

**UNITED PENTECOSTAL FOUNDATION  
FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2022**



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**UNITED PENTECOSTAL FOUNDATION  
TABLE OF CONTENTS  
YEAR ENDED JUNE 30, 2022**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
<b>STATEMENT OF FINANCIAL POSITION</b>	<b>4</b>
<b>STATEMENT OF ACTIVITIES</b>	<b>5</b>
<b>STATEMENT OF CASH FLOWS</b>	<b>6</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>7</b>



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
United Pentecostal Foundation  
St. Louis, Missouri

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of United Pentecostal Foundation (the Foundation), which comprise the balance sheet as of June 30, 2022, and the related statements of activities and cash flows for the year 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 United Pentecostal Foundation as of June 30, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of United Pentecostal Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 United Pentecostal Foundation's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

### ***Auditors' 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 auditors' 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 United Pentecostal Foundation's United Pentecostal Foundation 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 United Pentecostal Foundation's ability to continue as a going concern for a reasonable period of time.

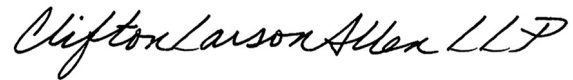
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### ***Other Information Included in the Annual Report***

Management is responsible for the other information included in the annual report. The other information comprises the divisional letters. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

Board of Directors  
United Pentecostal Foundation

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

**CliftonLarsonAllen LLP**

St. Louis, Missouri  
August 29, 2022

**UNITED PENTECOSTAL FOUNDATION  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2022**

**ASSETS**

**CASH**

General	\$ 30,420
Mission Possible	316
Donor Advised Funds	200
Annuities	1,289
Charitable Remainder Trusts	509
Endowments	583,312
Endowments Held for Others	32,496
Total Cash	<u>648,542</u>

**INVESTMENTS**

Unrestricted	8,619
Endowments	3,648,080
Donor Advised Funds	344,117
Charitable Gift Annuities	694,387
Endowments Held for Others	2,191,032
Charitable Remainder Trusts	52,137
Mission Possible	169,948
Total Investments	<u>7,108,320</u>

Total Assets	<u><u>\$ 7,756,862</u></u>
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**LIABILITIES AND NET ASSETS (DEFICIT)**

**LIABILITIES**

Other Liabilities	\$ 20,582
Mission Possible Trip Funds	170,575
Charitable Gift Annuities	399,692
Endowments Held for Others	2,223,538
Charitable Remainder Trusts	52,646
Total Liabilities	<u>2,867,033</u>

**NET ASSETS (DEFICIT)**

Without Donor Restriction:	
Undesignated	18,094
Donor Advised Funds	344,318
Charitable Gift Annuities	(14,938)
Total Net Assets Without Donor Restriction	<u>347,474</u>

With Donor Restriction:

Endowments	144,216
Net Assets Restricted in Perpetuity:	
Endowments	4,087,218
Charitable Gift Annuities	310,921
Total Net Assets With Donor Restriction	<u>4,542,355</u>

Total Net Assets	<u>4,889,829</u>
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Total Liabilities and Net Assets	<u><u>\$ 7,756,862</u></u>
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See accompanying Notes to Financial Statements.

**UNITED PENTECOSTAL FOUNDATION  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2022**

	Without Donor Restriction	With Donor Restriction	Total
<b>REVENUE</b>			
Contributions	\$ 233,618	\$ 789,497	\$ 1,023,115
Investment Losses, Net of Fees	(27,808)	(466,796)	(494,604)
Change in Value:			
Investment Losses	(2,581)	(120,931)	(123,512)
Actuarial Change	1,430	63,304	64,734
Distributions	(6,300)	(445,292)	(451,592)
Investment Fees	(190)	(11,363)	(11,553)
Management Fees	(236)	(13,146)	(13,382)
Miscellaneous Income	11,720	-	11,720
Release from Restrictions	120,124	(120,124)	-
Total Revenue (Losses)	<u>329,777</u>	<u>(324,851)</u>	<u>4,926</u>
<b>EXPENSES</b>			
Distributions	105,548	-	105,548
Management Fees	41,815	-	41,815
Miscellaneous Expenses	4,860	-	4,860
Total Expenses	<u>152,223</u>	<u>-</u>	<u>152,223</u>
<b>CHANGE IN NET ASSETS</b>	177,554	(324,851)	(147,297)
Net Assets - Beginning of Year	<u>169,920</u>	<u>4,867,206</u>	<u>5,037,126</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 347,474</u>	<u>\$ 4,542,355</u>	<u>\$ 4,889,829</u>

See accompanying Notes to Financial Statements.

**UNITED PENTECOSTAL FOUNDATION  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2022**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in Net Assets	\$ (147,297)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Realized Losses, Unrealized Losses, Reinvested Dividends, and Reinvested Interest	593,602
Change in Assets and Liabilities:	
Other Liabilities	20,628
Obligations Under Charitable Gift Annuities	(15,423)
Obligations Under Charitable Remainder Trusts	2,915
Obligations Under Managed Funds	<u>(102,093)</u>
Net Cash Provided by Operating Activities	352,332
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from the Sale of Investments	595,649
Purchases of Investments	<u>(990,084)</u>
Net Cash Used by Investing Activities	(394,435)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Endowment Contributions	<u>666,341</u>
<b>NET INCREASE IN CASH</b>	624,238
Cash - Beginning of Year	<u>24,304</u>
<b>CASH - END OF YEAR</b>	<u><u>\$ 648,542</u></u>

See accompanying Notes to Financial Statements.



**UNITED PENTECOSTAL FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of the Organization**

The United Pentecostal Foundation (the Foundation) was incorporated on October 17, 2003; however, no financial activity occurred until April 2005. The Foundation raises funds by various means, including gifts, donations, bequests and devises by deed, conveyances, will or trust in order to benefit, support, promote, expand, and extend the ministries, works, causes, objectives, programs, and publishing functions of the United Pentecostal Church International (UPCI) and its affiliated divisions, districts, departments, agencies, boards, commissions, libraries, historical center, and publications.

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

**Basis of Presentation**

Under the accounting standards set forth by the Financial Accounting Standards Board (FASB), the Foundation is required to report contributions received as net assets without donor restrictions and net assets with donor restrictions. In addition, the Foundation 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* – Net Assets available for use in general operations and not subject to donor restrictions, even though their use may be limited in other respects, such as board designation. Net assets without donor restrictions relate to donations received and revenue earned for the general purpose of the Foundation.

*Net Assets With Donor Restrictions* – Net Assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. At June 30, 2022, the Foundation's net assets with donor restrictions consist of undistributed endowment investment income, see Note 6. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. At June 30, 2022, the Foundation's net assets with donor restrictions in perpetuity has various types of endowment funds, see Note 6.

It is the Foundation's policy to recognize and report donations with donor restrictions, as with donor restrictions and release them into without donor restrictions, even if the with donor restrictions donation is received and expended in the same reporting year. It is the Foundation's policy to generally expend donations with donor restrictions first, if there are program donations available that are both with and without donor restrictions.

**UNITED PENTECOSTAL FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Use of Estimates**

The preparation of the 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 and expenses during the reporting period. Actual results could differ from those estimates.

**Fair Value Measurements**

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

The three levels of the fair value hierarchy are described as follows:

*Level 1* – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

*Level 2* – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3* – Inputs to the valuation methodology are unobservable and significant to the fair market value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the valuation methodologies used at June 30, 2022.

**UNITED PENTECOSTAL FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Credit Risk**

The Foundation's financial instruments that are exposed to concentrations of credit risk consist primarily of cash. The Foundation places its cash balances at financial institutions where such balances may, at times, be in excess of federally insured limits. The Foundation also has balances in money market and mutual funds, which are subject to investment risk, including possible loss of principal.

**Investment Valuation and Income Recognition**

The Foundation's investments are valued at fair value. 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. Investments in the money market fund and mutual funds are valued at the fair value of shares held by the Foundation at year-end. The loan certificate is valued at the present value of invested capital and accrued interest. Annuities payable are valued at their estimated fair value based on future cash flow requirements based on life expectancies of the beneficiaries and interest rates in effect at the time the annuity agreement went into effect.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. The Foundation presents, in the statement of activities, Investment Losses, which consist of dividends, Interest Income, Realized Gains (Losses), and Unrealized Gains (Losses).

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. The Foundation has elected to date measure all investments at fair value. The Foundation may elect to measure newly acquired financial instruments at fair value, equity or cost in the future. In addition, the Foundation has individually elected to carry obligations under split instruments at fair value.

**Investments Held for Benefit of Charitable Gift Annuities and Charitable Remainder Trusts**

The Foundation recognizes its investment assets held for benefit of charitable gift annuities and charitable remainder trusts at fair value, as they are held in marketable mutual fund investments. Changes in the fair value of these investment assets are reported as Investment Losses in the statement of activities.

**UNITED PENTECOSTAL FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Managed Funds**

The Foundation manages certain endowments on behalf of various transferors for which it receives a management fee. The Foundation does not hold variance power over the endowment and cannot redirect funds for other purposes if the original purpose of the endowment is superseded. These managed funds are held in marketable mutual fund investments and presented at fair value with an offsetting liability on the statement of financial position.

**Recognition of Donations**

Donations are recorded at fair market value at the time of donation. Donations are considered available for use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as with donor restrictions support, which increases the respective net asset classification. With donor restriction charitable gift annuity donations are received with the understanding that 10% of each donation will go to the United Pentecostal Church International to cover costs of administering the Foundation.

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. The Foundation is the beneficiary of numerous donated services; however, the fair market value of these services is not recorded as these donated services do not meet the criteria as defined under generally accepted accounting principles and, therefore, has not been recognized by the Foundation for the year ended June 30, 2022.

**Functional Expenses**

Amounts included as management and general include administrative fees associated with operation of the Foundation. Administrative fees include a 1% annual fee based on average fund balance and a fee of 10% per initial charitable gift annuity donation, both paid to UPCI for administration of the Foundation. Administrative fees also include investment advisory fees. Program expenses include distributions made to beneficiaries of the funds and charitable gifts managed by the Foundation.

**Tax Status**

UPCI has acknowledged and approved the Foundation's request for inclusion as a subordinate institution that is operated, supervised, or controlled by UPCI under its group exemption letter granted by the Internal Revenue Service (IRS). As a result, the Foundation is entitled to an exemption from federal income tax under Section 501(c)(3) of the IRC as a UPCI affiliated and subordinate entity. Accordingly, no provision for income taxes has been included in these financial statements. Any interest and penalties recognized and associated with uncertain tax positions, of which there are none, would be classified as current liabilities in the Foundation's financial statements.

**UNITED PENTECOSTAL FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 2 CHARITABLE GIFT ANNUITIES**

The Foundation has established a program under which donors may set up charitable gift annuities. Under this program, donors can contribute assets to the Foundation and in return receive a guaranteed fixed income for life. The fair value of the assets held for benefit of charitable gift annuities at June 30, 2022, was \$694,387. The Foundation recognizes contribution revenue for the difference between the fair value of the assets received and the annuity liability in the year of contribution.

Obligations under charitable gift annuities are recorded for the required life annuity payments at the present value of expected future cash payments discounted using current interest rates and IRS assumptions. The annuity obligations are adjusted each year for changes in the life expectancy of the beneficiaries and are reduced either as payments are made to the donor or as annuities are reinsured. The present value of future payment liabilities of charitable gift annuities was \$399,692 at June 30, 2022. The actuarial gain related to these agreements was \$15,003 for the year ended June 30, 2022, and is recognized as a component of Change in Value in the statement of activities. The value of the obligation of charitable gift annuities is considered a Level 2 fair value measurement due to the use of observable interest rates, growth interest rates, and life expectancy tables available from the IRS and the securities market.

The Foundation is licensed by the state of Missouri to enter into annuity agreements with donors. Missouri Statutes do not have a reserve requirement with respect to the annuity payouts. Assets are to be invested only in securities permitted under Chapter 352 of Missouri Statutes. Management believes that the Foundation is in compliance with these requirements.

**NOTE 3 CHARITABLE REMAINDER TRUSTS**

The Foundation was the trustee and administered assets held for the benefit of two charitable remainder trusts. Under these trust agreements, the Foundation distributed a percentage of funds to certain designated beneficiaries for 15 years, or earlier of their death, after the death of the trust creator. Both of these trusts matured during the year ended June 30, 2022, and the final distributions were made including the creation of an endowment held in perpetuity by the Foundation.

The Foundation also holds the assets of a trust held for other beneficiaries. The fair value of the investment assets held for the benefit of charitable remainder trusts at June 30, 2022, was \$52,137. The entire investment is held as Charitable Remainder Trusts liability since it is held for the benefit of others.

**UNITED PENTECOSTAL FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 4 FAIR VALUE MEASUREMENT**

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets and liabilities at fair value as of June 30, 2022:

	Fair Value Measurements at Report Date Using			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Investments:				
Mutual Funds:				
Exchange Traded Funds	\$ 266,606	\$ -	\$ -	\$ 266,606
Emerging Markets	289,284	-	-	289,284
Total Return Bond	1,524,753	-	-	1,524,753
International Equity	846,800	-	-	846,800
Large Cap Growth	741,554	-	-	741,554
Large Cap Value	1,110,650	-	-	1,110,650
REITs	388,112	-	-	388,112
Small Cap Growth	205,183	-	-	205,183
Small Cap Value	381,373	-	-	381,373
Bond Funds	809,180	-	-	809,180
Money Market	217,824	-	-	217,824
Loan Certificate	-	274,864	-	274,864
Total Investments	<u>\$ 6,781,319</u>	<u>\$ 274,864</u>	<u>\$ -</u>	<u>\$ 7,056,183</u>
Charitable Remainder Trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,137</u>	<u>\$ 52,137</u>
Charitable Gift Annuities	\$ -	\$ (399,692)	\$ -	\$ (399,692)
Endowments Held for Others	(2,223,538)	-	-	(2,223,538)
Charitable Remainder Trusts	-	-	(52,646)	(52,646)
Total Obligations	<u>\$ (2,223,538)</u>	<u>\$ (399,692)</u>	<u>\$ (52,646)</u>	<u>\$ (2,675,876)</u>

**UNITED PENTECOSTAL FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 4 FAIR VALUE MEASUREMENT (CONTINUED)**

**Level 3 Assets**

The following table sets forth a summary of changes in the fair value of the Foundation's Level 3 assets and liabilities for the year ended June 30, 2022:

	Fair Value Measurements at Reporting Date Using Significant Unobservable Inputs (Level 3)	
	Charitable Remainder Trusts	Obligations Under Charitable Remainder Trusts
Balance at July 1, 2021	\$ 666,177	\$ (49,731)
Total Gains or Losses (Realized/Unrealized Relating to Instruments Still Held at the Reporting Date	(6,296)	(2,915)
Purchases, Issuances, Distributions, and Settlements:		
Transfer to Endowment	(223,062)	-
Distributions	(384,682)	-
	\$ 52,137	\$ (52,646)
Balance at June 30, 2022		

**NOTE 5 RELATED PARTY TRANSACTIONS**

The Foundation, on behalf of an endowment, has investment certificates with the United Pentecostal Church Loan Fund in the amount of \$324,745 resulting in interest income of \$20,767 at June 30, 2022.

During the year ended June 30, 2022, the Foundation made payments of \$41,815 to UPCI, related to certain management functions provided by UPCI. Specifically, UPCI performs certain accounting and other services for the Foundation and charges a fee of 10% per initial charitable gift annuity donation as well as a 1% per annum fee on all investments to reimburse for costs incurred in the administration of the Foundation.

During the year ended June 30, 2022, the Foundation had \$592,618 in assets held in managed and standard funds, with an offsetting liability in obligations under managed funds of \$441,425 that were held on behalf of UPCI.

**UNITED PENTECOSTAL FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 5 RELATED PARTY TRANSACTIONS (CONTINUED)**

During the year ended June 30, 2022, the Foundation had \$511,738 in assets held in managed funds, with an offsetting liability in obligations under managed funds that were held on behalf of Urshan Graduate School of Theology. Additionally, the Foundation held \$361,960 in standard endowments benefiting the Urshan Graduate School of Theology (UGST).

During the year ended June 30, 2022, the Foundation had \$206,444 in assets held in managed funds, with an offsetting liability in obligations under managed funds that were held on behalf of Urshan College.

**NOTE 6 RESTRICTIONS ON NET ASSETS**

The Foundation obtains contributions that are often with donor restrictions for a specific purpose. As discussed in Note 1, contributions that are obtained for a specific purpose are put into net assets with donor restrictions. Contributions that are without donor restrictions for a specific purpose are reported as net assets without donor restrictions. The following represents net assets with donor restrictions that are for a specific purpose at June 30, 2022:

Net Assets With Donor Restriction:	
Standard Endowments	\$ 144,216
Net Assets Restricted in Perpetuity:	
Scholarship Endowment Fund	263,719
Administrative Endowment Fund	790,419
General Endowment Fund	5,100
Adoption Endowment Fund	6,067
Support Endowment Fund	2,992,472
Capital Improvements Endowment Fund	29,441
Charitable Gift Annuities	310,921
Total	<u><u>\$ 4,542,355</u></u>

The charitable gift annuities provide for quarterly annuity payments totaling an annual aggregate of approximately \$72,738 to be disbursed annually to the donors with payments terminating at the death of the annuitants. Under the various charitable gift annuities, any remaining funds are to be disbursed as specified by the donor in the charitable gift annuity agreement.

The donor advised funds provide for investment options and distributions to be directed by the donor advisor. At such time that no successor advisor is named, the funds are to be disbursed as specified by the donor in the donor advised fund agreement.



**UNITED PENTECOSTAL FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 6 RESTRICTIONS ON NET ASSETS (CONTINUED)**

During the year ended June 30, 2022, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors as follows:

Purpose of Restrictions Accomplished:

Distributions from Standard Endowments	\$ 72,738
Administrative Fees	47,386
Total	\$ 120,124

**NOTE 7 ENDOWMENT FUNDS**

The Foundation’s endowments consist of individual funds established for a variety of purposes, which are described in detail in Note 6. The endowments represent donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The endowment agreements allow for distribution of up to 5% annually and include up to 1% administration fee charge based on fair market value of the endowment funds.

**Interpretation of Relevant Law**

The Foundation has established endowment agreements with each donor endowment fund. Almost all of these endowment fund agreements were established in accordance with investment guidelines provided in Revised Missouri Statutes in Chapter 402 – *Investment Guidelines for Eleemosynary Funds and Trust Funds for Handicapped Persons*. In accordance with R.S. Mo. Chapter 402, the Foundation appropriates for expenditure or accumulates so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established based on the intent of the donor expressed in the gift instrument. This requires the Foundation to act in good faith with the care that an ordinary prudent person in like position would exercise under similar circumstances with consideration of the same factors similar to UPMIFA.

Only one of the Foundation’s endowment agreements is established in accordance with UMIFA Act of 1973. UMIFA was amended in August 2009, when the state of Missouri enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Foundation has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of the interpretation, the Foundation classifies as net assets with donor restrictions in perpetuity (a) the original value of gifts donated to the with donor restrictions endowments in perpetuity, (b) the original value of subsequent gifts to the with donor restrictions endowments in perpetuity, and (c) accumulations to the with donor restrictions endowments in perpetuity made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in with donor restrictions in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. However, endowment deficiencies are classified as net assets with donor restrictions.

**UNITED PENTECOSTAL FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 7 ENDOWMENT FUNDS (CONTINUED)**

In accordance with R.S. Mo. Chapter 402 and UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization

Endowment net asset composition by type of net asset as of June 30, 2022, is as follows:

	With Donor Restrictions	With Donor Restrictions - In Perpetuity	Total
Donor-Restricted Endowment Funds	<u>\$ 144,216</u>	<u>\$ 4,087,218</u>	<u>\$ 4,231,434</u>

Changes in the endowment net assets for the fiscal year ended June 30, 2022, is as follows:

	With Donor Restrictions	With Donor Restrictions - In Perpetuity	Total
Endowment Net Assets - Beginning of Year	\$ 731,143	\$ 3,519,617	\$ 4,250,760
Investment Losses, Net of Fees	(466,802)	(132,293)	(599,095)
Contributions	-	789,497	789,497
Change in Value of Annuities	-	63,304	63,304
Transfer to Endowment	-	223,063	223,063
Distributions	(79,548)	(368,837)	(448,385)
Administrative Fees	(40,577)	(7,133)	(47,710)
Endowment Net Assets - End of Year	<u>\$ 144,216</u>	<u>\$ 4,087,218</u>	<u>\$ 4,231,434</u>

With Donor Restrictions - In Perpetuity Net Assets

(1) The portion of perpetual endowment funds that is required to be retained permanently by explicit donor stipulation	<u>\$ 4,087,218</u>
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With Donor Restrictions Net Assets

(1) The portion of perpetual endowment funds that exceeds the historical donation or UPMIFA requires the Foundation to retain as a fund of perpetual duration	<u>\$ 144,216</u>
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**UNITED PENTECOSTAL FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 7 ENDOWMENT FUNDS (CONTINUED)**

From time to time, the fair value of assets associated with endowment funds may fall below the level originally established by the donor due to unfavorable market conditions. At June 30, 2022, there were \$94,898 of underwater endowment funds shown within net assets with restrictions.

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

The Foundation has a policy of distributing each year up to 4% of the three-year rolling average asset value of endowments, unless waived by the beneficiary. In establishing this policy, the Foundation considered the long-term expected return on its endowments. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowments to grow at an average of 3% to 6% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on fixed income-based investments to achieve its long-term return objectives within prudent risk constraints.

**Return Objectives and Risk Parameters**

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to organizations supported by the endowments, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity. Under this policy the endowment assets are invested in a manner that generally allocates investments as 45% equity mutual funds and 55% fixed income mutual funds. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 8% to 11% annually. Actual returns in any given year may vary from this amount.

**NOTE 8 FUNCTIONAL EXPENSES**

The following table presents the functional allocation of expenses for the year ended June 30, 2022:

	<u>Program</u>	<u>Management and General</u>	<u>Total</u>
Distributions	\$ 105,548	\$ -	\$ 105,548
Management Fees	10,454	31,361	41,815
Miscellaneous Expenses	-	4,860	4,860
Total	<u>\$ 116,002</u>	<u>\$ 36,221</u>	<u>\$ 152,223</u>

**UNITED PENTECOSTAL FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 9 LIQUIDITY AND AVAILABILITY**

The following table reflects the Foundation's financial assets as of June 30, 2022, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when they are assets held for others, assets held in trusts and state required annuity reserves, and perpetual and term endowments and accumulated earnings subject to appropriation beyond one year.

Financial Assets:	
Cash Including Cash Held as Investments	\$ 648,542
Investments	7,108,320
Financial Assets, at Year-End	<u>7,756,862</u>
Less: Those Unavailable for General Expenditure	
Within One Year, Due to:	
Cash and Investments Held for Others	(2,422,566)
Investments Held in Trusts and State Required Annuity	(270,987)
Reserves Perpetual Endowments and Accumulated	
Earnings Subject to Appropriation Beyond One Year	<u>(4,667,863)</u>
Financial Assets Available to Meet Cash Needs	
for General Expenditures Within One Year	<u><u>\$ 395,446</u></u>

The Foundation structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**NOTE 10 SUBSEQUENT EVENTS**

The Foundation has evaluated subsequent events through August 29, 2022, the date the financial statements were available to be issued.



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