

THE PROVERBS 31 MINISTRY, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021
AND
INDEPENDENT AUDITOR'S REPORT

FRANKLIN & FRANKLIN, PA
CERTIFIED PUBLIC ACCOUNTANTS

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THE PROVERBS 31 MINISTRY, INC.
YEARS ENDED DECEMBER 31, 2022 AND 2021

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Proverbs 31 Ministry, Inc.
Matthews, North Carolina

Opinion

We have audited the accompanying financial statements of The Proverbs 31 Ministry, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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 The Proverbs 31 Ministry, Inc. as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 The Proverbs 31 Ministry, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 The Proverbs 31 Ministry, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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 The Proverbs 31 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 The Proverbs 31 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.

A handwritten signature in cursive script that reads "Franklin & Franklin, PA".

Franklin & Franklin, PA
Matthews, North Carolina

April 18, 2023

THE PROVERBS 31 MINISTRY, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

	December 31, 2022	December 31, 2021
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents - without donor restrictions	\$ 2,008,371	\$ 2,260,827
Accounts and other receivables	76,773	20,322
Pledges receivable	-	27,824
Investments	3,995,220	4,282,136
Inventory, net of reserve (\$78,500 in 2022 and \$103,285 in 2021)	444,856	438,201
Prepaid expenses	337,004	255,954
TOTAL CURRENT ASSETS	6,862,224	7,285,264
OTHER ASSETS:		
Property and equipment, net	6,275,511	6,497,404
Collections	79,500	-
Website, net of accumulated amortization (\$145,434 in 2022 and \$115,880 in 2021)	30,040	50,644
TOTAL OTHER ASSETS	6,385,051	6,548,048
TOTAL ASSETS	<u>\$ 13,247,275</u>	<u>\$ 13,833,312</u>
LIABILITIES AND NET ASSETS:		
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts payable	\$ 288,955	\$ 243,249
Accrued PTO liability	110,400	103,349
Deferred revenue	154,140	157,143
Current portion of long-term debt	164,246	152,165
TOTAL CURRENT LIABILITIES	717,741	655,906
LONG-TERM DEBT	3,267,067	3,736,733
TOTAL LIABILITIES	3,984,808	4,392,639
NET ASSETS:		
Net assets without donor restrictions	9,262,467	9,440,673
Net assets with donor restrictions	-	-
TOTAL NET ASSETS	9,262,467	9,440,673
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 13,247,275</u>	<u>\$ 13,833,312</u>

THE PROVERBS 31 MINISTRY, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
SUPPORT AND REVENUE:		
Contributions	\$ 4,629,440	\$ 4,234,350
Contributions of collections	79,500	-
Resource sales, net of cost of goods sold (\$2,320,433 for 2022 and \$1,916,578 for 2021)	1,276,076	1,497,982
Ministry training	1,077,816	1,250,356
Conference income	325,142	406,425
Speaking ministry income	61,899	51,266
Special projects	117,991	83,295
Net income/(loss) on investments	(561,270)	266,710
Miscellaneous income	12,012	10,983
Net assets released from restrictions	-	322,967
TOTAL SUPPORT AND REVENUE	<u>7,018,606</u>	<u>8,124,334</u>
EXPENSES:		
Program services expense	5,777,239	5,495,386
Management and general expense	1,069,740	932,713
Fundraising expense	<u>349,833</u>	<u>259,995</u>
TOTAL EXPENSES	<u>7,196,812</u>	<u>6,688,094</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>(178,206)</u>	<u>1,436,240</u>
NET ASSETS WITH DONOR RESTRICTIONS:		
Restricted contributions	-	-
Net assets released from restrictions	<u>-</u>	<u>(322,967)</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>-</u>	<u>(322,967)</u>
CHANGE IN NET ASSETS	(178,206)	1,113,273
NET ASSETS, BEGINNING OF YEAR	<u>9,440,673</u>	<u>8,327,400</u>
NET ASSETS, END OF YEAR	<u><u>\$ 9,262,467</u></u>	<u><u>\$ 9,440,673</u></u>

THE PROVERBS 31 MINISTRY, INC.

STATEMENT OF FUNCTIONAL EXPENSE YEAR ENDED DECEMBER 31, 2022

		Supporting Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	2022 Total Expenses
Compensation and benefits	\$4,282,043	\$ 739,501	\$ 249,311	\$ 988,812	\$5,270,855
She Speaks Conference	108,594	-	-	-	108,594
Ministry training	457,552	14,852	-	14,852	472,404
Office expense	136,010	28,191	7,822	36,013	172,023
Volunteer and staff expense	66,143	15,274	-	15,274	81,417
Travel expense	35,483	-	-	-	35,483
Online processing fees	30,392	88,196	-	88,196	118,588
Professional fees	-	89,829	-	89,829	89,829
Marketing expense	328,662	-	-	-	328,662
Mid-year and year-end letter	-	-	50,314	50,314	50,314
Fundraising - other	-	23,973	42,386	66,359	66,359
Interest	87,124	20,119	-	20,119	107,243
Depreciation and amortization	245,236	49,805	-	49,805	295,041
Total Functional Expenses	\$5,777,239	\$ 1,069,740	\$ 349,833	\$ 1,419,573	\$7,196,812

THE PROVERBS 31 MINISTRY, INC.

STATEMENT OF FUNCTIONAL EXPENSE

YEAR ENDED DECEMBER 31, 2021

		Supporting Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	2021 Total Expenses
Compensation and benefits	\$ 4,062,712	\$ 655,308	\$ 201,709	\$ 857,017	\$ 4,919,729
She Speaks Conference	73,126	-	-	-	73,126
Ministry training	424,486	16,007	-	16,007	440,493
Office expense	306,661	55,679	15,117	70,796	377,457
Volunteer and staff expense	59,509	12,553	-	12,553	72,062
Travel expense	29,393	-	-	-	29,393
Online processing fees	36,532	76,780	-	76,780	113,312
Professional fees	-	52,274	-	52,274	52,274
Marketing expense	281,855	-	-	-	281,855
Mid-year and year-end letter	-	-	29,749	29,749	29,749
Fundraising - other	-	22,970	13,420	36,390	36,390
Interest	73,111	15,423	-	15,423	88,534
Depreciation and amortization	148,001	25,719	-	25,719	173,720
Total Functional Expenses	<u>\$ 5,495,386</u>	<u>\$ 932,713</u>	<u>\$ 259,995</u>	<u>\$ 1,192,708</u>	<u>\$ 6,688,094</u>

THE PROVERBS 31 MINISTRY, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (178,206)	\$ 1,113,273
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	295,041	173,720
Gain/loss on disposal of assets	-	824
Gain on investments	561,270	(266,710)
Collections	(79,500)	-
Changes in operating assets and liabilities:		
accounts and other receivables	(56,451)	141,990
pledges receivable	27,824	(27,824)
inventories	(6,655)	(169,915)
prepaid expenses	(81,050)	117,154
accounts payable	45,706	(12,385)
accrued PTO liability	7,051	3,540
accrued interest	-	(4,504)
deferred revenue	(3,003)	(36,433)
Net cash provided by operating activities	532,027	1,032,730
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(43,595)	(5,625,730)
Payments on website development	(8,950)	(23,954)
Sale of securities	120,559	490,859
Purchase of securities	(394,912)	(471,775)
Net cash used for investing activities	(326,898)	(5,630,600)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	-	4,000,000
Payments on long-term debt	(457,585)	(801,102)
Net cash provided by financing activities	(457,585)	3,198,898
Net change in cash	(252,456)	(1,398,972)
Cash and cash equivalents at beginning of year	2,260,827	3,659,799
Cash and cash equivalents at end of year	\$ 2,008,371	\$ 2,260,827
No taxes were paid for 2022 and 2021.		
Cash paid for interest	\$ 107,243	\$ 88,534

THE PROVERBS 31 MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2022 AND 2021

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The Proverbs 31 Ministry, Inc. (the “Ministry”) was incorporated as a charitable organization in North Carolina in 1996. The Ministry is a nonprofit organization dedicated to glorifying God. The Ministry uses daily devotions, a mobile application, online Bible studies, social media, resources, web-based training, podcasts, speaking events, and conferences to share God’s Word and help women grow in Christ.

Basis of Accounting

The financial statements of the Ministry have been prepared using the accrual basis of accounting.

Financial Statement Presentation

In accordance with Financial Accounting Standards Board ASC Topic 958, *Financial Statements for Not-For-Profit Entities*, the Ministry is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are those currently available for use in the operations of the Ministry under the direction of the Board.

Net assets with donor restrictions are those stipulated by donors for specific purposes or those not currently available for use until commitments regarding their use have been fulfilled or lifetime beneficiary interest have ceased.

Cash and Cash Equivalents

The Ministry considers all highly liquid investments, purchased with a maturity of three months or less, to be cash equivalents.

Accounts and Other Receivables

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts if necessary.

Collections

Collection items acquired either through purchase or donation are capitalized. Purchases of collection items are recorded as decreases in net assets without donor restrictions if purchased with assets without donor restrictions and as decreases in net assets with donor restrictions if purchased with donor-restricted assets. Contributions of collection items are recognized in the Statement of Activities.

Property and Equipment

Property and equipment are stated at cost at the date of acquisition or fair value at the date of donation in the case of gifts. Property and equipment acquisitions are capitalized if they are in excess of \$1,000. Depreciation, including depreciation of assets under capital leases, is provided over the estimated useful lives of the respective assets on a straight-line basis, using the half-year convention. The cost of property and equipment sold or retired and the related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is included in revenue or expense.

THE PROVERBS 31 MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2022 AND 2021

Inventories

Inventories consist primarily of books, audio and video resources, and apparel. These inventories are stated at the lower of cost or market determined by the first-in, first-out method. The Ministry evaluates the inventory reserve based on inventory turn levels and obsolescence.

Accrued PTO Liability

Employees may carry forward a limited amount of Personal Time Off (PTO) from one calendar year to another.

Resource Sales

Resource sales are recorded at the time the order is received and reflects the sales of ministry resources. For the year ended December 31, 2022, gross sales were \$3,596,509 less cost of goods sold of \$2,320,433, resulting in net sales of \$1,276,076. For the year ended December 31, 2021, gross sales were \$3,414,560 less cost of goods sold of \$1,916,578, resulting in net sales of \$1,497,982.

Freight

Freight expense on resource products is included in inventory until the product is sold, at which point it is expensed. Freight on supplies and other items are expensed as incurred.

Restricted and Unrestricted Support

Under *ASC Topic 958, Not-For-Profit Entities*, contributions received are recorded as unrestricted or restricted support, depending on the existence and nature of any donor restrictions.

Deferred Revenue

ASC Topic 606, Revenue Recognition, events like She Speaks or subscriptions for membership to products like COMPEL require revenue to be recorded at the point at which the deliverable has been provided to the participant. In these exchange transactions, receipts for She Speaks are recorded as deferred revenue until the time the event occurs, at which point the revenue is recognized. As for COMPEL memberships, since the products are made available for a set period, based on the length of the subscription, the receipts are recorded as deferred revenue and then recognized as revenue for the respective reporting period.

Deferred revenue also includes amounts received as speaker deposits and conference deposits for events to be held in a future period, prepayments on future sponsorships of devotions, and deposits received at year end for resources shipped after year end.

Donated Services

Donated services are provided by volunteers but not reflected herein inasmuch as the amount of the services is indeterminable.

Income Taxes

The Ministry has received a determination letter from the Internal Revenue Service stating that the Ministry is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

THE PROVERBS 31 MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2022 AND 2021

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. Accordingly, actual results could differ from these estimates.

Marketing

Marketing costs are expensed as incurred. Total marketing expense for the years ended December 31, 2022 and 2021 was \$328,662 and \$281,855, respectively.

Functional Allocation of Expenses

The cost of providing various programs and activities has been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited on estimates made by the Ministry's management.

Reclassification

In order to conform with the current year presentation, certain 2022 amounts were reclassified. Net assets were not affected by these reclassifications.

New Accounting Standards

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under *Topic 840, Leases*. The FASB also subsequently issued additional ASUs, which amend and clarify Topic 842. Implementation of this pronouncement is effective for years beginning after December 15, 2021. The most significant change in the new leasing guidance is the requirement to recognize right-to-use (ROU) assets and lease liabilities for operating leases on the statement of financial position. The Ministry has considered this new pronouncement and it has identified that it has no leases subject to this pronouncement. The Ministry has expensed the payments based on the previous pronouncement.

2. INVENTORY

As of December 31, 2022 and 2021, inventory amounts consist of the following:

	<u>2022</u>	<u>2021</u>
Books and guides	\$ 432,560	\$ 447,684
Apparel and jewelry	28,074	46,616
Gifts	16,859	1,241
Other	<u>45,863</u>	<u>45,945</u>
Gross Inventory	523,356	541,486
Less: inventory reserve	<u>(78,500)</u>	<u>(103,285)</u>
Inventory, Net	<u>\$ 444,856</u>	<u>\$ 438,201</u>

THE PROVERBS 31 MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2022 AND 2021

3. PLEDGES RECEIVABLE

Unconditional promises to give are recorded as receivables and revenue when received. The Ministry distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Pledges are recorded after being discounted to the anticipated net present value of the future cash flows.

Pledges are expected to be realized in the following periods:

	<u>2022</u>	<u>2021</u>
In one year or less	\$ -	\$ 27,824
Between one year and five years	-	-
	<u>-</u>	<u>27,824</u>
Less:		
Allowance for uncollectible pledges	-	-
Discount	-	-
	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 27,824</u>

4. INVESTMENTS

As of December 31, 2022 and 2021, the Ministry held mutual funds and fixed income bonds in the amount of \$3,995,220 and \$4,282,136, respectively. These funds are carried at fair value based on quoted prices in active markets (Level 1 investments). The net income/(loss) on this investment account, (\$561,270) and \$266,710, is reflected in the Statements of Activities and Changes in Net Assets for the years ended December 31, 2022 and 2021, respectively.

5. COLLECTIONS

As of December 31, 2022, the Ministry has a collection consisting of a Complete Hebrew Torah Scroll that was donated to the Ministry. The collection is on display at the Ministry's office. During the year ended December 31, 2022, the Torah Scroll was deemed to have a fair value of \$79,500. The contribution of the Torah Scroll is reflected in the accompanying financial statements since the Ministry capitalizes collections.

6. PROPERTY AND EQUIPMENT

The organization records property at cost (fair value, if donated) and provides for depreciation using the straight-line method over the estimated useful life of the asset (furniture/fixtures, office equipment, and building/building improvements; three—thirty-nine years). Maintenance and repairs are expensed as paid; major renewals or betterments are capitalized. A summary of property at December 31, 2022 and 2021 is as follows:

THE PROVERBS 31 MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Building	\$ 5,398,528	\$ 5,398,528
Building improvements	491,371	489,056
Office technology	356,702	356,702
Furniture and fixtures	313,431	304,796
Office equipment	<u>273,312</u>	<u>252,463</u>
	6,833,344	6,801,545
Less accumulated depreciation	<u>(557,833)</u>	<u>(304,141)</u>
Property, net	<u>\$ 6,275,511</u>	<u>\$ 6,497,404</u>

7. LONG-TERM DEBT

During the year ended December 31, 2020, the Ministry obtained a loan in the amount of \$690,000 with interest accruing at 1% annually under the Payroll Protection Program of the Coronavirus Aid, Relief, and Emergency Security (CARES) Act. As of December 31, 2020, \$340,586 was due within a year and the remaining balance due in 2022. However, during the year ended December 31, 2021, the Ministry repaid the debt in full, including all accrued interest to date.

In order to finance the purchase of their new building (Note 6), the Ministry obtained a loan in the amount of \$4,000,000 at an interest rate of 2.90%. Beginning May 1, 2021, the Ministry is to make regular monthly payments in the amount of \$22,069. The final payment is due on April 1, 2031 for all remaining unpaid principal and interest.

The required principal payments due for the next five years and beyond are as follows:

2023	\$ 164,246
2024	172,361
2025	177,427
2026	182,641
2027	188,009
2028 and beyond	<u>2,546,630</u>
	<u>\$ 3,431,313</u>

8. DEFINED CONTRIBUTION PENSION PLAN

The Ministry maintains a defined contribution pension plan as defined under Section 401(k) of the U.S. Internal Revenue Code. Employees are eligible to participate after six months of service. Beginning January 2019, the Ministry matches plan contributions up to 5% of wages, excluding bonuses, overtime, and commission. Beginning January 2020, the Ministry also includes overtime in the computation of 401(k) contributions. Bonuses and commission are still excluded. Employer contributions during the years ended December 31, 2022 and 2021 were \$148,565 and \$137,872, respectively.

THE PROVERBS 31 MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2022 AND 2021

9. JOINT COSTS AND ALLOCATION METHODS

The Ministry incurs compensation and benefits expense for employees that affects program expense, supporting expense, and fundraising expense. Total compensation and benefits expense for the years ended December 31, 2022 and 2021 were \$5,270,855 and \$4,919,729, respectively. The Ministry allocated \$4,282,043 and \$4,062,712, respectively, to program expense, \$739,501 and \$655,308, respectively, to supporting services expense, and \$249,311 and \$201,709, respectively, to fundraising expense for the years ended December 31, 2022 and 2021. Compensation and benefits are allocated based on a time-allocation analysis prepared by management. Management allocates depreciation and interest expense in a similar manner.

10. NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2022 and 2021, net assets with donor restrictions are as follows:

	<u>2022</u>	<u>2021</u>
Building Expansion Fund	\$ <u>-0-</u>	\$ <u>-0-</u>
Total Net Assets with Donor Restrictions	\$ <u>-0-</u>	\$ <u>-0-</u>

The Building Expansion Fund originally included restricted funds comprised of pledges and cash contributions made by donors primarily in 2016 and 2017 toward a building expansion and purchase of land. However, the Ministry later determined that this option was no longer the best path for the Ministry, so the land was sold in 2018. During the year ended December 31, 2021, the Ministry purchased the new building and simultaneously released the net assets for this purpose.

11. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

	<u>2022</u>	<u>2021</u>
Financial assets, at year end	\$6,080,364	\$6,591,109
Less those unavailable for general expenditures within one year, due to:		
Subject to appropriation and satisfaction of donor restrictions	<u>-0-</u>	<u>-0-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$6,080,364</u>	<u>\$6,591,109</u>

The Ministry has \$6,080,364 of financial assets available within one year of the statement of financial position date to meet cash needs for general operating expenditures, consisting of cash of \$2,008,371, receivables of \$76,773, and short-term investments of \$3,995,220.

12. OPERATING LEASES

The Ministry had non-cancelable operating leases for office space. Those leases generally contained renewal options and require the Ministry to pay all executory costs such as taxes, maintenance and insurance. Rental expenses amounted to \$0 and \$147,081 for the years ended December 31, 2022 and 2021, respectively, and is included in office expense on the Statements of Activities and Changes in Net Assets.

THE PROVERBS 31 MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2022 AND 2021

On January 30, 2019, the Ministry entered into a lease agreement for a new building space that was upfitted and ready for use in the fourth quarter of 2020. On April 1, 2021, the Ministry purchased the building, so only three payments of \$28,000 were made on this lease in 2021. Upon ownership transfer at purchase, the lease agreement was null and void.

The Ministry holds equipment and storage leases, with monthly payments of \$4,644 per month.

Future minimum lease payments under operating leases as of December 31, 2022 are as follows:

Years Ending December 31:	
2023	\$5,980
2024	5,980
2025	5,869
2026	4,644
2027	774

13. CONCENTRATIONS OF CREDIT RISK

Financial instruments, which potentially subject the Ministry to concentrations of credit risk, consist principally of cash, cash equivalents and mutual funds. The Ministry maintains its cash accounts with a federally insured financial institution. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2022, the Ministry had deposits in excess of FDIC limits in the amount of \$1,423,813. The mutual funds (see Note 4) are held at an investment company that is protected under the Securities Investor Protection Corporation, which provides coverage up to \$500,000, including \$250,000 in cash. At December 31, 2022, the Ministry held \$64,815 of cash in the investment company account. Management believes these financial institutions have strong credit ratings and that credit risk related to these deposits is minimal.

14. CONCENTRATION OF PURCHASES

Since 2015, an e-commerce company has managed a portion of the printing of resource sales and all of the processing and fulfillment of resource sales and maintained most inventory. Total disbursements to this e-commerce company totaled \$1,351,622 and \$1,305,236 for the years ended December 31, 2022 and 2021.

15. RELATED PARTY TRANSACTIONS

During 2022 and 2021, the Ministry incurred expenses paid to a nonprofit organization that was established by the president of the Ministry. Total amounts paid to this nonprofit organization were \$80,391 and \$134,218 during 2022 and 2021, respectively. In 2022, these payments include \$15,000 in travel reimbursement, \$8,250 for space rental, share of net revenues from speaking events of \$6,888, miscellaneous expenses of \$253 and \$50,000 for content and project management of the Seeing Jesus in the Old Testament manuscript. Additionally, as of December 31, 2021, \$50,000 of expense is accrued for the final payment towards the joint manuscript. \$5,786 is accrued for tour book sales payable to this nonprofit organization.

In 2021, \$17,693 in travel reimbursement, \$16,525 for space rental and food, and \$100,000 for content and project management of the Seeing Jesus in the Old Testament manuscript.

The Ministry receives contributions from members of the Executive Team and Board of Directors. Total contributions from these individuals in 2022 and 2021 were \$235,290 and \$118,931, respectively.

THE PROVERBS 31 MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2022 AND 2021

16. SUBSEQUENT EVENTS ANALYSIS

Management has evaluated subsequent events through April 18, 2023 the date on which the financial statements were available to be issued. As of April 18, 2023, no subsequent events exist.