

THE MAILBOX CLUB, INC.

Audited Financial Statements
For the Years Ended
December 31, 2022 and 2021

THE MAILBOX CLUB, INC.
Valdosta, Georgia

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Mailbox Club, Inc.

Opinion

We have audited the accompanying financial statements of The Mailbox Club, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Mailbox Club, Inc. as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Mailbox Club, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Mailbox Club, Inc.'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. The risk of not detecting

a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with 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 Mailbox Club, Inc.'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 Mailbox Club, Inc.'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.

Goldsmith Molis & Gray, PLLC

Goldsmith Molis & Gray, PLLC
Asheville, North Carolina
February 14, 2023

THE MAILBOX CLUB, INC.

Statements of Financial Position

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<u>Assets</u>		
Current assets:		
Cash	\$ 2,374,841	\$ 2,682,058
Accounts receivable, net	-	111
Inventory, net	18,429	18,564
Employee advances	80,612	63,510
Prepaid expenses	17,111	16,453
Total current assets	<u>2,490,993</u>	<u>2,780,696</u>
Property and equipment, net	<u>947,572</u>	<u>839,683</u>
Other assets:		
Certificates of deposit	-	227,284
Investments	2,014,520	11,148
Property held for resale	1,000	16,000
Total other assets	<u>2,015,520</u>	<u>254,432</u>
Total assets	<u><u>\$ 5,454,085</u></u>	<u><u>\$ 3,874,811</u></u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Current portion of long-term debt	\$ -	\$ 25,000
Accounts payable and accrued expenses	24,824	33,322
Total current liabilities	<u>24,824</u>	<u>58,322</u>
Long-term liabilities:		
Long-term debt, net of current portion	<u>-</u>	<u>75,000</u>
Total liabilities	<u>24,824</u>	<u>133,322</u>
Net assets:		
Without donor restrictions	483,717	515,086
With donor restrictions	4,945,544	3,226,403
Total net assets	<u>5,429,261</u>	<u>3,741,489</u>
Total liabilities and net assets	<u><u>\$ 5,454,085</u></u>	<u><u>\$ 3,874,811</u></u>

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

THE MAILBOX CLUB, INC.
Statements of Activities
For the Years Ended December 31, 2022 and 2021

	2022		2021	
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
		<u>Total</u>		<u>Total</u>
Public support and revenues:				
Contributions	\$ 724,532	\$ 7,323,941	\$ 605,219	\$ 4,678,323
Contributed property	-	-	92,250	-
Contributed stock and investments	-	-	10,779	-
Revenue from Mail Order	31,659	42,253	25,990	30,441
Royalty income	4,013	4,013	4,711	-
Rental income	20,201	20,201	21,487	-
Interest and dividend income	70,199	70,199	29,319	-
Loss on sale of contributed property	-	-	(14,000)	-
Gain on investments	2,558	2,558	369	-
Net assets released from restrictions	4,890,862	(4,890,862)	3,866,234	(3,866,234)
Total public support and revenues	<u>5,744,024</u>	<u>7,463,165</u>	<u>4,642,358</u>	<u>842,530</u>
Expenses:				
Program expenses:				
Mail order	440,199	440,199	381,978	-
International operations	4,680,124	4,680,124	3,529,295	-
Total program activities	<u>5,120,323</u>	<u>5,120,323</u>	<u>3,911,273</u>	<u>-</u>
Supporting services:				
General and administrative	165,447	165,447	116,959	-
Fundraising	489,623	489,623	428,403	-
Total supporting services	<u>655,070</u>	<u>655,070</u>	<u>545,362</u>	<u>-</u>
Total expenses	<u>5,775,393</u>	<u>5,775,393</u>	<u>4,456,635</u>	<u>-</u>
Change in net assets	(31,369)	1,687,772	185,723	842,530
Net assets, beginning of year	515,086	3,741,489	329,363	2,383,873
Net assets, end of year	<u>\$ 483,717</u>	<u>\$ 5,429,261</u>	<u>\$ 515,086</u>	<u>\$ 3,226,403</u>
				<u>\$ 3,741,489</u>

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

THE MAILBOX CLUB, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2022

	Mail Order	Int'l Operation	Total Program	General and Administrative	Fund Raising	Total Expense
Salaries and support	\$ 203,831	\$ 209,930	\$ 413,761	\$ 76,848	\$ 120,330	\$ 610,939
Medical insurance	-	7,766	7,766	-	-	7,766
Payroll taxes	15,634	16,060	31,694	5,879	9,302	46,875
Retirement benefits	2,988	6,217	9,205	2,080	2,826	14,111
Program materials	57,698	3,686,209	3,743,907	-	-	3,743,907
Postage and shipping	32,490	1,751	34,241	76	16,768	51,085
Advertising	2,282	-	2,282	-	450	2,732
Office expense	6,660	25,493	32,153	13,385	84,312	129,850
Utilities	8,815	678	9,493	3,391	678	13,562
Telephone	3,682	15,402	19,084	3,682	3,682	26,448
Printing	-	-	-	-	19,688	19,688
Travel	22,057	344,526	366,583	886	41,280	408,749
Subscriptions and conferences	630	-	630	75	2,410	3,115
Contributions transmitted	-	287,685	287,685	-	-	287,685
Property insurance	5,114	6,081	11,195	2,342	2,706	16,243
Repairs and maintenance	16,436	6,862	23,298	6,862	6,126	36,286
Rental property expenses	36,013	36,013	72,026	36,013	36,013	144,052
Professional services	19,800	-	19,800	11,043	139,412	170,255
Depreciation	6,069	29,451	35,520	2,885	3,640	42,045
Totals	\$ 440,199	\$ 4,680,124	\$ 5,120,323	\$ 165,447	\$ 489,623	\$ 5,775,393

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

THE MAILBOX CLUB, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2021

	Mail Order	Int'l Operation	Total Program	General and Administrative	Fund Raising	Total Expense
Salaries and support	\$ 199,069	\$ 221,172	\$ 420,241	\$ 61,339	\$ 117,490	\$ 599,070
Medical insurance	-	10,811	10,811	-	-	10,811
Payroll taxes	15,243	16,934	32,177	4,706	9,086	45,969
Retirement benefits	3,118	6,510	9,628	1,678	2,651	13,957
Program materials	46,070	2,754,666	2,800,736	-	-	2,800,736
Postage and shipping	29,205	2,543	31,748	480	19,820	52,048
Advertising	2,918	-	2,918	-	-	2,918
Office expense	3,284	23,100	26,384	12,479	74,273	113,136
Utilities	9,080	698	9,778	3,492	698	13,968
Telephone	1,542	17,393	18,935	7,711	3,085	29,731
Printing	-	-	-	-	19,171	19,171
Travel	11,680	179,577	191,257	404	33,892	225,553
Subscriptions and conferences	-	-	-	30	1,650	1,680
Contributions transmitted	-	249,716	249,716	-	-	249,716
Property insurance	4,899	5,910	10,809	2,165	2,733	15,707
Repairs and maintenance	18,054	5,670	23,724	5,670	4,717	34,111
Rental property expenses	11,320	11,320	22,640	2,725	2,725	28,090
Professional services	20,860	-	20,860	11,262	132,947	165,069
Depreciation	5,636	23,275	28,911	2,818	3,465	35,194
Totals	\$ 381,978	\$ 3,529,295	\$ 3,911,273	\$ 116,959	\$ 428,403	\$ 4,456,635

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

THE MAILBOX CLUB, INC.
Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,687,772	\$ 1,028,253
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	64,435	51,326
Net change in provision for inventory reserves	(3,620)	1,012
Contributed property received	-	(92,250)
Contributed of stock and investments received	-	(10,779)
Purchase of property through assignment of land	-	132,250
Loss on sale of donated property	-	14,000
Gain on investments	(2,558)	(369)
Change in operating assets and liabilities:		
Accounts receivable	111	(111)
Grants receivable	-	15,000
Inventory	3,755	4,562
Employee advances	(17,102)	(31,738)
Prepaid expenses	(658)	(2,498)
Accounts payable and accrued expenses	(8,498)	(120,450)
Net cash provided by operating activities	<u>1,723,637</u>	<u>988,208</u>
Cash flows from investing activities:		
Proceeds on sale of contributed property	15,000	-
Purchase of property and equipment	(172,324)	(498,252)
Purchase of investments	(3,203,087)	-
Proceeds for investment maturities	1,201,000	-
Proceeds from sale of stock	1,273	-
Proceeds from certificates of deposits	227,284	(4,500)
Net cash used in investing activities	<u>(1,930,854)</u>	<u>(502,752)</u>
Cash flows from financing activities:		
Proceeds from long-term debt	-	100,000
Principal payments on long-term debt	(100,000)	-
Net cash provided by (used in) financing activities	<u>(100,000)</u>	<u>100,000</u>
Net change in cash	(307,217)	585,456
Cash, beginning of year	<u>2,682,058</u>	<u>2,096,602</u>
Cash, end of year	<u>\$ 2,374,841</u>	<u>\$ 2,682,058</u>
Schedule of non-cash investing and financing activities:		
Property received through contributions	<u>\$ -</u>	<u>\$ 33,000</u>

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

THE MAILBOX CLUB, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

Note 1 – Summary of Significant Accounting Policies

General

The Mailbox Club, Inc. ("the Organization") is a non-profit corporation organized in the State of Georgia and approved by the Internal Revenue Service as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The stated objective of the organization, as amended, is "to propagate the gospel of the Lord Jesus Christ and to cooperate with other Christian agencies which have the same objective." To that end, the Organization engages in publishing and distributing books, tracts, and Bible correspondence courses. Its purpose is to reach people of all ages with the Gospel, to win them to Christ, and to disciple and assist them in getting established in local Bible-believing churches.

The Organization began in 1965 with the writing and publishing of Course 1 of The Mailbox Club. Since that time, 20 more courses have been written, published and distributed worldwide. In addition to a large correspondence ministry administered from Valdosta, Georgia, there are between 200 and 300 Associate Mailbox Clubs consisting of individuals, churches, and other groups who share in the distribution and grading of the correspondence courses in the USA. In addition, there are over 100,000 churches that are involved in Mailbox Club ministry outside of the USA.

Financial Statement Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing services and interest and dividends earned on investments. Non-operating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

THE MAILBOX CLUB, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

Note 1 – Summary of Significant Accounting Policies - continued

Use of Estimates

Preparation of financial statements in accordance with U.S. generally accepted accounting principles requires the Organization's management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value of Financial Instruments

The Organization discloses for each class of financial instruments the methods, and when a valuation technique is used, the significant assumptions applied in determining the fair values of financial assets and liabilities. If there is a change in the valuation technique, then the Organization discloses both the change and the reasons for the change.

The Organization estimates that the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statements of financial position. The estimated fair value amounts have been determined by the Organization using available market information and appropriate valuation methodologies.

The Organization's financial instruments consist primarily of cash and certificates of deposit, accounts and grants receivable, inventory, employee advances, prepaid expenses, investments, and accounts payable and other accrued expenses.

Cash and Cash Equivalents

For purposes of reporting the statement of cash flows, the Organization includes all cash investments which are not subject to withdrawal restrictions or penalties and certificates of deposit with maturity of three months or less as cash and cash equivalents.

The Organization maintains its cash in financial institutions insured by the Federal Deposit Insurance Corporation ("FDIC"). The coverage is \$250,000 for substantially all other depository accounts. Deposit accounts, at times, may exceed federally insured limits; however, the Organization has not suffered any losses as a result. There were no cash equivalents as of December 31, 2022 or 2021.

Accounts Receivable

The Organization carries its accounts receivable at the amount billed to the customer less an allowance for doubtful accounts. On a periodic basis, the Organization evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on a history of past write-offs and collections and current credit conditions. The Organization's policy is not to accrue interest on accounts receivable. Accounts are written off as uncollectible at the time management determines that collection is unlikely.

Accounts receivable at December 31, 2022, 2021 and 2020 was \$0, \$111 and \$0, respectively. No allowance for doubtful accounts is deemed necessary as management believes the balances are fully collectible.

THE MAILBOX CLUB, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

Note 1 - Summary of Significant Accounting Policies - continued

Inventory

Inventory consists of ministry-related lessons, books, and literature held for future distribution and is valued at cost using first-in, first-out method.

Property and Equipment

Land, buildings and equipment are capitalized at cost. Purchases that exceed \$1,000 and have an expected useful life of more than one year are capitalized. Donated assets to be used in the ministry are capitalized at their fair market value on the date of the gift. Depreciation is provided on a straight-line basis over 7-33 years for buildings, 3-10 years for equipment, and 5 years for vehicles.

Expenditures for major renewals and betterments that extend the useful lives of the property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

In-kind Donations

During the year ended December 31, 2021, the Organization received a stock donation totaling \$10,779 and land donations of \$92,250. Such amounts, which are based upon information provided by the donor, are recorded at their estimated fair value determined on the date of contribution and are reported as in-kind contributions on the accompanying statements of activities.

Due to the in-kind donation of over 28 million and 22 million printed Bible lessons provided by the Revival Movement Association in Northern Ireland for the years ended December 31, 2022 and 2021, the Organization's printing costs were reduced by approximately \$1,442,259 and \$1,274,000, respectively, which is not reflected on the statements of activities.

The Organization's policy related to gifts-in-kind is to utilize the asset given to carry out the mission of the Organization. If an asset is provided that does not allow the Organization to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist depending on the type of asset. All gifts-in-kind received by the Organization for the years ended December 31, 2022 and 2021 were considered without donor restrictions and able to be used by the Organization as determined by the board and management.

A substantial number of volunteers have donated a significant amount of time to the Organization's operations and program services. These services were not reflected in the accompanying statements of activities because they do not meet the necessary criteria for recognition under U.S. generally accepted accounting principles.

Investments

The Organization reports its investments in accordance with U.S. generally accepted accounting principles for not-for-profit organizations. The guidance prescribes that covered investments be reported in the statement of financial position at fair value with any realized or unrealized gains or losses reported in the statements of activities. Investment income is recognized as revenue in the period it is earned and gains and losses are recognized as changes in net assets in the accounting period in which they occur.

THE MAILBOX CLUB, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

Note 1 - Summary of Significant Accounting Policies - continued

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed 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 statements 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 are recorded as net assets without donor restrictions.

Revenue and Revenue Recognition

The Organization sells books, tracts, and Bible correspondence courses around the world. Revenue associated with administering these sales is included in revenue from mail order in the statements of activities. The Organization recognizes revenue and related costs in the period that the materials are sold. During the years ended December 31, 2022 and 2021, the Organization recognized \$42,253 and \$56,431 of revenue, respectively.

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; is received.

Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. There were no conditional promises to give at December 31, 2022 and 2021.

Royalty revenue from books and supplies is recognized when the performance obligation of providing those goods is satisfied.

The Organization leases apartment units to employees on a month-to-month basis. There are no contracts or formal terms. Rental income is recognized monthly as the performance obligation of providing the space to the tenant is satisfied. Rental income for the years ended December 31, 2022 and 2021 was \$20,201 and \$21,487, respectively.

The following is an analysis of the carrying amounts of the underlying assets related to the apartment units:

<u>At December 31</u>	<u>2022</u>	<u>2021</u>
At cost:		
Buildings and improvements	\$ 521,748	\$ 483,529
Less: accumulated depreciation	(240,738)	(222,007)
Total cost, net	<u>\$ 281,010</u>	<u>\$ 261,522</u>

THE MAILBOX CLUB, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

Note 1 - Summary of Significant Accounting Policies - continued

Income Taxes

The Organization is established as a not-for-profit entity and has been recognized as an organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

FASB ASC 740, "Accounting for Uncertainty in Income Taxes", clarifies the accounting for the recognition and measurement of uncertainties in income taxes recognized in an entity's financial statements and prescribes a threshold of more-likely-than-not for recognition of tax positions taken or expected to be taken in a tax return. The Organization's policy is to evaluate the likelihood that its uncertain tax positions will prevail upon examination based on the extent to which those positions have substantial support within the Internal Revenue Code and Regulations, Revenue Rulings, court decisions and other evidence.

As of December 31, 2022, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

The Organization's income tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed. As of December 31, 2022, years subject to examination include 2019, 2020, and 2021.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis and, accordingly, certain expenses have been allocated among the program and supporting services benefitted. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries, benefits and related expenses	Time and effort
Program materials	Time and effort
Postage and shipping	Time and effort
Office expenses	Time and effort
Utilities	Time and effort
Telephone expenses	Time and effort
Travel	Time and effort
Subscriptions and conferences	Time and effort
Insurance	Time and effort
Repairs and maintenance	Time and effort
Rental property expenses	Square footage/time and effort
Professional services	Time and effort
Depreciation	Square footage/time and effort

THE MAILBOX CLUB, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

Note 1 - Summary of Significant Accounting Policies - continued

Advertising Costs

The Organization follows the policy of charging the costs of advertising to expense as incurred. Advertising expense was \$2,732 and \$2,918 for the years ended December 31, 2022 and 2021, respectively.

New Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases*. ASU 2016-02 is intended to improve the financial reporting about leasing transactions. The ASU will require entities that lease assets to recognize assets and liabilities on the balance sheet for the rights and obligations created by those leases. The standard was effective for annual periods beginning after December 15, 2021 and was implemented during 2022. Analysis of various provisions of this standard resulted in no significant impact in the way the Organization recognizes lease costs.

Note 2 – Availability and Liquidity

The following represents the Organization's financial assets at December 31, 2022:

Cash	\$	2,374,841
Employee advances		80,612
Investments		2,014,520
Total financial assets	\$	<u>4,469,973</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	\$	4,945,544
Less net assets with purpose restrictions to be met in less than one year		<u>(4,945,544)</u>
		<u>-</u>
Financial assets available to meet general expenditures over the next twelve months	\$	<u>4,469,973</u>

THE MAILBOX CLUB, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

Note 2 – Availability and Liquidity

The following represents the Organization's financial assets at December 31, 2021:

Cash	\$ 2,682,058
Accounts receivable	111
Employee advances	63,510
Certificates of deposit	227,284
Investments	11,148
Total financial assets	<u>2,984,111</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	\$ 3,226,403
Less net assets with purpose restrictions to be met in less than one year	<u>(3,126,403)</u>
	<u>100,000</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,884,111</u>

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, excess cash is invested in short-term investments including certificates of deposits and money market accounts.

Note 3 – Inventory

Inventory consists of the following:

<u>At December 31</u>	<u>2022</u>	<u>2021</u>
MO inventory	\$ 101,586	\$ 105,341
Less: reserves for obsolescence	<u>(83,157)</u>	<u>(86,777)</u>
Inventory, net	<u>\$ 18,429</u>	<u>\$ 18,564</u>

For the years ended December 31, 2022 and 2021, the net change in the reserves for inventory obsolescence totaled (\$3,620) and \$1,012, respectively.

Note 4 – Investments

At December 31, 2022, investments consisted of an investment in a limited partnership in the amount of \$207 and nine U.S. Treasury bills (2,057,000 units) with a cost basis of \$2,002,995, a market value of \$2,014,313, and maturity dates ranging from February 28, 2023 to November 30, 2023. The gain on investments for the year ended December 31, 2022 was \$2,558.

THE MAILBOX CLUB, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021

Note 4 – Investments - continued

At December 31, 2021, investments consisted of an investment in a limited partnership in the amount of \$2,178 and 125 shares of stock with a cost basis of \$8,601 and fair market value of \$8,970. The gain in investments for the year ended December 31, 2021 was \$369.

Note 5 – Property Held for Resale

The Organization holds an investment in lots located in Georgia. The total value of property held for resale for the years ended December 31, 2022 and 2021 was \$1,000 and \$16,000, respectively.

Note 6 – Property and Equipment

A description of property and equipment follows:

<u>At December 31</u>	<u>2022</u>	<u>2021</u>
At cost:		
Land	\$ 407,825	\$ 389,325
Buildings and improvements	972,593	848,214
Equipment and vehicles	325,635	300,562
	<u>1,706,053</u>	<u>1,538,101</u>
Less: accumulated depreciation	(758,481)	(698,418)
Property and equipment, net	<u>\$ 947,572</u>	<u>\$ 839,683</u>

Depreciation for the year ended December 31, 2022 was \$64,435 of which \$22,390 is included in rental property expenses on the statement of functional expenses. Depreciation for the year ended December 31, 2021 was \$51,326 of which \$16,132 is included in rental property expenses on the statement of functional expenses.

Note 7 - Fair Value Measurements

The Financial Accounting Standards Board (“FASB”) issued a statement that defines fair value and establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

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

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Note 7 - Fair Value Measurements – continued

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 that are derived principally from or corroborated by observable market data

If the asset or liabilities 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 measurements. 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, 2022 and 2021.

U.S. Treasury Bills

These investments are public investment vehicles valued using actual quoted market prices. The quoted price is in an active market and classified within Level 2 of the valuation hierarchy. Level 2 assets at December 31, 2022 totaled \$2,014,313.

Limited Partnership

Interest in the limited partnership is income derived from rental real estate, which is recognized at fair market value and is classified within Level 2 of the valuation hierarchy.

Property Held for Sale

These properties are valued at fair market value using real estate appraisals. The properties held for sale are classified within Level 2 of the valuation hierarchy.

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

The Organization's Level 2 assets at fair value as of December 31, 2022 and 2021 total \$2,015,520 and \$27,148, respectively.

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Note 8 – Long-term Debt

On September 20, 2021, the Organization entered into a loan agreement with George Eager Family, LLC (a related party) for the purchase of property, in the amount of \$100,000. The loan was paid in full in November 2022. As of December 31, 2022 and 2021, the balance outstanding on the unsecured loan was \$0 and \$100,000, respectively.

Note 9 – Net Assets

Net assets without donor restrictions at December 31, 2022 and 2021 were \$483,717 and \$515,086, respectively.

Net assets with donor restrictions were as follows at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Specific purpose:		
Program activities	\$ 4,934,517	\$ 3,109,599
Missionary support	11,027	16,804
Financial support	-	100,000
Total	<u>\$ 4,945,544</u>	<u>\$ 3,226,403</u>

Net assets released from net assets with donor restrictions resulting from the satisfaction of purpose restrictions for program activities totaled \$4,890,862 and \$3,866,234 for the years ended December 31, 2022 and 2021, respectively.

Note 10 – Retirement Plan

The Organization maintains a retirement plan that covers all employees. Any employee receiving \$5,000 or more in compensation during the calendar year is eligible to participate. The Organization matches employee contributions dollar for dollar, up to 3% of the employee's regular salary. Each participant is fully and immediately vested in all Plan contributions. Retirement plan contributions for the years ended December 31, 2022 and 2021 were \$14,111 and \$13,957, respectively.

Note 11 – Concentration of Credit Risk

The Organization had two major contributors provide \$3,000,000 or 41% of total contributions for the year ended December 31, 2022. The Organization had one major contributor provide \$1,000,000 or 19% of total contributions for the year ended December 31, 2021.

Note 12 – Related Party Transaction

During the year ended December 31, 2021, the Organization purchased property from a related party in the amount of \$430,000. As part of the sale, the Organization paid cash of \$197,750, deeded two lots valued at \$132,250, and entered into a loan agreement with the seller for \$100,000 (see Note 8).

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Note 13 – Subsequent Events

The Organization evaluated the effect that all subsequent events would have on the financial statements through February 14, 2023, which is the date the financial statements were available to be issued.