

BETHEL BIBLE VILLAGE

FINANCIAL REPORT

MARCH 31, 2022

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Independent Auditor's Report

To the Board of Trustees
Bethel Bible Village
Chattanooga, Tennessee

Opinion

We have audited the accompanying financial statements of Bethel Bible Village (a nonprofit corporation), which comprise the statement of financial position as of March 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the 2022 financial statements referred to above present fairly, in all material respects, the financial position of Bethel Bible Village as of March 31, 2022, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 Bethel Bible Village and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of Bethel Bible Village as of March 31, 2021, were audited by other auditors whose report dated June 30, 2021, expressed an unmodified opinion on those statements.

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 Bethel Bible Village'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 Bethel Bible Village'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 Bethel Bible Village'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.

Mauldin & Jenkins, LLC

Chattanooga, Tennessee
August 31, 2022

BETHEL BIBLE VILLAGE
STATEMENTS OF FINANCIAL POSITION
March 31, 2022 and 2021

| | 2022 | 2021 |
|---------------------------------------|------------------|------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 2,197,177 | \$ 376,439 |
| Accounts receivable, net | 3,883 | 8,496 |
| Investments | 4,535,658 | 4,704,036 |
| Due from charitable trusts | 10,000 | 10,000 |
| Other assets | 54,043 | 33,921 |
| Property and equipment, net | 1,310,341 | 1,004,321 |
| Total assets | \$ 8,111,102 | \$ 6,137,213 |
| LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 203,984 | \$ 105,567 |
| Unearned revenue | 117,250 | 71,950 |
| Deferred compensation | 188,504 | 197,853 |
| Total liabilities | 509,738 | 375,370 |
| NET ASSETS | | |
| Without donor restriction | 6,474,394 | 4,831,565 |
| With donor restriction | 1,126,970 | 930,278 |
| Total net assets | 7,601,364 | 5,761,843 |
| Total liabilities and net assets | \$ 8,111,102 | \$ 6,137,213 |

The Notes to Financial Statements are an integral part of these statements.

BETHEL BIBLE VILLAGE
STATEMENT OF ACTIVITIES
Year Ended March 31, 2022

| | <u>Without Donor Restriction</u> | <u>With Donor Restriction</u> | <u>Total</u> |
|--|--------------------------------------|-----------------------------------|---------------------|
| REVENUES, GAINS, AND OTHER SUPPORT | | | |
| Contributions and bequests | \$ 1,698,054 | \$ 407,395 | \$ 2,105,449 |
| Total contributions | 1,698,054 | 407,395 | 2,105,449 |
| Program fees | 76,993 | - | 76,993 |
| Special events, net of direct expenses | 265,279 | - | 265,279 |
| Investment income, net of investment expenses | 25,727 | 41,700 | 67,427 |
| Rental income | 116,214 | - | 116,214 |
| Thrift shop, net of direct expense | 127,800 | - | 127,800 |
| Gain on disposal of assets | 1,426,776 | - | 1,426,776 |
| Net assets released from restrictions | 252,403 | (252,403) | - |
| Total revenues, gains and other support | <u>3,989,246</u> | <u>196,692</u> | <u>4,185,938</u> |
| OPERATING EXPENSES | | | |
| Program services | 2,036,620 | - | 2,036,620 |
| General and administrative | 171,910 | - | 171,910 |
| Fundraising | 137,887 | - | 137,887 |
| Total operating expenses | <u>2,346,417</u> | <u>-</u> | <u>2,346,417</u> |
| Change in net assets | 1,642,829 | 196,692 | 1,839,521 |
| NET ASSETS, beginning of year | <u>4,831,565</u> | <u>930,278</u> | <u>5,761,843</u> |
| NET ASSETS, end of year | <u>\$ 6,474,394</u> | <u>\$ 1,126,970</u> | <u>\$ 7,601,364</u> |

The Notes to Financial Statements are an integral part of this statement.

BETHEL BIBLE VILLAGE
STATEMENT OF ACTIVITIES
Year Ended March 31, 2021

| | Without Donor Restriction | With Donor Restriction | Total |
|--|------------------------------|---------------------------|---------------------|
| REVENUES, GAINS, AND OTHER SUPPORT | | | |
| Contributions | \$ 2,235,757 | \$ 56,478 | \$ 2,292,235 |
| Grants | <u>346,659</u> | <u>-</u> | <u>346,659</u> |
| Total contributions and grants | 2,582,416 | 56,478 | 2,638,894 |
| Program fees | 52,254 | - | 52,254 |
| Special events, net of direct expenses | 261,577 | - | 261,577 |
| Investment income, net of investment expenses | 1,183,114 | 66,394 | 1,249,508 |
| Rental loss | (155,621) | - | (155,621) |
| Thrift shop, net of direct expenses | 4,049 | - | 4,049 |
| Loss on disposal of assets | (3,241) | - | (3,241) |
| Net assets released from restrictions | <u>167,401</u> | <u>(167,401)</u> | <u>-</u> |
| Total revenues, gains and other support | <u>4,091,949</u> | <u>(44,529)</u> | <u>4,047,420</u> |
| OPERATING EXPENSES | | | |
| Program services | 2,047,706 | - | 2,047,706 |
| General and administrative | 177,653 | - | 177,653 |
| Fundraising | <u>149,604</u> | <u>-</u> | <u>149,604</u> |
| Total operating 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 Notes to Financial Statements are an integral part of this statement.

BETHEL BIBLE VILLAGE
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended March 31, 2022

| | <u>Program Services</u> | <u>General and Administrative</u> | <u>Fundraising</u> | <u>Total</u> |
|--|-----------------------------|---------------------------------------|--------------------|--------------------|
| EXPENSES | | | | |
| Salaries and wages | \$1,022,415 | \$ 87,269 | \$ 93,952 | \$1,203,636 |
| Payroll taxes | 74,154 | 6,107 | 6,979 | 87,240 |
| Employee benefits | <u>196,839</u> | <u>16,210</u> | <u>18,526</u> | <u>231,575</u> |
| Total salaries and wages, payroll taxes, and employee benefits | 1,293,408 | 109,586 | 119,457 | 1,522,451 |
| In-kind expenses | 282,090 | - | - | 282,090 |
| Depreciation | 134,615 | 23,756 | - | 158,371 |
| Utilities | 71,254 | 2,063 | 1,688 | 75,005 |
| Facility maintenance | 67,379 | 1,951 | 1,596 | 70,926 |
| Insurance | 50,864 | 4,436 | 3,844 | 59,144 |
| Food | 26,148 | - | - | 26,148 |
| Miscellaneous | 20,187 | 3,780 | 417 | 24,384 |
| Telephone | 18,065 | 1,576 | 1,365 | 21,006 |
| Education | 31,188 | - | - | 31,188 |
| Training | 607 | 1,720 | 309 | 2,636 |
| Accounting fees | - | 14,876 | - | 14,876 |
| Promotion and communications | 6,000 | 2,603 | 5,990 | 14,593 |
| Printing and publications | 7,111 | 620 | 538 | 8,269 |
| Supplies | 6,998 | 611 | 529 | 8,138 |
| Advertising | 2,423 | - | 1,615 | 4,038 |
| Vehicle maintenance | 7,473 | 197 | 196 | 7,866 |
| Memberships | - | 3,735 | - | 3,735 |
| Hiring costs | 4,977 | 400 | 343 | 5,720 |
| Psychological services | 1,989 | - | - | 1,989 |
| Recreation | 3,463 | - | - | 3,463 |
| Doctors and medicine | <u>381</u> | <u>-</u> | <u>-</u> | <u>381</u> |
| Total functional expenses | <u>\$2,036,620</u> | <u>\$ 171,910</u> | <u>\$137,887</u> | <u>\$2,346,417</u> |

The Notes to Financial Statements are an integral part of this statement.

BETHEL BIBLE VILLAGE
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended March 31, 2021

| | Program Services | General and Administrative | Fundraising | Total |
|--|---------------------|-------------------------------|------------------|--------------------|
| EXPENSES | | | | |
| Salaries and wages | \$1,077,887 | \$ 85,544 | \$ 96,663 | \$1,260,094 |
| Payroll taxes | 77,878 | 6,413 | 7,330 | 91,621 |
| Employee benefits | <u>200,199</u> | <u>24,208</u> | <u>17,011</u> | <u>241,418</u> |
| Total salaries and wages, payroll taxes, and employee benefits | 1,355,964 | 116,165 | 121,004 | 1,593,133 |
| In-kind expenses | 266,307 | - | - | 266,307 |
| Depreciation | 137,967 | 24,347 | - | 162,314 |
| Utilities | 78,409 | 2,476 | 1,651 | 82,536 |
| Facility maintenance | 54,478 | 1,720 | 1,147 | 57,345 |
| Insurance | 49,659 | 1,568 | 1,045 | 52,272 |
| Food | 28,142 | - | - | 28,142 |
| Miscellaneous | 13,137 | 4,686 | 764 | 18,587 |
| Telephone | 17,723 | 560 | 373 | 18,656 |
| Education | 14,561 | - | - | 14,561 |
| Training | 998 | 1,540 | 12,000 | 14,538 |
| Accounting fees | - | 14,129 | - | 14,129 |
| Promotional 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 | 3,371 | - | 2,248 | 5,619 |
| 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 | <u>236</u> | <u>-</u> | <u>-</u> | <u>236</u> |
| Total functional expenses | <u>\$2,047,706</u> | <u>\$ 177,653</u> | <u>\$149,604</u> | <u>\$2,374,963</u> |

The Notes to Financial Statements are an integral part of this statement.

BETHEL BIBLE VILLAGE
STATEMENTS OF CASH FLOWS
Years Ended March 31, 2022 and 2021

| | 2022 | 2021 |
|---|-------------|-------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$1,839,521 | \$1,672,457 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation expense | 158,371 | 162,314 |
| (Gain) loss on sale of property and equipment | (1,426,776) | 3,241 |
| Net realized/unrealized (gains) losses on investments | 17,485 | (1,079,374) |
| Donated property and equipment | (11,577) | - |
| Change in operating assets and liabilities: | | |
| Accounts receivable | 4,613 | (3,673) |
| Promises to give | - | 15,000 |
| Accounts payable and accrued expenses | 98,417 | 28,282 |
| Deferred compensation | (9,349) | 276 |
| Unearned revenue | 45,300 | (28,200) |
| Other assets | (20,122) | 25,002 |
| | 695,883 | 795,325 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of investments | (5,238,255) | (5,392,297) |
| Proceeds from sales and of investments | 5,389,148 | 4,736,933 |
| Reinvested dividends and interest from investments | - | (119,549) |
| Proceeds from sales of fixed assets | 1,559,943 | - |
| Purchase of property and equipment | (585,981) | (136,585) |
| | 1,124,855 | (911,498) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 1,820,738 | (116,173) |
| CASH AND CASH EQUIVALENTS, beginning of year | 376,439 | 492,612 |
| CASH AND CASH EQUIVALENTS, end of year | \$2,197,177 | \$ 376,439 |

The Notes to Financial Statements are an integral part of these statements.

BETHEL BIBLE VILLAGE
NOTES TO FINANCIAL STATEMENTS
March 31, 2022 and 2021

Note 1. Summary of Significant Accounting Policies

The accounting and reporting policies of Bethel Bible Village (the Organization) conform with United States generally accepted accounting principles (GAAP). The Financial Accounting Standards Board (FASB) has adopted the FASB Accounting Standards Codification (ASC) as the single source of authoritative nongovernmental GAAP.

The policies that materially affect financial position and results of operations are summarized as follows:

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.

The Organization receives the majority its revenues from two basic sources: (1) donations from individuals, businesses, and churches, and (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:

To ensure observances of limitations and restrictions placed on the use of resources available to the Organization, resources are classified for accounting and financial reporting purposes into categories established according to their nature and purpose in the two categories as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor restrictions. The only limits on net assets without donor restrictions are those resulting from the nature of the Organization and its purposes.

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 passed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

BETHEL BIBLE VILLAGE
NOTES TO FINANCIAL STATEMENTS
March 31, 2022 and 2021

Note 1. Summary of Significant Accounting Policies (continued)

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition:

The Organization recognizes revenue in accordance with ASC 606, *Revenue from Contracts with Customers*, which affects contracts with customers to transfer goods or services and contracts for the transfer of non-financial assets (unless those contracts are within the scope of other standards). The core principle of this ASU is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services.

Revenues from grants, contributions, bequests, rental income, and investment income are outside the scope of ASC 606. The Organization's services that fall within the scope of ASC 606 include program fees, special events, and thrift shop. The Organization's revenue arrangements generally consist of a single performance obligation to transfer promised goods or services.

Revenues from program 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. Revenues from thrift shop sales are recognized at a point in time, which is the point at which the goods are delivered to the buyer.

Revenue is reported as increases in net assets without donor restriction unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gain and losses on investments and other assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor-imposed restrictions in net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions are recorded as revenue in the period received or upon the receipt of an unconditional promise to give. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

BETHEL BIBLE VILLAGE
NOTES TO FINANCIAL STATEMENTS
March 31, 2022 and 2021

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 March 31, 2022 and 2021, the Organization received \$293,667 and \$301,308, 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.

Cash and cash equivalents:

The Organization considers all cash and highly liquid investments with original maturities of three months or less to be cash equivalents.

Accounts receivable:

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through an adjustment to a valuation allowance based on its assessment of historical and expected net collections and business, economic conditions, and other collection indicators. Management's assessment is based primarily on a detailed review of historical collections. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. At March 31, 2022 and 2021, management considers all accounts receivable to be collectible and no reserve for uncollectible amounts has been recorded.

Investments:

Investments are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets. Fair values of marketable securities with readily determinable fair values are based on quoted market prices.

Property and equipment:

Property and equipment are recorded at cost and depreciated over the estimated useful lives of the respective classes of assets using the straight-line method of depreciation. Buildings and improvements are depreciated over periods of 5-30 years. All other property and equipment is depreciated over periods of 3-8 years. Expenditures for repairs and maintenance are charged to expense as incurred. Additions and improvements over \$1,000 that significantly extend the lives of assets are capitalized at cost.

BETHEL BIBLE VILLAGE
NOTES TO FINANCIAL STATEMENTS
March 31, 2022 and 2021

Note 1. Summary of Significant Accounting Policies (continued)

Functional expenses:

The costs of providing various programs and other activities for the Organization have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income tax status:

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose would be subject to taxation as unrelated business income.

The Organization accounts for income taxes in accordance with income tax accounting guidance in ASC Topic 740, *Income Taxes*. The Organization follows the accounting guidance for recognizing and measuring uncertain tax positions. The Organization follows the statutory requirements for its income tax accounting and generally avoids risks associated with potentially problematic tax positions that may be challenged upon examination. Management believes any liability resulting from taxing authorities imposing additional income taxes from activities deemed to be unrelated to the Organization's non-taxable status would not have a material effect on the Organization's financial statements. The Organization is subject to routine audits by taxing jurisdiction; however, there are currently no audits for tax periods in progress.

Advertising costs:

The Organization expenses all advertising costs as incurred. Advertising costs were \$4,038 and \$5,619 for the years ended March 31, 2022 and 2021, respectively.

Concentrations of credit risk:

Financial instruments that potentially subject the Organization to concentrations of credit and market risk consist principally of cash equivalents and investments. The Organization places its cash equivalents with financial institutions and limits the amount of credit exposure to any one financial institution. From time to time, the Organization's cash balances at financial institutions exceed federal depository insurance coverage and management considers this to be a normal business risk. At March 31, 2022, the Organization had balances that exceeded federal depository insurance coverage of approximately \$1.7 million. Subsequent to March 31, 2022, the Organization transferred approximately \$1.2 million of this amount to its unrestricted investment account. The Organization has not experienced any losses on its cash equivalents. The Organization's investments do not represent significant concentrations of market risk inasmuch as the Organization's investments are diversified among many issuers.

BETHEL BIBLE VILLAGE
NOTES TO FINANCIAL STATEMENTS
March 31, 2022 and 2021

Note 1. Summary of Significant Accounting Policies (continued)

Subsequent events:

The Organization has evaluated all transactions, events, and circumstances for consideration or disclosure through August 31, 2022, the date these financial statements were available to be issued and has reflected or disclosed those items within financial statements and related footnotes as deemed appropriate.

Reclassifications:

Certain reclassifications have been made to the 2021 financial statements to conform to the 2022 presentation. None of these reclassifications had an impact on net assets or changes in net assets.

Note 2. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year on the statements of financial position date, comprise of the following:

Current financial assets at year-end:

| | 2022 | 2021 |
|--|--------------|-------------|
| Cash and cash equivalents | \$ 2,197,177 | \$ 376,439 |
| Accounts receivable | 3,883 | 8,496 |
| Other receivables | - | 340 |
| Unconditional promises to give | 10,000 | 10,000 |
| Investments | 4,535,658 | 4,704,036 |
| Accrued interest receivable | 336 | 924 |
| Total current financial assets | 6,747,054 | 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 | (1,126,970) | (930,278) |
| Board designations: | | |
| Designated for discretionary retirement purposes | (372,528) | (389,919) |
| Financial assets available to meet cash needs for general expenditures within one year | \$ 5,247,556 | \$3,780,038 |

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In general, the Organization maintains sufficient assets on hand to meet 12 months of normal operating expenses.

BETHEL BIBLE VILLAGE
NOTES TO FINANCIAL STATEMENTS
March 31, 2022 and 2021

Note 2. Liquidity and Availability (continued)

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 discussed in Note 12, the donor-restricted endowment fund has a spending rate of 5%. Approximately \$38,000 of appropriations from the endowment will be available within the next 12 months.

Note 3. Investments

A summary of investments at March 31, 2022 and 2021 is as follows:

| | <u>2022</u> | | <u>2021</u> | |
|-------------------|--------------------|--------------------|--------------------|--------------------|
| | <u>Cost</u> | <u>Fair Value</u> | <u>Cost</u> | <u>Fair Value</u> |
| Mutual funds | \$4,452,598 | \$4,529,061 | \$4,283,422 | \$4,697,439 |
| Other investments | <u>6,597</u> | <u>6,597</u> | <u>6,597</u> | <u>6,597</u> |
| Total investments | <u>\$4,459,195</u> | <u>\$4,535,658</u> | <u>\$4,290,019</u> | <u>\$4,704,036</u> |

The following schedule summarizes the investment income and its classification in the statements of activities for the years ended March 31, 2022 and 2021:

| | <u>2022</u> | <u>2021</u> |
|---------------------------|------------------|--------------------|
| Dividends and interest | \$ 107,067 | \$ 192,728 |
| Realized gains (losses) | (337,553) | 507,811 |
| Unrealized gains (losses) | 320,068 | 571,563 |
| Investment expenses | <u>(22,155)</u> | <u>(22,594)</u> |
| Total investment income | <u>\$ 67,427</u> | <u>\$1,249,508</u> |

BETHEL BIBLE VILLAGE
NOTES TO FINANCIAL STATEMENTS
March 31, 2022 and 2021

Note 4. Property and Equipment

Property and equipment at March 31, 2022 and 2021, consists of the following:

| | 2022 | 2021 |
|-----------------------------------|--------------|--------------|
| Land and improvements | \$ 195,486 | \$ 223,976 |
| Buildings and improvements | 4,527,581 | 4,953,640 |
| Leasehold improvements | 44,807 | 44,807 |
| Furniture and fixtures | 388,479 | 422,981 |
| Equipment | 1,548,236 | 1,411,864 |
| Vehicles | 197,811 | 205,811 |
| Construction in process | 281,493 | 15,500 |
| | 7,183,893 | 7,278,579 |
| Accumulated depreciation | (5,873,552) | (6,274,258) |
| Total property and equipment, net | \$ 1,310,341 | \$ 1,004,321 |

At March 31, 2022, the estimated cost to complete construction in progress was approximately \$173,900.

Note 5. Lease Commitments

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. Minimum obligations relative to this lease are as follows:

Year Ending March 31,

| | |
|------|----------|
| 2023 | \$63,460 |
| 2024 | 64,095 |

Note 6. 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.

BETHEL BIBLE VILLAGE
NOTES TO FINANCIAL STATEMENTS
March 31, 2022 and 2021

Note 6. Retirement Expense (continued)

Retirement expense consists of the following:

| | 2022 | 2021 |
|--|----------|----------|
| 403(b) contributions | \$29,542 | \$30,853 |
| Deferred compensation payout | 34,469 | 34,469 |
| Change in actuarial valuation of deferred Compensation plan | (9,349) | 276 |
| Total retirement expense | \$54,662 | \$65,598 |

Note 7. 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, 2022, the store has reopened and is returning to pre-pandemic sales levels.

A summary of the activity for the years ended March 31, 2022 and 2021, follows:

| | 2022 | 2021 |
|----------|------------|------------|
| Sales | \$ 416,957 | \$ 286,658 |
| Expenses | (289,157) | (282,609) |
| | \$ 127,800 | \$ 4,049 |

Note 8. 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, 2022 and 2021, are as follows:

| | 2022 | 2021 |
|----------------------|-----------|-----------|
| Classic Weekend | | |
| Unrestricted revenue | \$318,548 | \$305,879 |
| Direct expenses | (59,015) | (51,551) |
| Net | 259,533 | 254,328 |

BETHEL BIBLE VILLAGE
NOTES TO FINANCIAL STATEMENTS
March 31, 2022 and 2021

Note 8. Special Events (continued)

| | 2022 | 2021 |
|----------------------------|-----------|-----------|
| Run for Hope | | |
| Unrestricted income | 9,309 | 10,214 |
| Direct expenses | (3,563) | (2,965) |
| Net | 5,746 | 7,249 |
| | | |
| Total unrestricted income | 327,857 | 316,093 |
| Total direct expenses | (62,578) | (54,516) |
| | | |
| Special events income, net | \$265,279 | \$261,577 |

Additionally, in-kind contributions of \$8,860 and \$26,026 were received during the special events for the years ended March 31, 2022 and 2021, respectively.

Note 9. Fair Value Measurements

ASC Topic 820, *Fair Value Measurements and Disclosures*, 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). The three levels of the fair value hierarchy under ASC Topic 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 Organization 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 or similar 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.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any 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.

BETHEL BIBLE VILLAGE

NOTES TO FINANCIAL STATEMENTS

March 31, 2022 and 2021

Note 9. Fair Value Measurements (continued)

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at March 31, 2022 and 2021.

Mutual funds: Valued at the net asset value of shares held by the Organization at year-end.

Other investments: Consists of real estate and is valued based on third party appraisals and are classified within Level 3. The appraisals are sometimes further discounted based on management's historical knowledge, and/or changes in market conditions from the date of the most recent appraisal.

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

The tables below present the recorded amount of assets measured at fair value on a recurring basis at March 31, 2022 and 2021:

| | Balance as of March 31, 2022 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Other Unobservable Inputs (Level 3) |
|---------------|------------------------------------|--|---|---|
| Mutual funds: | | | | |
| Large-cap | \$1,797,859 | \$1,797,859 | \$ - | \$ - |
| Mid-cap | 244,830 | 244,830 | - | - |
| Small-cap | 294,436 | 294,436 | - | - |
| International | 466,501 | 466,501 | - | - |
| Fixed income | 1,326,247 | 1,326,247 | - | - |
| Other | <u>405,785</u> | <u>399,188</u> | <u>-</u> | <u>6,597</u> |
| Total assets | <u>\$4,535,658</u> | <u>\$4,529,061</u> | <u>\$ -</u> | <u>\$6,597</u> |
| | | | | |
| | Balance as of March 31, 2021 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Other Unobservable Inputs (Level 3) |
| Mutual funds: | | | | |
| Large-cap | \$1,920,364 | \$1,920,364 | \$ - | \$ - |
| Mid-cap | 252,959 | 252,959 | - | - |
| Small-cap | 493,694 | 493,694 | - | - |
| International | 928,033 | 928,033 | - | - |
| Fixed income | 995,275 | 995,275 | - | - |
| Other | <u>113,711</u> | <u>107,114</u> | <u>-</u> | <u>6,597</u> |
| Total assets | <u>\$4,704,036</u> | <u>\$4,697,439</u> | <u>\$ -</u> | <u>\$6,597</u> |

BETHEL BIBLE VILLAGE

NOTES TO FINANCIAL STATEMENTS

March 31, 2022 and 2021

Note 9. Fair Value Measurements (continued)

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the period. For the years ended March 31, 2022 and 2021, there were no transfers in or out of Levels 1, 2 or 3.

Note 10. Net Assets Without Donor Restrictions

Net assets without donor restrictions are further classified in the statements of financial position as unrestricted or as board-designated endowments. Board-designated endowments are net assets designated solely by the Organization's Board of Trustees for endowment purposes and have been established for discretionary grants and the general operation of the Organization.

| | <u>2022</u> | <u>2021</u> |
|---|--------------------|--------------------|
| Board designated for: | | |
| Discretionary endowment purposes | \$ 394,039 | \$ 595,513 |
| Discretionary retirement | <u>372,528</u> | <u>389,919</u> |
| Total board-designated | 766,567 | 985,432 |
| Ministry property and equipment | 1,310,341 | 1,004,321 |
| Available for operations | <u>4,397,486</u> | <u>2,841,812</u> |
| Total net assets without donor restrictions | <u>\$6,474,394</u> | <u>\$4,831,565</u> |

Note 11. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at March 31, 2022 and 2021:

Subject to expenditure for specified purpose:

| | <u>2022</u> | <u>2021</u> |
|--|--------------------|------------------|
| Trusts and estates distributions | \$ 10,000 | \$ 10,000 |
| Programs | 354,290 | 151,574 |
| Building projects | <u>-</u> | <u>741</u> |
| Total subject to expenditure for specified purpose | 364,290 | 162,315 |
| Endowments | <u>762,680</u> | <u>767,963</u> |
| Total net assets with donor restrictions | <u>\$1,126,970</u> | <u>\$930,278</u> |

BETHEL BIBLE VILLAGE
NOTES TO FINANCIAL STATEMENTS
March 31, 2022 and 2021

Note 11. Net Assets With Donor Restrictions (continued)

Net assets with donor restrictions are included in cash and cash equivalents, investments, due from charitable trusts, and property and equipment.

During the years ended March 31, 2022 and 2021, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors as follows:

| | 2022 | 2021 |
|----------------------------------|-----------|-----------|
| Trusts and estates distributions | \$ - | \$ 5,000 |
| Programs | 53,988 | 153,384 |
| Building projects | 198,415 | 9,017 |
| | \$252,403 | \$167,401 |

Note 12. Endowments

The Organization's endowment includes both restricted endowment funds and funds designated by the board of trustees to function as endowments. As required by 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.

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 considers a fund to be underwater if the fair value of the fund is less than the sum of (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.

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.

BETHEL BIBLE VILLAGE
NOTES TO FINANCIAL STATEMENTS
March 31, 2022 and 2021

Note 12. Endowments (continued)

- (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.

Endowment net assets by type of fund consist of the following at March 31, 2022:

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--------------------------------------|---------------------------------------|------------------------------------|--------------------|
| Donor restricted endowment funds | \$ - | \$762,680 | \$762,680 |
| Board-designated endowment funds | <u>766,567</u> | <u>-</u> | <u>766,567</u> |
| Endowment net assets, end of year | <u>\$ 766,567</u> | <u>\$762,680</u> | <u>\$1,529,247</u> |

Changes in endowment net assets for the fiscal year ended March 31, 2022:

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|--------------------|
| Endowment net assets, beginning of year | \$ 985,432 | \$767,963 | \$1,753,395 |
| Investment income, net | 7,730 | 41,700 | 49,430 |
| Appropriations | <u>(226,595)</u> | <u>(46,983)</u> | <u>(273,578)</u> |
| Endowment net assets, end of year | <u>\$ 766,567</u> | <u>\$762,680</u> | <u>\$1,529,247</u> |

Endowment net assets by type of fund consist of the following at March 31, 2021:

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--------------------------------------|---------------------------------------|------------------------------------|--------------------|
| Donor restricted endowment funds | \$ - | \$767,963 | \$ 767,963 |
| Board-designated endowment funds | <u>985,432</u> | <u>-</u> | <u>985,432</u> |
| Endowment net assets, end of year | <u>\$ 985,432</u> | <u>\$767,963</u> | <u>\$1,753,395</u> |

BETHEL BIBLE VILLAGE
NOTES TO FINANCIAL STATEMENTS
March 31, 2022 and 2021

Note 12. Endowments (continued)

Changes in endowment net assets for the fiscal year ended March 31, 2021:

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|--------------------|
| Endowment net assets, beginning of year | \$1,655,754 | \$766,823 | \$2,442,577 |
| Investment income, net | 202,858 | 66,394 | 269,252 |
| Contributions | - | 150 | 150 |
| Transfers | (541,568) | - | (541,568) |
| Appropriations | <u>(331,612)</u> | <u>(65,404)</u> | <u>(397,016)</u> |
| Endowment net assets, end of year | <u>\$ 985,432</u> | <u>\$767,963</u> | <u>\$1,753,395</u> |

Underwater endowment funds:

From time to time, the fair value of assets associated with individual 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. At March 31, 2022 and 2021, there were no deficiencies of this nature.

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.

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.

Strategies employed for achieving objectives:

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.

BETHEL BIBLE VILLAGE
NOTES TO FINANCIAL STATEMENTS
March 31, 2022 and 2021

Note 12. Endowments (continued)

The Organization has a policy of appropriating for distribution up to 5 percent 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.

Note 13. Related Party Transactions

Bethel Bible Village occasionally purchases goods and services from companies whose owners or officers are Bethel trustees or relatives of trustees. These transactions totaled \$222,223 and \$121,531 for the years ended March 31, 2022 and 2021.

Note 14. Coronavirus COVID-19 Pandemic

The COVID-19 pandemic continues to impact the Organization. The outbreak is disrupting supply chains and affecting production and sales across a range of industries. The full impact on the Organization's operation and financial performance will depend on certain developments, including the duration and spread of the outbreak and the potential economic impacts.

During fiscal year 2021, 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 (SBA). Under the terms of this program, the loan may be forgiven if the funds were spent in accordance with the program. The Organization determined at March 31, 2021, that all requirements for forgiveness were met and therefore recognized grant revenue of \$346,659 for the year ended March 31, 2021. During fiscal year 2022, the Organization received notification from the SBA of full forgiveness of the proceeds.