

THE PROVERBS 31 MINISTRY, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020
AND
INDEPENDENT AUDITOR'S REPORT

FRANKLIN & FRANKLIN, PA
CERTIFIED PUBLIC ACCOUNTANTS

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THE PROVERBS 31 MINISTRY, INC.
YEARS ENDED DECEMBER 31, 2021 AND 2020

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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, 2021 and 2020, 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, 2021 and 2020, 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 27, 2022

THE PROVERBS 31 MINISTRY, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2021 AND 2020

	December 31, 2021	December 31, 2020
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents - without donor restrictions	\$ 2,260,827	\$ 3,336,832
Accounts and other receivables	20,322	162,312
Pledges receivable	27,824	-
Investments	4,282,136	4,034,510
Inventory, net of reserve (\$103,285 in 2021 and \$84,725 in 2020)	438,201	268,286
Prepaid expenses	255,954	373,108
TOTAL CURRENT ASSETS	7,285,264	8,175,048
OTHER ASSETS:		
Cash and cash equivalents - with donor restrictions	-	322,967
Property and equipment, net	6,497,404	1,020,136
Website, net of accumulated amortization (\$115,880 in 2021 and \$89,798 in 2020)	50,644	52,772
TOTAL OTHER ASSETS	6,548,048	1,395,875
TOTAL ASSETS	\$ 13,833,312	\$ 9,570,923
LIABILITIES AND NET ASSETS:		
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts payable	\$ 243,249	\$ 255,634
Accrued PTO liability	103,349	99,809
Accrued interest	-	4,504
Deferred revenue	157,143	193,576
Current portion of long-term debt	152,165	340,586
TOTAL CURRENT LIABILITIES	655,906	894,109
LONG-TERM DEBT	3,736,733	349,414
TOTAL LIABILITIES	4,392,639	1,243,523
NET ASSETS:		
Net assets without donor restrictions	9,440,673	8,004,433
Net assets with donor restrictions	-	322,967
TOTAL NET ASSETS	9,440,673	8,327,400
TOTAL LIABILITIES AND NET ASSETS	\$ 13,833,312	\$ 9,570,923

THE PROVERBS 31 MINISTRY, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
SUPPORT AND REVENUE:		
Contributions	\$ 4,234,350	\$ 3,994,499
Resource sales, net of cost of goods sold (\$1,916,578 for 2021 and \$3,066,414 for 2020)	1,497,982	2,078,794
Ministry training	1,250,356	1,263,218
Conference income	406,425	474,443
Speaking ministry income	51,266	17,845
Special projects	83,295	52,609
Net income on investments	266,710	354,407
Miscellaneous income/(expense)	10,983	(80,906)
Net assets released from restrictions	<u>322,967</u>	<u>25,000</u>
TOTAL SUPPORT AND REVENUE	<u>8,124,334</u>	<u>8,179,909</u>
EXPENSES:		
Program services expense	5,495,386	4,940,286
Management and general expense	932,713	918,261
Fundraising expense	<u>259,995</u>	<u>251,151</u>
TOTAL EXPENSES	<u>6,688,094</u>	<u>6,109,698</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>1,436,240</u>	<u>2,070,211</u>
NET ASSETS WITH DONOR RESTRICTIONS:		
Restricted contributions	-	-
Net assets released from restrictions	<u>(322,967)</u>	<u>(25,000)</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>(322,967)</u>	<u>(25,000)</u>
CHANGE IN NET ASSETS	1,113,273	2,045,211
NET ASSETS, BEGINNING OF YEAR	<u>8,327,400</u>	<u>6,282,189</u>
NET ASSETS, END OF YEAR	<u><u>\$ 9,440,673</u></u>	<u><u>\$ 8,327,400</u></u>

THE PROVERBS 31 MINISTRY, INC.

STATEMENT OF FUNCTIONAL EXPENSE

YEAR ENDED DECEMBER 31, 2021

	Program Services	Supporting Services			2021 Total Expenses
		Management and General	Fundraising	Total Supporting Services	
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
Ministry gifts	-	-	-	-	-
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.

STATEMENT OF FUNCTIONAL EXPENSE

YEAR ENDED DECEMBER 31, 2020

	Program Services	Supporting Services		Total Supporting Services	2020 Total Expenses
		Management and General	Fundraising		
Compensation and benefits	\$ 3,609,311	\$ 665,959	\$ 161,498	\$ 827,457	\$4,436,768
She Speaks Conference	97,482	-	-	-	97,482
Ministry training	424,482	32,887	-	32,887	457,369
Office expense	272,782	64,295	11,984	76,279	349,061
Volunteer and staff expense	47,138	10,806	-	10,806	57,944
Travel expense	24,909	-	-	-	24,909
Online processing fees	50,430	49,843	-	49,843	100,273
Professional fees	-	59,094	-	59,094	59,094
Marketing expense	332,126	-	-	-	332,126
Ministry gifts	1,000	-	-	-	1,000
Mid-year and year-end letter	-	-	23,970	23,970	23,970
Fundraising - other	-	22,854	53,699	76,553	76,553
Interest	3,664	840	-	840	4,504
Depreciation and amortization	76,962	11,683	-	11,683	88,645
Total Functional Expenses	<u>\$4,940,286</u>	<u>\$ 918,261</u>	<u>\$ 251,151</u>	<u>\$1,169,412</u>	<u>\$6,109,698</u>

THE PROVERBS 31 MINISTRY, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,113,273	\$ 2,045,211
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	173,720	88,645
Loss on disposal of assets	824	84,589
Gain on investments	(266,710)	(354,407)
Changes in operating assets and liabilities:		
accounts and other receivables	141,990	(137,054)
pledges receivable	(27,824)	130,338
inventories	(169,915)	(64,150)
prepaid expenses	117,154	(31,324)
accounts payable	(12,385)	78,146
accrued PTO liability	3,540	31,521
401(k) liability	-	(31,602)
accrued interest	(4,504)	4,504
deferred revenue	(36,433)	15,988
Net cash provided by operating activities	1,032,730	1,860,405
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(5,625,730)	(981,186)
Payments on website development	(23,954)	(38,815)
Sale of securities	490,859	641,074
Purchase of securities	(471,775)	(636,139)
Net cash used for investing activities	(5,630,600)	(1,015,066)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	4,000,000	690,000
Payments on long-term debt	(801,102)	-
Net cash provided by financing activities	3,198,898	690,000
Net change in cash	(1,398,972)	1,535,339
Cash and cash equivalents at beginning of year	3,659,799	2,124,460
Cash and cash equivalents at end of year	\$ 2,260,827	\$ 3,659,799
No taxes were paid for 2021 and 2020.		
Cash paid for interest	\$ 93,038	\$ -

THE PROVERBS 31 MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

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.

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, 2021 AND 2020

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, 2021, gross sales were \$3,414,560 less cost of goods sold of \$1,916,578, resulting in net sales of \$1,497,982. For the year ended December 31, 2020, gross sales were \$5,145,208 less cost of goods sold of \$3,066,414, resulting in net sales of \$2,078,794.

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, 2021 AND 2020

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, 2021 and 2020 was \$281,855 and \$332,126, 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 2020 amounts were reclassified. Net assets were not affected by these reclassifications.

2. INVENTORY

As of December 31, 2021 and 2020, inventory amounts consist of the following:

	<u>2021</u>	<u>2020</u>
Books and guides	\$ 447,684	\$ 220,836
Apparel and jewelry	46,616	55,228
Gifts	1,241	38,358
Other	<u>45,945</u>	<u>38,589</u>
Gross Inventory	541,486	294,136
Less: inventory reserve	<u>(103,285)</u>	<u>(84,725)</u>
Inventory, Net	<u>\$ 438,201</u>	<u>\$ 268,286</u>

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.

THE PROVERBS 31 MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

Pledges are expected to be realized in the following periods:

	<u>2021</u>	<u>2020</u>
In one year or less	\$ 27,824	\$ -
Between one year and five years	<u>-</u>	<u>-</u>
	27,824	-
Less:		
Allowance for uncollectible pledges	-	-
Discount	<u>-</u>	<u>-</u>
	<u>\$ 27,824</u>	<u>\$ -</u>

4. INVESTMENTS

As of December 31, 2021 and 2020, the Ministry held mutual funds and fixed income bonds in the amount of \$4,282,136 and \$4,034,510, respectively. These funds are carried at fair value based on quoted prices in active markets (Level 1 investments). The net income on this investment account, \$266,710 and \$354,407, is reflected in the Statements of Activities and Changes in Net Assets for the years ended December 31, 2021 and 2020, respectively.

5. 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 and fixtures and office equipment; five—ten years). Maintenance and repairs are expensed as paid; major renewals or betterments are capitalized. A summary of property at December 31, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Building	\$ 5,398,528	\$ -
Building improvements	489,056	-
Office technology	356,702	-
Furniture and fixtures	304,796	-
Office equipment	<u>252,463</u>	<u>224,708</u>
	6,801,545	224,708
Less accumulated depreciation	<u>(304,141)</u>	<u>(165,140)</u>
	6,497,404	59,568
Assets not yet placed in service:		
Building improvements	-	434,222
Office technology	-	301,586
Furniture and fixtures	<u>-</u>	<u>224,760</u>
Property, net	<u>\$ 6,497,404</u>	<u>\$ 1,020,136</u>

THE PROVERBS 31 MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

6. 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 5), 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:

2022	\$ 152,165
2023	156,670
2024	161,076
2025	166,170
2026	171,122
2027 and beyond	<u>3,081,695</u>
	<u>\$ 3,888,898</u>

7. 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, 2021 and 2020 were \$137,872 and \$129,348, respectively.

8. 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, 2021 and 2020 were \$4,919,729 and \$4,436,768, respectively. The Ministry allocated \$4,062,712 and \$3,609,311, respectively, to program expense, \$655,308 and \$665,959, respectively, to supporting services expense, and \$201,709 and \$161,498, respectively, to fundraising expense for the years ended December 31, 2021 and 2020. Compensation and benefits are allocated based on a time-allocation analysis prepared by management. Management allocates depreciation and interest expense in a similar manner.

THE PROVERBS 31 MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

9. NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2021 and 2020, net assets with donor restrictions are as follows:

	<u>2021</u>	<u>2020</u>
Building Expansion Fund	\$ <u>-0-</u>	\$ <u>322,967</u>
Total Net Assets with Donor Restrictions	\$ <u>-0-</u>	\$ <u>322,967</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 has purchased the new building and simultaneously released the net assets for this purpose.

10. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

	<u>2021</u>	<u>2020</u>
Financial assets, at year end	\$6,591,109	\$7,856,621
Less those unavailable for general expenditures within one year, due to: Subject to appropriation and satisfaction of donor restrictions	<u>-0-</u>	<u>(322,967)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$6,591,109</u>	<u>\$7,533,654</u>

The Ministry has \$6,591,109 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 \$2,260,827, receivables of \$48,146, and short-term investments of \$4,282,136.

11. OPERATING LEASES

The Ministry has 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 \$147,081 and \$212,002 for the years ended December 31, 2021 and 2020, respectively, and is included in office expense on the Statements of Activities and Changes in Net Assets.

Lease terms for the main office building provided for a ten-year lease with two additional five-year extensions. The lease was set to expire in 2022. Terms provide for an option to purchase the building for an amount provided by the contract, which was adjusted annually. As of December 31, 2020, the Ministry has paid an additional \$70,597 towards future rent. This amount is reflected in prepaid expenses on the Statements of Financial Position.

The Ministry also leased office space at a secondary location in Matthews, North Carolina during 2020. The lease for this office space expired in December 2020.

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 PROVERBS 31 MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

The Ministry holds equipment and storage leases, with monthly payments ranging from \$403 to \$4,644 per month.

Future minimum lease payments under operating leases as of December 31, 2021 are as follows:

Years Ending December 31:	
2022	\$6,383
2023	5,980
2024	5,980
2025	5,869
2026	4,644

12. 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, 2021, the Ministry had deposits in excess of FDIC limits in the amount of \$1,750,129. 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, 2021, the Ministry held \$39,171 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.

13. CONCENTRATION OF PURCHASES

Since 2015, an e-commerce company has managed the processing and fulfillment of all resource sales and maintained most inventory. Total disbursements to this e-commerce company totaled \$1,305,236 and \$1,641,148 for the years ended December 31, 2021 and 2020.

14. RELATED PARTY TRANSACTIONS

During 2021 and 2020, 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 \$134,218 and \$44,356 during 2021 and 2020, respectively. In 2021, these payments include \$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. 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 2020, payments include \$18,750 for travel reimbursement, \$24,347 for space rental and event food, and \$1,259 for speaking event book sales.

The Ministry receives contributions from members of the Executive Team and Board of Directors. Total contributions from these individuals in 2021 and 2020 were \$118,931 and \$106,485, respectively.

THE PROVERBS 31 MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

15. PRIOR PERIOD ADJUSTMENT

During the year ended December 31, 2021, a correction was made by management to reduce property and equipment and increase sales tax receivable for sales tax that was incurred in 2020 and eligible for refund from the State of North Carolina. There was no impact on the change in net assets for 2020.

	<u>As Previously Stated</u>	<u>As Currently Presented</u>
Accounts and other receivables as of December 31, 2020	\$ 140,557	\$ 162,312
Property and equipment, net as of December 31, 2020	1,041,891	1,020,136

16. SUBSEQUENT EVENTS ANALYSIS

Management has evaluated subsequent events through April 27, 2022 the date on which the financial statements were available to be issued. As of April 27, 2022, no subsequent events exist.