

**REASONS TO BELIEVE**

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED  
JUNE 30, 2022 AND 2021

**REASONS TO BELIEVE**  
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**JUNE 30, 2022 AND 2021**

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December 7, 2022

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Reasons to Believe  
Covina, California

**Opinion**

We have audited the accompanying consolidated financial statements of Reasons to Believe which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses and cash flows for the years 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 Reasons to Believe as of June 30, 2022 and 2021, and the changes in their net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

We conducted our 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 Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

Board of Directors  
Reasons to Believe  
Covina, California  
December 7, 2022

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

*Beeson, Hoffman & Siddall*

**REASONS TO BELIEVE**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	June 30,	
	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 359,389	\$ 1,755,683
Investments	5,773,021	4,802,228
Accounts receivable	21,681	21,647
Inventory, net	303,796	270,197
Prepaid expenses and other assets	52,085	40,274
Total Current Assets	<u>6,509,972</u>	<u>6,890,029</u>
Investments - endowment	227,355	271,011
Property and equipment, net	4,570,555	4,854,246
Long-lived assets held for sale	<u>-</u>	<u>1,022,524</u>
Total Assets	<u>\$ 11,307,882</u>	<u>\$ 13,037,810</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 466,856	\$ 359,731
Deferred revenue	4,250	4,000
Total Current Liabilities	<u>471,106</u>	<u>363,731</u>
Net Assets		
Net assets without donor restrictions	10,356,483	12,004,955
Net assets with donor restrictions	480,293	669,124
Total Net Assets	<u>10,836,776</u>	<u>12,674,079</u>
Total Liabilities and Net Assets	<u>\$ 11,307,882</u>	<u>\$ 13,037,810</u>

-See accompanying notes-

**REASONS TO BELIEVE**  
CONSOLIDATED STATEMENTS OF ACTIVITIES

	Year Ended June 30, 2022			Year Ended June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support						
Contributions	\$ 5,080,067	\$ 105,663	\$ 5,185,730	\$ 8,536,993	\$ 185,823	\$ 8,722,816
Contributed nonfinancial services	73,357	-	73,357	57,374	-	57,374
Sales, net of cost of goods sold of \$25,604 and \$31,690, respectively	104,172	-	104,172	99,406	-	99,406
Honoraria, seminars and conferences	140,032	-	140,032	118,287	-	118,287
Realized and unrealized gains (losses), net	(1,152,396)	(48,488)	(1,200,884)	502,581	75,878	578,459
Interest and dividends	81,481	4,832	86,313	35,957	4,039	39,996
Royalty income	18,559	-	18,559	8,500	-	8,500
Paycheck Protection Program loan forgiveness	-	-	-	451,760	-	451,760
Gain (loss) on sale of assets	229,198	-	229,198	(688,999)	-	(688,999)
Net assets released from restriction:						
Satisfaction of time and purpose	250,838	(250,838)	-	276,151	(276,151)	-
Total Revenue and Other Support	<u>4,825,308</u>	<u>(188,831)</u>	<u>4,636,477</u>	<u>9,398,010</u>	<u>(10,411)</u>	<u>9,387,599</u>
Expenses						
Program: ministry	4,545,312	-	4,545,312	3,643,395	-	3,643,395
Support:						
General and administrative	1,042,393	-	1,042,393	1,151,260	-	1,151,260
Fundraising	886,075	-	886,075	795,135	-	795,135
Total Expenses	<u>6,473,780</u>	<u>-</u>	<u>6,473,780</u>	<u>5,589,790</u>	<u>-</u>	<u>5,589,790</u>
Change in Net Assets	(1,648,472)	(188,831)	(1,837,303)	3,808,220	(10,411)	3,797,809
Net Assets, Beginning of the Year	<u>12,004,955</u>	<u>669,124</u>	<u>12,674,079</u>	<u>8,196,735</u>	<u>679,535</u>	<u>8,876,270</u>
Net Assets, End of the Year	<u>\$ 10,356,483</u>	<u>\$ 480,293</u>	<u>\$ 10,836,776</u>	<u>\$ 12,004,955</u>	<u>\$ 669,124</u>	<u>\$ 12,674,079</u>

-See accompanying notes-

**REASONS TO BELIEVE**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

	Year Ended June 30, 2022			
	Program: Ministry	General & Administrative	Fundraising	Total
Salaries and wages	\$ 2,836,014	\$ 538,079	\$ 417,844	\$ 3,791,937
Consulting	194,182	110,186	160,240	464,608
Depreciation	243,008	44,451	47,263	334,722
Payroll taxes	176,181	33,533	25,967	235,681
Professional fees	19,021	154,013	22	173,056
Advertising	116,606	22,800	24,000	163,406
Postage and mailing	60,430	11,486	48,523	120,439
Retirement plan	88,770	17,179	13,084	119,033
Internet and consulting	106,743	-	4,649	111,392
Conferences	109,448	-	-	109,448
Printing and graphics	66,429	2,552	35,887	104,868
Building repairs and maintenance	61,454	10,906	11,596	83,956
Travel	59,026	4,528	12,703	76,257
Speaking, writing and production fees	57,661	-	15,203	72,864
Supplies	54,959	4,948	7,913	67,820
Equipment lease and maintenance	44,980	7,872	8,370	61,222
Utilities	41,182	7,364	7,830	56,376
Telephone	40,235	6,944	7,384	54,563
Insurance	21,943	25,978	4,120	52,041
Dues and publications	20,305	13,173	15,638	49,116
Meetings and events	17,976	10,399	5,009	33,384
Rent	30,000	-	-	30,000
Other employee benefits	19,842	4,933	2,925	27,700
Taxes and licenses	17,271	1,861	7,427	26,559
Education and training	17,081	6,083	98	23,262
Transaction fees	16,150	3,125	2,380	21,655
Materials distributed	8,415	-	-	8,415
	<u>\$ 4,545,312</u>	<u>\$ 1,042,393</u>	<u>\$ 886,075</u>	<u>\$ 6,473,780</u>

-See accompanying notes-

**REASONS TO BELIEVE**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

	Year Ended June 30, 2021			
	Program: Ministry	General & Administrative	Fundraising	Total
Salaries and wages	\$ 2,319,564	\$ 504,859	\$ 341,855	\$ 3,166,279
Consulting	193,966	203,166	102,755	499,887
Depreciation	197,596	90,605	39,514	327,714
Payroll taxes	150,594	37,389	22,196	210,179
Professional fees	20,418	85,360	78,033	183,811
Online and communications support	86,698	83,650	2,353	172,701
Speaking, writing and production fees	110,968	12,678	15,417	139,063
Postage and mailing	61,134	571	52,023	113,727
Printing and graphics	53,877	445	48,238	102,561
Retirement plan	75,868	14,682	11,182	101,732
Advertising	56,373	99	15,236	71,708
Equipment lease and maintenance	43,778	9,711	8,713	62,203
Supplies	36,466	13,063	5,918	55,447
Building repairs and maintenance	31,514	16,069	6,168	53,750
Insurance	22,808	24,871	4,516	52,195
Utilities	34,889	6,420	6,892	48,202
Telephone	30,996	5,648	6,064	42,709
Other employee benefits	25,633	11,392	3,778	40,803
Rent	30,000	-	-	30,000
Dues and publications	14,057	4,450	9,688	28,195
Taxes and licenses	12,100	3,110	8,996	24,205
Transaction fees	13,006	2,517	1,917	17,440
Education and training	827	13,103	-	13,930
Conferences	12,606	-	-	12,606
Meetings and events	1,632	8,668	209	10,509
Travel	2,200	(1,350)	3,913	4,763
Materials distributed	3,826	86	(438)	3,473
	<u>\$ 3,643,395</u>	<u>\$ 1,151,260</u>	<u>\$ 795,135</u>	<u>\$ 5,589,790</u>

-See accompanying notes-



**REASONS TO BELIEVE**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Year Ended June 30,	
	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (1,837,303)	\$ 3,797,809
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	334,722	327,714
Donations of securities	(316,360)	(1,451,778)
Donated assets	-	(2,300,000)
Gain on sale of assets	(229,198)	(237,240)
Unrealized and realized losses (gains)	1,200,884	(578,459)
Paycheck Protection Program loan forgiveness	-	(451,760)
Net change in:		
Accounts receivable	(34)	22,467
Inventory	(33,599)	40,497
Prepaid expenses and other assets	(11,811)	16,670
Accounts payable and accrued expenses	104,791	136,795
Deferred revenue	250	-
Net cash used by operating activities	<u>(787,658)</u>	<u>(677,285)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	2,143,731	2,983,519
Purchase of investments	(3,955,392)	(2,854,001)
Proceeds from sale of assets	1,255,000	1,540,000
Purchases of property and equipment	<u>(51,975)</u>	<u>(245,314)</u>
Net cash provided (used) by investing activities	<u>(608,636)</u>	<u>1,424,204</u>
<b>NET CHANGE IN CASH</b>	<b>(1,396,294)</b>	<b>746,919</b>
<b>CASH AT BEGINNING OF THE YEAR</b>	<u><b>1,755,683</b></u>	<u><b>1,008,764</b></u>
<b>CASH AT END OF THE YEAR</b>	<u><u><b>\$ 359,389</b></u></u>	<u><u><b>\$ 1,755,683</b></u></u>

-See accompanying notes-

**REASONS TO BELIEVE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 1 – NATURE OF ORGANIZATION**

Reasons to Believe is a California non-profit corporation formed in 1986. Reasons to Believe is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and comparable state law(s). However, the organization is subject to federal income tax on any unrelated business taxable income. In addition, the organization is not classified as a private foundation within the meaning of Section 509(c) of the IRC.

Reasons to Believe's purpose is to provide credible answers to questions about God and the Bible through research, development of resource materials, and teaching about the consistency of the words of the Bible with scientific data about the universe. Reasons to Believe's donors and customers are located throughout the world, primarily in the United States.

Reasons to Believe Foundation, Inc. is a non-profit corporation formed under the laws of California for the purpose of holding certain investments and soliciting contributions on behalf of Reasons to Believe. Reasons to Believe Foundation, Inc. is exempt from income taxes under Section 501(c)(3) of the Internal Revenue code (IRC) and comparable state law(s). However, it is subject to federal income tax on any unrelated business taxable income. In addition, the organization is not classified as a private foundation within the meaning of Section 509(c) of the IRC. It is under the control of the governing board of Reasons to Believe and its bylaws require that all contributions and earnings of invested assets inure to the benefit of Reasons to Believe.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Principles of Consolidation***

The consolidated financial statements include the accounts of Reasons to Believe and Reasons to Believe Foundation, Inc. (collectively, the Organization). All significant transactions between the two entities are eliminated in the consolidated financial statements. For the years ended June 30, 2022 and 2021, Reasons to Believe Foundation, Inc. held no assets, received no contributions, nor were there transactions between the two entities.

Reasons to Believe has helped form many affiliated chapters throughout the world. These chapters are not under the control of Reasons to Believe; therefore, they are not included in these consolidated financial statements.

***Basis of Accounting***

The Organization's consolidated financial statements are prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles (GAAP). A summary of significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader.

***Use of Estimates***

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

**REASONS TO BELIEVE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Cash and Cash Equivalents***

Cash and cash equivalents include cash on hand, checking, and other depository accounts with maturities of less than ninety days. The Organization maintains its cash in bank accounts that, at times, may exceed federally insured limits. The Organization has not experienced losses in such accounts and believes it is not exposed to any significant risk on its cash balances.

***Investments and Endowment Investments***

Investments and endowment investments consist of exchange traded funds, fixed income securities, equity securities, bond funds, and cash held for long-term purposes. Investments are stated at fair value based on readily available market values, which is Level 1 of Financial Accounting Standards Board's Fair Value Hierarchy. Donated securities are recorded at their fair value on the date of donation, and at management's discretion are held or converted to cash. Realized and unrealized gains and losses are included as net assets without donor restrictions in the consolidated statements of activities, except for those realized and unrealized gains and losses from the endowment investments, which are included in net assets with donor restrictions until appropriated for expenditure by the board of directors.

***Accounts Receivable***

Accounts receivable are primarily from sales of the Organization's books and recorded media, and honoraria. These amounts are due when sales are invoiced or prior to the speaker's engagement. Management believes the amounts are fully collectible; therefore, no allowance for uncollectible amounts was considered necessary at June 30, 2022 and 2021.

***Inventory***

Inventory consists of books and media held for sale or as quid pro quo gifts to donors and attendees at conferences. The inventory is carried at the lower of cost or fair value using the first-in, first-out basis of accounting, in accordance with GAAP. As of June 30, 2022 and 2021, management had estimated an allowance for obsolescence of approximately \$12,000.

***Property and Equipment***

Acquisitions or donations of long-lived assets in the amount of \$1,000 or more are capitalized at cost on the date of purchase or fair value on the date of the gift. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

Assets donated with explicit restrictions regarding their use and cash contributions that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long these donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service.

Depreciation is charged to unrestricted net assets using the straight-line method over the useful lives of the assets. The range of estimated useful lives is five to thirty years.

**REASONS TO BELIEVE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Deferred Income***

Deferred income is primarily unearned royalties under publisher royalty agreements.

***Net Assets***

Net assets are reported as follows:

*Net assets without donor restrictions* are those currently available at the discretion of the board of directors (the board) for use in the operations of the Organization, those resources invested in property and equipment, and those designated by the board for particular purposes.

*Net assets with donor restrictions* are those that are stipulated by donor for specific purposes and programs or with time restrictions. These include both contributions that have already been received, those pledged to the Organization to be received in future years, as well as investments held in perpetuity for the research and outreach endowment fund.

***Donor Concentration***

The Organization's top five donors combined giving accounted for approximately 17% and 35% of all contribution revenue for the years ended June 30, 2022 and 2021, respectively.

***Support, Revenue, and Expenses***

Contributions are recorded when cash or unconditional promises-to-give have been received or ownership of donated assets is transferred, or donated services are provided to the Organization. The Organization records contributions as donor restricted if they are received with donor stipulations that limit their use, either through purpose or time restrictions, or both. When donor restrictions expire, that is, when the purpose restriction is fulfilled, or when the time restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Donated services are recorded if those donated services create or enhance nonfinancial assets or require specialized skills, are provided by those with those specialized skills, or would be purchased if they had not been donated.

Sales and program revenue are recorded when earned. Expenses are recorded when incurred in accordance with the accrual basis of accounting.

***Functional Allocation of Expenses***

The cost of providing the various program services and supporting activities have been summarized on a functional basis. Accordingly, certain costs, such as depreciation and payroll, have been allocated among the program and supporting activities. All costs that contain any fundraising appeal are required to be allocated to fundraising unless all of the following three tests are met: purpose, audience, and content. There are no joint costs that have been allocated among the program, general and administrative, and fundraising functions.

**REASONS TO BELIEVE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Evaluation of Subsequent Events***

For purposes of measurement and disclosure in these financial statements, management has considered subsequent events through December 7, 2022, the date the financial statements were available to be issued.

**NOTE 3 – INVESTMENTS**

***Fair Value Measurements***

The following table presents the Organization's financial assets measured at fair value on a recurring basis using quoted prices in active markets for identical assets (Level 1), significant observable inputs (Level 2) and significant unobservable inputs (Level 3):

		Fair Value Measurements:	
	<u>June 30, 2022</u>	<u>Level 1</u>	<u>Level 2 / 3</u>
Exchange traded funds	\$ 4,426,730	\$ 4,426,730	\$ -
Equity securities	931,651	931,651	-
Bond funds	411,657	411,657	-
Mutual funds	<u>115,349</u>	<u>115,349</u>	<u>-</u>
Measured at fair value	5,885,387	<u>\$ 5,885,387</u>	<u>\$ -</u>
Cash and cash equivalents	<u>114,989</u>		
	<u>\$ 6,000,376</u>		
Investments	5,773,021		
Investments - endowment	<u>227,355</u>		
	<u>\$ 6,000,376</u>		

**REASONS TO BELIEVE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 3 – INVESTMENTS (continued)**

	<u>June 30, 2021</u>	<u>Fair Value Measurements:</u>	
		<u>Level 1</u>	<u>Level 2 / 3</u>
Exchange traded funds	\$ 3,917,277	\$ 3,917,277	\$ -
Equity securities	586,444	586,444	-
Bond funds	311,471	311,471	-
Real estate investment trust	<u>126,069</u>	<u>126,069</u>	
Measured at fair value	4,941,261	<u>\$ 4,941,261</u>	<u>\$ -</u>
Cash and cash equivalents	<u>131,978</u>		
	<u>\$ 5,073,239</u>		
Investments	4,802,228		
Investments - endowment	<u>271,011</u>		
	<u>\$ 5,073,239</u>		

**NOTE 4 – PROPERTY AND EQUIPMENT**

The following is a summary of the major classes of property and equipment:

	<u>June 30,</u>	
	<u>2022</u>	<u>2021</u>
Land and building	\$ 3,250,000	\$ 3,250,000
Buildings and improvements	2,164,879	2,143,765
Computer equipment and software	1,061,281	1,031,910
Furniture and equipment	655,054	653,564
Outreach equipment	<u>10,081</u>	<u>10,081</u>
	7,141,295	7,089,320
Less accumulated depreciation	<u>(2,570,740)</u>	<u>(2,235,074)</u>
Property and equipment, net	<u>\$ 4,570,555</u>	<u>\$ 4,854,246</u>

**NOTE 5 – LONG-LIVED ASSETS HELD FOR SALE**

During the year ended June 30, 2021, the Organization received property, which was sold for a gain in the current year.

**REASONS TO BELIEVE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 6 – PAYCHECK PROTECTION PROGRAM LOAN**

During the year ended June 30, 2021, the Organization recorded forgiveness of \$451,760 related to the Paycheck Protection Program loan obtained in a prior year.

**NOTE 7 – NET ASSETS**

Net assets with donor restricted activity for the years ended June 30, 2022 and 2021 are reported in the supplemental information on the consolidated schedules of net assets with donor restrictions.

**NOTE 8 – CONTRIBUTED NONFINANCIAL SERVICES**

The Organization recognized the following donated services:

	June 30,	
	2022	2021
Rent	\$ 30,000	\$ 30,000
Investment advisory services	<u>43,357</u>	<u>27,374</u>
	<u>\$ 73,357</u>	<u>\$ 57,374</u>

Donated rent and the related expense are recorded at the estimated fair market value received for the use of a condominium provided by a donor. The Organization was provided investment advisory services at no cost, and recognized a donation and related expense based on current market rates for investment advisory services.

**NOTE 9 – ENDOWMENT**

Endowment net assets are available for the purpose of advancing research and outreach through persons, programs, or resources that directly support the evangelical intent of the Organization or the dissemination of the Organization's message.

**REASONS TO BELIEVE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 9 – ENDOWMENT (continued)**

***Interpretation of Relevant Law***

The board of directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets restricted in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of the subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: The endowment guidelines mandate 45% of the net income and appreciation be reinvested into the corpus of the fund, 45% shall be expended for the specifically stated purpose, and the remaining 10% may be expended by the Organization for any of its purposes. Under the current investment policy, endowment assets are to be invested in a broad array of asset allocations consistent with an overall balanced objective of liquidity, safety of the corpus and capital appreciation with a long-term investment horizon. The goal of the fund is to achieve a rate of return greater than the rate of inflation by 4%.

***Funds with Deficiencies***

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions. There were no such deficiencies as of June 30, 2022 and 2021.

The activity of the endowment net assets for the years ended June 30, 2022 and 2021 was as follows:

	Without Restrictions	With Donor Restrictions	Total
At June 30, 2020	\$ -	\$ 191,094	\$ 191,094
Investment Return:			
Interest and dividends	-	4,039	4,039
Net realized/unrealized gain	-	75,878	75,878
At June 30, 2021	-	271,011	271,011
Investment Return:			
Interest and dividends	-	4,832	4,832
Net realized/unrealized loss	-	(48,488)	(48,488)
At June 30, 2022	\$ -	\$ 227,355	\$ 227,355



**REASONS TO BELIEVE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 10 – OPERATING LEASES**

The Organization leases office equipment with maturities ranging through October 2024. The future minimum lease payments are as follows:

<u>Year Ended June 30,</u>	
2023	\$ 24,600
2024	24,600
2025	<u>8,200</u>
	<u>\$ 57,400</u>

**NOTE 11 – EMPLOYEE BENEFIT PLANS**

The Organization has a 401(k) retirement plan (the Plan) for full-time employees, who become eligible to participate after three months of service. The Organization matches voluntary employee contributions up to 6% of their salary. Employee contributions are immediately vested and employer contributions vest over a six-year period. Employer contributions to the Plan for the years ended June 30, 2022 and 2021, were approximately \$119,000 and \$102,000, respectively.

**NOTE 12 – LIQUIDITY**

The following reflects the consolidated financial assets of Reasons to Believe as of June 30, 2022, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid, not convertible to cash within one year, or restricted by donors either for long-term purposes or for use in a certain time period. Reasons to Believe has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Financial Assets:

Cash and cash equivalents	\$ 359,389
Investments	5,773,021
Accounts receivable	21,681
Investments - endowment	<u>227,355</u>
	<u>6,381,446</u>

Less unavailable for general expenditure within one year:

Investments - endowment	(227,355)
Restricted by donor for purpose	<u>(480,293)</u>
	<u>(707,648)</u>

Financial assets available to meet cash needs  
for general expenditures within one year

\$ 5,673,798

**REASONS TO BELIEVE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 13 – CONTINGENCIES**

The Organization's operations may be affected by the outbreak of the coronavirus disease (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the Organization's financial position, operations and cash flows. Possible effects may include, but are not limited to, disruption to the Organization's donor population and contribution revenue, and absenteeism in the workforce. The future financial impact cannot be estimated at this time.

## **SUPPLEMENTAL INFORMATION**

**BEESON, HOFFMAN & SIDDALL, INC.**  
CERTIFIED PUBLIC ACCOUNTANTS

Harry C. Beeson, CPA  
Gordon P. Hoffman, CPA  
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December 7, 2022

**INDEPENDENT AUDITOR'S REPORT  
ON SUPPLEMENTAL INFORMATION**

Board of Directors  
Reasons to Believe  
Covina, California

We have audited the accompanying consolidated financial statements of Reasons to Believe for the year ended June 30, 2022, and our report thereon dated December 7, 2022, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidated schedules of changes in net assets with donor restrictions are 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 audit 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.

*Beeson, Hoffman & Siddall*

**REASONS TO BELIEVE**  
**CONSOLIDATED SCHEDULE OF CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS**

	Year Ended June 30, 2022			
	Beginning Balance	Contributions & Revenues	Releases	Ending Balance
Agree to Argue	\$ 16,609	\$ 9,531	\$ (108)	\$ 26,032
Asia Pacific	-	28,366	(28,366)	-
Austin chapter	1,855	4,350	(3,355)	2,850
Birmingham Chapter	400	-	-	400
Book distribution - Beyond the Cosmos	31,088	-	-	31,088
Book production and distribution	142,059	-	(104,714)	37,345
Chicago Chapter	-	426	-	426
Endowment	89,355	-	(24,012)	65,343
Endowment held in perpetuity	179,908	-	(19,645)	160,263
Fresno chapter	1,295	-	-	1,295
Hagerstown chapter	-	524	-	524
Hong Kong chapter	500	-	(500)	-
Houston chapter	600	-	-	600
Hugh and Kathy Ross support	-	600	(600)	-
Illinois American Scientific Affiliation	3,000	-	-	3,000
Information technology	159,395	-	(29,655)	129,740
Jacksonville chapter	365	-	-	365
Japan	1,765	300	-	2,065
Lippen school	1,000	-	-	1,000
New York / Connecticut event	701	-	-	701
Orange County chapter	755	-	(160)	595
Outreach Event Resources	100	300	(400)	-
Reasons Institute - OCHEC	2,000	-	-	2,000
Rochester chapter	524	-	(524)	-
Sacramento Chapter	150	-	-	150
San Antonio chapter	950	-	-	950
San Diego chapter	2,245	-	-	2,245
San Jose chapter	4,243	-	(300)	3,943
Scholar Fund	-	1,070	(1,070)	-
Seattle chapter	2,486	-	-	2,486
Southern California University events	4,570	-	-	4,570
The Lab event	580	100	(680)	-
Toronto chapter	300	-	-	300
Translation of RTB Resources	-	15,240	(15,240)	-
Visiting scholar	20,309	1,200	(21,509)	-
Washington DC chapter	17	-	-	17
	<u>\$ 669,124</u>	<u>\$ 62,007</u>	<u>\$ (250,838)</u>	<u>\$ 480,293</u>

**REASONS TO BELIEVE**  
**CONSOLIDATED SCHEDULE OF CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS**

	Year Ended June 30, 2021			
	Beginning Balance	Contributions & Revenues	Releases	Ending Balance
Agree to Argue	\$ -	\$ 26,359	\$ (9,750)	\$ 16,609
Austin chapter	3,719	150	(2,014)	1,855
Birmingham Chapter	0	400	-	400
Book distribution - Beyond the Cosmos	31,093	-	(5)	31,088
Book production and distribution	176,311	-	(34,252)	142,059
Books - Production & distribution	-	18,665	(18,665)	-
Chicago Chapter	-	500	(500)	-
Endowment	45,401	43,954	-	89,355
Endowment held in perpetuity	143,946	35,962	-	179,908
Executive COO	8,563	5,000	(13,563)	-
Fresno chapter	1,295	-	-	1,295
Gina Donnelly - Memorial Garden	-	100	(100)	-
Hong Kong chapter	500	-	-	500
Houston chapter	600	-	-	600
Hugh and Kathy Ross support	-	600	(600)	-
Illinois American Scientific Affiliation	3,000	-	-	3,000
Information technology	187,292	500	(28,397)	159,395
Jacksonville chapter	365	-	-	365
Japan	1,510	255	-	1,765
Lippen school	1,000	-	-	1,000
New York / Connecticut event	701	-	-	701
Orange County chapter	755	-	-	755
Outreach Event Resources	-	100	-	100
Reasons Institute - general	544	47,739	(48,283)	-
Reasons Institute - OCHEC	2,000	-	-	2,000
Rochester chapter	524	-	-	524
Sacramento Chapter	-	150	-	150
San Antonio chapter	2,245	-	-	2,245
San Diego chapter	2,245	-	(1,295)	950
San Jose chapter	3,343	900	-	4,243
Scholar Fund	-	745	(745)	-
Seattle chapter	2,486	-	-	2,486
Southern California University events	4,570	-	-	4,570
The Lab event	360	220	-	580
Toronto chapter	300	-	-	300
Translation of RTB Resources	-	54,874	(54,874)	-
Visiting scholar	54,850	13,175	(47,716)	20,309
Washington DC chapter	17	-	-	17
Website	-	15,392	(15,392)	-
	<u>\$ 679,535</u>	<u>\$ 265,740</u>	<u>\$ (276,151)</u>	<u>\$ 669,124</u>