

FEDERATION OF PROTESTANT WELFARE AGENCIES, INC.



**FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)
YEARS ENDED DECEMBER 31, 2021 AND 2020**

FEDERATION OF PROTESTANT WELFARE AGENCIES, INC.

**FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)**

YEARS ENDED DECEMBER 31, 2021 AND 2020

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INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Federation of Protestant Welfare Agencies, Inc.

Opinion

We have audited the financial statements of Federation of Protestant Welfare Agencies, Inc. ("FPWA"), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, accompanying the financial statements present fairly, in all material respects, the financial position of FPWA as of December 31, 2021, and the changes in its 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 FPWA 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.

Prior Period Financial Statements

The financial statements of FPWA as of and for the year ended December 31, 2020, were audited by other auditors whose report dated June 24, 2021, expressed an unmodified opinion on those financial statements.

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 FPWA's ability to continue as a going concern for one year after the date that 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 controls. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement 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 FPWA'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 FPWA'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.

Mayer Hoffman McCann CPAs

New York, NY
June 9, 2022

FEDERATION OF PROTESTANT WELFARE AGENCIES, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021 AND 2020

	2021	2020
ASSETS		
Cash and cash equivalents (Notes 2C and 12)	\$ 806,318	\$ 2,264,618
Accounts receivable (Notes 2D and 4)	1,300,677	132,619
Investments (Notes 2G, 2M, 2O, 5 and 6)	60,534,587	54,084,042
Prepaid expense and other	86,656	107,121
Property and equipment, net (Notes 2H and 7)	9,018,454	9,481,808
Beneficial interest in perpetual trusts and pooled life income fund (Notes 2K, 2L, 6 and 10)	18,192,783	16,372,574
TOTAL ASSETS	\$ 89,939,475	\$ 82,442,782
LIABILITIES		
Accounts payable and accrued expenses	\$ 173,871	\$ 160,049
Accrued salaries, vacation and benefits	107,569	96,579
Accrued postretirement benefits (Note 8)	1,470,400	1,681,100
Bond payable, net (Notes 2I and 9)	9,681,650	10,029,765
TOTAL LIABILITIES	11,433,490	11,967,493
NET ASSETS (Notes 2B and 10)		
Without donor restrictions:		
Operations	41,526,533	42,424,083
Board designated endowment	11,840,118	5,310,790
Total without donor restrictions	53,366,651	47,734,873
With donor restrictions:		
Restricted for purpose and time	1,830,753	1,252,044
Perpetual in nature	23,308,581	21,488,372
Total with donor restrictions	25,139,334	22,740,416
TOTAL NET ASSETS	78,505,985	70,475,289
TOTAL LIABILITIES AND NET ASSETS	\$ 89,939,475	\$ 82,442,782

The accompanying notes are an integral part of these financial statements.

FEDERATION OF PROTESTANT WELFARE AGENCIES, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	For the Year Ended December 31, 2021			For the Year Ended December 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total 2021	Without Donor Restrictions	With Donor Restrictions	Total 2020
OPERATING ACTIVITIES (Note 2M):						
REVENUE, GRANTS AND OTHER						
Contributions (Note 2E)	\$ 522,158	\$ 402,500	\$ 924,658	\$ 1,249,183	\$ 747,500	\$ 1,996,683
Grants from government agencies (Note 2F)	1,911,387	-	1,911,387	440,222	-	440,222
Paycheck Protection Program (Note 11)	-	-	-	533,470	-	533,470
Investment activity - spending allocation (Notes 2G, 5 and 10)	2,800,000	-	2,800,000	2,850,000	-	2,850,000
Income from trusts	312,030	330,000	642,030	309,083	285,000	594,083
Service fees and membership dues	88,573	-	88,573	152,431	-	152,431
Miscellaneous	24,355	-	24,355	-	-	-
Net assets released from restrictions (Notes 2B and 10)	1,033,114	(1,033,114)	-	1,490,111	(1,490,111)	-
TOTAL REVENUE, GRANTS AND OTHER	<u>6,691,617</u>	<u>(300,614)</u>	<u>6,391,003</u>	<u>7,024,500</u>	<u>(457,611)</u>	<u>6,566,889</u>
EXPENSES (Note 2J):						
Program Services						
Member services	3,571,690	-	3,571,690	2,880,278	-	2,880,278
Policy, advocacy and research	2,240,841	-	2,240,841	2,217,146	-	2,217,146
Total Program Services	<u>5,812,531</u>	<u>-</u>	<u>5,812,531</u>	<u>5,097,424</u>	<u>-</u>	<u>5,097,424</u>
Supporting Services						
Management and general	917,479	-	917,479	1,037,978	-	1,037,978
Fundraising	632,951	-	632,951	570,862	-	570,862
Total Supporting Services	<u>1,550,430</u>	<u>-</u>	<u>1,550,430</u>	<u>1,608,840</u>	<u>-</u>	<u>1,608,840</u>
TOTAL EXPENSES	<u>7,362,961</u>	<u>-</u>	<u>7,362,961</u>	<u>6,706,264</u>	<u>-</u>	<u>6,706,264</u>
Change In Net Assets From Operations	<u>(671,344)</u>	<u>(300,614)</u>	<u>(971,958)</u>	<u>318,236</u>	<u>(457,611)</u>	<u>(139,375)</u>
NONOPERATING ACTIVITIES (Note 2M):						
Investment activity, net of fees (Notes 2G, 5 and 10)	8,971,222	879,323	9,850,545	1,648,035	169,308	1,817,343
Investment activity - spending allocation to operations (Notes 2G, 5 and 10)	(2,800,000)	-	(2,800,000)	(2,850,000)	-	(2,850,000)
Change in value of beneficial interest in perpetual trusts and pooled life income fund	-	1,820,209	1,820,209	-	1,245,514	1,245,514
Net other components of net period pension costs (Note 8)	(32,900)	-	(32,900)	(46,400)	-	(46,400)
Net postretirement related changes other than net periodic benefit costs (Note 8)	164,800	-	164,800	(101,100)	-	(101,100)
TOTAL NONOPERATING ACTIVITIES	<u>6,303,122</u>	<u>2,699,532</u>	<u>9,002,654</u>	<u>(1,349,465)</u>	<u>1,414,822</u>	<u>65,357</u>
CHANGE IN NET ASSETS	<u>5,631,778</u>	<u>2,398,918</u>	<u>8,030,696</u>	<u>(1,031,229)</u>	<u>957,211</u>	<u>(74,018)</u>
Net assets - beginning of year	<u>47,734,873</u>	<u>22,740,416</u>	<u>70,475,289</u>	<u>48,766,102</u>	<u>21,783,205</u>	<u>70,549,307</u>
NET ASSETS - END OF YEAR	<u>\$ 53,366,651</u>	<u>\$ 25,139,334</u>	<u>\$ 78,505,985</u>	<u>\$ 47,734,873</u>	<u>\$ 22,740,416</u>	<u>\$ 70,475,289</u>

The accompanying notes are an integral part of these financial statements.

FEDERATION OF PROTESTANT WELFARE AGENCIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

For the Year Ended December 31, 2021

	Program Services			Supporting Services		Total 2021	Total 2020
	Member Services	Policy, Advocacy and Research	Total Program	Management and General	Fundraising		
Salaries	\$ 984,725	\$ 1,100,177	\$ 2,084,902	\$ 535,198	\$ 262,589	\$ 2,882,689	\$ 2,987,406
Payroll taxes and employee benefits (Note 8)	360,496	402,762	763,258	117,130	96,131	976,519	967,418
Total salaries and related costs	1,345,221	1,502,939	2,848,160	652,328	358,720	3,859,208	3,954,824
Professional fees	358,989	276,551	635,540	38,024	165,087	838,651	600,024
Program assistance	1,457,004	-	1,457,004	-	-	1,457,004	866,633
Office supplies	9,936	11,101	21,037	5,400	2,649	29,086	46,728
Postage	1,509	1,686	3,195	820	402	4,417	2,096
Occupancy	61,351	68,544	129,895	33,344	16,360	179,599	190,288
Expensed office equipment	22,762	25,431	48,193	12,371	6,070	66,634	93,960
Telephone	12,511	13,978	26,489	6,800	3,336	36,625	17,243
Printing and publications	20,082	22,436	42,518	10,914	5,355	58,787	26,047
Travel, meetings and conferences	32,823	36,671	69,494	17,839	8,753	96,086	49,282
Membership dues	-	4,063	4,063	4,641	-	8,704	8,338
Insurance	35,119	39,237	74,356	19,087	9,365	102,808	85,378
Interest expense (Notes 2I and 9)	50,547	56,473	107,020	27,472	13,479	147,971	218,930
Depreciation (Notes 2H and 7)	161,926	180,910	342,836	88,007	43,179	474,022	544,174
Miscellaneous	1,910	821	2,731	432	196	3,359	2,319
TOTAL EXPENSES	\$ 3,571,690	\$ 2,240,841	\$ 5,812,531	\$ 917,479	\$ 632,951	\$ 7,362,961	\$ 6,706,264

The accompanying notes are an integral part of these financial statements.

FEDERATION OF PROTESTANT WELFARE AGENCIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Services			Supporting Services		Total 2020
	Member Services	Policy, Advocacy and Research	Total Program	Management and General	Fundraising	
Salaries	\$ 1,026,385	\$ 1,103,384	\$ 2,129,769	\$ 596,854	\$ 260,783	\$ 2,987,406
Payroll taxes and employee benefits (Note 8)	<u>350,551</u>	<u>376,850</u>	<u>727,401</u>	<u>150,949</u>	<u>89,068</u>	<u>967,418</u>
Total salaries and related costs	1,376,936	1,480,234	2,857,170	747,803	349,851	3,954,824
Professional fees	228,958	232,731	461,689	28,547	109,788	600,024
Program assistance	836,633	30,000	866,633	-	-	866,633
Office supplies	16,054	17,259	33,313	9,336	4,079	46,728
Postage	720	774	1,494	419	183	2,096
Occupancy	65,377	70,282	135,659	38,018	16,611	190,288
Expensed office equipment	32,282	34,704	66,986	18,772	8,202	93,960
Telephone	5,924	6,369	12,293	3,445	1,505	17,243
Printing and publications	8,949	9,620	18,569	5,204	2,274	26,047
Travel, meetings and conferences	16,932	18,202	35,134	9,846	4,302	49,282
Membership dues	-	3,438	3,438	4,900	-	8,338
Insurance	29,333	31,534	60,867	17,058	7,453	85,378
Interest expense (Notes 2I and 9)	75,218	80,861	156,079	43,740	19,111	218,930
Depreciation (Notes 2H and 7)	186,962	200,988	387,950	108,721	47,503	544,174
Miscellaneous	<u>-</u>	<u>150</u>	<u>150</u>	<u>2,169</u>	<u>-</u>	<u>2,319</u>
TOTAL EXPENSES	<u>\$ 2,880,278</u>	<u>\$ 2,217,146</u>	<u>\$ 5,097,424</u>	<u>\$ 1,037,978</u>	<u>\$ 570,862</u>	<u>\$ 6,706,264</u>

The accompanying notes are an integral part of these financial statements.

FEDERATION OF PROTESTANT WELFARE AGENCIES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 8,030,696	\$ (74,018)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Realized (gain) loss on investments	(4,403,316)	965,419
Unrealized gain on investments	(4,616,466)	(2,563,432)
Gain in value of beneficial interest in perpetual trusts	(1,820,209)	(1,245,514)
Nonoperating postretirement changes	(131,900)	147,500
Interest expense of deferred financing costs	21,885	21,885
Depreciation	474,022	544,174
Subtotal	(2,445,288)	(2,203,986)
Changes in operating assets and liabilities:		
(Increase) or decrease in assets:		
Accounts receivable	(1,168,058)	357,920
Prepaid expense and other	20,465	(6,254)
Increase or (decrease) in liabilities:		
Accounts payable and accrued expenses	13,822	(54,366)
Accrued salaries, vacation and benefits	10,990	(17,220)
Accrued postretirement benefits	(78,800)	(52,900)
Net Cash Used in Operating Activities	(3,646,869)	(1,976,806)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(10,668)	-
Purchase of long term investments	(18,086,751)	(39,442,168)
Proceeds from the sale of long term investments	23,028,135	44,500,838
Net purchases from the sale of short term investments	(2,372,147)	(1,803,000)
Net Cash Provided by Investing Activities	2,558,569	3,255,670
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of bond payable	(370,000)	(365,000)
Net Cash Used in Financing Activities	(370,000)	(365,000)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,458,300)	913,864
Cash and cash equivalents - beginning of year	2,264,618	1,350,754
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 806,318	\$ 2,264,618
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 126,086	\$ 197,045

FEDERATION OF PROTESTANT WELFARE AGENCIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Founded in 1922, Federation of Protestant Welfare Agencies, Inc. (“FPWA”) is one of New York’s premier human service membership organizations. FPWA’s program and service initiatives serve to support more than 170 member organizations and churches by providing management assistance and building capacity. FPWA’s policy, advocacy and research efforts also work to improve social and economic conditions for the most vulnerable, making it a champion of the underserved for more than 90 years. Together, FPWA and its member agencies work to meet the needs of more than 1.5 million of New Yorkers that are most vulnerable annually. FPWA is supported primarily by contributions and investment income.

FPWA is qualified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not subject to federal income taxes. The Internal Revenue Service has classified FPWA as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. As a not-for-profit organization, FPWA is also exempt from New York State and New York City income and sales taxes.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Basis of Accounting* - FPWA’s financial statements have been prepared on the accrual basis. FPWA adheres to accounting principles generally accepted in the United States of America (“U.S. GAAP”).

B. *Financial Statement Presentation* - FPWA maintains its net assets under the following two classes:

- Without donor restrictions:

Operations – represents resources available for support of FPWA’s operations over which the Board of Directors has discretionary control.

Board designated endowment – represents accumulated earnings which have not been allocated to operations or are not otherwise restricted.

- With donor restrictions – represents assets resulting from contributions and other inflows of assets whose use by FPWA is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of FPWA pursuant to those stipulations. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. In addition, net assets with donor restrictions represent those resources subject to donor-imposed stipulations that they be maintained intact in perpetuity by FPWA. The earnings from these donor restricted endowment assets are also included in the net assets with donor restrictions class until they have been appropriated by the Board. When such appropriations occur, net assets with donor restrictions are reduced through an additional release from restrictions. The donors of certain of these assets specify the use of a portion of income earned on related investments.

C. *Cash and Cash Equivalents* -FPWA considers highly liquid debt instruments purchased with a maturity of 90 days or less to be cash equivalents, except for cash and money market funds held in FPWA’s investment portfolio.

D. *Accounts Receivable* - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

E. *Contributions* - Contributions, including cash and in-kind contributions, are accounted for under Accounting Standard Update (“ASU”) 2018-08 and recorded as revenue in the period in which they are received. Many volunteers, including members of the Board of Directors, have made significant contributions of time in furtherance of FPWA’s policies and programs. The value of this contributed time does not meet the criteria for recognition and, therefore, is not reflected in the statements of activities. Legacies are recognized as support when the wills have passed probate and the sum is certain.

FEDERATION OF PROTESTANT WELFARE AGENCIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. *Grants from Governmental Agencies* - Government grants nonexchange transactions are accounted for under ASU 2018-08. Multi-year governmental contracts included under government grants are cancellable by the funder upon its sole discretion. Governmental grants are recognized as revenue when barriers within the contract are overcome, and there is no right of return.

As of December 31, 2021 and 2020, FPWA received conditional grants from government agencies in the aggregate amount of \$4,425,193 and \$445,681, respectively, that have not been recorded in the accompanying financial statements, as they have not been earned. These grants and contracts require FPWA to provide certain services in future years regarding public health awareness, food services and census outreach. If such services are not provided, the governmental entities are not obligated to expend the funds allotted under the grants. FPWA has not been remitted any funds in advance.

G. *Investments* - Investments are stated at fair value. The investments of FPWA consist of separately managed accounts consistent with FPWA's asset allocation policy. Each account is managed by independent investment advisors. FPWA has a "total return" policy regarding the spending of net investment income for operations. The total return to be spent in 2021 and 2020 was equal to 5.00% of the adjusted average fair market value of the pooled investment funds for the prior five years and is reported as operating revenues. The balance of net investment income/loss is reported as nonoperating activities.

H. *Property and Equipment* - Property and equipment is stated at cost less accumulated depreciation. The carrying value of property and equipment does not purport to represent replacement or realizable values. FPWA capitalizes all property and equipment with a useful life of more than one year and a cost of \$5,000 or more. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets.

I. *Debt Issuance Costs* - Debt issuance costs are presented as a reduction of the carrying amount of the debt rather than as an asset (see Note 9). Amortization of the debt issuance costs is reported as interest expense in the accompanying statements of functional expenses.

J. *Functional Allocation of Expenses* - The costs of providing FPWA's program and supporting services have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited as determined by management. The expenses that are allocated include salaries and payroll taxes and employee benefits, which are allocated based on estimates of time and effort. Other allocated expenses include occupancy, professional services, travel, meetings and conferences, office supplies, insurance, interest expense, expensed office equipment, telecommunications, membership dues, postage and depreciation which are allocated based on full-time employees per program.

K. *Beneficial Interest in Perpetual Trusts* - FPWA is the beneficiary of perpetual trusts held by other entities, as trustees. The fair value of FPWA's beneficial interest in these trusts is estimated to be equal to the fair market value of that portion of the assets underlying the trusts attributable to FPWA's interest. The assets consist primarily of equities, fixed income and short-term investments.

L. *Beneficial Interest in Pooled Life Income Fund* - FPWA has established a pooled life income fund held by another entity such as a trustee. Each donor to the fund shall receive a proportionate share of the fund's income during the donor's lifetime. Upon each donor's death, the units in the fund attributable to that donor shall become the property of FPWA and shall be added to its net asset with donor restrictions class. Accordingly, FPWA maintains the balance in the net asset with donor restrictions class. FPWA's beneficial interest in the fund is recorded at the fair market value of the assets underlying the fund. The assets consist primarily of equities, fixed income and short-term investments.

M. *Operating Revenue* - FPWA's operating revenues and gains exclude legacies, net investment income in excess of the 5% spending policy, the gain or loss on beneficial interest in the perpetual trusts and pooled life income fund, and pension and benefit related changes other than net periodic pension and benefit costs.

N. *Allowance for Uncollectable Receivables* - As of December 31, 2021 and 2020, FPWA determined that no allowance for doubtful accounts should be provided for receivables. Such estimate is based on management's estimates of the creditworthiness of its donors as well as current economic conditions and historical information.

FEDERATION OF PROTESTANT WELFARE AGENCIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- O. Fair Value Measurements** - Fair value measurements are based on 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. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 6.
- P. Use of Estimates** - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures at the date of the financial statements. Actual results could differ from those estimates.
- Q. Service Fees and Membership Dues** - FPWA receives revenue from membership dues, workshops, and Group Purchasing Services (GPS) rebates which are accounted for under ASU 2014-09. Revenue is reported at the amount that reflects the consideration to which FPWA expects to be entitled in exchange for providing the contracted services. Generally, FPWA bills after the services are performed or has completed its portion of the contract. Receivables are due in full when billed and revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by FPWA in accordance with the contract. Revenue for performance obligations satisfied over time is recognized as the services are provided. This method depicts the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. All performance obligations relate to contracts with a duration of less than one year, therefore, there are no performance obligations or contract balances that are unsatisfied as of December 31, 2021. Program service fees consist of revenues for the following for the years ended December 31:

	2021	2020
Dues from Members	\$ 63,750	\$ 81,650
Other	24,823	32,716
	\$ 88,573	\$ 152,431

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES FOR GENERAL EXPENDITURES

FPWA regularly monitors liquidity required to meet its operating needs and other obligations as they become due, while also striving to maximize the investment of its available funds. FPWA has various sources of liquidity at its disposal, including cash and cash equivalents, accounts receivable and marketable debt and equity securities.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, FPWA considers all expenditures related to its ongoing program activities as well as service undertaken to support those activities to be general expenditures.

The following financial assets could readily be made available immediately from the statements of financial position date to meet general expenditures as of December 31:

	2021	2020
Cash and cash equivalents	\$ 806,318	\$ 2,264,618
Accounts receivable	1,300,677	132,619
Investments	60,534,587	54,084,042
Total financial assets	62,641,582	56,481,279
Less: endowment investments	(17,236,333)	(10,185,788)
	\$ 45,405,249	\$ 46,295,491

FEDERATION OF PROTESTANT WELFARE AGENCIES, INC.
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NOTE 4 – RECEIVABLES

Receivables are scheduled to be collected during the next year and consist of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Pledges	\$ 25,250	\$ 58,785
Government grants	1,274,897	68,418
Other	<u>530</u>	<u>5,416</u>
	<u>\$ 1,300,677</u>	<u>\$ 132,619</u>

NOTE 5 – INVESTMENTS

Investments consist of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Cash and money market funds	\$ 2,033,671	\$ 1,253,343
Equity securities	8,324,205	22,371,847
U.S. bonds ETF	8,226,258	7,088,496
Mutual funds	34,724,556	8,736,885
Alternative investments	<u>7,225,897</u>	<u>14,633,471</u>
	<u>\$ 60,534,587</u>	<u>\$ 54,084,042</u>

The alternative investments portfolio includes hedge funds and limited partnerships. Investments in limited partnerships are valued at fair value, as determined by the general partner. Such value generally represents the partnership's proportionate share of the partner's capital of the investment partnerships as reported by their general partners. Securities with no readily available market are initially valued at cost, with subsequent adjustments to values which reflect either the basis of meaningful third-party transactions in the private market or the fair value deemed appropriate by the general partners of the underlying investment partnership. In such instances, consideration is also given to the financial condition and operating results of the issuer, the amount that the investment partnerships can reasonably expect to realize upon the sale of the securities, and any other factors deemed relevant. Securities with readily available markets (listed on a securities exchange or traded in the over-the-counter market) are valued at quoted market prices, or at an appropriate discount from such price if marketability of the securities is limited.

The alternative investments are valued at fair value using the net asset valuations provided by the underlying fund managers, unless management determines another valuation is more appropriate.

The private investment companies in which the alternative investments are invested generally limit redemptions to monthly, quarterly, semiannually or annually, at net asset value and require advanced written notice, restricting the alternative investments' ability to respond quickly to changes in market conditions. The management agreements of the private investment companies provide for compensation to the managers in the form of fees ranging from 1.0% to 2.0% annually of net assets and performance incentive fees ranging from 16.5% to 20.0% of net profits earned.

Investments are subject to market volatility that could change their carrying value in the near term.

FEDERATION OF PROTESTANT WELFARE AGENCIES, INC.
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NOTE 5 – INVESTMENTS (Continued)

Investment activity consists of the following for the years ended December 31:

	2021	2020
Interest and dividends	\$ 1,013,209	\$ 415,372
Realized gain (loss) on investment transactions	4,403,316	(965,419)
Unrealized gain on investments	4,616,466	2,563,432
	10,032,991	2,013,385
Investment advisory and custodial fees	(182,446)	(196,042)
	\$ 9,850,545	\$ 1,817,343
Allocated to operations per spending formula	\$ 2,800,000	\$ 2,850,000
Allocated to nonoperating activities	7,050,545	(1,032,657)
	\$ 9,850,545	\$ 1,817,343

NOTE 6 – FAIR VALUE MEASUREMENTS

The three levels of the fair value hierarchy under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that FPWA 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 assets 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 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.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2021 and 2020.

Equities: Equities are valued at the closing price reported on the active market on which the individual securities are traded.

Mutual Funds: Mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held by FPWA are open-end mutual funds that are registered with the Securities and Exchange Commission. Certain mutual funds are required to publish their daily NAV and to transact at that price. FPWA also invests in mutual funds that are not publicly traded and these funds are valued using NAV as a practical expedient.

U.S. Government Bonds: U.S. government bonds are valued using pricing models maximizing the use of observable inputs for similar securities.

Alternative Investments: Alternative investments are valued using NAV provided by the underlying investment managers as a practical expedient.

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NOTE 6 – FAIR VALUE MEASUREMENTS (Continued)

Financial assets carried at fair value as of December 31, 2021 are classified in the table in one of the three levels as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total 2021</u>
Assets Carried at Fair Value:				
Equity securities	\$ 5,635,245	\$ 2,688,960	\$ -	\$ 8,324,205
Mutual funds	27,630,080	-	-	27,630,080
U.S. bonds ETF	8,226,258	-	-	8,226,258
Cash and money market funds	<u>2,033,671</u>	<u>-</u>	<u>-</u>	<u>2,033,671</u>
Beneficial Interest in Perpetual Trusts and Pooled Life Income Fund	<u>-</u>	<u>-</u>	<u>18,192,783</u>	<u>18,192,783</u>
Subtotal	<u>\$ 43,525,254</u>	<u>\$ 2,688,960</u>	<u>\$ 18,192,783</u>	<u>64,406,997</u>
Alternative Investments – NAV as a practical expedient:				
Hedge Funds				4,015,510
Venture Capital Limited Partnerships				3,210,387
Private Equity				<u>7,094,476</u>
				<u>14,320,373</u>
Total Assets Carried at Fair Value				<u>\$ 78,727,370</u>

Financial assets carried at fair value as of December 31, 2020 are classified in the table in one of the three levels as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total 2020</u>
Assets Carried at Fair Value:				
Equity securities	\$ 16,805,262	\$ 5,566,585	-	\$ 22,371,847
Mutual funds	3,640,293	5,096,592	-	8,736,885
U.S. bonds ETF	7,088,496	-	-	7,088,496
Cash and money market funds	<u>1,253,343</u>	<u>-</u>	<u>-</u>	<u>1,253,343</u>
Beneficial Interest in Perpetual Trusts and Pooled Life Income Fund	<u>-</u>	<u>-</u>	<u>16,372,574</u>	<u>16,372,574</u>
Subtotal	<u>\$ 28,787,394</u>	<u>\$ 10,663,177</u>	<u>\$ 16,372,574</u>	<u>55,823,145</u>
Alternative Investments – NAV as a practical expedient:				
Limited Liability Corporations				10,741,410
Venture Capital Limited Partnerships				<u>3,892,061</u>
				<u>14,633,471</u>
Total Assets Carried at Fair Value				<u>\$ 70,456,616</u>

The changes in assets measured at fair value for which FPWA has used Level 3 inputs to determine fair value at December 31 are as follows:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 16,372,574	\$ 15,127,060
Unrealized gain	<u>1,820,209</u>	<u>1,245,514</u>
Balance, end of year	<u>\$ 18,192,783</u>	<u>\$ 16,372,574</u>

FEDERATION OF PROTESTANT WELFARE AGENCIES, INC.
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NOTE 6 – FAIR VALUE MEASUREMENTS (Continued)

The following table sets forth additional disclosures of FPWA's investments whose fair value is measured using the net asset value (NAV) per share practical expedient as of December 31, 2021:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Hedge Funds	\$ 4,015,510	\$ -	Quarterly	90 days
Venture Capital Limited Partnerships	3,210,387	-	Quarterly	65 days
Mutual Funds	<u>7,094,476</u>	<u>-</u>	None	None
	<u>\$ 32,513,156</u>	<u>\$ -</u>		

The following table sets forth additional disclosures of FPWA's investments whose fair value is measured using the net asset value (NAV) per share practical expedient as of December 31, 2020:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Limited Liability Corporations	\$ 10,741,410	\$ -	Quarterly	90 days
Venture Capital Limited Partnerships	<u>3,892,061</u>	<u>-</u>	Quarterly	65 days
	<u>\$ 31,006,045</u>	<u>\$ -</u>		

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31:

	<u>2021</u>	<u>2020</u>	<u>Estimated Useful Lives</u>
Building and improvements	\$ 11,022,675	\$ 11,022,675	30-33 Years
Furniture and equipment	<u>1,779,227</u>	<u>1,768,559</u>	3-10 Years
Total cost	12,801,902	12,791,234	
Accumulated depreciation	<u>(3,783,448)</u>	<u>(3,309,426)</u>	
Net book value	<u>\$ 9,018,454</u>	<u>\$ 9,481,808</u>	

Depreciation expense amounted to \$474,022 and \$544,174 for the years ended December 31, 2021 and 2020, respectively.

NOTE 8 – PENSION AND POSTRETIREMENT MEDICAL BENEFIT PLANS

FPWA has a defined contribution 403(b) Thrift Plan (the "Plan") for eligible employees. The pension expense for this Plan for the years ended December 31, 2021 and 2020 amounted to \$250,234 and \$225,844, respectively, which is 100% of the first 3% of compensation plus 50% of the next 3% of compensation deferred by participating employees in addition to annual discretionary contributions based on years of service and age as determined by the Board of Directors.

In addition, FPWA has a noncontributory unfunded postretirement medical benefit plan which covers substantially all employees and their spouses. Each participant will be eligible to receive benefits if they retire from FPWA at age 65 with at least five years of service or age 55 with at least ten years of service. Coverage for both the retiree and the spouse continues for their lifetimes. Employees who retired on or after February 1, 1993 are not eligible for Medicare Part B premium reimbursement. All new retirees who are eligible to be covered by the postretirement plan will not be allowed to elect a Medigap plan with prescription drug coverage and FPWA will not reimburse Medicare Part D premiums. Effective December 31, 2010, the postretirement plan was frozen. FPWA uses December 31 as its measurement date for its postretirement medical benefit plan.

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NOTE 8 – PENSION AND POSTRETIREMENT MEDICAL BENEFIT PLANS (Continued)

The funded status of the postretirement medical plan consists of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 1,681,100	\$ 1,586,500
Service cost	19,700	29,000
Interest cost	32,900	46,400
Actuarial (gain) loss	(195,600)	96,300
Benefits paid	<u>(67,700)</u>	<u>(77,100)</u>
Benefits obligation at end of year	<u>1,470,400</u>	<u>1,681,100</u>
Unfunded status	<u>\$ (1,470,400)</u>	<u>\$ (1,681,100)</u>

The components of net periodic benefit cost including the service cost included in payroll taxes and benefits for the years ended December 31 are as follows:

	<u>2021</u>	<u>2020</u>
Service cost	\$ 19,700	\$ 29,000
Employer contributions	67,700	77,100
Benefits paid	<u>(67,700)</u>	<u>(77,100)</u>
Total	<u>\$ 19,700</u>	<u>\$ 29,000</u>

Changes other than net periodic benefit costs and other components of net periodic benefit costs recognized in the change in net assets without donor restrictions for the years ended December 31 are as follows:

	<u>2021</u>	<u>2020</u>
Net actuarial gain (loss)	\$ 101,100	\$ (152,300)
Recognized actuarial gain	63,700	61,300
Amortization of prior service cost	<u>-</u>	<u>(10,100)</u>
Net pension related changes other than net periodic pension costs	<u>\$ 164,800</u>	<u>\$ (101,100)</u>
Interest cost	<u>\$ (32,900)</u>	<u>\$ (46,400)</u>
Net pension related changes other than net periodic pension costs	<u>\$ (32,900)</u>	<u>\$ (46,400)</u>

The net actuarial gain recognized as changes in net assets without donor restrictions not yet classified as components of net periodic benefit costs were \$861,900 and \$730,000 for the years ended December 31, 2021 and 2020, respectively.

The weighted-average assumptions used to determine the benefit obligation and net periodic benefit cost for the pension plan are as follows as of and for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Discount rate of benefit obligation	2.75%	2.25%
Discount rate of net periodic benefit costs	2.25%	3.00%
Rate of compensation increase	N/A	N/A
Expected return on Plan assets	N/A	N/A
Mortality table	Pri. H-2012	Pri. H-2012
Health care cost trend rate – initial	4.36%	4.14%
Health care cost trend rate – ultimate	4.75%	4.75%

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NOTE 8 – PENSION AND POSTRETIREMENT MEDICAL BENEFIT PLANS (Continued)

The following schedule of benefit payments, which reflects expected future services, as appropriate, are expected to be paid in each of the next five years and in the aggregate for the five years thereafter:

2022	\$ 71,300
2023	70,300
2024	68,600
2025	68,200
2026	72,500
Thereafter	362,500

FPWA has no minimum funding requirement for the years ended December 31, 2021 and 2020. Contributions to the Plan of \$71,300 are expected to be made during the upcoming year. These contributions are equal to the expected premiums to be paid during 2022 for current retirees and beneficiaries covered by the Plan.

NOTE 9 – BOND PAYABLE

In November 2014, Build NYC Resource Corporation (“Build NYC”) issued \$12.345 million of Adjustable Rate Revenue Bonds (Federation of Protestant Welfare Agencies, Inc. Project), Series 2014, the proceeds of which were used to finance the acquisition and renovation of FPWA’s headquarters at 40 Broad Street in New York City which is the underlying collateral. The bonds bear interest at a variable rate determined weekly, not to exceed 10% per annum. The rate was 0.27% and 0.26% as of December 31, 2021 and 2020, respectively. The total interest expense for the years ended December 31, 2021 and 2020 amounted to \$147,971 and \$218,930, respectively.

The proceeds were made available to FPWA under the provisions of a loan agreement. The scheduled loan payments to be made by FPWA to Build NYC are intended to be sufficient to pay sinking-fund installments of principal and interest on the bonds.

The bonds, which mature in 2045, are subject to mandatory redemption by Build NYC at a price equal to the principal amount thereof, together with accrued interest to the date of redemption, from the Sinking Fund, on the dates and in the principal amounts set forth in the schedule below. In addition, the bonds are subject to optional redemption at the redemption prices set forth in the bond indenture.

The loan contains various covenants, among which is the requirement to maintain a minimum liquidity ratio. FPWA is in compliance with these covenants. The bond payable consists of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Principal amount	\$ 10,185,000	\$ 10,555,000
Less unamortized debt issuance costs	<u>(503,350)</u>	<u>(525,235)</u>
	<u>\$ 9,681,650</u>	<u>\$ 10,029,765</u>

Future payments of principal of the bond follows:

2022	\$ 375,000
2023	380,000
2024	385,000
2025	390,000
2026	395,000
Thereafter	<u>8,260,000</u>
	<u>\$ 10,185,000</u>

FEDERATION OF PROTESTANT WELFARE AGENCIES, INC.
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NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Perpetual in Nature:		
Beneficial interest in perpetual trusts	\$ 18,192,783	\$ 16,372,574
Investment in perpetuity, the income from which is expendable to support FPWA's operations, if appropriated	<u>5,115,798</u>	<u>5,115,798</u>
	<u>23,308,581</u>	<u>21,488,372</u>
Restricted for Purpose and Time:		
Unappropriated endowment earnings	766,670	245,453
Restricted for elderly programs	685,108	558,638
Restricted for other programs	<u>378,975</u>	<u>447,953</u>
	<u>1,830,753</u>	<u>1,252,044</u>
Total Net Assets with Donor Restrictions	<u>\$ 25,139,334</u>	<u>\$ 22,740,416</u>

Net assets released from restrictions consist of two components. The first component reflects the satisfaction of donor purpose restrictions or the passage of time. The second component reflects the Board appropriation of earnings from net assets with restrictions in the endowment fund. For the years ended December 31, 2021 and 2020, such appropriation each year represents up to 7% of the adjusted average fair market value of the restricted endowment fund investments for the prior five years. To the extent that the 7% rates of appropriations exceed available funds, FPWA reduces the appropriations through a transfer, effectively reducing the percentages.

Details of the amounts released from restrictions for the years ended December 31 are as follows:

	<u>2021</u>	<u>2020</u>
Direct assistance	\$ -	\$ 245,213
Elderly programs	203,530	189,979
Other programs	<u>471,478</u>	<u>696,813</u>
Subtotal	675,008	1,132,005
Board appropriations of earnings	<u>358,106</u>	<u>358,106</u>
Net assets released from restrictions	<u>\$ 1,033,114</u>	<u>\$ 1,490,111</u>

FPWA adheres to New York State's Prudent Management of Institutional Funds Act ("NYPMIFA"). FPWA recognizes that NYPMIFA permits the Board of Directors to appropriate for expenditure all earnings of endowment funds (both realized and unrealized) with a presumption of prudence to a ceiling of 7% annually based on a quarterly rolling five-year average of the fair value of the endowment funds. Any unappropriated earnings that would otherwise be considered not restricted by the donor are reflected as net assets with donor restrictions until appropriated.

The Board of Directors of FPWA has interpreted the state law as allowing FPWA to appropriate for expenditure or accumulate so much of an endowment fund as FPWA determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board of Directors. See Note 2B for how FPWA maintains its net assets.

FPWA's endowment investment policy is to invest based on an asset allocation to satisfy its overall endowment financial and investment objectives such as to preserve the principal, protect against inflation, receive stable returns and achieve long-term growth. FPWA 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). Annual spending from the endowment fund is described in Note 2G. Unless authorized by the Board of Directors, the appropriations from the endowment should not deplete the historical dollar value of the endowment fund.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires FPWA to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature, if they occurred, are reported in net assets without donor restrictions.

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NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

The deficiencies may result from unfavorable market fluctuations that occurred in the economy as a whole that may have affected the donor restricted endowment fund where the fair market value of the donor restricted endowment fund fell below the amount that is required to be retained in perpetuity. As of December 31, 2021 and 2020, there were no such deficiencies. In addition, FPWA's beneficial interest in perpetual trusts and pooled life income fund are not displayed in the forthcoming chart since those funds are held by third parties and the Board of Directors has no discretion over those funds. Endowment net asset changes (other than perpetual beneficial interests) include the following as of December 31, 2021:

	<u>Without donor restrictions</u>		<u>With donor restrictions</u>		<u>Total 2021</u>
	<u>Board Designated</u>	<u>Operating</u>	<u>Endowment Earnings</u>	<u>Endowment Corpus</u>	
Investment activity:					
Interest and dividends	\$ 913,914	\$ -	\$ 99,295	\$ -	\$ 1,013,209
Investment fees	(166,160)	-	(16,286)	-	(182,446)
Realized gain	4,019,098	-	384,218	-	4,403,316
Unrealized gain	<u>4,204,370</u>	<u>-</u>	<u>412,096</u>	<u>-</u>	<u>4,616,466</u>
Total investment activity	8,971,222	-	879,323	-	9,850,545
Board appropriations (7%)	<u>(2,441,894)</u>	<u>2,800,000</u>	<u>(358,106)</u>	<u>-</u>	<u>-</u>
Subtotal	6,529,328	2,800,000	521,217	-	9,850,545
Releases	<u>-</u>	<u>(2,800,000)</u>	<u>-</u>	<u>-</u>	<u>(2,800,000)</u>
Change in endowment net assets	6,529,328	-	521,217	-	7,050,545
Endowment net assets, beginning of year	<u>5,310,790</u>	<u>(486,253)</u>	<u>245,453</u>	<u>5,115,798</u>	<u>10,185,788</u>
Endowment net assets, end of year	<u>\$ 11,840,118</u>	<u>\$ (486,253)</u>	<u>\$ 766,670</u>	<u>\$ 5,115,798</u>	<u>\$ 17,236,333</u>

Endowment net asset changes (other than perpetual beneficial interests) include the following as of December 31, 2020:

	<u>Without donor restrictions</u>		<u>With donor restrictions</u>		<u>Total 2020</u>
	<u>Board Designated</u>	<u>Operating</u>	<u>Endowment Earnings</u>	<u>Endowment Corpus</u>	
Investment activity:					
Interest and dividends	\$ 376,675	\$ -	\$ 38,697	\$ -	\$ 415,372
Investment fees	(177,778)	-	(18,264)	-	(196,042)
Realized loss	(875,479)	-	(89,940)	-	(965,419)
Unrealized gain	<u>2,324,617</u>	<u>-</u>	<u>238,815</u>	<u>-</u>	<u>2,563,432</u>
Total investment activity	1,648,035	-	169,308	-	1,817,343
Board appropriations (7%)	<u>(2,491,894)</u>	<u>2,850,000</u>	<u>(358,106)</u>	<u>-</u>	<u>-</u>
Subtotal	(843,859)	2,850,000	(188,798)	-	1,817,343
Releases	<u>-</u>	<u>(2,850,000)</u>	<u>-</u>	<u>-</u>	<u>(2,850,000)</u>
Change in endowment net assets	(843,859)	-	(188,798)	-	(1,032,657)
Endowment net assets, beginning of year	<u>6,154,649</u>	<u>(486,253)</u>	<u>434,251</u>	<u>5,115,798</u>	<u>11,218,445</u>
Endowment net assets, end of year	<u>\$ 5,310,790</u>	<u>\$ (486,253)</u>	<u>\$ 245,453</u>	<u>\$ 5,115,798</u>	<u>\$ 10,185,788</u>

Endowment net assets of \$17,236,333 and \$10,185,788 are included in the investments account in the accompanying statements of financial position as of December 31, 2021 and 2020, respectively.

FEDERATION OF PROTESTANT WELFARE AGENCIES, INC.
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NOTE 11 – CONTINGENCIES

- A. The COVID-19 pandemic disrupted activities of FPWA and remains an evolving situation. The extent of the impact of COVID-19 on FPWA's business and financial results will depend on future developments, including the duration and spread of the outbreak and government's response to it, all of which are uncertain. FPWA continues to monitor evolving economic and general business conditions and the actual and potential impacts on its financial position and results of operations.

On March 27, 2020, in response to the pandemic, the federal government passed the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). Among many other provisions, to help businesses retain employees, the CARES Act provides relief to qualifying businesses through a program called the Paycheck Protection Program ("PPP"). Participating in the PPP enables the business to obtain a loan from a bank. The loan may be forgiven by the Small Business Administration ("SBA").

FPWA applied for this loan through an authorized lender and received \$533,470 in April 2020. In accounting for the terms of the PPP loan, FPWA is guided by ASC 958-608 *Not-for-Profit Entities – Revenue Recognition*. For the year ended December 31, 2020, FPWA has incurred sufficient qualifying expenses and met other conditions for forgiveness and accordingly recorded grant income of \$533,470 in the accompanying statement of activities. In July 2021, FPWA received forgiveness from the lender and the SBA for the full amount of the PPP loan.

- B. FPWA believes it has no uncertain tax positions as of December 31, 2021 and 2020, in accordance with ASC 740, *Income Taxes*, which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

NOTE 12 – CONCENTRATIONS

Cash and cash equivalents that potentially subject FPWA to a concentration of credit risk include cash accounts with two banks that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits (\$250,000 per depositor) by approximately \$711,000 and \$2,012,000 as of December 31, 2021 and 2020, respectively. Such excess includes outstanding checks.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated for potential recognition and disclosure, events subsequent to the date of the statement of financial position through June 9, 2022, the date the financial statements were issued.