Episcopal Foundation of Dallas

Independent Auditor's Report and Financial Statements

December 31, 2022 and 2021

Episcopal Foundation of Dallas
December 31, 2022 and 2021

Contents

FORV/S

777 Main Street, Suite 2000 / Fort Worth, TX 76102
P 817.332.2301 / **F** 817.338.4608
forvis.com

Independent Auditor's Report

Board of Trustees
Episcopal Foundation of Dallas
Dallas, Texas

Opinion

We have audited the financial statements of Episcopal Foundation of Dallas, which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Episcopal Foundation of Dallas, 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 (GAAS). 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 Episcopal Foundation of Dallas, 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.

Emphasis of Matter

As described in *Note 8* to the financial statements, the statement of cash flow for the year ended December 31, 2021 has been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

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 Episcopal Foundation of Dallas ability to continue as a going concern within one year after the date that these financial statements are 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 Episcopal Foundation of Dallas' 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 Episcopal Foundation of Dallas 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.

FORVIS, LLP

Fort Worth, Texas
June 9, 2023

Episcopal Foundation of Dallas

Statements of Financial Position

December 31, 2022 and 2021

	2022	2021
Assets		
Cash and cash equivalents	$ 147,149	$ 249,223
Restricted cash- agency funds	-	9,102
Contribution receivable	800	1,100
Accounts receivable	49,772	57,636
Investments	12,496,973	7,623,485
Restricted investments - agency funds	29,882,431	45,031,348
Right of use asset - operating lease	11,610	-
Other assets	4,693	12,095
Total assets	$ 42,593,428	$ 52,983,989
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 225	$ 3,161
Operating lease liability	11,610	-
Agency funds	29,882,431	45,040,450
Total liabilities	29,894,266	45,043,611
Net Assets		
Without donor restrictions	12,697,412	7,938,628
With donor restrictions	1,750	1,750
Total net assets	12,699,162	7,940,378
Total liabilities and net assets	$ 42,593,428	$ 52,983,989

Episcopal Foundation of Dallas

Statements of Activities

Years Ended December 31, 2022 and 2021

	2022	2021
Revenues and Other Support		
Contributions	$ 6,325,091	$ 6,800
Investment return, net	(1,183,476)	930,248
Administrative fee income	204,654	210,347
Other income	16,842	15,565
Total revenues and other support	5,363,111	1,162,960
Expenses		
Grants	338,929	239,729
Investment management - agency funds	13,114	9,435
Total program services	352,043	249,164
Administrative support	252,284	200,030
Total support services	252,284	200,030
Total expenses	604,327	449,194
Change in Net Assets Without Donor Restrictions	4,758,784	713,766
Net Assets, Beginning of Year	7,940,378	7,226,612
Net Assets, End of Year	$ 12,699,162	$ 7,940,378

Episcopal Foundation of Dallas

Statements of Functional Expenses

Years Ended December 31, 2022 and 2021

	2022 Program Services			2022 Support	
	Grants	Investment Management	Total Program Services	Administrative Support	Total
Grants and other assistance	$ 295,694	$ -	$ 295,694	$ -	$ 295,694
Salaries and wages	35,155	10,600	45,755	125,344	171,099
Payroll taxes	2,689	811	3,500	9,485	12,985
Professional fees and services	-	-	-	30,937	30,937
Advertising and promotion	-	-	-	647	647
Office expenses	234	70	304	823	1,127
Information technology	2,597	783	3,380	9,179	12,559
Occupancy	1,946	587	2,533	6,864	9,397
Conferences, conventions and meetings	26	86	112	1,253	1,365
Insurance	-	-	-	11,623	11,623
Other	588	177	765	56,129	56,894
Total expenses	$ 338,929	$ 13,114	$ 352,043	$ 252,284	$ 604,327

	2021 Program Services			2021 Support	
	Grants	Investment Management	Total Program Services	Administrative Support	Total
Grants and other assistance	$ 212,400	$ -	$ 212,400	$ -	$ 212,400
Salaries and wages	23,405	8,082	31,487	111,651	143,138
Payroll taxes	1,846	637	2,483	8,806	11,289
Professional fees and services	-	-	-	31,219	31,219
Advertising and promotion	-	-	-	1,966	1,966
Office expenses	198	68	266	942	1,208
Information technology	429	148	577	2,047	2,624
Occupancy	1,451	500	1,951	6,913	8,864
Conferences, conventions and meetings	-	-	-	1,117	1,117
Insurance	-	-	-	10,860	10,860
Depreciation	-	-	-	1,167	1,167
Other	-	-	-	23,342	23,342
Total expenses	$ 239,729	$ 9,435	$ 249,164	$ 200,030	$ 449,194

Episcopal Foundation of Dallas
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021 As Restated
Operating Activities		
Change in net assets	$ 4,758,784	$ 713,766
Items not requiring (providing) cash		
Depreciation	-	1,167
Net realized and unrealized (gains) loss on investments	1,480,417	(578,041)
Noncash operating lease expense	6,966	-
Changes in		
Contribution receivable	300	(1,100)
Accounts receivable	7,864	(7,075)
Other assets	7,402	(4,494)
Operating lease liability	(6,966)	-
Accounts payable	(2,936)	(2,234)
Agency funds	(15,158,019)	8,009,238
Net cash provided by (used in) operating activities	(8,906,188)	8,131,227
Investing Activities		
Purchases of investments - agency funds	(8,416,915)	(13,703,053)
Proceeds from sale of investments - agency funds	10,858,022	5,702,917
Purchases of investments	(298,629)	(369,729)
Proceeds from sale of investments	6,652,534	169,944
Net cash provided by (used in) investing activities	8,795,012	(8,199,921)
Decrease in Cash and Cash Equivalents	(111,176)	(68,694)
Cash and Cash Equivalents, Beginning of Year	258,325	327,019
Cash and Cash Equivalents, End of Year	$ 147,149	$ 258,325
Cash and Cash Equivalents	$ 147,149	$ 249,223
Restricted Cash for Agency Funds	-	9,102
Total Cash and Restricted Cash	$ 147,149	$ 258,325
Supplemental Disclosure of Cash Flow Information:		
ROU asset obtained in exchange of new operating lease liabilities	$ 18,576	$ -

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The Episcopal Foundation of Dallas (Foundation) is a Texas not-for-profit corporation whose mission is to strengthen and support faith communities by partnering wise investments with purposeful giving. The Foundation is organized and operated with an independent Board of Trustees outside the jurisdiction of the Episcopal Diocese of Dallas (Diocese), the Episcopal Church and the Diocesan and General Conventions of the Church. The Foundation provides investment management services to Episcopal churches, schools and agencies within the Episcopal Diocese of Dallas (investment partners) and makes grants to these organizations in addition to other not-for-profits whose work is consistent with the mission of the Foundation and the Diocese. The Foundation's revenues and other support are derived principally from its own investment earnings and administrative fees charged to investment partners.

Restricted Investments - Agency Funds

The Foundation maintains funds for various Diocesan institutions in which it has no economic interest. The Foundation invests these funds on behalf of the investment partners, and they are held as agency accounts. The Foundation records agency funds at fair value and recognizes a corresponding liability of an equal amount. Investment gains and losses related to agency funds are not presented on the statements of activities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents. Cash equivalents consisted entirely of money market accounts with brokers at December 31, 2022 and 2021. The Foundation's cash account did not exceed the federally insured limit.

Restricted Cash – Agency Funds

The Foundation received cash to be invested on behalf of investment partners that at December 31, 2021 was not transferred to the investment accounts. At December 31, 2022, there was no uninvested cash received from investment partners.

Accounts Receivables

Accounts receivables are stated at the amount of consideration from churches, schools and agencies of which the Foundation has an unconditional right to receive. The accounts receivable consists of administrative fee income that is transferred directly from the agency funds on a quarterly basis. Management believes no allowance for uncollectible accounts is necessary on December 31, 2022 and 2021.

Investments and Net Investment Return

Investments in equity securities having a readily determinable fair value are carried at fair value. Investment return includes dividends, interest and realized and unrealized gains and losses on investments carried at fair value less external investment expenses. Realized and unrealized gains and losses are determined using the average cost method.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

The Foundation maintains a diversified pooled investment portfolio for the benefit of the Foundation and participating investment partners. Investment income and realized and unrealized gains and losses from securities, and investment expenses in the pooled investment portfolio are allocated monthly to individual accounts based on the relationship of the fair value of each account to the total fair value of the pooled investments portfolio, as adjusted for additions to or deductions from the individual accounts.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions of $1,750 at December 31, 2022 and 2021, are subject to donor restrictions for the benefit of another Diocesan organization. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. At December 31, 2022 and 2021, the Foundation did not have net assets required to be maintained in perpetuity.

Net assets without donor restrictions include $728,964 and $912,985 of donor advised funds at December 31, 2022 and 2021, respectively. Although grant recommendations are accepted from the donors or other advisors of these funds, the ultimate discretion regarding their use lies with the Board of Trustees.

Contributions

Contributions are provided to the Foundation either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
Conditional gifts, with or without restriction	
Gifts that depend on the Foundation overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, *i.e.* the donor-imposed barrier is met
Unconditional gifts, with or without restriction	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor 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 statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Income Taxes

The Foundation is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income.

The Foundation files tax returns in the U.S. federal jurisdiction.

The Foundation received a ruling from the Internal Revenue Service which determined the Foundation meets the requirements of an integrated auxiliary of a church, and as such, is not required to file Form 990.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program and administrative support categories based on a time study conducted for each employee, specific identification, and other methods.

Change in Accounting Principle

On January 1, 2022, the Foundation adopted the Financial Accounting Standards Board Accounting Standards Update 2016-02, *Leases (Topic 842)*, (ASU 2016-02) using a modified retrospective method of adoption at the period in which it is adopted at January 1, 2022. See *Note 7*.

Note 2: Fair Value of Assets and Liabilities

Fair value is 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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis. At December 31, 2022 and 2021, investments, all of which are classified as Level 1, consist of the following:

Investments

	2022	2021
Mutual funds		
Domestic equity	$ 6,539,395	$ 3,568,288
International equity	2,851,770	2,037,089
Domestic fixed income	3,105,808	1,583,706
International fixed income	-	434,402
Total	$ 12,496,973	$ 7,623,485

Restricted Investments - Agency Funds

	2022	2021
Mutual funds		
Domestic equity	$ 15,171,012	$ 20,659,878
International equity	6,976,673	12,142,544
Domestic fixed income	7,734,746	9,840,415
International fixed income	-	2,388,511
Total	$ 29,882,431	$ 45,031,348

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2022.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The investments consist of mutual funds accounted for at fair value based on quoted prices in active markets in which the mutual funds are traded (Level 1 inputs) at December 31, 2022 and 2021.

Note 3: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2022 and 2021, comprise the following:

	2022	2021
Financial assets at year-end		
Cash and cash equivalents	$ 147,149	$ 249,223
Contribution receivable	800	1,100
Accounts receivable	49,772	57,636
Investments	12,496,973	7,623,485
Total financial assets	12,694,694	7,931,444
Donor imposed restrictions		
Restricted funds	1,750	1,750
Financial assets available to meet cash needs for general expenditures within one year	$ 12,692,944	$ 7,929,694

The Foundation manages its liquidity by operating within a prudent range of financial soundness and stability and maintaining adequate liquid assets to fund operating needs. The Foundation's investments are subject to a spending guideline which allows the Foundation to be as generous and as consistent as possible in making grants to the community while also maintaining the value of the fund over time. The guideline is for planning purposes and to demonstrate due diligence, and it is the intent of the Board of Trustees that investments remain without restriction and not subject to any self-imposed limits that create designated assets.

Note 4: Related Party Transactions

The Foundation held funds for Episcopal Health Foundation of Dallas (EHFD) for the year ended December 31, 2021 and for a portion of the year ended December 31, 2022. EHFD's trustees also serve on the Foundation's board of trustees. The Foundation does not appoint the Board of Trustees on behalf of the organization. Agency funds included $7,755,541 held on behalf of EHFD at December 31, 2021.

Effective December 31, 2022, EHFD's Board of Trustees voluntarily decided to dissolve after transferring all assets to the Foundation. The Foundation recorded the unconditional, unrestricted contribution of $6,315,341 from EHFD as a contribution on the statements of activities.

EHFD incurred administrative fees with the Foundation of $37,345 and $40,952 for the years ended December 31, 2022 and 2021, respectively. A receivable for administrative fees and services was outstanding from EHFD in the amount of $10,482 at December 31, 2021. There was no receivable for administrative fees and services from EHFD at December 31, 2022.

Note 5: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Investments

The Foundation invests in various mutual funds which are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statements of financial position.

Administrative Fee Income

Approximately 15% of the Foundation's administrative fee income came from one investment partner for the year ended December 31, 2022. For the year ended December 31, 2021, 35% of the Foundation's administrative fee income was from two investment partners. Of those percentages, approximately 15% and 19% was generated from the related organization identified in *Note 4* for the years ended December 31, 2022, and 2021, respectively.

Contributions

Approximately 99% of total contribution revenue was from one donor for the year ended December 31, 2022, as described in *Note 4*.

Note 6: Revenue from Contracts with Churches, Schools and Agencies

Administrative Fee Income

The Foundation manages investments on behalf of churches, schools and agencies within the agencies within the Episcopal Diocese of Dallas (investment partners). The Foundation is entitled to a 0.55% investment management fee on the value of the funds invested. Performance obligations are determined based on the nature of the services provided by the Foundation in accordance with the contract. Revenue for performance obligations satisfied over time is recognized ratably over the year based on time elapsed. The Foundation believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

Contract Balances

The Foundation had receivables from churches, schools and agencies at December 31, 2022 and 2021, for $49,772 and $57,636, respectively. At December 31, 2022 and 2021, the Foundation had no contract liabilities.

Performance Obligations and Transaction Price Allocated to Remaining Performance Obligations

The performance obligations for these contracts are generally completed over time for as long as the funds are invested and managed by the Foundation. The Foundation assesses the investment management fee at the end of each quarter as services are provided to the churches, schools and agencies.

Significant Judgments

The Foundation determines the transaction price based on standard charges for services provided in accordance with the Foundation's policy. There are no implicit or explicit price concessions provided to churches, schools and agencies.

Disaggregation of Revenue

For the year ended December 31, 2022 and 2021, the Foundation recognized revenue over time from investment management fees charged to churches, schools, and affiliates of $204,654 and $210,347, respectively.

Note 7: Lease

Change in Accounting Principle

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This ASU requires lessees to recognize a lease liability and a right-of-use (ROU) asset on a discounted basis, for substantially all leases, as well as additional disclosures regarding leasing arrangements. Disclosures are required to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides an optional transition method of applying the new lease standard. Topic 842 can be applied using either a modified retrospective approach at the beginning of the earliest period presented, or as permitted by ASU 2018-11, at the beginning of the period in which it is adopted, *i.e.*, the comparatives under ASC 840 option.

The Foundation adopted Topic 842 on January 1, 2022 (the effective date), using the comparatives under ASC 840 transition method, which applies Topic 842 at the beginning of the period in which it is adopted. Prior period amounts have not been adjusted in connection with the adoption of this standard. The Foundation elected the package of practical expedients under the new standard, which permits entities to not reassess lease classification, lease identification or initial direct costs for existing or expired leases prior to the effective date. The Foundation has lease agreements with nonlease components that relate to the lease components. The Foundation elected the practical expedient to account for nonlease components, and the lease components to which they relate as a single lease component for all. Also, the Foundation elected to keep short-term leases with an initial term of 12 months or less off the statements of financial position. The Foundation did not elect the hindsight practical expedient in determining the lease term for existing leases as of January 1, 2022.

The most significant impact of adoption was the recognition of operating lease ROU assets and operating lease liabilities of $18,576 and $18,576, respectively, at the beginning of the lease term. The standard did not significantly affect the statements of activities or cash flows.

Accounting Policies

The Foundation determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of ROU assets and lease liabilities on the statements of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Foundation determines lease classification as operating or finance at the lease commencement date. At December 31, 2022, the Foundation has no financing leases.

The Foundation combines lease and nonlease components, such as common area and other maintenance costs, in calculating the ROU assets and lease liabilities for its office building. At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Foundation has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that the Foundation is reasonably certain to exercise. However, at December 31, 2022, the Foundation did not include the extended terms as it is not reasonably certain to exercise the options. Lease expense is generally recognized on a straight-line basis over the lease term.

Lease agreements with total payments over the term in excess of $1,500 are capitalized.

Nature of Leases

The Episcopal Foundation leases an office space. The initial lease term began in April 2018 with original lease term of 24 months. The lease was renewed in 2020 for 24 months with automatic month to month renewals until the lease agreement is terminated or extended. The lease was renewed in 2022 for 24 months with a lease term end date in March 2024.

The Foundation has no material related party leases.

The Foundation's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Qualitative Disclosures

The operating lease expense was $6,966 for the year ended December 31, 2022. Cash paid for amounts included in the measurement of lease liabilities related to operating leases for the year ended December 31, 2022, was $6,966. There are 15 months remaining for the operating lease December 31, 2022. The discount rate used was 0.78%.

Future minimum lease payments and reconciliation to the statements of financial position at December 31, 2022, is as follows:

2023	$ 9,288
2024	2,322
Total lease liabilities	$ 11,610

Note 8: Restatement

A restatement was made to the presentation of the Foundation's statement of cash flows for the year ended December 31, 2021. The restatement was to properly present net cash receipts and disbursements from agency transactions. The restatement did not have an impact on the change in net assets. The results of the restatement are as follows:

Statement of Cash Flows	2021, As previously reported	Prior period adjustment	2021, As restated
Operating Activities			
Changes in			
Agency funds	$ -	$ 8,009,238	$ 8,009,238
Net cash provided by operating activities	121,989	8,009,238	8,131,227
Investing Activities			
Purchases of investments - agency funds	-	(13,703,053)	(13,703,053)
Proceeds from sale of investments - agency funds	-	5,702,917	5,702,917
Purchases of investments	(369,729)	-	(369,729)
Proceeds from the sale of investments	169,944	-	169,944
Cash received from agency funds	9,102	(9,102)	-
Net cash used in investing activities	(190,683)	(8,009,238)	(8,199,921)

Note 9: Subsequent Events

Subsequent events have been evaluated through June 9, 2023, which is the date the financial statements were available to be issued.