

*Financial statements of:*

**UNITY CHURCH OF ST. PAUL**

Years ended  
December 31, 2022 and 2021

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## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Trustees  
Unity Church of St. Paul  
St. Paul, Minnesota

We have reviewed the accompanying financial statements of Unity Church of St. Paul (the Church), which comprise the statement of financial position as of December 31, 2022 and 2021, the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **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 the financial statements that are free from material misstatement whether due to fraud or error.

### **Accountant's Responsibility**

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of the Church and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

## Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

*Schechter Dokken Kanter  
Andrews & Selzer Ltd.*

May 18, 2023  
Minneapolis, MN

**UNITY CHURCH OF ST. PAUL**

(See Independent Accountant's Review Report)

## STATEMENTS OF FINANCIAL POSITION

DECEMBER 31

	<u>2022</u>	<u>2021</u>		<u>2022</u>	<u>2021</u>
<b>Assets:</b>			<b>Liabilities and net assets:</b>		
Current assets:			Current liabilities:		
Cash and cash equivalents	\$ 673,940	\$ 625,099	Accounts payable	\$ 27,862	\$ 15,935
Pledges receivable current portion of:			Accrued expenses	58,254	65,291
Operating pledges, net	1,069,120	1,135,174	Current portion of long term debt	115,881	109,602
Capital pledges, net	175,728	183,448			
Other receivables	46,996	38,647			
Prepaid expenses	11,024	23,783			
Total current assets	<u>1,976,808</u>	<u>2,006,151</u>	Total current liabilities	<u>201,997</u>	<u>190,828</u>
Property and equipment:			Long-term debt, net of current portion	<u>603,648</u>	<u>748,290</u>
Land and land improvements	195,011	195,011			
Buildings and building improvements	11,707,996	11,694,675	Total liabilities	<u>805,645</u>	<u>939,118</u>
Equipment	1,251,870	1,225,864			
Artwork	12,000	12,000			
	<u>13,166,877</u>	<u>13,127,550</u>	Net assets:		
Less accumulated depreciation	<u>5,483,686</u>	<u>5,222,352</u>	Without donor restrictions:		
	<u>7,683,191</u>	<u>7,905,198</u>	Undesignated	6,367,328	6,535,513
			Board-designated for racial justice	445,832	564,881
Other assets:					
Operating pledges, long-term	467,650	634,955	Total without donor restrictions	6,813,160	7,100,394
Capital pledges, long-term	107,474	116,922			
Investments	2,057,567	2,614,321	With donor restrictions	5,220,498	5,925,021
St. Paul Foundation holdings	142,079	163,745			
Beneficial interest in perpetual trust	404,534	523,241	Total net assets	<u>12,033,658</u>	<u>13,025,415</u>
	<u>3,179,304</u>	<u>4,053,184</u>			
			Total liabilities and net assets	<u>\$ 12,839,303</u>	<u>\$ 13,964,533</u>
Total assets	<u>\$ 12,839,303</u>	<u>\$ 13,964,533</u>			

See notes to financial statements.

**UNITY CHURCH OF ST. PAUL**

(See Independent Accountant's Review Report)

## STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

YEARS ENDED DECEMBER 31

	2022			2021		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenues and support:						
Pledges and gifts	\$ 479,311	\$ 1,427,904	\$ 1,907,215	\$ 330,133	\$ 1,712,379	\$ 2,042,512
Sunday collections	32,423	163,054	195,477	30,889	110,267	141,156
Program fees	51,013		51,013	18,378		18,378
Investment (loss) income	(94,173)	(392,073)	(486,246)	175,281	407,465	582,746
Change in value of:						
St. Paul Foundation holdings	-	(21,666)	(21,666)	-	21,924	21,924
Diether perpetual trust	-	(118,707)	(118,707)	-	1,083	1,083
Rental income	39,419	-	39,419	38,336	-	38,336
Unity consulting income	32,305	-	32,305	47,582	-	47,582
Miscellaneous income	13,796	-	13,796	19,547	-	19,547
Net assets released from restrictions	1,763,035	(1,763,035)	-	1,737,550	(1,737,550)	-
Total revenues and support	<u>2,317,129</u>	<u>(704,523)</u>	<u>1,612,606</u>	<u>2,397,696</u>	<u>515,568</u>	<u>2,913,264</u>
Expenses:						
Program	2,295,359		2,295,359	2,073,151		2,073,151
Management and general	239,140		239,140	338,106		338,106
Fundraising	69,864		69,864	79,737		79,737
Total expenses	<u>2,604,363</u>		<u>2,604,363</u>	<u>2,490,994</u>		<u>2,490,994</u>
Change in net assets	(287,234)	(704,523)	(991,757)	(93,298)	515,568	422,270
Net assets, beginning	<u>7,100,394</u>	<u>5,925,021</u>	<u>13,025,415</u>	<u>7,193,692</u>	<u>5,409,453</u>	<u>422,270</u>
Net assets, ending	<u>\$ 6,813,160</u>	<u>\$ 5,220,498</u>	<u>\$ 12,033,658</u>	<u>\$ 7,100,394</u>	<u>\$ 5,925,021</u>	<u>\$ 13,025,415</u>

See notes to financial statements.

**UNITY CHURCH OF ST. PAUL**

(See Independent Accountant's Review Report)

## STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (991,757)	\$ 422,270
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	261,334	302,053
Donated investments	(2,212)	(6,920)
Loss on sale of property	-	10,859
Donor contributions restricted into perpetuity	-	1,102
Unrealized loss (gain) on investments	724,237	(149,330)
Change in value of:		
St. Paul Foundation holdings	21,666	(21,924)
Beneficial interest in perpetual trust	118,707	(1,083)
Decrease (increase) in assets:		
Pledges receivable	250,527	27,082
Other receivables	(8,349)	(26,354)
Prepaid expenses	12,759	(11,243)
Increase (decrease) in liabilities:		
Accounts payable	11,927	(12,804)
Accrued expenses	(7,037)	(8,035)
Security deposits	-	(1,875)
Net cash provided by operating activities	<u>391,802</u>	<u>523,798</u>
Cash flows from investing activities:		
Purchase of:		
Property and equipment	(39,327)	(82,744)
Investments	(205,271)	(556,933)
Proceeds from investments	40,000	20,000
Net cash used in investing activities	<u>(204,598)</u>	<u>(619,677)</u>
Cash flows from financing activities:		
Payments on long-term debt	(138,363)	(198,204)
Donor contributions restricted into perpetuity	-	(1,102)
Net cash used in financing activities	<u>(138,363)</u>	<u>(199,306)</u>
Net increase (decrease) in cash	48,841	(295,185)
Cash and cash equivalents, Beginning	<u>625,099</u>	<u>920,284</u>
Cash and cash equivalents, Ending	<u>\$ 673,940</u>	<u>\$ 625,099</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 30,208</u>	<u>\$ 43,045</u>

See notes to financial statements.

**UNITY CHURCH OF ST. PAUL**

(See Independent Accountant's Review Report)

## STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31

	2022				2021			
	Program	Management and general	Fundraising	Total	Program	Management and general	Fundraising	Total
Salaries	\$ 763,862	\$ 130,836	\$ 50,360	\$ 945,058	\$ 735,909	\$ 168,222	\$ 51,385	\$ 955,516
Payroll taxes and benefits	264,409	14,573	7,380	286,362	184,136	42,303	10,086	236,525
Total salaries and related expenses	1,028,271	145,409	57,740	1,231,420	920,045	210,525	61,471	1,192,041
Program expenses	573,361	6,637	5,951	585,949	437,418	43,327	11,372	492,117
Interest	28,866	1,104	238	30,208	41,133	1,573	339	43,045
Other professional fees	85,638	28,067	1	113,706	66,773	21,610	2	88,385
Utilities	80,991	2,531	609	84,131	69,714	2,282	549	72,545
Unity consulting fees	27,524	-	-	27,524	37,585	-	-	37,585
Dues and subscriptions	70,899	-	-	70,899	67,221	-	-	67,221
Professional development	8,198	311	365	8,874	9,896	2,271	672	12,839
Repairs and maintenance	49,667	1,458	351	51,476	63,864	1,822	439	66,125
Supplies	34,465	10,290	1,173	45,928	19,856	8,313	1,262	29,431
Insurance	38,085	1,331	320	39,736	30,688	1,072	258	32,018
Bank fees	-	17,426	-	17,426	-	19,228	-	19,228
Telephone and communication	11,108	1,896	632	13,636	10,727	1,909	637	13,273
Office equipment	-	12,619	-	12,619	-	13,100	-	13,100
Property tax assessments	9,416	65	16	9,497	9,872	94	22	9,988
Total expenses before depreciation	2,046,489	229,144	67,396	2,343,029	1,784,792	327,126	77,023	2,188,941
Depreciation	248,870	9,996	2,468	261,334	288,359	10,980	2,714	302,053
Total expenses	<u>\$ 2,295,359</u>	<u>\$ 239,140</u>	<u>\$ 69,864</u>	<u>\$ 2,604,363</u>	<u>\$ 2,073,151</u>	<u>\$ 338,106</u>	<u>\$ 79,737</u>	<u>\$ 2,490,994</u>
Percentage of total expenses	88%	9%	3%	100%	83%	14%	3%	100%

See notes to financial statements.



1. Nature of business and significant accounting policies:

Organizational purpose:

Unity Church-Unitarian (the Church) fosters transformation through a free and inclusive religious community that encourages lives of integrity, service, and joy.

Financial statement presentation:

The Church is required to report information regarding its financial position and activities according to two classes of net assets:

*Net assets without donor restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Designated amounts represent those revenues which the board has set aside for a particular purpose.

*Net assets with donor restrictions* – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenues are reported as increases in net assets without donor restrictions unless the use of the related assets are limited by donor-restrictions. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. Expenses are reported as decreases in net assets without donor restrictions.

Cash and cash equivalents:

The Church considers investments in money market funds and other highly liquid investments with original maturities of less than three months to be cash equivalents.

The Church places its cash and investments with high credit quality financial institutions. At times, such deposits may be in excess of the FDIC insurance limits. Cash equivalents consist of money market accounts, which are recorded at cost.

1. Nature of business and significant accounting policies (continued):

Fair value measurements:

The Church measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The Church may use valuation techniques consistent with the market, income and cost approaches to measure fair value.

The inputs used to measure fair value are categorized into the following three categories:

*Level 1* – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds that the Church has the ability to access as of the measurement date.

*Level 2* – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

*Level 3* – Inputs that are unobservable. Unobservable inputs reflect the Church's own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

Receivables:

Pledges receivable are reported at fair value at the date the promise is received. Pledges that are expected to be collected within one year are recorded at their net realizable value. Those that are expected to be collected in future years are recorded at the present value of the amount to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the pledge is received. Conditional pledges and grants are not included as support until such time as the conditions are substantially met.

1. Nature of business and significant accounting policies (continued):

Property and equipment:

All major expenditures for property and equipment are capitalized at cost. Contributed items are recorded at fair market value at the date of donation. If the donor stipulates how long the assets must be used, the contributions are recorded as support with donor restrictions. In the absence of such stipulation, contributions of property and equipment are recorded as support without donor restrictions. Depreciation is recorded through the use of the straight-line method over the estimated useful life of the asset as follows:

Church	50 years
Rental properties	27.5 years
Land improvements	15 years
Building improvements	15 years
Furniture and equipment	5-7 years

Depreciation expense is not recorded on the Church’s pipe organ, pianos and artwork as these assets are considered collection items. Collections have an indefinite life and hold their value over time and therefore, are not depreciated.

Revenue recognition:

Contributions, including unconditional promises to give, are recognized as support without donor restrictions or support with donor restrictions, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in the 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.

The Church releases restricted pledges on a pro-rata basis during the year in which the restriction expires.

Unconditional contribution pledges are recognized as revenues or gains in the period received. Pledges are recognized at the estimated net collectible value based on historical collection trends. Conditional contributions are recognized when the conditions on which they depend are substantially met.

Investments:

At December 31, 2022 and 2021, investments consisted mainly of equity mutual funds with readily determinable fair values and are measured at fair value in the statement of financial position. The Church provides for investment in a variety of investment funds. In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect investment balances and the amounts reported in the balance sheet. Investment income or loss (including interest and dividends and realized gains and losses) and unrealized gains and losses are recorded in the statement of activities, and classified by net asset class based on the existence of any restrictions.

1. Nature of business and significant accounting policies (continued):

Allowance for doubtful accounts:

The carrying amount of pledges receivable is reduced by a valuation allowance that reflects management’s best estimate of the amounts that will not be collected.

Management estimates this allowance based on historical collection trends. Management also individually reviews all delinquent balances for significant pledges which are potentially uncollectible. After all attempts to collect a pledge have failed, the receivable is written-off as bad debt expense.

Pledges receivable are net of the following respective allowances for doubtful accounts:

	<u>2022</u>	<u>2021</u>
Operating pledges	\$ 75,418	\$ 89,606
Capital pledges	<u>19,868</u>	<u>22,490</u>
	<u>\$ 95,286</u>	<u>\$ 112,096</u>

Functional allocation of expense:

The cost of providing various programs and other activities has been summarized on a functional basis in the statement of activities. Salaries and related expenses are allocated based on estimates of time spent on programs. Expenses, other than salaries and related expenses, which are not directly identifiable by program are allocated based on square footage and on the best estimates of management.

Income taxes:

The Church is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Church meets the definition of the Church exemption granted by the U.S. Government, and therefore, is not required to file annual information returns with the IRS.

Lease standard:

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, Leases (ASC 842). The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. It was determined the adoption had no material effect on the Church’s financial statements and no restatement of the financial statements was needed as a result.

1. Nature of business and 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 certain reported amounts and disclosures. Actual results could differ from those estimates.

Subsequent events:

The Church evaluated for subsequent events through May 18, 2023, the date the financial statements were available for issuance.

2. Liquidity:

The following represents the Church’s financial assets at December 31:

	<u>2022</u>	<u>2021</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 673,940	\$ 625,099
Pledges receivables, net	1,244,848	1,318,622
Other receivables, net	<u>46,996</u>	<u>38,647</u>
Total financial assets	<u>1,965,784</u>	<u>1,982,368</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	2,645,485	2,792,769
Net assets with time restrictions to be met in less than a year	<u>(1,475,597)</u>	<u>(1,601,258)</u>
	<u>1,169,888</u>	<u>1,191,511</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 795,896</u>	<u>\$ 790,857</u>

As part of the liquidity management plan, the Church invests cash in excess of daily cash requirements in interest bearing savings accounts.

3. Pledges receivable:

Unconditional promises are recorded as contributions receivable and revenue of the appropriate net asset category. Long-term contributions receivable are expected to be collected subsequent to December 31, 2022. The discount rate used on pledges was 4.41% and 0.38% for the year ended December 31, 2022 and 2021, respectively.

Unconditional promises to give at December 31 are as follows:

	<u>2022</u>	<u>2021</u>
Operating pledges	\$ 1,633,506	\$ 1,862,232
Capital pledges	307,798	323,323
Less discounts to net present value	<u>(26,046)</u>	<u>(2,960)</u>
Pledges receivable	1,915,258	2,182,595
Less allowance for doubtful accounts	<u>(95,286)</u>	<u>(112,096)</u>
Pledges receivable, net	<u>\$ 1,819,972</u>	<u>\$ 2,070,499</u>
Amounts due in:		
Less than one year	\$ 1,244,848	\$ 1,318,622
One to five years	\$ 575,124	\$ 751,877

4. Investment income (loss):

Investment income (loss) is comprised of the following for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Interest and Dividends	\$ 10	\$ 1
Unrealized/realized (loss)gains	(516,844)	534,166
Distribution from St. Paul Foundation holdings	5,542	5,270
Distribution from Diether perpetual trust	<u>25,046</u>	<u>23,309</u>
	<u>\$ (486,246)</u>	<u>\$ 562,746</u>

5. Property and equipment:

The Church owns the following assets as of December 31:

	<u>2022</u>	<u>2021</u>
Church	\$ 3,284,141	\$ 3,284,141
Land	157,200	157,200
Land improvements	37,811	37,811
Building improvements	8,195,135	8,181,814
Furniture and equipment	594,048	568,042
Organs and pianos	657,822	657,822
Rental properties	228,720	228,720
Artwork	<u>12,000</u>	<u>12,000</u>
	<b>13,166,877</b>	13,127,550
Less accumulated depreciation	<u>5,483,686</u>	<u>5,222,352</u>
	<b><u>\$ 7,683,191</u></b>	<b><u>\$ 7,905,198</u></b>

6. St. Paul Foundation holdings:

Funds held at the St. Paul Foundation consist of the Unity Church – Unitarian Fund. The assets are stated at fair value, which was determined based on quoted market prices. The Unitarian Fund was transferred from the Church to the St. Paul Foundation during 1995 to enhance investment return opportunity. Under the agreement with the St. Paul Foundation, the funds will remain at the St. Paul Foundation as an endowment fund.

The terms of the endowment agreement that accompanied the original fund gift are still in effect. The St. Paul Foundation makes distributions from the fund to the Church. The distributions are approximately five percent of the market value of the fund per year.

The following is a summary of the activities and year-end balances of the St. Paul Foundation Holdings of the endowment fund:

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 163,745	\$ 141,821
Interest and dividends	2,369	3,525
Realized and unrealized (loss) gains	(17,151)	25,365
Fees and expenses	(1,342)	(1,696)
Distributions to Church	<u>(5,542)</u>	<u>(5,270)</u>
Balance, end of year	<b><u>\$ 142,079</u></b>	<b><u>\$ 163,745</u></b>

6. St. Paul Foundation holdings (continued):

As both the resource provider (the transferor of assets to the St. Paul Foundation) and as the self-named beneficiary, the Church recognizes the funds held by the St. Paul Foundation as other assets. The St. Paul Foundation holds these assets in the donor advised fund with the income available for distribution to the Church subject to approval by Foundation’s Board of Trustees.

Distributions from the fund are reported as investment income without donor restrictions and the remaining change in value is classified as donor restricted.

7. Diether perpetual trust:

The Church has been named as a beneficiary under a perpetual trust. Under the terms of the perpetual trust, the Church is to receive annual income on the trust’s assets that are earned in perpetuity. The distributions are approximately five percent of the market value of the fund per year. The Church is allowed to use the distributions from the trust in any way that is consistent with its mission. The trust’s assets are accounted for at fair market value. The beneficial interest is recorded at 20% of the trust’s assets’ fair market value as of December 31, 2022 and 2021.

Distributions from the fund are reported as investment income without donor restrictions and the remaining change in value is classified as donor restricted.

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 523,241	\$ 522,158
Interest and dividends	8,246	7,845
Realized and unrealized (loss) gains	(94,583)	25,337
Fees and expenses	(7,324)	(8,790)
Distributions to Church	<u>(25,046)</u>	<u>(23,309)</u>
Balance, end of year	<u>\$ 404,534</u>	<u>\$ 523,241</u>

8. Long-term debt:

On December 15, 2021, the Church refinanced the remaining balance of the loan with the same local bank. The new loan accrues interest on the unpaid principal at a fixed rate of 3.70%, due monthly installments of \$11,668 maturing in December 2026. The new loan is collateralized by the Church building and land.

	<u>2022</u>	<u>2021</u>
	<u>\$ 719,529</u>	<u>\$ 857,892</u>



8. Long-term debt (continued):

The future maturities for the loan for years ended:

2023	\$ 115,881
2024	118,062
2025	122,633
2026	<u>362,953</u>
	<u>\$ 719,529</u>

9. Net assets with donor restrictions:

Net assets with donor restrictions are available for the following purposes or periods:

	<u>2022</u>	<u>2021</u>
Subject to passage of time:		
Pledges	\$ 2,857,865	\$ 2,988,477
Unappropriated endowment earnings	<u>335,785</u>	<u>553,230</u>
	<b>3,193,650</b>	3,541,707
Subject to expenditure for specified purpose:		
Special gifts	28,781	28,901
Organ renovation	25,750	25,750
Dickerman building reserve fund – endowment earnings	175,047	362,661
Various programs	<u>308,213</u>	<u>310,187</u>
	<b>537,791</b>	727,499
Not subject to spending policy or appropriation		
Donor restricted permanent endowment, Perpetual Trusts	546,614	686,987
Donor restricted permanent endowment	<u>942,443</u>	<u>968,828</u>
	<u>1,489,057</u>	<u>1,655,815</u>
	<b>\$ 5,220,498</b>	<b>\$ 5,925,021</b>

9. Net assets with donor restrictions (continued):

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or lapse of time restrictions.

	<u>2022</u>	<u>2021</u>
Time restriction	\$ 1,471,397	\$ 1,436,581
Purpose restriction	<u>291,638</u>	<u>300,969</u>
	<u>\$ 1,763,035</u>	<u>\$ 1,737,550</u>

10. Pension plan:

The Church participates in a 403(b) defined contribution pension plan sponsored by the Unitarian Universalist Association. The plan covers all employees who meet certain service and age requirements. The Church makes contributions of ten percent of each eligible employee’s annual salary. Additionally, employees may elect to defer a portion of their compensation to the plan. This retirement plan qualified under the Internal Revenue Code as a church plan and is not subject to ERISA. The contribution expense was \$73,375 and \$77,322 for the years ended December 31, 2022 and 2021, respectively.

11. Fair value measurements:

The Church uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Church measures fair value refer to Note 1 – Significant Accounting Policies.

The following table presents the fair value hierarchy for the balances of the assets of the Church measured at fair value on a recurring basis as of December 31:

	<u>2022</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity mutual funds:				
Large cap blend	\$ 1,996,551	\$ -	\$ -	\$ 1,996,551
Health care large cap	61,016	-	-	61,016
St. Paul Foundation holdings	-	-	142,079	142,079
Beneficial interest in perpetual trust	-	-	<u>404,534</u>	<u>404,534</u>
	<u>\$ 2,057,567</u>	<u>\$ -</u>	<u>\$ 546,613</u>	<u>\$ 2,604,180</u>

11. Fair value measurements (continued):

	2021			
	Level 1	Level 2	Level 3	Total
Equity mutual funds:				
Large cap blend	\$ 2,552,678	\$ -	\$ -	\$ 2,552,678
Health care large cap	61,643	-	-	61,643
St. Paul Foundation holdings	-	-	163,745	163,745
Beneficial interest in perpetual trust	-	-	523,241	523,241
	<u>\$ 2,614,321</u>	<u>\$ -</u>	<u>\$ 686,986</u>	<u>\$ 3,301,307</u>

The St. Paul Foundation and Diether Trust holdings are carried at the Church’s beneficial interest in the assets held in trust and is therefore classified as level 3. The assets consist of publicly traded securities whose values are derived from quoted prices for identical securities on national exchanges. The Church records the value of investments based on information received from the St. Paul Foundation. The Church does not have the ability to liquidate or withdraw its portion of the trust assets.

Summary of changes in Level 3 assets:

	2022	2021
Balance, beginning of year	\$ 686,986	\$ 663,979
Realized and unrealized gains, interest and dividends and fees	(109,785)	51,586
Distributions from trusts	(30,588)	(28,579)
Balance, end of year	<u>\$ 546,613</u>	<u>\$ 686,986</u>

12. Endowment funds:

Net assets of the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Trustees of the Church has interpreted the State’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.

12. Endowment funds (continued):

As a result of this interpretation, the Church classifies as net assets with donor restrictions (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 portions of the donor-restricted endowment fund is classified as net assets with donor restrictions only until those amounts are appropriated for expenditure by the Church in a manner consistent with the standard of prudence prescribed by UPMIFA.

Donor restricted endowment funds are co-mingled with the overall investments of the Church and are subject to the investment policies of the Church with an overall goal of long-term capital appreciation with preservation of capital. The strategy of the Church is to maintain a balanced, diversified portfolio with specific asset allocation targets. To manage risk, the investment policy also limits the types of investments the Church can hold.

The Church has adopted a spending policy which allows management to appropriate 5% of the average market value of the endowment investments as of year-end of the previous three years.

Endowment net asset composition by type for December 31 are as follows:

	<u>2022</u>		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,480,834	\$ 1,480,834
Donor-restricted endowment funds in perpetual trusts	-	<u>546,614</u>	<u>546,614</u>
	<u>\$ -</u>	<u>\$ 2,027,448</u>	<u>\$ 2,027,448</u>
	<u>2021</u>		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,912,279	\$ 1,912,279
Donor-restricted endowment funds in perpetual trusts	-	<u>686,987</u>	<u>686,987</u>
	<u>\$ -</u>	<u>\$ 2,599,266</u>	<u>\$ 2,599,266</u>

12. Endowment funds (continued):

The following is a summary of endowment funds subject to UPMIFA as of and for the years ended December 31, 2022 and 2021:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, January 1, 2021	\$ -	\$ 2,158,939	\$ 2,158,939
Donor restriction:			
Contributions	-	1,102	1,102
Investment gain	-	28,346	28,346
Investment gain	-	387,872	387,872
Change in value of perpetual trusts	<u>-</u>	<u>23,007</u>	<u>23,007</u>
Endowment net assets, December 31, 2021	-	2,559,266	2,559,266
Donor restriction:			
Investment (loss) gain	-	(26,385)	(26,385)
Investment (loss) income	-	(405,060)	(405,060)
Change in value of perpetual trusts	<u>-</u>	<u>(140,373)</u>	<u>(140,373)</u>
Endowment net assets, December 31, 2022	<u>\$ -</u>	<u>\$ 2,027,448</u>	<u>\$ 2,027,448</u>

There is \$27,559 to be transferred from investments to operating cash at December 31, 2022.