THE PRIMITIVE METHODIST INVESTMENT FOUNDATION, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 and 2020

THE PRIMITIVE METHODIST INVESTMENT FOUNDATION, INC.

YEARS ENDED DECEMBER 31, 2021 and 2020

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Kronick Kalada Berdy & Co.
A Professional Corporation

Certified Public Accountants

Officers/Shareholders

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Primitive Methodist Investment Foundation, Inc.
Swoyersville, Pennsylvania

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Primitive Methodist Investment Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, 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 accompanying financial statements present fairly, in all material respects, the financial position of The Primitive Methodist Investment Foundation, Inc. as of December 31, 2021 and 2020, 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 (GAAS). 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 Primitive Methodist Investment Foundation, 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.

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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 Primitive Methodist Investment Foundation, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal controls 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 Primitive Methodist Investment Foundation, Inc.'s internal controls. 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 Primitive Methodist Investment Foundation, 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.

Kronick Kalada Berdy & Co

Kingston, Pennsylvania
April 11, 2022

THE PRIMITIVE METHODIST INVESTMENT FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	$ 167,489	$ 86,496
Interest receivable	2,584	2,724
Other assets	4,662	1,176
Investments	6,742,384	6,287,666
Loans receivable, net	905,839	964,792
Note receivable, net	138,300	118,448
Equipment, net	1,769	1,571
Total assets	$ 7,963,027	$ 7,462,873
Liabilities and Net Assets (Deficit)		
Deposits	$ 7,902,723	$ 8,051,735
Accrued liabilities	23,344	62,430
Total liabilities	7,926,067	8,114,165
Net Assets (Deficit)		
Without donor restrictions	(83,578)	(771,511)
With donor restrictions	120,538	120,219
Total net assets (deficit)	36,960	(651,292)
Total liabilities and net assets (deficit)	$ 7,963,027	$ 7,462,873

See notes to financial statements

THE PRIMITIVE METHODIST INVESTMENT FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2021 and 2020

	2021	2020
Changes in net assets without donor restrictions		
Revenues and other support:		
Interest on loans outstanding	$ 54,915	$ 58,317
Investment income, net	469,873	344,646
Release from restrictions	2,297	2,300
Total revenues and other support without donor restrictions	527,085	405,263
Operating expenses		
Interest on deposits	170,223	180,427
Wages	40,000	30,000
Professional services	30,329	55,086
Office expenses	3,640	7,274
Scholarships	12,122	2,300
Payroll taxes	2,772	2,295
Office rental	6,000	6,000
Contributions	7,359	-
Depreciation	644	1,817
Insurance expense	849	845
Advertising	220	2,339
Bad debt recovery	(32,000)	(3,500)
Total operating expenses	242,158	284,883
Operating income	284,927	120,380
Other income		
Net unrealized gains on investments	381,265	505,929
Gain on extinguishment of debt, Paycheck protection program	6,250	-
Employee retention credit	15,491	-
	403,006	505,929
Increase in net assets without donor restrictions	687,933	626,309
Changes in net assets with donor restrictions		
Investment income, net	2,616	2,618
Release from restrictions	(2,297)	(2,300)
Increase (decrease) in net assets with donor restrictions	319	318
Change in net assets	688,252	626,627
Net Deficit, beginning	(651,292)	(1,277,919)
Net Assets (Deficit), ending	$ 36,960	$ (651,292)

See notes to financial statements

THE PRIMITIVE METHODIST INVESTMENT FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021

	Loan Program	General and Administrative	Fundraising	Total
Interest on deposits	$ 170,223			$ 170,223
Wages	32,000	$ 8,000		40,000
Professional services	30,329			30,329
Office expenses	3,640			3,640
Scholarships	12,122			12,122
Payroll taxes	2,218	554		2,772
Office rental	6,000			6,000
Contributions	-	7,359		7,359
Depreciation	644			644
Insurance expense	849			849
Bad debt recovery	(32,000)			(32,000)
Advertising expense			$ 220	220
	$ 226,025	$ 15,913	$ 220	$ 242,158

See notes to financial statements

THE PRIMITIVE METHODIST INVESTMENT FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

	Loan Program	General and Administrative	Fundraising	Total
Interest on deposits	$ 180,427			$ 180,427
Wages	24,000	$ 6,000		30,000
Professional services	55,086			55,086
Office expenses	7,274			7,274
Scholarships	2,300			2,300
Payroll taxes	1,836	459		2,295
Office rental	6,000			6,000
Depreciation	1,817			1,817
Insurance expense	845			845
Bad debt recovery	(3,500)			(3,500)
Advertising expense			$ 2,339	2,339
	$ 276,085	$ 6,459	$ 2,339	$ 284,883

See notes to financial statements

THE PRIMITIVE METHODIST INVESTMENT FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	$ 688,252	$ 626,627
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net unrealized gains on investments	(381,265)	(505,929)
Realized gains on sales of investments	(374,142)	(197,753)
Gain on extinguishment of debt, Paycheck Protection Program loan	(6,250)	
Depreciation	644	1,817
Provision for loan losses	(32,000)	(3,500)
Changes in assets and liabilities		
Interest receivable	140	(19)
Other assets	(3,486)	(248)
Accrued liabilities	(39,086)	(70,308)
Net cash used in operating activities	(147,193)	(149,313)
Cash flows from investing activites:		
Purchase of investments	(2,440,289)	(2,622,278)
Proceeds from sales of investments	2,637,581	3,400,744
Short-term investments	103,397	(132,515)
Loans receivable, net	90,953	128,540
Notes receivable, net	(19,852)	43,500
Purchase of equipment	(842)	-
Net cash provided by investing activities	370,948	817,991
Cash flows used in financing activites:		
Paycheck Protection Program loan proceeds	6,250	
Net decrease in deposits	(149,012)	(636,755)
Net cash used in financing activities	(142,762)	(636,755)
Increase in cash and cash equivalents	80,993	31,923
Cash and cash equivalents, beginning	86,496	54,573
Cash and cash equivalents, ending	$ 167,489	$ 86,496
Supplemental disclosure of cash flow information		
Interest paid	$ 170,223	$ 180,427

See notes to financial statements

NOTE 1 Nature of operations and summary of significant accounting policies

Nature of operations

The Primitive Methodist Investment Foundation, Inc. (the "Foundation") is a not-for-profit organization incorporated in the Commonwealth of Pennsylvania. It is established to promote and support the religious, missionary and charitable activities of the Primitive Methodist Church in the United States of America (the "PM Church") by establishing an investment fund to make monies available for such religious, missionary and charitable purposes, to furnish aid and assistance by gift, donation, loan or otherwise, as the Board of Directors may deem advisable.

Basis of accounting and presentation

The Foundation prepares its financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP"). This basis of accounting involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

To recognize limitations and restrictions placed on the use of resources available to the Foundation, resources are classified for accounting and financial reporting purposes into two categories established according to their nature and purposes. The net assets of the Foundation are reported in two categories as follows:

- Net assets without donor restrictions are resources not subject to donor-imposed restrictions or law.
- Net assets with donor restrictions are resources whose use by the Foundation is limited by donor-imposed restrictions that either expire by the passage of time, can be fulfilled by actions of the Foundation, or require the corpus to be maintained in perpetuity.

Revenue recognition

The Foundation recognizes revenue from investments and interest earned on outstanding loans. Revenue is recognized on a monthly basis when earned.

The Foundation recognizes contributions as support with donor restrictions if they are received with donor-imposed restrictions that limit the use of the donated assets. When a donor-imposed restriction is met or the passage of time expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and presented in the accompanying statements of activities as net assets released from restrictions. Donated land, buildings, and equipment are recognized as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used.

Cash and cash equivalents

For purposes of the statement of cash flows, the Foundation considers all cash investments and highly liquid investments to be cash equivalents except money market funds included in the investment portfolio, which are included in investments.

The Foundation maintains its cash balances in one financial institution. The balances are insured by the Federal Deposit Insurance Corporation up to $250,000. At December 31, 2021 and 2020, the Foundation's cash balances were fully insured with federal depository insurance.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value. Cash and cash equivalents are carried at cost which approximates fair value. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the determination of operating income unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from the determination of operating income unless the investments are trading securities.

The Foundation's investments are comprised of a variety of financial instruments and are managed by various investment managers with the oversight of an investment advisor. The fair values reported in the statements of financial position are subject to various risks including changes in the equity markets, the interest rate environment and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the accompanying financial statements could change materially in the near term.

Loans and interest receivable

Loans are stated at the amount of unpaid principal less a valuation allowance for possible loan losses (Notes 5 and 6). Interest income on loans, except those classified as non-interest bearing, is based upon the outstanding principal amounts recognized using the simple interest method.

Loans receivable are being collected over terms from less than one year to 30 years, at interest rates that are fixed. The interest rate was 6 percent at December 31, 2021 and 2020. Substantially all loans receivable are collateralized by deed of trust on real properties (principally church buildings and parsonages) located throughout the United States.

Non-interest bearing loans

The accrual of interest on impaired loans is discontinued when, in management's opinion, the borrower may be unable to meet payments as they become due. When interest accrual is discontinued, all unpaid interest is reversed against interest income. Interest income is subsequently recognized only to the extent cash payments are received.

A non-interest bearing loan may be returned to an accruing status when (a) all delinquent interest and principal become current under the terms of the loan agreement or (b) the loan is both well-secured and in the process of collection and collectability is no longer doubtful.

Impaired loans

Loans are considered to be impaired when, in management's judgment and based on current information, full collection of principal and interest becomes doubtful. A loan is also considered impaired if its terms are modified in a troubled debt restructuring. Impaired loans are placed in nonperforming status, and future payments are applied to principal until such time as collection of the obligation is no longer doubtful.

When the Foundation identifies a loan as impaired, the impairment is measured based on the present value of future cash flows, discounted at the loan's effective interest rate, except when the sole (remaining) source of repayment for the loan is the liquidation of collateral. In these cases, the current fair value of the collateral is used, less selling cost when foreclosure is probable.

In the event that the net realizable liquidation value of the collateral is less than the principal balance of the underlying loan, the anticipated deficiency balance is charged off.

To return to performing status, loans must be fully current, and continued timely payments must be a reasonable expectation. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

Allowance for loan losses

An allowance for loan losses is maintained at a level considered adequate to absorb loan losses. In determining the allowance for loan losses, management considers the risks inherent in its loan portfolio and changes in the nature and volume of its loan activities, along with general economic and real estate market conditions. In addition, management also considers its ability to work with delinquent borrowers through other units of the PM Church, guarantees, and such other relevant factors that, in management's judgement, deserve recognition. The Foundation utilizes a two-tier approach: (1) identification of impaired loans and the establishment of specific loss allowances on such loans; and (2) establishment of general loss allowances on the remainder of its loan portfolio. The Foundation maintains a loan review system that allows for a periodic review of its loan portfolio and the early identification of potential impaired loans. The system takes into consideration, among other things: delinquency status, size of loans, type and estimated fair value of collateral, and financial condition of borrowers. Specific loan loss allowances are established for identified losses based on a review of such information. General loan loss allowances are based on a combination of factors including, but not limited to, actual loan loss experience, composition of the loan portfolio, current economic conditions, and management's judgement. Allowances for impaired loans are generally determined based on collateral values or the present value of estimated future cash flows. The allowance is increased (decreased) by a provision for loan losses, which is reported in the statements of activities, and reduced by charge-offs, net of recoveries.

Equipment and depreciation

Equipment is carried at cost, net of accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the equipment.

Deposits

Deposits consist of cash deposited by members and affiliates of the PM Church. The interest rate accruing on deposits was 2.15% at December 31, 2021 and 2020. The rate is subject to semi-annual adjustments. Interest on investment deposits accrues from date of deposit to date of withdrawal. Interest is disbursed semi-annually or may be left on deposit at the depositor's request.

Loans for investments purchased on margin

The Foundation has the option to obtain a line of credit up to 50 percent of the fair market value of their investments. Interest is charged monthly at a variable rate (ranging from 7 percent to 7.5 percent from January 2020 to December 2021) on the outstanding balance. The loans are secured by the investments. There were no borrowings outstanding on lines of credit as of December 31, 2021 and 2020.

Use of estimates

The preparation of financial statements in conformity with GAAP which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Functional expenses

The costs of providing a loan program and other activities are summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among programs and supporting services benefited. The financial statements also report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, some expenses require allocation on a reasonable basis that is consistently applied. Expenses are allocated on the basis of estimates of time and effort.

Income taxes

The Foundation is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code ("IRC") and is exempt from federal income taxes on its exempt income under Section 501(c)(3) of the IRC.

The Foundation accounts for uncertainty in income taxes by prescribing a recognition threshold of more likely than not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has not been met. Management believes it is no longer subject to income tax examinations for years prior to 2018.

Paycheck Protection Program loan

The Foundation obtained a loan from a bank pursuant to the Paycheck Protection Program ("PPP") of the CARES Act. The loan qualified for forgiveness provided the proceeds were used for eligible expenses in the covered 24 week period and certain employee retention criteria were met. In accordance with FASB ASC 740, Debt, and ASC 450-20, Liabilities – Extinguishment of Liabilities, the Foundation recorded cash inflow from PPP as a liability and in cash flows from financing activities, pending legal release from obligation by the U.S. Small Business Administration. In 2021, the loan was forgiven and legally released, the liability was reduced by the amount forgiven and a gain on debt extinguishment, Paycheck Protection Program loan, was recorded.

Recently issued accounting pronouncements

The Financial Accounting Standards Board (FASB) issued Accounting Standards Updates (ASU) No. 2016-02, *Leases (Topic 842)*, which will require leases to be recorded as an asset on the statement of financial position for the right to use the leased asset and a liability for the corresponding lease obligation for leases with terms of more than twelve months. ASU No. 2016-02 also requires specific quantitative and qualitative disclosures about leasing arrangements to enable financial statement users to assess the amount, timing, and uncertainty of cash flows arising from leases. ASU No. 2016-02 is effective for non-public companies for fiscal years beginning after December 15, 2021. The Foundation is evaluating the impact the pronouncement may have on the financial statements.

NOTE 2 Investments

The cost and fair values of investments at December 31, 2021 and 2020, are as follows:

December 31, 2021	Cost	Net Unrealized Gains/(Losses)	Fair Value
Short-term investments	$ 90,618	$ -	$ 90,618
Mutual funds	2,062,678	(20,987)	2,041,691
Exchange-traded funds (ETFs)	657,955	526,842	1,184,797
Common and preferred stocks	2,055,458	1,145,744	3,201,202
Corporate bonds	79,566	2,383	81,949
Government securities	149,079	(6,952)	142,127
	$ 5,095,354	$ 1,647,030	$ 6,742,384

December 31, 2020	Cost	Net Unrealized Gains/(Losses)	Fair Value
Short-term investments	$ 194,014	$ -	$ 194,014
Mutual funds	1,813,447	(10,306)	1,803,141
Exchange-traded funds (ETFs)	665,502	346,416	1,011,918
Common and preferred stocks	1,965,338	896,522	2,861,860
Corporate bonds	140,126	19,291	159,417
Government securities	278,695	(21,379)	257,316
	$ 5,057,122	$ 1,230,544	$ 6,287,666

The composition of investment income is as follows:

	2021	2020
Interest and dividend income	$142,138	$186,640
Realized gains, net	374,142	197,753
Investment fees	(43,791)	(37,129)
Net investment income	$472,489	$347,264

NOTE 3 Fair value measurements

The framework for measuring fair value 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) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

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

Level 2 Inputs to the valuation methodology include

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

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

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

The assets or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

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

Short-term investments: Depository accounts valued based on models using observable market inputs.

Common and preferred stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Corporate bonds and U.S. government and agency bonds: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Mutual funds and exchange traded funds (ETFs): Valued at the daily closing price as reported by the fund. Mutual funds and ETFs held by the Foundation are open-end mutual funds and ETFs that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds and ETFs held by the Foundation are deemed to be actively traded.

The fair values of the Foundation's investments were measured with the following inputs at December 31:

	Assets at fair value as of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Short-term investments	$ 90,618			$ 90,618
Mutual funds	2,041,691			2,041,691
Exchange-traded funds (ETFs)	1,184,797			1,184,797
Common and preferred stocks	3,201,202			3,201,202
Corporate bonds		$ 81,949		81,949
Government securities		142,127		142,127
Total	$6,518,308	$224,076	$ -	$6,742,384

	Assets at fair value as of December 31, 2020			
	Level 1	Level 2	Level 3	Total
Short-term investments	$ 194,014			$ 194,014
Mutual funds	1,803,141			1,803,141
Exchange-traded funds (ETFs)	1,011,918			1,011,918
Common and preferred stocks	2,861,860			2,861,860
Corporate bonds		$159,417		159,417
Government securities		257,316		257,316
Total	$5,870,933	$416,733	$ -	$6,287,666

There were no financial assets or financial liabilities measured at fair value using level 3 inputs.

The Foundation utilizes fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Investment securities are recorded at fair value on a recurring basis. From time to time, the Foundation may be required to record at fair value other assets on a non-recurring basis, such as loans and certain other assets. The nonrecurring fair value adjustment typically involves the application of write-downs of individual assets.

The Foundation does not record loans at fair value on a recurring basis. However, from time to time, a loan is considered impaired and an allowance for loan losses is established. The fair value of impaired loans is estimated using one of several methods including collateral value and discounted cash flows. When the impaired loan is valued using the underlying collateral, the Foundation records the impaired loan as Level 2. When an appraised value is not available and other methods are used to determine the loan's fair value, the Foundation records the loan as Level 3. The fair value of impaired loans are Level 2 for December 31, 2021 and 2020.

NOTE 4 Note receivable, net

On November 15, 2018, the Foundation entered into a noninterest bearing promissory note for $179,948 from the PM Church. The note is to be repaid in 180 consecutive monthly installments of $1,000 commencing November 15, 2018. The balance of the note receivable was $72,000 and $118,448 at December 31, 2021 and 2020, respectively.

On May 12, 2021, the Foundation entered into a noninterest bearing promissory note for $50,000 with the Iglesia Evangelica Metodista Primitiva. The note is to be repaid in 69 consecutive monthly installments of $660 commencing June 20, 2021. The balance of the note receivable was $33,500 at December 31, 2021.

On October 15, 2021, the Foundation entered into a noninterest bearing promissory note, line of credit, for $60,000 with the First Primitive Methodist Church of Mountain Top. The note does not have any repayment terms in 2021, but is to be added to their existing loan with the Church in 2022. The amount borrowed and the balance of the note receivable was $28,000 at December 31, 2021.

On November 13, 2021, the Foundation entered into a noninterest bearing promissory note for $5,000 with the Juan Mina Church of Barranquille, Atlantico, Colombia. The note is to be repaid in 50 consecutive monthly installments of $100 commencing November 20, 2021. The balance of the note receivable was $4,800 at December 31, 2021.

NOTE 5 Loans receivable, net

The Foundation's loan portfolio consists of loans to churches and entities associated with the PM Church, and these loans were made out of a pool of funds invested with the Foundation through the Loan Program. The Foundation approves these loans based upon specific Board approved criteria, and most loans are secured by the individual entity's real and personal property. The purpose of the Foundation's Loan Program is to make first-lien mortgage loans to church congregations, districts, mission institutions, and extension agencies within the PM Church for the purchase, construction, expansion, or major improvements of churches, parsonages, or mission buildings or the refinancing of loans made for those purposes. Terms of the loans range from less than one year to 30 years. At December 31, 2021 and 2020, the Foundation's loan portfolio had interest rates of 6.00%. Loan are stated at unpaid principle balances, less an allowance for loan losses. The allowance for loan losses is maintained at a level that, in management's judgement, is adequate to absorb credit losses inherent in the loan portfolio. The amount of the allowance is based on management's evaluation of the collectability of the loan portfolio, including the nature of the portfolio, credit concentrations, trends in historical loss experience, specific impaired loans, economic conditions, and other risks inherent in the portfolio. Allowances for impaired loans are generally determined based on collateral values or the present value of the estimated cash flows. The allowance is increased by a provision of loan losses, which is charged to expense, and reduced by charge-offs, net of recoveries.

The Foundation's practice is to charge off any loan or portion of a loan when the loan is determined by management to be uncollectible due to the borrower's failure to meet repayment terms, the borrower's deteriorating or deteriorated financial condition, the depreciation of the underlying collateral, or for other reasons.

Major classifications of loans are as follows at December 31:

	2021	2020
Term loans	$ 934,905	$ 1,025,858
Less: Allowance for loan losses	(29,066)	(61,066)
Loans receivable, net	$ 905,839	$ 964,792

The Foundation considers a loan to be impaired when it is probable that it will be unable to collect all amounts due according to the original terms of the loan agreement. Impaired loans may include loans which are not accruing. Nonaccrual loans are those in which the collection of interest is not probable and all cash flows are recorded as reductions in principal. Amounts of impaired loans that are not probable of collection are charged off immediately. At December 31, 2021 and 2020, the Foundation had one and two loans it considered as impaired, respectively.

The following table presents the classes of the loan portfolio summarized by the past due status as of December 31, 2021 and 2020:

December 31, 2021

	30-89 Days	Greater than 89 days	Total Past Due	Current	Total Loans Receivable	Loans Receivable Greater than 90 days and Accruing
Term loans		$165,429	$165,429	$ 769,476	$ 934,905	$ 65,951

December 31, 2020

	30-89 Days	Greater than 89 days	Total Past Due	Current	Total Loans Receivable	Loans Receivable Greater than 90 days and Accruing
Term loans	$ -	$185,645	$185,645	$ 840,213	$ 1,025,858	$ 115,740

There is one term loan impaired for which a partial allowance for credit losses is recognized at December 31, 2021 and 2020. The recorded investment and the unpaid principal balance of the impaired term loan was $67,705 and $69,905 at December 31, 2021 and 2020, respectively. The allowance for credit losses on this impaired loan was $29,066 and $61,066 at December 31, 2021 and 2020, respectively. There was no interest income recognized while this loan was impaired.

There is one term loan impaired for which an allowance for credit losses is recognized. The recorded investment and the unpaid principal balance of the impaired term loan was $31,773 and $32,828 at December 31, 2021 and 2020, respectively. The allowance for credit losses on this impaired loan was $0 and $32,828 at December 31, 2021 and 2020, respectively. There was no interest income recognized while this loan was impaired.

NOTE 6 Allowance for loan losses

A summary of changes in the allowance for loan losses is as follows:

	2021	2020
Beginning balance	$ 61,066	$ 64,566
Addition provision (reduction)	(32,000)	(3,500)
Ending balance	$ 29,066	$ 61,066

The Foundation individually reviews each loan balance where all or a portion of the balance exceeds 90 days past due. Based on the assessment of the borrower's current creditworthiness, the Foundation estimated the portion, if any, of the balance that will not be collected. Additionally, on the aggregate remaining loan receivables, the Foundation estimates an additional allowance covering those amounts not specifically identified.

The ending balance in the allowance for loan losses is attributed to one loan evaluated individually of $29,066 for year ended December 31, 2021 and two loans evaluated individually of $61,066 for year ended December 31, 2020. The balance of the loans at December 31, 2021 and 2020 were $99,478 and $102,733, respectively.

NOTE 7 Related party transactions

The Foundation's main activities involve related churches of the PM Church. These churches deposit or borrow cash from the Foundation at their own discretion. All deposits payable or loans receivable are due to or from related parties and these assets and liabilities contribute to the Foundation's interest revenue and expense.

NOTE 8 Business risks

The Foundation has net assets of approximately $37,000 at December 31, 2021 and net deficits of approximately $651,000 at December 31, 2020. The deficits are primarily the result of investment losses in prior years. The Foundation 's primary obligations are deposit liabilities that have no restrictions on when the depositor can demand payment, and a margin loan that is subject to availability of credit based on the fair value of the Foundation 's investment portfolio. Demands for return of deposits and payment on the margin loan could adversely affect the Foundation 's ability to meet its obligations depending on the availability of investments to meet those demands. The Foundation continues to monitor its investments and expected cash flow needs to sustain future operations.

NOTE 9 Endowment

The Foundation's endowment consists of 11 individual donor-restricted funds established for a variety of purposes. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted Pennsylvania law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of 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 at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as unrestricted net assets based on the existence of donor restrictions or by law. The Foundation considers the following factors in making a determination to appropriate or accumulated donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purpose of the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the investment policies of the Foundation.

The Foundation adopted an investment policy for endowment assets that intends to follow a consistent and disciplined investment management approach that attempts to maximize total return over a long-term period with extreme positions and opportunistic management styles being avoided, portfolio volatility managed by controlling the asset allocation decisions and an emphasis on quality portfolio investments, low asset turnover, and diversification within asset classes.

Subject to any restrictions placed on the gift to the fund by the donor, the Endowment Fund Trustees will determine the disbursements from the fund. Unless otherwise specified by the donative instrument, the Endowment Fund Trustees will only disburse income from the fund. For the purposes hereunder, income shall be as defined by 15 Pa. C.S. Section 5548 of the Pennsylvania Non-Profit Corporation Law, and shall include dividends, interest, and other income, including net realized and unrealized capital gains as set forth in said statute.

Subject to the restrictions of the donor, the Endowment Fund Trustees will have sole discretion as to the investment of endowment fund assets.

From time to time, the fair value of invested assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2021 and 2020.

Changes in endowment net assets at December 31 are as follows:

	Net assets with donor restrictions
Endowment net assets, December 31, 2019	$ 119,901
Contributions	-
Investment income, net	2,618
Disbursements	(2,300)
Endowment net assets, December 31, 2020	120,219
Contributions	-
Investment income, net	2,616
Disbursements	(2,297)
Endowment net assets, December 31, 2021	$ 120,538

NOTE 10 Liquidity and availability of resources

The Foundation's primary program is the loans and demand notes ("Loan Program").

Loans and Demand Notes

The Foundation receives deposits in the form of demand notes to fund its Loan Program. The Foundation's principal sources of cash for repayment of the demand notes' principal and interest are loan payments, interest earned on those loans, unrestricted income from other investments, proceeds from deposits, and other unrestricted assets and funds of the Foundation. Deposits made by members with the Foundation are used as working capital for loans to churches, investor withdrawals and current operations of the Foundation. Deposits in excess of working capital needs are forwarded to the Foundation's investment manager to be invested in compliance with the Foundation's Investment Policy Statement (IPS).

The Foundation insulates its investors from market fluctuations in that the Foundation accepts all market risk. From an investor's point of view, their investment with the Foundation is a fixed income investment with a defined variable rate of interest.

Approximately half of the funds invested with the Foundation are owned by Primitive Methodist churches and organizations of those churches, and are long-term investments. Individual investors - typically church members of various Primitive Methodist churches – account for the remainder of funds invested with the Foundation. Liquidity risk is minimized by the long-term investment nature of the organizational investors. The Foundation states that, "Funds invested are available to the investor upon demand."

The Foundation interest rate offered its investors on demand notes is governed by a floor rate equal to the, "3-Month Treasury Bill interest rate plus .25% (25 bpts) subject to the Foundation's Board review on a quarterly basis." This policy ensures that investors will always be offered a competitive interest rate for short-term investing.

All Foundation loans made to Primitive Methodist churches in the U.S. are secured by the real and personal property of the church receiving the loan. All loans made to Guatemalan Primitive Methodist churches are guaranteed by the Guatemalan Conference of the Primitive Methodist Church. All loans made to Dominican Republic churches are secured by real and personal property of the church receiving the loan. Promissory notes, inclusive of defined real property collateral for the loans to Primitive Methodist churches in the U.S. are on file with the Foundation. All outstanding promissory notes for Foundation loans to churches and other PM Church qualified organizations bear interest at 6.0%.

Administrative Functions

Contributions and unrestricted fund appropriations fund the general and administrative costs of the Foundation. The Foundation maintains unrestricted investments, which may be used to fund general expenditures of the Foundation. The Foundation receives contributions with and without donor restrictions. Because donor restrictions require funds to be used in a particular manner or in a future period, the Foundation maintains these restricted funds so that they are available to meet those responsibilities as they are required to be met. Accordingly, these financial assets are not available to the Foundation for its general expenditures. General expenditures may be incurred for program or general and administrative purposes.

Funds Available for General Expenditures

The Foundation's financial assets at December 31 (reduced by amounts that are not available for general use because of contractual, donor-imposed, regulatory bodies, loan and other agreements or internal restrictions) available within one year after this date to satisfy liabilities at this date and for future general expenditure are in the following table.

	2021	2020
Financial assets:		
Cash and cash equivalents	$ 167,489	$ 86,496
Interest receivable	2,584	2,724
Investments	120,538	120,219
Loans receivable, net	905,839	964,792
Note receivable, net	138,300	118,448
Total financial assets	1,334,750	1,292,679
Adjustments:		
Loans receivable due after one year	(813,249)	(910,910)
Note receivable due after one year	(117,180)	(106,448)
Endowments	(120,538)	(120,219)
	$ 283,783	$ 155,102

As described in Note 1, the Foundation has the option to obtain a line of credit up to 50% of the fair market value of their investments, which it could draw upon in the event of an unanticipated liquidity event.

In 2021 and 2020, the global coronavirus pandemic threatened the U.S. and global economies. This affected the U.S. and global equity markets, as well as consumer confidence. It is uncertain how the global coronavirus pandemic will affect financial markets and consumer confidence may affect the operations, investments, funding and contribution income of the Foundation in the near future. While the Foundation believes it has the resources to continue its programs, its ability to do so, and the extent to which it continues, may be dependent on many factors. Continuation of current conditions could impair the ability of borrowers to repay outstanding loans and increase the Foundation's allowance for credit losses, impair the collateral values, or cause an outflow of deposits. The Foundation's ability to meet its obligations for deposits might be impaired. The decline in the U.S. and global equity markets could result in a decrease in asset management fees and investment income available for drawdown from the Foundation's endowment.

NOTE 11 Contingency

In November 2019, the Foundation reached a Consent Agreement and Order (the "Order") with the Pennsylvania Department of Banking and Securities (PADBS), which requires the Foundation to register with the PADBS and effect a rescission offer to its members who purchased securities from the Foundation before August 31, 2019. The Foundation will send the rescission offer to Foundation members allowing them to receive their full investment back plus 6%. The timing of the rescission offer is dependent upon PADBS approval of various documents submitted for review.

The rescission offer will describe the Foundation reorganization as a "Church Extension Fund" (the "CEF") and include an Offering Circular (the "OC") defining the organization and the new securities it will offer as a CEF. As a CEF, the Foundation will no longer be able to issue Hybrid Savings Accounts to its members. It will replace those existing accounts with Demand Notes earning interest much like the Hybrid Savings Account.

NOTE 12 Paycheck Protection Program loan and other income

In 2021, the Foundation obtained a $6,250 loan from a bank pursuant to the Paycheck Protection Program ("PPP") of the CARES Act. Funds from the loan may only be used for payroll, group health benefits, rent, interest, and utilities incurred during the covered 24 week period. The Foundation did not provide any collateral of guarantees in connection with the PPP loan. The terms of the loan included interest at 1% per annum, with principle and interest payments, if not forgiven. The loan qualified for forgiveness provided the proceeds are used for eligible expenses in the covered period and certain employee retention criteria are met. In accordance with FASB ASC 470, Debt, and ASC 405-20, Liabilities – Extinguishment of Liabilities, the Foundation recorded the cash inflow from the PPP loan as a liability, and cash flows from financing, pending legal release from the obligation by the U.S. Small Business Administration. Upon forgiveness and legal release in 2021, the liability was reduced by the amount forgiven and a gain on debt extinguishment, Paycheck Protection Program loan was recorded.

The Foundation qualified for the Employee Retention Credit under the CARES Act, which refunds certain employment taxes equal to 70% of qualified wages paid by an eligible employer who experienced a significant decline in gross receipts during the period. The Foundation recorded the amount received of $15,491 as other income in the statements of activities.

NOTE 13 Risk and uncertainties

Management continues to evaluate the impact of the COVID-19 pandemic and has concluded that while it is reasonably possible that the virus could have a negative effect on the Foundation's financial position, results of operation and investments, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE 14 Subsequent events

Management evaluated subsequent events through April 11, 2022, the date the financial statements were available to be issued.