Beavercreek Church of the Nazarene
(dba Be Hope Church)

Consolidated Financial Statements

December 31, 2022

FLAGEL HUBER FLAGEL

Certified Public Accountants | Business Advisors

Beavercreek Church of the Nazarene (dba Be Hope Church)

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Independent Auditor's Report

To the Board of Trustees
Beavercreek Church of the Nazarene (dba Be Hope Church)

Opinion

We have audited the accompanying consolidated financial statements of Beavercreek Church of the Nazarene (dba Be Hope Church) (the Organization), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Beavercreek Church of the Nazarene as of December 31, 2022, and the changes in its net assets and 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Beavercreek Church of the Nazarene 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Beavercreek Church of the Nazarene's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Beavercreek Church of the Nazarene'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Beavercreek Church of the Nazarene'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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information on page 17 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Flagel Huber Flagel

Certified Public Accountants

Dayton, Ohio

August 3, 2023

Beavercreek Church of the Nazarene (dba Be Hope Church)

Consolidated Statement of Financial Position

December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Assets			
Current Assets			
Cash	$ 393,789	$ 345,405	$ 739,194
Investments	188,656	0	188,656
Accounts receivable, net	11,321	0	11,321
Total Current Assets	593,766	345,405	939,171
Property and Equipment, Net	4,592,704	0	4,592,704
Other Assets			
Interest rate swap asset	13,449	0	13,449
Right-of-use lease assets	37,369	0	37,369
Note receivable	39,000	0	39,000
Total Other Assets	89,818	0	89,818
Total Assets	$ 5,276,288	$ 345,405	$ 5,621,693
Liabilities and Net Assets			
Current Liabilities			
Accounts payable	$ 89,120	$ 0	$ 89,120
Accrued expenses	51,971	0	51,971
Accrued interest	10,028	0	10,028
Deferred revenue	1,331	0	1,331
Short-term operating lease liabilites	22,973	0	22,973
Current maturities of long-term debt	575,944	0	575,944
Total Current Liabilities	751,367	0	751,367
Long-Term Liabilities			
Long-term operating lease liabilities	14,396	0	14,396
Long-term debt	146,672	0	146,672
Less unamortized debt issuance costs	(384)	0	(384)
Total Long-Term Liabilities	160,684	0	160,684
Net Assets			
Without donor restrictions	4,364,237	0	4,364,237
With donor restrictions	0	345,405	345,405
Total Net Assets	4,364,237	345,405	4,709,642
Total Liabilities and Net Assets	$ 5,276,288	$ 345,405	$ 5,621,693

Beavercreek Church of the Nazarene (dba Be Hope Church)

Consolidated Statement of Activities

For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Support, Gains and Losses			
General offerings	$ 2,249,977	$ 0	$ 2,249,977
Daycare revenue and grants	2,259,827	0	2,259,827
Church program revenue/offerings	0	261,517	261,517
Building fund offerings	0	19,080	19,080
Missions offerings	0	11,378	11,378
Change in fair value of interest rate swap agreements	43,415	0	43,415
Miscellaneous income	72,214	0	72,214
Investment return, net	1,156	0	1,156
Interest income	2,534	0	2,534
	4,629,123	291,975	4,921,098
Net assets released from restrictions	269,803	(269,803)	0
Total Revenues, Support, Gains and Losses	4,898,926	22,172	4,921,098
Expenses			
Program services	3,534,954	0	3,534,954
Management and general	688,066	0	688,066
Fundraising	0	0	0
Total Expenses	4,223,020	0	4,223,020
Change in Net Assets	675,906	22,172	698,078
Net Assets - Beginning of Year	3,688,331	323,233	4,011,564
Net Assets - End of Year	$ 4,364,237	$ 345,405	$ 4,709,642

Beavercreek Church of the Nazarene (dba Be Hope Church)

Consolidated Statement of Functional Expenses

For the Year Ended December 31, 2022

	Program Services			Management and General		
	Church	Learning Center	Total Program	Church	Learning Center	Consolidated Total
Compensation and benefits	$ 839,012	$ 681,033	$ 1,520,045	$ 201,813	$ 317,507	$ 2,039,365
Payroll taxes	19,092	49,290	68,382	15,623	22,980	106,985
Utilities	12,096	155,947	168,043	1,529	0	169,572
District and general budgets	194,423	0	194,423	0	0	194,423
Supplies	10,747	53,865	64,612	3,583	0	68,195
Building, grounds and maintenance	157,607	0	157,607	6,301	33,840	197,748
Transportation	14,579	23,109	37,688	0	0	37,688
Church programs	470,458	0	470,458	152	0	470,610
Insurance	9,931	0	9,931	8,126	10,521	28,578
Real estate taxes	7,591	0	7,591	399	0	7,990
Professional allowances	29,865	0	29,865	8,482	0	38,347
General and operating expenses	71,170	260,749	331,919	12,959	0	344,878
School activities	0	40,693	40,693	0	0	40,693
Advertising	14,341	0	14,341	0	8,184	22,525
Administrative	29,216	0	29,216	7,224	0	36,440
Depreciation	222,114	46,266	268,380	11,690	15,422	295,492
Interest	32,898	11,285	44,183	1,731	0	45,914
Missions	119,577	0	119,577	0	0	119,577
Total before eliminations	2,254,717	1,322,237	3,576,954	279,612	408,454	4,265,020
Eliminations	0	(42,000)	(42,000)	0	0	(42,000)
Total Expenses	$ 2,254,717	$ 1,280,237	$ 3,534,954	$ 279,612	$ 408,454	$ 4,223,020

Beavercreek Church of the Nazarene (dba Be Hope Church)

Consolidated Statement of Cash Flows

For the Year Ended December 31, 2022

Cash Flows from Operating Activities:		
Change in net assets	$	698,078
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		295,492
Amortization of debt issuance costs		461
Change in fair value of interest rate swap agreement		(43,415)
Realized and unrealized (gain) loss on investments		7
Noncash operating lease expense		10,176
Changes in assets and liabilities:		
Accounts receivable		(7,421)
Note receivable		(39,000)
Accounts payable		61,345
Accrued expenses		(10,839)
Accrued interest		10,028
Deferred revenue		(2,046)
Operating lease liabilities		(10,176)
Net Cash Provided by Operating Activities		962,690
Cash Flows from Investing Activities:		
Purchases of investments, net		(188,663)
Purchase of property and equipment		(673,130)
Net Cash Used in Investing Activities:		(861,793)
Cash Flows from Financing Activities:		
Principal payments on long-term debt		(104,565)
Change in Cash		(3,668)
Cash, Cash Equivalents and Restricted Cash - Beginning of Year		742,862
Cash, Cash Equivalents and Restricted Cash - End of Year	$	739,194
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	$	35,425
Schedule of Noncash Financing Activities		
Acquisition of operating lease right-of-use assets through the assumption of operating lease liabilities	$	47,545

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

1. Nature of Activities

Beavercreek Church of the Nazarene (dba Be Hope Church) (the "Church") was organized on December 30, 1955 and is a constituent of the International Church of the Nazarene. The Church is a nonprofit organization and is dedicated to spreading the Gospel through establishing, developing, and promoting all aspects of church ministry and providing complete childcare services to working families within Beavercreek, Ohio, and the surrounding communities. The Church is supported primarily through contributions from the congregation and the collection of daycare fees from families in the community.

Beavercreek Christian Learning Center (the "Center"), provides complete childcare services to working families, emphasizing a quality education and nutrition program for children ages two and one half through ten. The majority of the Center's children are from the local community and revenue is dependent primarily on the collection of daycare fees from families in the community, which is affected by economic conditions in the surrounding area.

2. Summary of Significant Accounting Policies

Principles of Consolidation
The accompanying consolidated financial statements include the accounts of Beavercreek Church of the Nazarene (dba Be Hope Church) and Beavercreek Christian Learning Center (the "Organization"), after elimination of significant intercompany accounts and transactions.

Basis of Accounting
The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for nonprofit organizations.

Financial Statement Presentation
The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. A description of each class as it pertains to the Organization is as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

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. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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.

Use of Estimates
The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. Summary of Significant Accounting Policies (Continued)

Cash, Cash Equivalents and Restricted Cash
For purposes of the consolidated statements of cash flows, cash and cash equivalents are defined as money in checking and savings accounts and any short-term investments with an original maturity of twelve months or less when purchased.

The Organization may maintain a portion of this cash in commercial bank accounts which, at times, could exceed federally insured limits. The Organization has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk on cash.

Restricted cash represents cash received with donor-imposed time or purpose restrictions. See note 10.

Investments
The Organization carries investments in marketable securities with readily determinable fair values at their fair values in the consolidated statement of financial position. Donated investments are recorded at fair value on the date of contribution. Interest and dividends are recognized when earned. Unrealized gains and losses are included in the change in net assets in the accompanying consolidated statement of activities. Investment income and gains restricted by donors are reported as increases in net assets without restrictions if the restrictions are met (either a stipulated time period ends, or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Accounts Receivable
Accounts receivable represent amounts due from customers for child-care services provided by the Center. Substantially all amounts are expected to be collected within one year. The Center utilizes the allowance method to account for bad debts. Management deems an account uncollectible when all internal collection efforts have been exhausted. The allowance for bad debts totaled $0 as of December 31, 2022.

Property and Equipment
Property and equipment are stated at cost, less accumulated depreciation computed on a straight-line method over the useful lives of the assets. Donated property is recorded at fair market value at the time of donation. Gains and losses on disposal of property and equipment are reflected in the consolidated statements of activities. Maintenance and repairs are charged to expense at the time the expenditure is incurred. Replacements and betterments, which significantly lengthen useful lives, are capitalized.

Impairment of Long-Lived Assets
The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived asset is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount exceeds the fair value. No impairment losses were recognized during the year ended December 31, 2022.

Debt Issuance Costs
Debt issuance costs are reported as a reduction to the carrying value of the outstanding loan balance. These costs are amortized over the life of the loan using the straight-line method. Amortization of debt issuance costs is included in interest expense in the accompanying consolidated financial statements.

2. Summary of Significant Accounting Policies (Continued)

Deferred Revenue

Deferred revenue consists primarily of prepaid tuition and payments received from customers in advance of services provided at the Center. In the event services are not provided at the Center, amounts will be refunded or recognized as revenue, as applicable.

Lease Commitments

Effective January 1, 2022, the Organization adopted FASB ASC 842, *Leases*, which among other things, requires the recognition of right-of-use lease assets and lease liabilities on the consolidated statement of financial position of lessees for operating leases, along with the disclosure of key information about leasing arrangements. All nonprofit organizations with fiscal years beginning after December 15, 2021 were required to adopt this new standard. A lessee is required to record lease assets and lease liabilities for all leases with a term of greater than 12 months. The Organization determines if an arrangement contains a lease at inception based on whether the Organization has the right to control the asset during the contract period and other facts and circumstances.

As part of the implementation, the Organization elected the following practical expedients related to the adoption of this new standard:

1. The Organization elected the transition method to adopt the new standard at the beginning of the period of adoption through a cumulative-effect adjustment. Under the transition method, the application date shall be the beginning of the reporting period in which the entity first applies the new standard (January 1, 2022).
2. An entity need not reassess whether any expired or existing contracts are or contain leases.
3. An entity need not reassess the lease classification for any expired or existing leases.
4. An entity need not reassess initial direct costs for any existing leases.
5. Account for lease and non-lease components as a single combined lease component.

The new standard requires that leases with a lease term of more than 12 months be classified as either finance or operating leases. Leases are classified as finance leases when the Organization expects to consume a major part of the economic benefits of the leased assets over the remaining lease term. Conversely, leases are classified as operating leases when the Organization is not expected to consume a major part of the economic benefits of the leased assets. The lease classification affects both the pattern and presentation of expense recognized in the consolidated statement of activities, the categorization of assets and liabilities in the consolidated statement of financial position, and classification of cash flows in the consolidated statement of cash flows.

Operating lease cost consists of two components; amortization expense related to the write-off of right-of-use assets, and interest expense from lease obligations.

Lease obligations are measured and recorded at the present value of future lease payments using a discount rate. Because the Organization generally does not have access to the rate implicit in each lease, the Organization has elected to measure its lease obligations using a risk-free rate of return as the discount rate, which is permitted for non-public entities. The Organization elected to use the US Treasury rate at the lease commencement date for the computation of its lease obligation, determined by using a period comparable with that of the lease term.

Right-of-use assets are generally measured and recorded at the sum of the lease obligation, any initial direct costs to consummate the lease, and any lease payments made on or before the commencement date.

2. Summary of Significant Accounting Policies (Continued)

Revenue Recognition

The Organization recognizes contributions when cash, securities, or other assets are received. Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets with donor restrictions. 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 statement of activities as net assets released from restrictions. Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions of property and equipment are recorded as net assets without donor restrictions.

The Organization also administers various programs in support of their mission. Revenues from these programs are recorded when received. Revenue from facility rentals is recognized when the performance obligation of providing space for the event is satisfied. Tuition and fees for childcare services are reported at established rates, net of any discounts. The tuition and fees are recognized over time as the Organization provides the childcare services, which is typically on a weekly basis.

Donated Services, Property and Equipment

Donated services are recognized at fair market value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Organization receives a substantial amount of services donated by its members in carrying out the Organization's ministry. No amounts have been reflected in the consolidated financial statements for those services since they do not meet the criteria for recognition.

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor had restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as donor restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets were placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. The Organization did not receive any donated property and equipment.

During 2022 the Organization adopted new accounting guidance, ASU 2020-07, *Presentation and Disclosures by Not-for- Profit Entities for Contributed Nonfinancial Assets*. This update requires the Organization to disclose a disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by the category of contributed nonfinancial assets (goods and services) and provide additional disclosures and valuation techniques used for each category. The Organization did not receive any donated nonfinancial assets for the year ended December 31, 2022. The adoption of the new standard did not have a material effect on the these financial statements.

Advertising Costs

Advertising costs are expensed when incurred. Advertising expense for the year ended December 31, 2022 was $22,525.

2. Summary of Significant Accounting Policies (Continued)

Functional Expenses

The costs of providing various program services and supporting activities have been reported on a functional basis in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the program services and supporting activities benefitted, on a reasonable basis that is consistently applied. Expenses that are not directly related to a single program or activity but are indispensable to the conduct of the Organization's programs or existence are charged to management and general. Certain administrative costs including salaries and wages, payroll taxes, and employee benefits are allocated on the basis of estimates of personnel time related to each activity. Costs related to occupancy and maintenance of the building are allocated based upon a space utilization schedule.

Derivative Financial Instruments and Market Risk

The Organization uses fixed interest rate swap agreements to hedge against the effects of variable interest rates on its long-term debt. The Organization documents its risk management strategy and hedge effectiveness at the inception of and during the term of each hedge. The Organization's risk management strategy is to offset changes in interest charges due to changes in the market rate of interest.

Income Taxes

The Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and Ohio Revised Code Section 1716.03. As a qualified religious organization, the Organization is also exempt from the annual tax filing of IRS Form 990.

3. Liquidity and Availability

The following reflects the Organization's financial assets as of December 31, 2022, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year.

Cash	$ 739,194
Investments	188,656
Accounts receivable, net	11,321
Total financial assets at December 31, 2022	939,171
Less those unavailable for general expenditure within one year, due to:	
Donor-imposed restrictions:	
Restricted by donor with purpose restrictions	(345,405)
Financial assets available to meet cash needs for general expenditures within one year:	$ 593,766

The Organization is substantially supported by contributions, which may contain donor restrictions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities. Consequently, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. It is the policy of the Organization to regularly review and assess the need for funds to meet operating obligations and to ensure the availability of cash or collateral to fulfill those requirements.

4. Investments

Investments are stated at fair value and consist primarily of treasury bills and equity funds at December 31, 2022:

Equity funds	$	37,638
Fixed income funds		122,662
Cash and cash equivalents		28,356
	$	188,656

Investment return consists of the following for the year ended December 31, 2022:

Interest and dividends	$	1,388
Investment fees		(225)
Realized and unrealized gains (losses)		(7)
	$	1,156

5. Note Receivable

During 2022, the Church loaned $39,000 to an employee for assistance with the down payment on the purchase of a personal residence. The note is non-interest bearing and will be forgiven in equal annual amounts over 10 years, so long as the employee maintains employment with the Church. The balance of the note receivable was $39,000 as of December 31, 2022.

6. Property and Equipment

Property and equipment consist of the following as of December 31, 2022:

			Estimated Life in Years
Land	$	71,412	N/A
Building and improvements		8,475,030	7 - 40
Furniture and equipment		1,142,257	3 - 15
Transportation equipment		319,460	5
Construction in progress		125,043	N/A
		10,133,202	
Less: accumulated depreciation		(5,540,498)	
Net book value	$	4,592,704	

Depreciation expense was $295,492 for the year ended December 31, 2022.

7. Long-Term Debt

Long-term debt consists of the following as of December 31, 2022:

Note payable, PNC Bank, variable rate note, interest fixed at 5.71% using an interest rate swap agreement, secured by real property, payments of principal and interest due monthly based on 10-year amortization period, balloon payment due November 2023.	$ 564,990
Note payable, River Valley Credit Union, interest at 4.5%, secured by equipment, payable in monthly installments of $983 including principal and interest, due August 2023.	7,626
Loan payable, U.S. Small Business Administration (SBA), interest at 2.75%, payable in monthly installments of $641, including principal and interest, secured by substantially all assets, due June 2050.	150,000
Total long-term debt	722,616
Less current portion	(575,944)
	$ 146,672

Maturities of long-term debt for the five years succeeding December 31, 2022 and thereafter are as follows:

Year	Amount
2023	$ 575,944
2024	3,409
2025	3,516
2026	3,614
2027	3,715
Thereafter	132,418
	$ 722,616

8. Interest Rate Swap Agreements

In May 2018, the Organization entered into an interest rate swap agreement (the contract) with a bank on the convertible draw note with PNC Bank. The effective date of this agreement is November 1, 2018. The contract effectively fixes the interest rate on the debt at 5.71%. The variable rate on the contract is LIBOR plus 2.00% (6.12% at December 31, 2022). The notional amount of the contract at December 31, 2022 was $564,990. The contract terminates on November 1, 2028. However, the Organization has the option to terminate the contract without penalty on November 1, 2023.

The Organization's purpose in entering into the interest rate swap agreement was to hedge against the risk of interest rate increases on the related variable rate debt. The contracts were issued at market terms, so they had no fair value at inception. The carrying amount of the contracts has been adjusted to its fair value at the end of the year which, because of changes in forecasted levels of LIBOR, resulted in reporting a liability for the fair value of the potential future net payments under the contracts. The liability is classified as noncurrent on the consolidated statements of financial position since management does not intend to settle the contracts within the next year. Since the critical terms of the contracts and the related notes are the same, the contracts are assumed to be completely effective as hedges. The change in fair value is recorded as a gain or loss on the consolidated statements of activities.

9. Lease Commitments

The Organization has operating leases for equipment and commercial space which expire at various dates through 2027. In August 2022, the Organization signed a new lease for commercial space. There are no renewal options on the leases, nor do the lease agreements include any material residual value guarantees or restrictive covenants.

In addition, the Organization leased equipment under leases expiring during 2022 which were not renewed nor replaced with new leases. These amounts are included in short-term lease expense below.

The components of operating lease expenses that are included in expenses in the consolidated statement of functional expenses for the year ended December 31, 2022 were as follows:

Operating lease expense	$	10,671
Short-term lease expense		20,468
Variable lease expense		0
Total lease cost	$	31,139

The following summarizes the cash flow, weighted average lease term, and discount rate information related to operating leases for the year ended December 31, 2022:

Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	$	10,671
Noncash transactions:		
Right of use assets obtained in exchange for new operating lease liabilities	$	47,545
Weighted-average remaining lease term in years for operating leases		1.62
Weighted-average discount rate for operating leases		2.76%

The maturities of operating lease liabilities as of December 31, 2022 are as follows:

Year		Amount
2023	$	23,656
2024		14,381
2025		116
Total undiscounted cash flows		38,153
Less: present value discount		(784)
Total lease liabilities	$	37,369

10. Net Assets

Net assets with donor restrictions are restricted for the following purposes or periods at December 31, 2022:

Children's department	$	1,399
Christian education		1,869
Men's ministries		40
Women's ministries		3,694
Adult & outreach ministries		6,863
Memorial/Benevolence fund		3,830
Ironton campus		1,668
Special purpose offerings		319,350
Special events and other		6,692
	$	345,405

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose specified by donors as follows:

Purpose restrictions accomplished:		
Children's department	$	14,098
Adult & outreach ministries		4,301
Memorial/Benevolence fund		5,691
Alpha property		535
Ironton campus		14,931
Immigration center		30,109
Missions		11,378
Building		19,080
Special purpose offerings		148,616
Special events and other		21,064
	$	269,803

11. Fair Value Measurements

The Organization applies accounting principles generally accepted in the United States of America (GAAP) for fair value measurements of financial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. Fair value is defined as the price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. GAAP establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 - Observable inputs such as quoted prices in active markets;
- Level 2 - Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3 - Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

11. Fair Value Measurements (Continued)

The following is a description of the valuation methodologies the Organization used for assets measured on a recurring basis at fair value. There have been no changes from the prior year in the methodologies used at December 31, 2022. Significant transfers between fair value levels are determined at the end of the reporting period. There were no significant transfers in 2022.

Investments: Equity securities, fixed income securities and mutual funds are valued using quoted market prices, net asset values per share and other relevant information generated by market transactions.

Interest rate derivative asset: The fair value of these over-the-counter derivatives was determined using a discounted cash flow model based on the terms of the contracts. The most significant input to this model is implied forward LIBOR rates.

Fair value of assets measured on a recurring basis at December 31, 2022 are as follows:

	Level 1	Level 2	Fair Value
Investments	$ 188,656	$ 0	$ 188,656
Interest rate derivative	0	13,449	13,449
Total assets	$ 188,656	$ 13,449	$ 202,105

12. Retirement Plan

The Church's senior pastor, associate pastors and staff are eligible to participate in the Nazarene 403(b) Retirement Savings Plan administered by Fidelity Investments. These eligible employees can voluntarily elect how much of their compensation is deferred into the Plan, in accordance with the Internal Revenue Code regulations, and can choose their investment options. The Organization bears no expense as a result of this Plan.

13. Subsequent Events

Management evaluated the activity of the Organization through August 3, 2023 (the date the consolidated financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition or disclosure in the consolidated financial statements.

Supplementary Information

Beavercreek Church of the Nazarene (dba Be Hope Church)

Consolidating Schedule of Activities

For the Year Ended December 31, 2022

	Beavercreek Church of the Nazarene	Beavercreek Christian Learning Center	Elmininations	Consolidated Total
Revenues, Support, Gains and Losses				
General offerings	$ 2,249,977	$ 0	$ 0	$ 2,249,977
Daycare revenue	0	2,259,827	0	2,259,827
Church program revenue/offerings	261,517	0	0	261,517
Building fund offerings	19,080	0	0	19,080
Missions offerings	11,378	0	0	11,378
Change in fair value of interest				0
rate swap agreements	43,415	0	0	43,415
Management fee	42,000	0	(42,000)	0
Miscellaneous income	71,131	1,083	0	72,214
Investment return, net	1,156	0	0	1,156
Interest income	498	2,036	0	2,534
Total Revenues, Support, Gains and Losses	2,700,152	2,262,946	(42,000)	4,921,098
Expenses				
Program services	2,254,717	1,322,237	(42,000)	3,534,954
Management and general	279,612	408,454	0	688,066
Fundraising	0	0	0	0
Total Expenses	2,534,329	1,730,691	(42,000)	4,223,020
Change in Net Assets	$ 165,823	$ 532,255	$ 0	$ 698,078

In this ever-changing business environment, Flagel Huber Flagel goes beyond numbers and deadlines, returning the trust and confidence our clients place in us, with a caring partner relationship. We are committed to a collaborative search for ideas and solutions that help business organizations thrive and families build and preserve wealth. Our commitment is simple; financial and operational *insight*, service *integrity*, and problem solving *innovation*.

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