

Financial statements of:

UNITY CHURCH OF ST. PAUL

Years ended
December 31, 2023 and 2022

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Suite 1600
100 Washington Avenue South
Minneapolis, MN 55401-2192

P 612.332.5500 F 612.332.1529
www.sdkcpa.com

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, 2023 and 2022, 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.*

September 16, 2024
Minneapolis, MN

UNITY CHURCH OF ST. PAUL

(See Independent Accountant's Review Report)

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31

	<u>2023</u>	<u>2022</u>		<u>2023</u>	<u>2022</u>
Assets:			Liabilities and net assets:		
Current assets:			Current liabilities:		
Cash and cash equivalents	\$ 310,794	\$ 673,940	Accounts payable	\$ 27,293	\$ 27,862
Pledges receivable current portion of:			Accrued expenses	68,252	58,254
Operating pledges, net	1,153,318	1,069,120	Current portion of long-term debt	144,347	115,881
Capital pledges, net	154,879	175,728			
Other receivables	23,579	46,996			
Prepaid expenses	20,361	11,024			
Total current assets	<u>1,662,931</u>	<u>1,976,808</u>	Total current liabilities	<u>239,892</u>	201,997
Property and equipment:			Long-term debt, net of current portion	<u>406,308</u>	603,648
Land and land improvements	197,458	195,011			
Buildings and building improvements	11,740,169	11,707,996	Total liabilities	<u>646,200</u>	805,645
Equipment	1,307,151	1,251,870			
Artwork	12,000	12,000			
	<u>13,256,778</u>	13,166,877	Net assets:		
Less accumulated depreciation	<u>5,752,117</u>	5,483,686	Without donor restrictions:		
	<u>7,504,661</u>	7,683,191	Undesignated	6,359,376	6,367,328
			Board-designated for future staff salaries	219,288	
Other assets:			Board-designated for racial justice	569,929	445,832
Operating pledges, long-term	-	467,650			
Capital pledges, long-term	-	107,474	Total without donor restrictions	<u>7,148,593</u>	6,813,160
Investments	2,607,103	2,057,567			
St. Paul Foundation holdings	146,491	142,079	With donor restrictions	<u>4,565,756</u>	5,220,498
Beneficial interest in perpetual trust	439,363	404,534			
	<u>3,192,957</u>	3,179,304	Total net assets	<u>11,714,349</u>	12,033,658
Total assets	<u>\$ 12,360,549</u>	<u>\$ 12,839,303</u>	Total liabilities and net assets	<u>\$ 12,360,549</u>	<u>\$ 12,839,303</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

	2023			2022		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenues and support:						
Pledges and gifts	\$ 342,499	\$ 1,001,473	\$ 1,343,972	\$ 479,311	\$ 1,427,904	\$ 1,907,215
Sunday collections	37,090	142,160	179,250	32,423	163,054	195,477
Program fees	57,127		57,127	51,013		51,013
Investment income (loss)	156,622	412,134	568,756	(94,173)	(392,073)	(486,246)
Change in value of:						
St. Paul Foundation holdings	-	4,413	4,413	-	(21,666)	(21,666)
Diether perpetual trust	-	34,829	34,829	-	(118,707)	(118,707)
Rental income	54,895	-	54,895	39,419	-	39,419
Unity consulting income	35,350	-	35,350	32,305	-	32,305
Miscellaneous income and support	59,034	-	59,034	13,796	-	13,796
Net assets released from restrictions	2,249,751	(2,249,751)	-	1,763,035	(1,763,035)	-
Total revenues and support	<u>2,992,368</u>	<u>(654,742)</u>	<u>2,337,626</u>	<u>2,317,129</u>	<u>(704,523)</u>	<u>1,612,606</u>
Expenses:						
Program	2,268,683		2,268,683	2,295,359		2,295,359
Management and general	310,512		310,512	239,140		239,140
Fundraising	77,740		77,740	69,864		69,864
Total expenses	<u>2,656,935</u>		<u>2,656,935</u>	<u>2,604,363</u>		<u>2,604,363</u>
Change in net assets	335,433	(654,742)	(319,309)	(287,234)	(704,523)	(991,757)
Net assets, beginning	6,813,160	5,220,498	12,033,658	7,100,394	5,925,021	13,025,415
Net assets, ending	<u>\$ 7,148,593</u>	<u>\$ 4,565,756</u>	<u>\$ 11,714,349</u>	<u>\$ 6,813,160</u>	<u>\$ 5,220,498</u>	<u>\$ 12,033,658</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>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ (319,309)	\$ (991,757)
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Depreciation	267,842	261,334
Donated investments	(30)	(2,212)
Unrealized (gain) loss on investments	(490,604)	724,237
Change in value of:		
St. Paul Foundation holdings	(4,412)	21,666
Beneficial interest in perpetual trust	(34,829)	118,707
Decrease (increase) in assets:		
Pledges receivable	511,775	250,527
Other receivables	23,417	(8,349)
Prepaid expenses	(9,337)	12,759
Increase (decrease) in liabilities:		
Accounts payable	(569)	11,927
Accrued expenses	9,998	(7,037)
Net cash (used in) provided by operating activities	<u>(46,058)</u>	<u>391,802</u>
Cash flows from investing activities:		
Purchase of:		
Property and equipment	(89,312)	(39,327)
Investments	(108,902)	(205,271)
Proceeds from investments	<u>50,000</u>	<u>40,000</u>
Net cash used in investing activities	<u>(148,214)</u>	<u>(204,598)</u>
Cash flows used in financing activities, payments on long-term debt	<u>(168,874)</u>	<u>(138,363)</u>
Net (decrease) increase in cash	(363,146)	48,841
Cash and cash equivalents, beginning	<u>673,940</u>	<u>625,099</u>
Cash and cash equivalents, ending	<u>\$ 310,794</u>	<u>\$ 673,940</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 21,191</u>	<u>\$ 30,208</u>

UNITY CHURCH OF ST. PAUL

(See Independent Accountant's Review Report)

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31

	2023				2022			
	Program	Management and general	Fundraising	Total	Program	Management and general	Fundraising	Total
Salaries	\$ 790,936	\$ 137,569	\$ 52,119	\$ 980,624	\$ 763,862	\$ 130,836	\$ 50,360	\$ 945,058
Payroll taxes and benefits	280,714	14,929	8,504	304,147	264,409	14,573	7,380	286,362
Total salaries and related expenses	1,071,650	152,498	60,623	1,284,771	1,028,271	145,409	57,740	1,231,420
Program expenses	504,582	11,529	10,004	526,115	573,361	6,637	5,951	585,949
Interest	21,191	-	-	21,191	28,866	1,104	238	30,208
Other professional fees	65,533	55,656	269	121,458	85,638	28,067	1	113,706
Utilities	70,373	1,939	646	72,958	80,991	2,531	609	84,131
Unity consulting fees	30,089	-	-	30,089	27,524	-	-	27,524
Dues and subscriptions	71,057	-	-	71,057	70,899	-	-	70,899
Professional development	8,806	119	357	9,282	8,198	311	365	8,874
Repairs and maintenance	76,093	2,063	689	78,845	49,667	1,458	351	51,476
Supplies	32,978	10,209	1,027	44,214	34,465	10,290	1,173	45,928
Insurance	39,695	1,671	418	41,784	38,085	1,331	320	39,736
Bank fees	-	22,586	-	22,586	-	17,426	-	17,426
Telephone and communication	11,381	1,977	658	14,016	11,108	1,896	632	13,636
Office equipment	-	13,039	-	13,039	-	12,619	-	12,619
Property tax assessments	10,402	61	20	10,483	9,416	65	16	9,497
Bad debt expense	-	27,205	-	27,205	-	-	-	-
Total expenses before depreciation	2,013,830	300,552	74,711	2,389,093	2,046,489	229,144	67,396	2,343,029
Depreciation	254,853	9,960	3,029	267,842	248,870	9,996	2,468	261,334
Total expenses	\$ 2,268,683	\$ 310,512	\$ 77,740	\$ 2,656,935	\$ 2,295,359	\$ 239,140	\$ 69,864	\$ 2,604,363
Percentage of total expenses	85%	12%	3%	100%	88%	9%	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.

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.

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

Fair value measurements (continued):

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.

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.

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

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, 2023 and 2022, 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.

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>2023</u>	<u>2022</u>
Operating pledges	\$ 100,000	\$ 75,418
Capital pledges	<u>22,000</u>	<u>19,868</u>
	<u>\$ 122,000</u>	<u>\$ 95,286</u>

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

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.

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.

Reclassifications:

Certain reclassifications have been made to the 2022 financial statements to conform to the 2023 presentation.

Subsequent events:

The Church evaluated for subsequent events through September 16, 2024, the date the financial statements were available for issuance.

2. Liquidity:

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

	<u>2023</u>	<u>2022</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 310,794	\$ 673,940
Pledges receivables, net	1,308,197	1,244,848
Other receivables, net	<u>23,579</u>	<u>46,996</u>
Total financial assets	<u>1,642,570</u>	<u>1,965,784</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	2,262,367	2,645,483
Net assets with time restrictions to be met in less than a year	<u>(1,365,979)</u>	<u>(1,475,597)</u>
	<u>896,388</u>	<u>1,169,886</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 746,182</u>	<u>\$ 795,898</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, 2023. The discount rate used on pledges was 0% and 4.41% for the year ended December 31, 2023 and 2022, respectively.

Unconditional promises to give at December 31 are as follows:

	<u>2023</u>	<u>2022</u>
Operating pledges	\$ 1,253,318	\$ 1,633,506
Capital pledges	176,879	307,798
Less discounts to net present value	<u>-</u>	<u>(26,046)</u>
Pledges receivable	1,430,197	1,915,258
Less allowance for doubtful accounts	<u>(122,000)</u>	<u>(95,286)</u>
Pledges receivable, net	<u>\$ 1,308,197</u>	<u>\$ 1,819,972</u>
Amounts due in:		
Less than one year	\$ 1,308,197	\$ 1,244,848
One to five years	\$ -	\$ 575,124

4. Investment income (loss):

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

	<u>2023</u>	<u>2022</u>
Interest and Dividends	\$ 30	\$ 10
Unrealized/realized gains(loss)	542,255	(516,844)
Distribution from St. Paul Foundation holdings	5,658	5,542
Distribution from Diether perpetual trust	<u>20,813</u>	<u>25,046</u>
	<u>\$ 568,756</u>	<u>\$ (486,246)</u>

5. Property and equipment:

	<u>2023</u>	<u>2022</u>
Church	\$ 3,284,141	\$ 3,284,141
Land	157,200	157,200
Land improvements	40,258	37,811
Building improvements	8,219,828	8,195,135
Furniture and equipment	649,328	594,048
Organs and pianos	657,823	657,822
Rental properties	236,200	228,720
Artwork	<u>12,000</u>	<u>12,000</u>
	13,256,778	13,166,877
Less accumulated depreciation	<u>5,752,117</u>	<u>5,483,686</u>
	<u>\$ 7,504,661</u>	<u>\$ 7,683,191</u>

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>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 142,079	\$ 163,745
Interest and dividends	452	2,369
Realized and unrealized gain (loss)	10,860	(17,151)
Fees and expenses	(1,242)	(1,342)
Distributions to Church	<u>(5,658)</u>	<u>(5,542)</u>
Balance, end of year	<u>\$ 146,491</u>	<u>\$ 142,079</u>

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, 2023 and 2022.

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

The Church’s allocation of the trust:

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 404,534	\$ 523,241
Interest and dividends	10,030	8,246
Realized and unrealized gains (loss)	52,549	(94,583)
Fees and expenses	(6,937)	(7,324)
Distributions to Church	<u>(20,813)</u>	<u>(25,046)</u>
Balance, end of year	<u>\$ 439,363</u>	<u>\$ 404,534</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 loan is collateralized by the Church building and land.

	<u>2023</u>	<u>2022</u>
	<u>\$ 550,655</u>	<u>\$ 719,529</u>

8. Long-term debt (continued):

The future maturities for the loan for years ended:

2024	\$	144,347
2025		126,946
2026		<u>279,362</u>
	\$	<u>550,655</u>

9. Net assets with donor restrictions:

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

	<u>2023</u>	<u>2022</u>
Subject to passage of time:		
Pledges	\$ 1,365,979	\$ 1,970,755
Unappropriated endowment earnings	<u>480,339</u>	<u>335,785</u>
	1,846,318	2,306,540
Subject to expenditure for specified purpose:		
Special gifts	33,781	28,781
Organ renovation	23,138	25,750
Dickerman building reserve fund – endowment earnings	372,521	175,047
Dreamcatcher	108,078	
Capital expenditures	448,793	887,111
Various programs	<u>282,598</u>	<u>308,213</u>
	1,268,909	1,424,902
Not subject to spending policy or appropriation		
Donor restricted permanent endowment, Perpetual Trusts	585,854	546,613
Donor restricted permanent endowment	<u>864,675</u>	<u>942,444</u>
	<u>1,450,529</u>	<u>1,489,057</u>
	\$ 4,565,756	\$ 5,220,498

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

	<u>2023</u>	<u>2022</u>
Time restriction	\$ 1,498,546	\$ 1,471,397
Purpose restriction	<u>751,205</u>	<u>291,638</u>
	\$ 2,249,751	\$ 1,763,035

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 \$69,336 and \$73,375 for the years ended December 31, 2023 and 2022, 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:

	2023			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity mutual funds:				
Large cap blend	\$ 2,542,751	\$ -	\$ -	\$ 2,542,751
Health care large cap	64,352	-	-	64,352
St. Paul Foundation holdings	-	-	146,491	146,491
Beneficial interest in perpetual trust	-	-	439,363	439,363
	<u>\$ 2,607,103</u>	<u>\$ -</u>	<u>\$ 585,854</u>	<u>\$ 3,192,957</u>
	2022			
	<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	-	-	404,534	404,534
	<u>\$ 2,057,567</u>	<u>\$ -</u>	<u>\$ 546,613</u>	<u>\$ 2,604,180</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.

11. Fair value measurements (continued):

Summary of changes in Level 3 assets:

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 546,613	\$ 686,986
Realized and unrealized gains, interest and dividends and fees	65,712	(109,785)
Distributions from trusts	<u>(26,471)</u>	<u>(30,588)</u>
Balance, end of year	<u>\$ 585,854</u>	<u>\$ 546,613</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.

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.

12. Endowment funds (continued):

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

	<u>2023</u>		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,789,690	\$ 1,789,690
Donor-restricted endowment funds in perpetual trusts	-	<u>585,854</u>	<u>585,854</u>
	<u>\$ -</u>	<u>\$ 2,375,544</u>	<u>\$ 2,375,544</u>
	<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>

12. Endowment funds (continued):

The following is a summary of endowment funds subject to UPMIFA as of and for the years ended December 31, 2023 and 2022:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, January 1, 2022	\$ -	\$ 2,599,266	\$ 2,599,266
Donor restriction:			
Investment (loss) gain	-	(26,385)	(26,385)
Investment (loss) gain	-	(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	-	2,027,448	2,027,448
Donor restriction:			
Investment gain	-	2,938	2,938
Release from permanent restriction by donor	-	(80,709)	(80,709)
Investment income	-	386,625	386,625
Change in value of perpetual trusts	<u>-</u>	<u>39,242</u>	<u>39,242</u>
Endowment net assets, December 31, 2023	<u>\$ -</u>	<u>\$ 2,375,544</u>	<u>\$ 2,375,544</u>

There is \$72,157 to be transferred from investments to operating cash at December 31, 2023.