pandemic sales levels. A summary of the activity for the years ended March 31, 2021 and 2020, follows:

	2021	2020
Sales	\$ 286,658	\$ 407,330
Expenses	<u>(282,609)</u>	<u>(302,925)</u>
Net	<u>\$ 4,049</u>	<u>\$ 104,405</u>

Advertising expense for the thrift store totaling \$342 and \$456 for the years ended March 31, 2021 and 2020, respectively.

NOTE 5 – FUNCTIONAL ALLOCATION EXPENSES

The costs of providing various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. All allocations are determined by management and allocated based on time and effort.

NOTE 6 – CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances at various financial institutions, whose accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Organization's balance on deposit at the banks may exceed \$250,000 from time to time throughout the year. At March 31, 2021 and 2020, the Organization did not have on deposit an amount in excess of the FDIC limit.

Additionally, the Organization places its investment fund with various bank trust departments. These funds, which approximate \$126,966 and \$268,910 at March 31, 2021 and 2020, respectively, are not federally insured and are subject to the market risk of the general U.S. economy.

BETHEL BIBLE VILLAGE

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2021 AND 2020

NOTE 7 – INVESTMENTS

Investments are recorded at fair market value and consist of the following as of March 31, 2021 and 2020:

March 31, 2021	Cost	Market
Mutual funds:		
Fixed income funds	\$ 809,827	\$ 799,668
Domestic small-cap securities	492,925	500,131
Domestic mid-cap securities	219,609	252,032
Domestic large-growth securities	1,757,826	2,032,562
Domestic bond funds	409,074	419,847
International bond funds	594,161	693,199
Other	<u>6,597</u>	<u>6,597</u>
	4,290,019	4,704,036
Cash and temporary investments	<u>376,439</u>	<u>376,439</u>
Total	<u>\$ 4,666,458</u>	<u>\$ 5,080,475</u>
March 31, 2020	Cost	Market
Mutual funds:		
Fixed income funds	\$ 288,772	\$ 295,561
Domestic small-cap securities	139,263	112,817
Domestic mid-cap securities	119,062	90,940
Domestic large-growth securities	1,457,346	1,401,828
Domestic bond funds	692,911	708,885
International bond funds	275,570	232,321
Other	<u>7,397</u>	<u>7,397</u>
	2,980,321	2,849,749
Cash and temporary investments	<u>492,612</u>	<u>492,612</u>
Total	<u>\$ 3,472,933</u>	<u>\$ 3,342,361</u>

The annual yields, exclusive of net capital gains, were 5.10% and 6.33% for the years ended March 31, 2021 and 2020, respectively. Total return on investments for the years ended March 31, 2021 and 2020, amounted to 33.12% and -6.57%, respectively.

Total return on investments for the year ended March 31, 2021 and 2020, consists of:

	2021	2020
Net realized capital gain (loss)	\$ 571,563	\$ (28,195)
Net unrealized capital gain (loss)	<u>507,811</u>	<u>(272,632)</u>
Total net gain (loss)	1,079,374	(300,827)
Interest and dividends	192,728	147,936
Investment fees	<u>(22,594)</u>	<u>(11,918)</u>
Total return	<u>\$ 1,249,508</u>	<u>\$ (164,809)</u>

(Continued)

BETHEL BIBLE VILLAGE

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2021 AND 2020

NOTE 7 – INVESTMENTS (Continued)

As stated in Note 1, the Organization accounts for its investments in securities according to the provisions of FASB ASC 820. A summary of the inputs used to value the Organization's investments, is as follows:

March 31, 2021	Fair Value Measurements Using:			
	Fair Value	(Level 1)	(Level 2)	(Level 3)
Mutual Funds:				
Fixed Income	\$ 799,668	\$ 799,668	\$ -	\$ -
Domestic Small-cap	500,131	500,131	-	-
Domestic Mid-cap	252,032	252,032	-	-
Domestic Large-growth	2,032,562	2,032,562	-	-
Domestic Bond Funds	419,847	419,847	-	-
International Bond Funds	693,199	693,199	-	-
Non-marketable investments	<u>6,597</u>	<u>-</u>	<u>-</u>	<u>6,597</u>
Total	<u>\$ 4,704,036</u>	<u>\$ 4,697,439</u>	<u>\$ -</u>	<u>\$ 6,597</u>

March 31, 2020	Fair Value Measurements Using:			
	Fair Value	(Level 1)	(Level 2)	(Level 3)
Mutual Funds:				
Fixed Income	\$ 295,561	\$ 295,561	\$ -	\$ -
Domestic Small-cap	112,817	112,817	-	-
Domestic Mid-cap	90,940	90,940	-	-
Domestic Large-growth	1,401,828	1,401,828	-	-
Domestic Bond Funds	708,885	708,885	-	-
International Bond Funds	232,321	232,321	-	-
Non-marketable investments	<u>7,397</u>	<u>-</u>	<u>-</u>	<u>7,397</u>
Total	<u>\$ 2,849,749</u>	<u>\$ 2,842,352</u>	<u>\$ -</u>	<u>\$ 7,397</u>

Real estate is classified within Level 3 of the fair value hierarchy due to their non-marketable fair market values. Real estate is valued and estimated at current year appraisals from outside third parties. Estimations are then filtered through significant management judgment as to the reasonability of the appraisals and listing price.

The valuation methods described above may produce a fair value amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the entity believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies to determine fair value could result in a different fair value measurement at the reporting date and that difference may be material to the entity's financial statements. A reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining fair value is as follows:

(Continued)

BETHEL BIBLE VILLAGE

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2021 AND 2020

NOTE 7 – INVESTMENTS (Continued)

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	2021	2020
Beginning balance	\$ 7,397	\$ 9,097
Net donations	-	6,375
Net sales	<u>(800)</u>	<u>(8,075)</u>
Ending balance	<u>\$ 6,597</u>	<u>\$ 7,397</u>

NOTE 8 – NET ASSETS

As of March 31, 2021 and 2020, net assets with restrictions consisted of the following:

	2021	2020
Passage of time		
Unconditional promise to give, net	\$ 10,000	\$ 15,000
Specific purpose		
Program purposes	151,574	185,726
Building projects	741	7,258
Endowment	<u>767,963</u>	<u>766,823</u>
Total	<u>\$ 930,278</u>	<u>\$ 974,807</u>

The funds restricted for endowment purposes are permanently restricted where only earnings on those funds can be used to support operations.

NOTE 9 – PROPERTY AND EQUIPMENT

A summary of property and equipment follows:

	2021	2020
Land and improvements	\$ 223,976	\$ 202,346
Buildings and improvements	4,953,640	4,939,098
Leasehold improvements	44,807	44,807
Furniture and fixtures	422,981	422,981
Equipment	1,411,864	1,333,524
Vehicles	205,811	205,811
Construction in process	<u>15,500</u>	<u>-</u>
	7,278,579	7,148,567
Less accumulated depreciation	<u>(6,274,258)</u>	<u>(6,115,276)</u>
	<u>\$ 1,004,321</u>	<u>\$ 1,033,291</u>

Depreciation expense was \$162,314 and \$168,198 for the years ended March 31, 2021 and 2020, respectively.

BETHEL BIBLE VILLAGE

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2021 AND 2020

NOTE 10 – COMPENSATED ABSENCES

Bethel Bible Village provides annual leave and sick leave for its employees. Annual leave is accrued according to length of service beginning the first month of service. The maximum number of days that can be earned depends on length of service. Employees may begin to use annual leave after six months of employment. Any employee who voluntarily leaves Bethel will be paid for unused vacation time in that year if he works a two-week notice period. Employees will receive one day per month of sick leave, which may be accumulated to a maximum of forty-five working days. This accumulated sick leave is not paid out upon employee termination. The Organization has not accrued compensated absences because employees cannot carry forward vacation time and therefore the liability at year-end would be immaterial.

NOTE 11 – RETIREMENT EXPENSE

On January 1, 2002, the Organization adopted a 403(b) Defined Contribution Pension Plan covering all employees who have met minimum service and age requirements. All eligible employees are allowed to make salary reduction contributions. The Organization matches a portion of participants' contribution to the plan. Upon the adoption of the 403(b) plan, Bethel froze their non-qualified deferred compensation plan which was setup to provide future retirement benefits for certain older, long-term employees who do not have many remaining working years to benefit from the 403(b) plan. This plan provides for a maximum of 55% of employee compensation, reduced by their social security benefits. Retirement expense consists of the following:

	2021	2020
403(b) contributions	\$ 30,853	\$ 25,970
Deferred compensation payout	34,469	34,469
Change in actuarial valuation of deferred compensation plan	<u>276</u>	<u>(4,696)</u>
Retirement expense	<u>\$ 65,598</u>	<u>\$ 55,743</u>

NOTE 12 – RELATED PARTY TRANSACTIONS

Bethel Bible Village occasionally purchases goods and services from companies whose owners or officers are related to Bethel trustees or to Bethel employees who serve in management positions. These transactions totaled \$121,531 for the year ended March 31, 2021. There were no such transactions for the year ended March 31, 2020.

BETHEL BIBLE VILLAGE

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2021 AND 2020

NOTE 13 – SPECIAL EVENTS

The Organization had multiple events this year to promote public awareness of the ministry. The costs of these events are completely covered by the proceeds. A summary of the activity for the events for the years ended March 31, 2021 and 2020, are as follows:

	2021	2020
Classic Weekend		
Unrestricted income	\$ 305,879	\$ 352,608
Direct expenses	<u>(51,551)</u>	<u>(58,851)</u>
Net	<u>\$ 254,328</u>	<u>\$ 293,757</u>
Run for Hope		
Unrestricted income	\$ 10,214	\$ 11,424
Direct expenses	<u>(2,965)</u>	<u>(3,657)</u>
Net	<u>\$ 7,249</u>	<u>\$ 7,767</u>
Anniversary Banquet		
Unrestricted income	\$ -	\$ 94,670
Direct expenses	<u>-</u>	<u>(10,094)</u>
Net	<u>\$ -</u>	<u>\$ 84,576</u>
Kickin for a Cause		
Unrestricted income	\$ -	\$ 10,163
Direct expenses	<u>-</u>	<u>(3,451)</u>
Net	<u>\$ -</u>	<u>\$ 6,712</u>
Total unrestricted income from special events	\$ 316,093	\$ 468,865
Total direct expenses from special events	<u>(54,516)</u>	<u>(76,053)</u>
Total net income	<u>\$ 261,577</u>	<u>\$ 392,812</u>

Additionally, in-kind contributions of \$26,026 and \$52,469 were received during the special events for the years ended March 31, 2021 and 2020, respectively.

NOTE 14 – LEASES

The Organization leases the premises for the thrift store under an operating lease which automatically extends every March through March 2024, with the monthly amounts increasing each year. The monthly payments for the fiscal year 2021 are \$5,235. Minimum obligations relative to this lease are as follows:

Year ending March 31,

2022	\$ 62,821
2023	63,460
2024	<u>64,095</u>
	<u>\$ 190,376</u>

(Continued)

BETHEL BIBLE VILLAGE

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2021 AND 2020

NOTE 14 – LEASES (Continued)

Rental expense relative to the above lease for the years ending March 31, 2021 and 2020, was \$63,132 and \$52,469, respectively.

During the year ended March 31, 2021, the Organization leased seven homes on their campus to private individuals. The Organization has an agreement with a management company (a related party) to manage these properties. Each of these leases is between the individuals and the management company. They are for a one-year time period with rent ranging from \$1,500 to \$2,000, due monthly.

NOTE 15 – INCOME TAXES

The Organization's federal tax returns for the years ended March 31, 2018 through March 31, 2021, are subject to examination by the IRS, generally for three years after they are filed.

NOTE 16 – ENDOWMENT

The Organization's endowment includes both restricted endowment funds and funds designated by the board of trustees to function as endowments. As required by US GAAP, net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Return Objectives and Risk Parameters

The primary financial objective of the endowment is to provide funds for the current and future support of the operation of the Organization. The funds' performance objective is to maximize total return consistent with a prudent level of risk to ensure long-term growth.

Interpretation of Relevant Law

The board of trustees of the Organization has interpreted the state of Tennessee's Uniform Prudent Management of Institutional Funds Act (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 Organization classifies as permanently restricted (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent 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 permanently restricted is classified as donor restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

(Continued)

BETHEL BIBLE VILLAGE

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2021 AND 2020

NOTE 16 – ENDOWMENT (Continued)

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

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization

Strategies Employed for Achieving Objectives

The board of trustees believe the most prudent way to minimize volatility of the total portfolio without foregoing significant investment return is through a program of broad diversification. Central to the achievement of this goal is the concept of investing in asset classes that demonstrate relatively low correlation to one another. These correlations and their total impact on the total portfolio will be reviewed on an annual basis by the board's investment committee to determine the effectiveness of the diversification program.

Spending Policy and How the Investment Objectives Relate to the Spending Policy

The Organization has a policy of appropriating for distribution up to 5% a year of its endowment fund's average fair value over the past 3 years at fiscal year-end preceding the fiscal year in which the distribution is planned, subject to approval of the board of trustees. Accordingly, over the long term, the Organization expects its endowment to grow at an average rate that is in excess of its appropriation. This is consistent with the Organization's objective of long-term growth of the endowment fund.

Spending Policy and How the Investment Objectives Relate to the Spending Policy

To satisfy its objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Funds with Deficiencies

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of March 31, 2021 and 2020.

(Continued)

BETHEL BIBLE VILLAGE

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2021 AND 2020

NOTE 16 – ENDOWMENT (Continued)

Endowment Net Asset Composition by Type of Fund as of March 31, 2021

	Unrestricted	Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 767,963	\$ 767,963
Board-designated endowment funds	<u>1,749,706</u>	<u>-</u>	<u>1,749,706</u>
Total funds	<u>\$ 1,749,706</u>	<u>\$ 767,963</u>	<u>\$ 2,517,669</u>

Changes in Endowment Net Assets for the Fiscal Year Ended March 31, 2021

	Unrestricted	Restricted	Total
Endowment net assets, beginning of year	\$ 1,181,998	\$ 766,823	\$ 1,948,821
Investment return, net	754,740	65,914	820,654
Appropriation of endowment assets for expenditure	<u>(187,032)</u>	<u>(64,774)</u>	<u>(251,806)</u>
Endowment net assets, end of year	<u>\$ 1,749,706</u>	<u>\$ 767,963</u>	<u>\$ 2,517,669</u>

Description of Amounts Classified as with Donor Restrictions (Endowment Only)

Net Assets with Donor Restrictions

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	<u>\$ 767,963</u>
Total endowment funds classified as permanently restricted	<u>\$ 767,963</u>

Endowment Net Asset Composition by Type of Fund as of March 31, 2020

	Unrestricted	Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 766,823	\$ 766,823
Board-designated endowment funds	<u>1,181,998</u>	<u>-</u>	<u>1,181,998</u>
Total funds	<u>\$ 1,181,998</u>	<u>\$ 766,823</u>	<u>\$ 1,948,821</u>

(Continued)

BETHEL BIBLE VILLAGE

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2021 AND 2020

NOTE 16 – ENDOWMENT (Continued)

Changes in Endowment Net Assets for the Fiscal Year Ended March 31, 2020

	Unrestricted	Restricted	Total
Endowment net assets, beginning of year – prior audit report	\$ 1,114,997	\$ 1,068,031	\$ 2,183,028
Reclassification	<u>541,568</u>	<u>(541,568)</u>	<u>-</u>
Endowment net assets, beginning of year – restated	1,656,565	526,463	2,183,028
Investment return, net	(143,368)	24,269	(119,099)
Transfers	-	212,000	212,000
Contributions	375,655	27,370	403,025
Appropriation of endowment assets for expenditure	<u>(706,854)</u>	<u>(23,279)</u>	<u>(730,133)</u>
Endowment net assets, end of year	<u>\$ 1,181,998</u>	<u>\$ 766,823</u>	<u>\$ 1,948,821</u>

Description of Amounts Classified as with Donor Restrictions (Endowment Only)

Net Assets with Donor Restrictions

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	<u>\$ 766,823</u>
Total endowment funds classified as permanently restricted	<u>\$ 766,823</u>

NOTE 17 – RISKS AND UNCERTAINTIES

During the year 2020, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Many industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. If the pandemic continues, it may have an adverse effect on the Organization's future operations, financial position, and liquidity.

BETHEL BIBLE VILLAGE

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2021 AND 2020

NOTE 18 – GOVERNMENT GRANTS

During the year, the Organization was eligible for and received loan funds totaling \$346,659 through the Paycheck Protection Program (“PPP”) operated by the U.S. Small Business Administration. Under the terms of this program, the loan may be forgiven if the funds were spent in accordance with the program. Subsequent to the balance sheet date, the Organization received notification from the SBA that the entire amount of the loan was forgiven. Therefore, these funds are included in the statement of activities as governmental grants totaling \$346,659 for the year ended March 31, 2021.

NOTE 19 – NEW ACCOUNTING PRONOUNCEMENTS

The FASB issued ASU 2016-02, *Leases* (Topic 842), in February 2016. ASU 2016-02 requires the recognition, by lessees, of assets and liabilities that arise from all lease transactions, except for leases with a lease term of 12 months or less. The lessee accounting model under ASU 2016-02 retains two types of leases: finance leases, which are to be accounted for in substantially the same manner as the existing accounting for capital leases, and operating leases, which are to be accounted for (both in the statement of activities and the statement of cash flows) in a manner consistent with existing accounting for operating leases. ASU 2016-02 also requires expanded qualitative and quantitative disclosures regarding the amount, timing, and uncertainty of cash flows arising from leases. ASU 2016-02 applies to the Organization’s financial statements for the year ending March 31, 2023, with earlier implementation permitted. The Organization’s management has not determined the impact on its financial statements as a result of implementing ASU 2016-02.

NOTE 20 – SUBSEQUENT EVENTS

Management has evaluated events and transactions subsequent to the balance sheet date through the date of the independent auditor’s report (the date the financial statements were available to be issued) for potential recognition or disclosure in the financial statements. Other than the matter noted in Note 19 related to the PPP loan forgiveness, management has not identified any other items requiring recognition or disclosure.