

TRANSYLVANIA CHRISTIAN MINISTRY, INC.

BREVARD, NORTH CAROLINA

FINANCIAL STATEMENTS

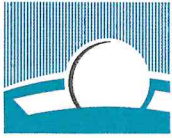
FOR THE YEAR ENDED DECEMBER 31, 2022

TRANSYLVANIA CHRISTIAN MINISTRY, INC.

DECEMBER 31, 2022

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MEMBER - AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER - NORTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Transylvania Christian Ministry, Inc.
Brevard, North Carolina

Opinion

We have audited the accompanying financial statements of Transylvania Christian Ministry, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 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 financial statements referred to above present fairly, in all material respects, the financial position of Transylvania Christian Ministry, Inc. as of December 31, 2022, and the changes in 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 Transylvania Christian Ministry, Inc. 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.

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 Transylvania Christian Ministry, Inc.'s ability to continue as a going concern within one year after the date 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 Transylvania Christian Ministry, Inc.'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 Transylvania Christian Ministry, Inc.'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.

Report on Summarized Comparative Information

We have previously audited Transylvania Christian Ministry, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 12, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Conbar & Addison, Inc.

Brevard, North Carolina
August 17, 2023

Financial Statements

TRANSYLVANIA CHRISTIAN MINISTRY, INC.
STATEMENT OF FINANCIAL POSTION
DECEMBER 31, 2022

(With Comparative Amounts as of December 31, 2021)

	Assets	
	<u>2022</u>	<u>2021</u>
Current Assets		
Cash and equivalents	\$ 1,254,016	\$ 889,528
Accounts receivable	4,854	5,201
Inventory	<u>54,056</u>	<u>52,511</u>
Total Current Assets	<u>\$ 1,312,926</u>	<u>\$ 947,240</u>
 Property and Equipment		
Land	\$ 34,894	\$ 34,894
Site improvements	71,785	31,935
Buildings and improvements	425,349	412,316
Furniture and equipment	<u>117,653</u>	<u>117,653</u>
Total	\$ 649,681	\$ 596,798
Less: Accumulated depreciation	<u>457,501</u>	<u>434,000</u>
Total Property and Equipment (net)	<u>\$ 192,180</u>	<u>\$ 162,798</u>
 Other Assets		
Investments	\$ 1,299,862	\$ 1,359,135
Beneficial interest in endowment fund	<u>333,384</u>	<u>386,623</u>
Total Other Assets	<u>\$ 1,633,246</u>	<u>\$ 1,745,758</u>
 Total Assets	 <u><u>\$ 3,138,352</u></u>	 <u><u>\$ 2,855,796</u></u>

Liabilities and Net Assets

	<u>2022</u>	<u>2021</u>
Current Liabilities		
Accounts payable	\$ 18,386	\$ 12,330
Accrued expenses	<u>3,269</u>	<u>3,150</u>
Total Current Liabilities	<u>\$ 21,655</u>	<u>\$ 15,480</u>
Total Liabilities	<u>\$ 21,655</u>	<u>\$ 15,480</u>
Net Assets		
Without donor restrictions		
Undesignated	\$ 1,632,342	\$ 1,455,116
Board designated	1,196,384	1,110,623
Investment in property and equipment	<u>192,180</u>	<u>162,798</u>
Total Without Donor Restrictions	\$ 3,020,906	\$ 2,728,537
With Donor Restrictions	<u>95,791</u>	<u>111,779</u>
Total Net Assets	<u>\$ 3,116,697</u>	<u>\$ 2,840,316</u>
Total Liabilities and Net Assets	<u><u>\$ 3,138,352</u></u>	<u><u>\$ 2,855,796</u></u>

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

TRANSYLVANIA CHRISTIAN MINISTRY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

(With Comparative Amounts for the Year Ended December 31, 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
Public Support				
Contributions	\$ 1,273,469	\$ 141,012	1,414,481	\$ 1,288,317
Federal, state, and local financial assistance	110,000		110,000	1,049
Grant income		179,003	179,003	130,144
	<u>\$ 1,383,469</u>	<u>\$ 320,015</u>	<u>\$ 1,703,484</u>	<u>\$ 1,419,510</u>
Other Revenue				
Investment income	\$ 36,199		\$ 36,199	\$ 18,159
Realized gains on investments	455		455	19,060
Unrealized gains on investments	(290,904)		(290,904)	84,090
	<u>\$ (254,250)</u>		<u>\$ (254,250)</u>	<u>\$ 121,309</u>
Net Assets Released from Restrictions				
Satisfaction of usage/time restrictions	\$ 336,003	\$ (336,003)		
	<u>\$ 1,465,222</u>	<u>\$ (15,988)</u>	<u>\$ 1,449,234</u>	<u>\$ 1,540,819</u>
Expenses				
Program services	\$ 935,907		\$ 935,907	\$ 747,215
Management and general	123,880		123,880	129,073
Fundraising	89,565		89,565	88,996
	<u>\$ 1,149,352</u>		<u>\$ 1,149,352</u>	<u>\$ 965,284</u>
Change in net assets before in-kind activity and depreciation	<u>\$ 315,870</u>	<u>\$ (15,988)</u>	<u>\$ 299,882</u>	<u>\$ 575,535</u>
In-Kind Activity and Depreciation				
In-kind contributions	\$ 617,453		\$ 617,453	\$ 647,367
In-kind expenses	(617,453)		(617,453)	(653,367)
Depreciation expense	(23,501)		(23,501)	(22,481)
	<u>\$ (23,501)</u>		<u>\$ (23,501)</u>	<u>\$ (28,481)</u>
Change in net assets after in-kind activity and depreciation	<u>\$ (23,501)</u>		<u>\$ (23,501)</u>	<u>\$ (28,481)</u>
Total change in net assets	<u>\$ 292,369</u>	<u>\$ (15,988)</u>	<u>\$ 276,381</u>	<u>\$ 547,054</u>
Net Assets at Beginning of Year	<u>2,728,537</u>	<u>111,779</u>	<u>2,840,316</u>	<u>2,293,262</u>
Net Assets at End of Year	<u>\$ 3,020,906</u>	<u>\$ 95,791</u>	<u>\$ 3,116,697</u>	<u>\$ 2,840,316</u>

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

**TRANSYLVANIA CHRISTIAN MINISTRY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022**

(With Comparative Amounts for the Year Ended December 31, 2021)

	Program Services	Management and General	Fund Raising	2022 Total	2021 Total
Salaries and Related Expenses					
Salaries	\$ 320,354	\$ 68,793	\$ 58,688	\$ 447,835	\$ 403,930
Payroll Taxes	24,608	5,284	4,508	34,400	31,248
Employee benefits	7,390	1,826	1,606	10,822	7,999
Total Salaries and Related Expenses	\$ 352,352	\$ 75,903	\$ 64,802	\$ 493,057	\$ 443,177
Other Operating Expenses					
Advertising, marketing, and community relations	\$ 180		\$ 2,095	\$ 2,275	\$ 3,376
Assistance to individuals	515,283			515,283	394,530
Bank service charges	673	\$ 13,755	140	14,568	12,217
Contract services	2,000		3,000	5,000	2,000
Copier expense	3,371			3,371	3,285
Dues and subscriptions	325	690		1,015	1,750
Facility repairs and maintenance	33,221	511		33,732	27,808
Information technology	9,362	1,847	810	12,019	13,061
Insurance		10,134		10,134	9,226
Licenses, fees, and permits		202	2,319	2,521	3,975
Office supplies	1,429	194	5	1,628	1,698
Printing and postage	897	243	16,394	17,534	18,671
Professional fees		10,400		10,400	9,900
Staff and board development	153	8,413		8,566	2,040
Telephone and internet	4,886			4,886	5,107
Utilities	10,631			10,631	9,864
Vehicle expense	1,144			1,144	2,032
Volunteer expense		1,588		1,588	1,567
Total Other Operating Expenses	\$ 583,555	\$ 47,977	\$ 24,763	\$ 656,295	\$ 522,107
In-Kind Contributions Utilized and Depreciation Expense					
Food, vehicles, and other assistance	\$ 617,453			\$ 617,453	\$ 653,367
Depreciation	23,501			23,501	22,481
Total In-Kind and Depreciation	\$ 640,954			\$ 640,954	\$ 675,848
Total Expenses	\$ 1,576,861	\$ 123,880	\$ 89,565	\$ 1,790,306	\$ 1,641,132

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

TRANSYLVANIA CHRISTIAN MINISTRY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

(With Comparative Amounts for the Year Ended December 31, 2021)

	2022	2021
Cash Flows from Operating Activities		
Change in Net Assets	\$ 276,381	\$ 547,054
Noncash Items Included in Change in Net Assets		
Depreciation	23,501	22,481
Changes in Operating Assets and Liabilities		
Accounts receivable	347	743
Inventory	(1,545)	(8,824)
Accounts payable	6,056	(23,771)
Accrued expenses	119	210
	<u>\$ 304,859</u>	<u>\$ 537,893</u>
Cash Flows from Investing Activities		
Acquisition of property and equipment	\$ (52,883)	\$ (32,382)
(Increase) decrease in investments and beneficial interest in endowment fund	112,512	(910,328)
	<u>\$ 59,629</u>	<u>\$ (942,710)</u>
Net Increase (Decrease) in Cash	\$ 364,488	\$ (404,817)
Cash and Equivalents, Beginning of Year	<u>889,528</u>	<u>1,294,345</u>
Cash and Equivalents, End of Year	<u>\$ 1,254,016</u>	<u>\$ 889,528</u>

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

**TRANSYLVANIA CHRISTIAN MINISTRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Note 1 - Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

Transylvania Christian Ministry, Inc., also known as Sharing House, was founded in 1981, as a non-profit corporation in the State of North Carolina, with its principal office in Brevard, North Carolina and exists to offer multiple services with one goal: to serve and empower those on the transformative journey to self-sufficiency.

Transylvania Christian Ministry, Inc. (the Organization) is a faith based, cooperative ministry of area congregations, individuals and businesses, who together believe that they can do more collectively than one congregation can do alone. The Organization is a source of compassion and crisis assistance for low income residents of Transylvania County, North Carolina, providing basic necessities of life with food, clothing, household goods, and financial assistance. The Organization provides self-sufficiency programming to support people striving towards self-sufficiency.

Basis of Accounting

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

FASB Accounting Standards Codification

In June 2009, the Financial Accounting Standards Board (FASB) issued a statement titled *The Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles* (ASC). This standard establishes FASB ASC as the source of authoritative United States accounting and reporting standards for nongovernmental entities. References made to generally accepted accounting principles (GAAP) in these financial statements refer to the ASC.

Financial Statement Presentation

On August 18, 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classifications, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return.

**TRANSYLVANIA CHRISTIAN MINISTRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Note 1 - Nature of Activities and Summary of Significant Accounting Policies (continued)

Financial Statement Presentation (continued)

Information regarding its financial position and activities are grouped according to two classes of net assets, net assets without donor restrictions and net assets with donor restrictions. The two classes of net assets are defined as follows:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions are those net assets whose use is not limited or restricted by donors. They generally arise as a result of exchange transactions, contributions without restrictions, or contributions with restrictions whose restrictions have expired due to time and/or purpose requirements being met. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net assets without donor restrictions are classified as follows in the Statement of Financial Position:

Undesignated – Net assets without donor restrictions that are not subject to any stipulations or designations.

Board Designated – Net assets without donor restrictions that have been designated by the Organization's Board for specific purposes.

Investment in Property and Equipment – Net assets without donor restrictions that are designated and consist of the investment in property and equipment, net of accumulated depreciation.

Net Assets With Donor Restrictions

Net assets that are subject to restrictions 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, where the donor has stipulated the funds be maintained in perpetuity. However, these net assets with donor restrictions generally do not get reclassified since by definition, the donor imposed stipulation to treat the contribution as with donor restrictions results in the restriction never expiring.

The Organization held no assets with donor restrictions of a perpetual nature as of December 31, 2022 and 2021, respectively.

**TRANSYLVANIA CHRISTIAN MINISTRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Note 1 - Nature of Activities and 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 at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Comparative Information

The financial statements include certain prior year summarized information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

Fair Value Measurements and Disclosures

The Organization discloses, for each class of financial instrument, the method used and the significant assumptions made in determining the fair value of financial assets and/or liabilities. If there is a change in the valuation method, then the Organization discloses both the change and the reason for the change.

The Organization estimates the fair value of all financial instruments and those estimates do not materially differ from the aggregate carrying values of the financial instruments as recorded in the Statement of Financial Position.

The estimated fair value amounts have been determined using available market information and appropriate valuation methodologies.

Cash and Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents are carried at cost, which approximates fair value.

Inventories

Inventory consists of donated food and vehicles. Inventories of food are based on a price per pound amount determined by Feeding America, a nationally recognized food bank network. Average wholesale values of \$1.92 and \$1.79 per pound have been used by the Organization for valuation purposes for the years ended December 31, 2022 and 2021, respectively. Donated vehicles on hand as of December 31, 2022 and 2021 are based on estimated fair values.

TRANSYLVANIA CHRISTIAN MINISTRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

Note 1 - Nature of Activities and Summary of Significant Accounting Policies (continued)

Property and Equipment

It is the Organization's policy to capitalize property and equipment over \$2,500. Lesser amounts are expensed. Acquisitions of property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Equipment and furniture are being depreciated over estimated useful lives of five to fifteen years and buildings and improvements are being depreciated over estimated useful lives of 15 to 40 years. All property and equipment are being depreciated using the straight-line method.

Leases

The Organization has adopted new guidance, issued by the Financial Accounting Standards Board, that created Topic 842, *Leases*. The new guidance recognizes assets and liabilities that arise from leases, except for short-term leases of twelve months or less. This standard is effective for periods beginning after December 15, 2021. If applicable, implementation of Topic 842 is presented retrospectively at the beginning of the period of adoption and no adjustment to prior year financial statements is required. Management has determined that there is no material effect of Topic 842 on the Organization's financial position and no amounts have been recorded as a result of adoption of this guidance.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

TRANSYLVANIA CHRISTIAN MINISTRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

Note 1 - Nature of Activities and Summary of Significant Accounting Policies (continued)

Beneficial Interest in Endowment Fund

The Organization has a current beneficial interest in a fund held and managed by the Community Foundation of Western North Carolina (the Foundation). The Foundation is the legal owner of the fund but in accordance with ASC, if a community foundation accepts a contribution from an agency and agrees to transfer those assets, the return on investment of those assets or both back to the agency, then those contributions are to be reported as an asset on the financial statements of the agency, in this case the Organization.

The Board of Directors of the Foundation maintains a variance power over the organizational endowment held for the benefit of the Organization and maintained by the Foundation. This variance power gives the board of directors of a community foundation the power to modify any restriction or condition on the distribution of funds for any specified charitable purpose or to a specified organization if, in the sole judgment of the board of the foundation, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served.

Contributions and Donor Restrictions

In June 2018, the Financial Accounting Standards Board issued ASU 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard clarified and improved guidance in evaluating whether a nonprofit is receiving a contribution, a nonreciprocal transaction, or as an exchange transaction under the guidance of ASC 606. The updated guidance also provides an improved framework for determining whether a contribution is conditional or unconditional. ASU 2018-08 has been adopted by the Organization.

Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence or nature of any donor restrictions. Grants and other contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restrictions are reported as an increase in net assets with donor restrictions. When a restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as *Net assets released from restrictions*.

TRANSYLVANIA CHRISTIAN MINISTRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

Note 1 - Nature of Activities and Summary of Significant Accounting Policies (continued)

Support and Revenue Sources

The Organization receives support from multiple sources that include grant agreements with other non-profit organizations, foundations, and governmental entities; individual contributions are also received.

Contributed Services and Materials

Contributed services that create or enhance nonfinancial assets or require specialized skills and are provided by individuals possessing those skills are to be recognized as support. During the 2022 and 2021 years the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with its specific program activities. The Organization is supported by 235 volunteers and 221 volunteers in the 2022 and 2021 years, respectively, serving in various capacities.

In addition, contributed food, personal care items, and vehicles are reflected as in-kind contributions in the accompanying financial statements at their estimated fair value at the date received.

Functional Allocation of Expenses

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

Income Tax Status

The Organization is a non-profit corporation exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and related state law, and classified by the Internal Revenue Service as other than a private foundation. Accordingly, the accompanying financial statements do not reflect a provision or liability for federal or state income taxes.

The Organization has determined that it does not have any material unrecognized tax benefits or obligations as of December 31, 2022 and 2021. The years ended on or after December 31, 2019 remain open and subject to examination by federal and state tax authorities.

**TRANSYLVANIA CHRISTIAN MINISTRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Note 2 - Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of the Statement of Financial Position date, reduced by amounts not available for general use because of contractual or donor imposed restrictions within one year of the Statement of Financial Position date.

	2022	2021
Financial assets at year end		
Cash and equivalents	\$ 1,254,016	\$ 889,528
Accounts receivable	4,854	5,201
Investments	1,299,862	1,359,135
Beneficial interest in endowment fund	333,384	386,623
Total Financial Assets	\$ 2,892,116	\$ 2,640,487
Less those unavailable for general expenses within one year, due to:		
Financial assets with board designations	1,196,384	1,110,623
Financial assets with donor restrictions	95,791	111,779
Financial assets available to meet cash needs for general expenses within one year	\$ 1,599,941	\$ 1,418,085

Note 3 – Inventory

Inventory at December 31, 2022 and 2021 consists of the following:

	2022	2021
Food	\$ 54,056	\$ 52,511

**TRANSYLVANIA CHRISTIAN MINISTRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Note 4 - Property and Equipment

Property and equipment at December 31, 2022 and 2021 is comprised of the following:

	<u>2022</u>	<u>2021</u>
Land	\$ 34,894	\$ 34,894
Land Improvements	71,785	31,935
Buildings and improvements	425,349	412,316
Furniture and Equipment	<u>117,653</u>	<u>117,653</u>
 Total	 \$ 649,681	 \$ 596,798
Less: Accumulated Depreciation	<u>(457,501)</u>	<u>(434,000)</u>
 Total property and equipment	 <u>\$ 192,180</u>	 <u>\$ 162,798</u>

Depreciation expense totaled \$23,501 and \$22,481 for the years ended December 31, 2022 and 2021, respectively.

Note 5 – Fair Value Measurements

The Organization follows ASC 820 *Fair Value Measurements and Disclosures* which establishes a fair value hierarchy to increase consistency and comparability in reporting fair value measurements and related disclosures. The fair value hierarchy is based on the inputs to valuation techniques used to measure fair value and are classified as either observable or unobservable. Observable inputs reflect assumptions market participants would use in valuing an asset or liability based on market data obtained from independent sources while unobservable inputs reflect a reporting entity's valuations based upon its own market assumptions. The fair value hierarchy consists of the following three levels:

- *Level 1:* Inputs are quoted prices in active markets for identical assets or liabilities.
- *Level 2:* Inputs are quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable, and market-corroborated inputs which are derived principally from or corroborated by observable market data.
- *Level 3:* Inputs are derived from valuation techniques in which one or more significant inputs or value drivers are unobservable.

TRANSYLVANIA CHRISTIAN MINISTRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

Note 5 – Fair Value Measurements (continued)

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.

The Organization does not have any financial assets or liabilities measured at fair value on a recurring basis categorized as Level 2, and there were no transfers in or out of Level 2 during the years ended December 31, 2022 and 2021, respectively.

There were no changes during the years ended December 31, 2022 and 2021 to the Organization's valuation techniques used to measure asset fair values on a recurring basis.

The following table sets forth by level within the fair value hierarchy the Organization's financial assets accounted for at fair value on a recurring basis as of December 31, 2022 and 2021. Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of the fair value of assets and their placement within the fair value hierarchy levels.

The fair value of the Organization's financial instruments consist of an investment account classified as Level 1 with balances of \$1,299,862 and \$1,359,135 at December 31, 2022 and December 31, 2021, respectively. The beneficial interest in an endowment fund is classified as Level 3 with balances of \$333,384 and \$386,623 at December 31, 2022 and December 31, 2021, respectively.

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Note 5 – Fair Value Measurements (continued)

A reconciliation of changes in Level 1 and Level 3 inputs is as follows:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Inputs, beginning of year	\$ 1,359,135	\$ 386,623	\$ 1,745,758
Contributions and transfers	160,000	750	160,750
Investment income, net of fees and withdrawals	14,143	(303)	13,840
Realized gains (losses)	209	(65)	144
Unrealized gains (losses)	<u>(233,625)</u>	<u>(53,621)</u>	<u>(287,246)</u>
Inputs, end of year	<u>\$ 1,299,862</u>	<u>\$ 333,384</u>	<u>\$ 1,633,246</u>

Assets at Fair Value as of December 31, 2021

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Inputs, beginning of year	\$ 462,563	\$ 372,867	\$ 835,430
Contributions and transfers	821,360	(20,630)	800,730
Investment income, net of fees and withdrawals	7,386	(914)	6,472
Realized gains (losses)	685	18,351	19,036
Unrealized gains (losses)	<u>67,141</u>	<u>16,949</u>	<u>84,090</u>
Inputs, end of year	<u>\$ 1,359,135</u>	<u>\$ 386,623</u>	<u>\$ 1,745,758</u>

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Note 6 - Net Assets

The Organization's Board of Directors has chosen to place the following limitations on net assets without donor restrictions:

	2022	2021
Undesignated	\$ 1,632,342	\$ 1,455,116
Board Designated:		
Reserve	863,000	724,000
Quasi endowment	333,384	386,623
Investment in property and equipment	192,180	162,798
Total	\$ 3,020,906	\$ 2,728,537

Net assets are released from donor restrictions by meeting time restrictions or by incurring expenses satisfying the purpose restrictions specified by donors. Net assets with donor restrictions at December 31, 2022 were \$95,791 and at December 31, 2021 were \$111,779.

Note 7 – In-Kind Contributions

In-kind contributions by category include the following:

	2022	2021
Food	\$ 603,053	\$ 643,865
Vehicles	14,400	3,502
Total In-Kind Contributions	\$ 617,453	\$ 647,367

In addition to the above recognized in-kind contributions, the Organization benefits from contributions of clothing and household goods which do not have a readily determinable fair value and, therefore are not recognized as contributions in the financial statements. However, these in-kind contributions are significant to the operations of the Organization and its mission. For the 2022 and 2021 years, approximately 12,244 and 6,190 pounds, respectively, of clothing and household items were provided to clients and other similar agencies.

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Note 8 - Summary Disclosure of Significant Commitments and Contingencies

Risk Management

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; employees and natural disasters. The Organization carries commercial insurance for risks related to workers' compensation, employee and director liability; and property and casualty insurance for risks related to theft, fire and other natural disasters. Settlement amounts have not exceeded insurance coverage for the 2022 and 2021 years, respectively.

Subsequent Events

Subsequent events have been evaluated through August 17, 2023, which is the date the financial statements were available to be issued.