



MISSION AVIATION FELLOWSHIP AND AFFILIATES

Consolidated Financial Statements
With Independent Auditors' Report

December 31, 2022 and 2021

MISSION AVIATION FELLOWSHIP AND AFFILIATES

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Mission Aviation Fellowship and Affiliates
Nampa, Idaho

Opinion

We have audited the accompanying consolidated financial statements of Mission Aviation Fellowship and Affiliates, which comprise the consolidated statements of financial position as of December 31, 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 Mission Aviation Fellowship and Affiliates 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. We did not audit the consolidated financial statements of Lucent Insurance, Ltd., an investee of which Mission Aviation Fellowship and Affiliates has a significant influence. Those consolidated statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the investment in Lucent Insurance, Ltd., is based solely on the report of the other auditors. The investee entity reports on the insurance basis of accounting as required by the Bermudan Insurance Regulators which is a financial reporting framework other than generally accepted accounting principles in the United States. We have applied audit procedures on the conversion adjustments to the financial statements of Lucent Insurance, Ltd., which conform those financial statements to accounting principles generally accepted in the United States of America. Our opinion, insofar as it relates to the amounts included for Lucent Insurance, Ltd., prior to these conversion adjustments, is based solely on the report of the other auditors. The investment in Lucent Insurance, Ltd. made up 2.3% and 2.3% of Mission Aviation Fellowship and Affiliates' total assets as of December 31, 2022 and 2021, respectively and 2.0% and 3.1% of its change in net assets for the years ended December 31, 2022 and 2021, respectively.

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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of Mission Aviation Fellowship and Affiliates 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 Consolidated Financial Statements

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

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

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

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

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

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

Board of Directors
Mission Aviation Fellowship and Affiliates
Nampa, Idaho

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

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.

Capin Crouse LLP

Colorado Springs, Colorado
September 14, 2023

MISSION AVIATION FELLOWSHIP AND AFFILIATES

Consolidated Statements of Financial Position

	December 31,	
	2022	2021
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 21,876,631	\$ 19,130,016
Accounts receivable	2,646,616	1,478,501
Supplies and inventory—net	5,843,180	6,054,246
Prepaid expenses and other assets	784,313	718,905
Notes receivable—current portion	-	71,238
	<u>31,150,740</u>	<u>27,452,906</u>
Non-current assets:		
Cash restricted for long-term purposes	2,805,698	4,536,491
Investments	5,158,435	5,024,764
Notes receivable—net of current portion	136,000	366,713
Property held for investment	-	419,651
Operating leases—right-of-use assets	784,932	-
Financing leases—right-of-use assets	162,285	-
Property and equipment—net	54,401,842	52,951,033
Assets held for gift annuities and trusts	11,195,827	12,406,503
Assets held for endowment fund	1,026,512	1,174,139
	<u>75,671,531</u>	<u>76,879,294</u>
Total Assets	<u>\$ 106,822,271</u>	<u>\$ 104,332,200</u>
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	\$ 803,987	\$ 667,913
Accrued expenses	3,091,873	3,044,229
Operating lease obligations	251,346	-
Financing lease obligations	86,112	-
Deferred income	336,749	1,540,904
	<u>4,570,067</u>	<u>5,253,046</u>

(continued)

See notes to consolidated financial statements

MISSION AVIATION FELLOWSHIP AND AFFILIATES

Consolidated Statement of Financial Position

(continued)

	December 31,	
	2022	2021
LIABILITIES AND NET ASSETS, continued:		
Non-current liabilities:		
Operating lease obligations	415,212	-
Financing lease obligations	79,060	-
Annuities payable	1,284,995	1,331,249
Revocable trust agreements	119,043	128,713
Irrevocable agreements	2,663,543	3,095,692
Trusts due to other remaindermen	1,025,596	974,347
Accrued post-retirement benefit obligation	4,317,850	4,528,644
	<u>9,905,299</u>	<u>10,058,645</u>
Total liabilities	<u>14,475,366</u>	<u>15,311,691</u>
Net assets:		
Without donor restrictions		
Cumulative translation adjustment	(402,526)	(205,042)
Undesignated	<u>82,462,867</u>	<u>76,818,759</u>
	82,060,341	76,613,717
With donor restrictions		
Restricted by purpose or time	9,342,575	11,462,803
Restricted in perpetuity	<u>943,989</u>	<u>943,989</u>
Total net assets	<u>92,346,905</u>	<u>89,020,509</u>
Total Liabilities and Net Assets	<u>\$ 106,822,271</u>	<u>\$ 104,332,200</u>

See notes to consolidated financial statements

MISSION AVIATION FELLOWSHIP AND AFFILIATES

Consolidated Statements of Activities

	Year Ended December 31,					
	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions	\$ 41,431,510	\$ 3,167,142	\$ 44,598,652	\$ 38,505,466	\$ 3,928,811	\$ 42,434,277
Contributed services	2,175,307	-	2,175,307	1,371,643	-	1,371,643
Global aviation ministries	9,368,984	-	9,368,984	8,039,256	-	8,039,256
Investment income (loss)	322,352	(147,627)	174,725	573,450	96,180	669,630
Change in value of split interest agreements	(833,033)	(740,086)	(1,573,119)	413,068	160,635	573,703
Gain (loss) on sale and disposal of assets	710,057	-	710,057	(1,438,719)	-	(1,438,719)
Gain on extinguishment of debt	-	-	-	2,080,000	-	2,080,000
Other income	807,292	-	807,292	2,031,875	-	2,031,875
Total Support and Revenue	53,982,469	2,279,429	56,261,898	51,576,039	4,185,626	55,761,665
NET ASSETS RELEASED:						
Purpose restrictions	4,399,657	(4,399,657)	-	4,253,660	(4,253,660)	-
EXPENSES:						
Program services	39,737,803	-	39,737,803	35,273,770	-	35,273,770
Supporting activities:						
General and administrative	4,539,408	-	4,539,408	3,264,657	-	3,264,657
Fund-raising	7,811,765	-	7,811,765	6,986,718	-	6,986,718
	12,351,173	-	12,351,173	10,251,375	-	10,251,375
Total Expenses	52,088,976	-	52,088,976	45,525,145	-	45,525,145

(continued)

See notes to consolidated financial statements

MISSION AVIATION FELLOWSHIP AND AFFILIATES

Consolidated Statements of Activities

(continued)

	Year Ended December 31,					
	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Change in Net Assets from Operations	6,293,150	(2,120,228)	4,172,922	10,304,554	(68,034)	10,236,520
Post-retirement changes other than net periodic benefit costs	(649,042)	-	(649,042)	(635,874)	-	(635,874)
Foreign currency translation adjustment	(197,484)	-	(197,484)	(162,300)	-	(162,300)
Change in Net Assets	5,446,624	(2,120,228)	3,326,396	9,506,380	(68,034)	9,438,346
Net Assets, Beginning of Year	76,613,717	12,406,792	89,020,509	67,107,337	12,474,826	79,582,163
Net Assets, End of Year	<u>\$ 82,060,341</u>	<u>\$ 10,286,564</u>	<u>\$ 92,346,905</u>	<u>\$ 76,613,717</u>	<u>\$ 12,406,792</u>	<u>\$ 89,020,509</u>

See notes to consolidated financial statements

MISSION AVIATION FELLOWSHIP AND AFFILIATES

Consolidated Statement of Functional Expenses

For the Year Ended December 31, 2022

	Program Services	Supporting Activities:			Total
		General and Administrative	Fund-raising	Total	
Salaries and benefits	\$ 23,310,682	\$ 3,108,072	\$ 4,057,051	\$ 7,165,123	\$ 30,475,805
Office expenses	2,773,840	492,535	1,473,710	1,966,245	4,740,085
Travel	2,214,555	89,221	252,185	341,406	2,555,961
Depreciation	2,271,252	96,066	41,841	137,907	2,409,159
Fuel and oil	2,402,177	3,401	1,411	4,812	2,406,989
Contracted services-technology, accounting, legal, and consulting	756,210	416,966	1,122,620	1,539,586	2,295,796
Repairs and maintenance	1,959,945	24,342	9,059	33,401	1,993,346
Grants and scholarships	1,625,376	-	-	-	1,625,376
Licenses and permits	890,904	2,469	460	2,929	893,833
Public relations	47,478	2,596	654,223	656,819	704,297
Insurance	468,739	78,434	32,537	110,971	579,710
Small tools and equipment	240,226	164,152	66,813	230,965	471,191
Business expenses	299,781	44,700	67,335	112,035	411,816
Education and seminars	372,330	7,929	13,180	21,109	393,439
Taxes	104,308	8,525	19,340	27,865	132,173
Total expenses	<u>\$ 39,737,803</u>	<u>\$ 4,539,408</u>	<u>\$ 7,811,765</u>	<u>\$ 12,351,173</u>	<u>\$ 52,088,976</u>
	76.3%	8.7%	15.0%	23.7%	100.0%

See notes to consolidated financial statements

MISSION AVIATION FELLOWSHIP AND AFFILIATES

Consolidated Statement of Functional Expenses

For the Year Ended December 31, 2021

	Program Services	Supporting Activities:			Total
		General and Administrative	Fund-raising	Total	
Salaries and benefits	\$ 21,213,817	\$ 2,292,762	\$ 3,885,913	\$ 6,178,675	\$ 27,392,492
Office expenses	2,473,018	354,887	1,339,232	1,694,119	4,167,137
Travel	1,772,037	35,466	224,233	259,699	2,031,736
Depreciation	2,126,959	124,018	76,908	200,926	2,327,885
Fuel and oil	1,578,639	2,543	1,541	4,084	1,582,723
Contracted services-technology, accounting, legal, and consulting	562,276	220,403	937,796	1,158,199	1,720,475
Repairs and maintenance	1,626,534	14,705	8,665	23,370	1,649,904
Grants and scholarships	1,742,432	-	-	-	1,742,432
Licenses and permits	655,041	3,378	3,043	6,421	661,462
Public relations	31,398	4,949	311,936	316,885	348,283
Insurance	378,910	46,120	27,944	74,064	452,974
Small tools and equipment	210,127	80,356	46,183	126,539	336,666
Business expenses	331,470	45,030	91,804	136,834	468,304
Education and seminars	332,127	36,413	14,724	51,137	383,264
Taxes	238,985	3,627	16,796	20,423	259,408
Total expenses	<u>\$ 35,273,770</u>	<u>\$ 3,264,657</u>	<u>\$ 6,986,718</u>	<u>\$ 10,251,375</u>	<u>\$ 45,525,145</u>
	77.5%	7.2%	15.3%	22.5%	100.0%

See notes to consolidated financial statements

MISSION AVIATION FELLOWSHIP AND AFFILIATES

Consolidated Statements of Cash Flows

	December 31,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 3,326,396	\$ 9,438,346
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	2,409,159	2,327,885
Amortization of financing leases	78,768	-
Realized and unrealized (gains) losses on investments and assets held for endowment fund	203,004	(107,644)
(Gain) loss on sale and disposal of property and equipment	(710,057)	1,438,719
Gain on extinguishment of debt	-	(2,080,000)
Contributions restricted for long-term purposes	(446,509)	(1,868,418)
Reinvested dividends	(50,741)	(19,598)
Change in captive insurance arrangements	(68,457)	(294,281)
Non-cash lease expense	(37,062)	-
Non-cash effect of change in accounting principle	(78,495)	-
Change in value of split interest agreements	1,573,119	(573,703)
Change in operating assets and liabilities:		
Accounts receivable	(1,168,115)	340,486
Supplies and inventory-net	211,066	(1,741,419)
Prepaid expenses and other assets	(65,408)	(39,086)
Accounts payable	136,074	(500,395)
Accrued expenses	47,644	139,353
Deferred income	(1,204,155)	608,938
Accrued post-retirement benefit obligation	(210,794)	(163,186)
Net Cash Provided by Operating Activities	3,945,437	6,905,997
CASH FLOWS FROM INVESTING ACTIVITIES:		
Collection of notes receivable	301,951	30,625
Issuance of notes receivable	-	(36,999)
Proceeds from sale of property and equipment and property held for sale	616,234	923,693
Purchases of property and equipment	(3,387,691)	(4,165,753)
Purchases of investments	(69,850)	(400,000)
Proceeds from sale of investments	-	3,638,271
Proceeds from sale of assets held for gift annuities and trusts	736,759	628,855
Purchases of assets held for gift annuities and trusts	(1,412,118)	(280,000)
Net Cash Provided (Used) by Investing Activities	(3,214,715)	338,692

(continued)

See notes to consolidated financial statements

MISSION AVIATION FELLOWSHIP AND AFFILIATES

Consolidated Statements of Cash Flows

(continued)

	December 31,	
	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for long-term purposes	446,509	1,868,418
Appropriations of assets held for endowment fund	-	53,390
Payments on financing leases	(78,698)	-
New gift annuities and trusts	654,048	170,547
Annuitant and trustor payments	(736,759)	(628,855)
Net Cash Provided by Financing Activities	285,100	1,463,500
 Change in Cash, Cash Equivalents, and Cash Restricted for Long-term Purposes	 1,015,822	 8,708,189
 Cash, Cash Equivalents, and Cash Restricted for Long-Term Purposes, Beginning of Year	 23,666,507	 14,958,318
 Cash, Cash Equivalents, and Cash Restricted for Long-Term Purposes, End of Year	 <u>\$ 24,682,329</u>	 <u>\$ 23,666,507</u>
 CASH, CASH EQUIVALENTS, AND CASH RESTRICTED FOR LONG-TERM PURPOSES CONSISTS OF:		
Cash and cash equivalents	\$ 21,876,631	\$ 19,130,016
Cash restricted for long-term purposes	2,805,698	4,536,491
	<u>\$ 24,682,329</u>	<u>\$ 23,666,507</u>
 SUPPLEMENTAL DISCLOSURES:		
Right-of-use assets obtained in exchange for operating lease obligations	<u>\$ 872,636</u>	<u>\$ -</u>
Right-of-use assets obtained in exchange for financing lease obligations	<u>\$ 241,052</u>	<u>\$ -</u>
Note receivable issued for sale of land	<u>\$ -</u>	<u>\$ 150,713</u>
Non-cash financing transaction to recognize loan forgiveness	<u>\$ -</u>	<u>\$ 2,080,000</u>
Transfer of inventory to property and equipment	<u>\$ -</u>	<u>\$ 1,520,000</u>

See notes to consolidated financial statements

MISSION AVIATION FELLOWSHIP AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

1. NATURE OF ORGANIZATION:

Mission Aviation Fellowship is an organization, exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC) and comparable state law. However, Mission Aviation Fellowship is subject to federal income tax on any unrelated business taxable income. In addition, Mission Aviation Fellowship is not classified as a private foundation within the meaning of Section 509(a) of the IRC.

Mission Aviation Fellowship's vision is to see isolated people changed by the love of Christ. Mission Aviation Fellowship pursues that vision through their mission of serving together to bring help, hope, and healing through aviation. Aircraft are used to transport people, food, equipment, medical supplies, and other goods. Aircraft are also used to conduct relief and emergency flights and to support local churches, schools, and hospitals. Mission Aviation Fellowship and its affiliates operate in many countries within Africa, Asia, and Latin America.

Mission Aviation Fellowship receives its income, excluding investment income and changes in gift annuities, primarily from charitable contributions and fees for services provided. Essentially all revenue for services is generated outside the United States, primarily in Africa, Asia, and Latin America.

PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the assets, liabilities, net assets, revenues, and expenses of Mission Aviation Fellowship, MAF Foundation, MAF Media, LLC, and other legal operating entities controlled by Mission Aviation Fellowship and its subsidiaries (collectively referred to as MAF). All intercompany transactions and balances have been eliminated within the consolidated financial statements.

MAF is associated with organizations carrying the MAF name (e.g. MAF International, MAF United Kingdom, MAF Canada, etc.) which are not included in these consolidated financial statements because they are not under common control. Accordingly, the assets, liabilities, net assets, revenues, and expenses of these national ministries are not included in the consolidated financial statements. Expenditures paid to these entities are treated as grants in the consolidated statements of activities and included within related party transactions in Note 19.

2. SIGNIFICANT ACCOUNTING POLICIES:

MAF maintains its accounts and prepares its consolidated financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader.

MISSION AVIATION FELLOWSHIP AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

CASH AND CASH EQUIVALENTS

Cash and cash equivalents, including cash restricted for long-term capital purposes, consists of cash held in checking and savings accounts, cash on hand, and money market funds. As of December 31, 2022 and 2021, MAF has cash and cash equivalents on deposit with financial institutions that exceed federally insured balances (through the National Credit Union Share Insurance Fund and Federal Deposit Insurance Corporation) by approximately \$22,480,000 and \$20,610,000, respectively. Cash restricted for long-term purposes includes donor-restricted funds received but not expended for plane, capital, and other long-term projects.

ACCOUNTS RECEIVABLE

Accounts receivable are recorded at net realizable value and represent global aviation revenue earned, grants receivable, and other miscellaneous amounts due to MAF that have not been received as of year end. Interest is not charged on delinquent receivables. Delinquent receivables are written off based on the individual credit evaluation and specific circumstances of the constituent. Management expects to receive the full amount of the receivables, therefore, no allowance for uncollectible accounts has been recorded. Accounts receivable as of December 31, 2022 and 2021 consist of the following:

	December 31,	
	2022	2021
Receivables from customers and other	\$ 1,546,142	\$ 1,478,501
Grants receivable	607,089	-
Estate receivable	493,385	-
	<u>\$ 2,646,616</u>	<u>\$ 1,478,501</u>

SUPPLIES AND INVENTORY

Supplies and inventory include items held to be used in maintaining and operating aircraft and also some parts held for resale. Inventory held for resale is recorded at the lower of cost or net realizable value using the first-in, first-out method. Cost includes freight, shipping, customs, and taxes. As of December 31, 2022 and 2021, shipping and custom costs included in supplies and inventory were \$818,843 and \$853,756, respectively. Management has evaluated a reserve for obsolescence, based on historical and anticipated movement of the supplies and inventory, totaling \$589,518 and \$347,325 as of December 31, 2022 and 2021, respectively. Supplies are held at cost and are expensed as used unless they meet capitalization criteria in which case the cost is transferred to aircraft and equipment assets when placed in service.

MISSION AVIATION FELLOWSHIP AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

NOTES RECEIVABLE

Notes receivable consist of notes from affiliated entities for financing a plane purchase and a documentary production. The notes receivable are carried at historical cost. Interest income is recognized per the terms of the notes issued. MAF has not made a provision for credit losses, as management expects all amounts to be fully collectible.

INVESTMENTS AND ASSETS HELD FOR GIFT ANNUITIES AND TRUST AGREEMENTS

Investments consist primarily of exchange-traded funds, mutual funds, fixed income securities, cash surrender value of life insurance policies, and captive insurance arrangements. The investment in the captive insurance arrangement is accounted for using the equity method. Cash surrender value of life insurance policies is stated at contract value. All other investments, including assets held for gift annuities and trust agreements, are held primarily at fair value. Fair values are determined by quoted market prices or by yields currently available on comparable securities of issuers with similar credit ratings. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect MAF's investment balances. Realized and unrealized gains and losses are reported in the consolidated statements of activities in the year in which they occur.

PROPERTY HELD FOR INVESTMENT

Property held for investment is recorded at the lower of carrying value or fair market value. Property held for investment includes amounts that are under contract but expected to close in greater than one year. All properties held for investment were sold during the year ended December 31, 2022, resulting in a gain on sale totaling \$40,031 included in other income within the consolidated statements of activities.

OPERATING AND FINANCING LEASE—RIGHT-OF-USE ASSETS AND LIABILITIES

MAF adopted Accounting Standards Update (ASU) 2016-02 and its related amendments as of January 1, 2022, which resulted in the recognition of operating lease right-of-use assets of \$784,932 and operating lease liabilities of \$666,558 as of December 31, 2022. The finance leases presented in the consolidated statement of financial position include assets of \$162,285 and lease obligations of \$165,172, as of December 31, 2022. The additional lease disclosures can be found in Note 7 and Note 8.

Prior to the adoption of ASUs 2016-02 and 2018-11 under Topic 842 as described in Note 2, MAF was applying Topic 840 in relation to operating leases. For the comparable period MAF had operating lease expenses of approximately \$538,000 for the year ended December 31, 2021.

MISSION AVIATION FELLOWSHIP AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost or, if donated, at fair market value at the date of donation. Assets costing greater than \$5,000 are capitalized. Depreciation is provided over the estimated useful lives of the assets on a straight-line basis. The estimated useful lives are as follows:

Buildings	40 years
Aircraft and engines	12 years
Vehicles	3 - 7 years
Furniture and equipment	5 years

ASSETS HELD FOR ENDOWMENT FUND

MAF's endowment fund consists of two individual funds established for scholarships and general ministries. Net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

The board of directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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, MAF classifies as net assets with donor restrictions held in perpetuity (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in net assets restricted in perpetuity is classified as net assets with donor restrictions restricted by purpose or time until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In addition, absent explicit donor stipulations to the contrary, to the extent prudent, appropriations for expenditure are allowed even if the fair value of the donor restricted endowment fund falls below the original gift as of the gift date, in accordance with UPMIFA. MAF considered the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and 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 organization
7. The investment policies of the organization

MISSION AVIATION FELLOWSHIP AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

ASSETS HELD FOR ENDOWMENT FUND, continued

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 UPMIFA requires MAF to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, no deficiencies of this nature have been reported in net assets with donor restrictions as of December 31, 2022 and 2021.

Return objectives and strategies: To satisfy its long-term rate of return objectives, MAF relies on a total return strategy in which investment returns are achieved through both current yield and capital appreciation. MAF targets a diversified asset allocation to achieve its long-term return objectives within prudent risk restraints.

Spending policy: MAF has a policy of appropriating expenditures each year. To the extent prudent, it is expected that spending from the endowment funds will be managed with a long-term perspective to maintain long-term purchasing power of the endowment funds to meet the longer term needs of MAF; but that such long-term perspective would not prevent the funds from continuing to spend a prudent amount from the endowment funds despite a fund's balance falling below targeted levels. This is consistent with MAF's objective to maintain the purchasing power of donor-restricted assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

ANNUITIES PAYABLE

MAF has established a gift annuity plan whereby donors may contribute assets to the organization in exchange for the right to receive a fixed dollar return during their lifetimes. This transaction provides for a portion of the transfer to be considered a charitable contribution for income tax purposes. The difference between the price of the annuity contract and the discounted liability for future payments, determined on an actuarial basis using a rate of 6% and the 2000 CNSMT life table, is recognized as contribution income at the date of the gift. Upon death of the annuitant, income distributions cease.

The actuarial liability for annuities payable is evaluated annually (giving effect to investment income and payments to annuitants). Any surplus or deficiency is recorded as a change in value of split interest agreements in the consolidated statements of activities.

MAF is required to maintain legally-mandated reserves and investment guidelines for certain states in which it issues gift annuities. As of December 31, 2022 and 2021, management believes that MAF is in compliance with each of the requirements by these states.

MISSION AVIATION FELLOWSHIP AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

TRUST LIABILITIES

As trustee, MAF administers irrevocable and revocable trusts. These trusts provide for the payment of lifetime distributions to the grantor or other designated beneficiaries. Included in the trust liability is the actuarially determined present value of future payments to beneficiaries. Certain trusts contain provisions to distribute assets to individuals or organizations other than MAF. The portion of future interest that is attributable to others is reflected as trusts due to other remaindermen on the consolidated statements of financial position. The remaining portion of the trust attributable to MAF's future interest is recorded within the consolidated statements of activities as donor restricted contributions in the period received. Gifts under revocable lifetime income trust agreements are recorded as assets and offsetting liabilities until termination upon the death of the donor. Upon the death of the donor, the trusts become the property of MAF and the related net asset classification is adjusted according to the donor's stipulated purpose, if any at that time.

NET ASSETS

The consolidated financial statements report amounts separately by class of net assets as follows:

Net assets without donor restrictions are those resources currently available to support current operations, including those resources invested in property and equipment-net.

Net assets with donor restrictions are those resources contributed with donor stipulations for specific projects and ministries and those resources for which the principal is stipulated by donors to be invested in perpetuity.

SUPPORT AND REVENUE

Contributions

Contributions are recorded when made, which may be when cash is received or unconditionally promised, or when ownership of donated assets is transferred to MAF. Contributions restricted by the donor for a specific purpose are recorded as support with donor restrictions until the purpose restriction is satisfied. Upon satisfaction of the restriction, 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. Contributions for long-term purposes are released from restriction when the asset is placed in service. Donated assets are recorded as contributions at their estimated fair value on the date of donation.

Contributed Services

The Not-for-Profit Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification requires recording the value of donated services that create or enhance nonfinancial assets or require specialized skills. MAF records seconded staff services from other organizations that meet these requirements as contributed services in the consolidated statements of activities. Contributed services are recorded at fair value based on estimated amounts paid to the seconded staff by their seconding organizations and are used within MAF's programs.

MISSION AVIATION FELLOWSHIP AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT AND REVENUE, continued

Global Aviation Ministries Revenue

Global Aviation Ministries revenue consists of payments for flight services. Payments received for future flights are recognized as deferred revenue when received. MAF recognizes global aviation ministries revenue within the fiscal year in which the services are provided, which is when the flight service occurs and the performance obligation of providing the service is satisfied. Should amounts not be collected when the performance obligation is satisfied, accounts receivable is recorded for the outstanding amount.

Investment and Other Income

Investment and other income is recorded as earned.

FUNCTIONAL ALLOCATION OF EXPENSES

Expenses are recorded when incurred. The costs of providing program services and supporting activities have been summarized on a functional basis. Accordingly, certain costs related to more than one function, such as salaries and benefits, office expenses, and depreciation, have been allocated among the program services and supporting services benefited. These expenses require allocation on a reasonable basis that is consistently applied. Salaries and benefits are allocated based on average estimates of time and effort by employees. Depreciation and occupancy expenses are allocated based on square footage. Remaining expenses are allocated based on the underlying nature of the expense.

FOREIGN OPERATIONS AND CURRENCY TRANSLATION

MAF has offices and activities outside of the United States. The account balances of foreign operations are included within the consolidated financial statements. All field offices have identified their local currency as their functional currency and the U.S. dollar as their reporting currency. The consolidated financial statements of these locations are remeasured to U.S. dollars using month end rates of exchange for all assets and liabilities, and average rates of exchange for the period for revenues and expenses. Net gains and losses resulting from foreign exchange transactions are included in the consolidated statements of activities. MAF recognized a net unrealized foreign exchange loss of \$197,484 and \$162,300, during the years ended December 31, 2022 and 2021, respectively, which is reported in the consolidated statements of activities as a foreign currency translation adjustment.

Management has reviewed the assets of its foreign subsidiaries and has determined that they are under the control and ownership of MAF. While such items are recognized as assets of the organization, it should be noted that the political situation in many countries is subject to rapid change. Therefore, the reader should be aware that while MAF believes the assets are properly stated at the date of this report, subsequent changes could occur that would adversely affect the realizable value of the assets in other countries. In addition, it should be understood that the carrying value of the assets in other countries may not be representative of the amount that would be realized.

MISSION AVIATION FELLOWSHIP AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

RECENTLY ADOPTED ACCOUNTING STANDARDS

In fiscal year 2022, MAF adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the consolidated statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact on the consolidated financial statements, with the exception of increased disclosure.

In 2016, Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases* (Topic 842 of the ASC). The amendments in this update require organizations that lease assets to recognize on the consolidated statements of financial position the assets and liabilities for the rights and obligations created by the leases. The amendments are effective for fiscal years beginning after December 15, 2021. MAF's contracts contain the right to control the use of property or asset and is therefore considered a lease. MAF elected to adopt the transition relief provisions from ASU 2018-11, *Leases* (Topic 842): *Targeted Improvements* and recorded the impact of adoption as of January 1, 2022, without restating any prior-year amounts. MAF also elected to exclude leases with terms of less than 12 months and to combine lease and nonlease components as a single lease component. The additional lease disclosures can be found in Note 7 and 8. The non-cash effect of the change in accounting principle to the opening balance of net assets totaled \$78,495 and was adjusted through office expenses on the consolidated statements of activities and functional expenses.

MISSION AVIATION FELLOWSHIP AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

3. INVESTMENTS, ASSETS HELD FOR GIFT ANNUITIES AND TRUST AGREEMENTS, AND ASSETS HELD FOR ENDOWMENT FUND:

Investments and assets held for gift annuities, trusts, and endowment fund consist of:

	December 31,	
	2022	2021
Investments:		
Cash and cash equivalents	\$ 119,793	\$ 138,687
Exchange-traded funds	1,807,272	1,859,464
Cash surrender value	659,573	643,226
Fixed income securities	69,851	-
Mutual funds	50,102	-
Captive insurance arrangements	2,451,844	2,383,387
	<u>5,158,435</u>	<u>5,024,764</u>
Assets held for gift annuities and trust agreements:		
Cash and cash equivalents	1,114,615	557,773
Exchange-traded funds	699,180	1,406,929
Municipal bonds	432,990	509,393
Mutual funds	8,949,042	9,932,408
	<u>11,195,827</u>	<u>12,406,503</u>
Assets held for endowment fund:		
Cash and cash equivalents	45,645	44,712
Exchange-traded funds	91,487	92,126
Mutual funds	889,380	1,037,301
	<u>1,026,512</u>	<u>1,174,139</u>
	<u>\$ 17,380,774</u>	<u>\$ 18,605,406</u>
Investment income (loss) consists of:		
	Years Ending December 31,	
	2022	2021
Realized and unrealized losses	\$ (519,609)	\$ (89,054)
Interest and dividends	625,877	464,403
Change in captive insurance arrangements	68,457	294,281
	<u>174,725</u>	<u>669,630</u>
Change in value of split interest agreements	<u>(1,573,119)</u>	<u>573,703</u>
	<u>\$ (1,398,394)</u>	<u>\$ 1,243,333</u>

MISSION AVIATION FELLOWSHIP AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

4. NOTES RECEIVABLE:

Notes receivable consist of:

	December 31,	
	2022	2021
Unsecured note receivable to a related party affiliate for a documentary production. The note is expected to be collected in full.	\$ 136,000	\$ 136,000
Unsecured note receivable with 0% interest, collected upon the completion of the sale of Salem Farms of Beaufort, LLC during the year ended December 31, 2022.	-	149,713
Unsecured note receivable to a related party affiliate, with monthly principal payments of \$2,500, with 0% interest. Paid in full during the year ended December 31, 2022.	-	110,000
Various unsecured notes receivable to individuals, varying from \$2,500 to approximately \$20,000. Paid in full during the year ended December 31, 2022.	-	42,238
	136,000	437,951
Less: current portion	-	(71,238)
Notes receivable–net of current portion	\$ 136,000	\$ 366,713

Future anticipated collections are stipulated from distributable cash prior to distributions of net profits to the parties as stipulated in the Film Documentary Production Agreement

MISSION AVIATION FELLOWSHIP AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

5. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The following table reflects MAF's financial assets reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year; held in trust; held in perpetual endowments and the accumulated earnings thereof, net of appropriations within one year; subject to donor purpose or time restrictions, net of spending pursuant to the restrictions within one year; or because funds are set aside for assets held for gift annuities and trusts.

	December 31,	
	2022	2021
Financial assets:		
Cash and cash equivalents	\$ 21,876,631	\$ 19,130,016
Accounts receivable	2,646,616	1,478,501
Notes receivable	136,000	437,951
Cash restricted for long-term purposes	2,805,698	4,536,491
Investments	5,158,435	5,024,764
Assets held for gift annuities and trusts	11,195,827	12,406,503
Assets held for endowment fund	1,026,512	1,174,139
Financial assets, year-end:	<u>44,845,719</u>	<u>44,188,365</u>
Less those unavailable for general expenditure within one year, due to:		
Cash restricted for long-term purposes	(2,805,698)	(4,536,491)
Investments held in captive insurance arrangements	(2,451,844)	(2,383,387)
State reserve requirements for assets held for gift annuities	(2,106,713)	(2,139,450)
Notes receivable	(136,000)	(366,713)
Assets held for trusts	(6,918,292)	(7,437,419)
Assets held for endowment fund	(970,979)	(1,117,801)
	<u>(15,389,526)</u>	<u>(17,981,261)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 29,456,193</u>	<u>\$ 26,207,104</u>

MAF is substantially supported by contributions without donor restrictions. MAF structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Operating cash in excess of daily requirements is invested in short-term low-risk investments. In the event of an extraordinary liquidity need beyond the combined capacity of the aforementioned reserves, MAF may also draw upon its \$1,450,000 available line of credit, the current balance of which is zero (Note 18).

MISSION AVIATION FELLOWSHIP AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

6. SUPPLIES AND INVENTORY:

Supplies and inventory consists of:

	December 31,	
	2022	2021
Aircraft parts, engine cores, and other items	\$ 5,029,252	\$ 5,082,590
Shipping costs	818,843	853,756
Aircraft fuel	286,918	172,507
Radio equipment	65,436	68,184
Other	232,249	224,534
	6,432,698	6,401,571
Reserve for obsolescence	(589,518)	(347,325)
	<u>\$ 5,843,180</u>	<u>\$ 6,054,246</u>

7. OPERATING LEASES—RIGHT-OF-USE ASSETS AND OBLIGATIONS:

MAF leases equipment, office and various other rental space under multiple noncancelable operating leases expiring at various times through 2041. The discount rate represents the risk-free discount rate using a period comparable with that of the individual lease term as of adoption date. Leases require varying monthly and annual payments. Discount rates range from 0.50%.-3.50%.

	December 31, 2022
Operating lease right-of-use assets	\$ 784,932
Operating lease liabilities	\$ 666,558
Operating lease costs	\$ 244,914
Short-term lease costs	\$ 127,108
Weighted-average discount rate	1.76%
Weighted-average remaining lease term	7.83 years

MISSION AVIATION FELLOWSHIP AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

7. OPERATING LEASES—RIGHT-OF-USE ASSETS AND OBLIGATIONS, continued:

Future minimum lease payments required under the qualifying right-of-use operating leases are as follows:

<u>Year Ending December 31,</u>	
2023	\$ 251,346
2024	105,449
2025	67,993
2026	67,993
2027	21,372
Thereafter	<u>193,954</u>
	708,107
Less imputed interest	<u>(41,549)</u>
	<u><u>\$ 666,558</u></u>

8. FINANCING LEASE—RIGHT-OF-USE ASSETS AND OBLIGATIONS:

MAF leases equipment under two noncancelable finance leases expiring at various dates through 2025. The discount rate represents the risk-free discount rate using a period comparable with that of the individual lease terms. The leases require monthly payments totaling \$6,768 per month. The discount rate on these leases is 1.21%.

	<u>December 31, 2022</u>
Financing lease right-of-use assets	\$ 162,285
Financing lease liabilities	\$ 165,172
Lease costs:	
Amortization of assets	\$ 78,768
Interest on lease obligations	\$ 2,515
Weighted-average discount rate	1.21%
Weighted-average remaining lease term	2.06 years

MISSION AVIATION FELLOWSHIP AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

8. FINANCING LEASE–RIGHT-OF-USE ASSETS AND OBLIGATIONS, continued:

Future minimum lease payments required under the qualifying right-of-use operating leases are as follows:

<u>Year Ending December 31,</u>	
2023	\$ 81,214
2024	81,214
2025	4,898
	<u>167,326</u>
Less imputed interest	<u>(2,154)</u>
	<u><u>\$ 165,172</u></u>

9. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net consists of:

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
Land	\$ 2,707,812	\$ 2,147,812
Buildings and hangars	18,515,398	18,364,466
Aircraft	39,450,298	37,432,100
Equipment	5,447,773	4,252,158
Vehicles	2,765,495	2,573,970
Engines	10,596,453	10,435,330
	<u>79,483,229</u>	<u>75,205,836</u>
Less accumulated depreciation	<u>(29,188,312)</u>	<u>(27,676,635)</u>
	<u>50,294,917</u>	<u>47,529,201</u>
Construction in progress	<u>4,106,925</u>	<u>5,421,832</u>
	<u><u>\$ 54,401,842</u></u>	<u><u>\$ 52,951,033</u></u>

10. MEDICAL CLAIMS RESERVE:

MAF has a self-insured employee group medical plan. Insurance policies in force with insurance providers as of December 31, 2022 and 2021, limit MAF's liability to \$250,000 annually per insured. MAF records an accrual that represents its best estimate of claims and fees that were incurred but unpaid at the end of the year. This accrual was \$423,000 and \$389,000 as of December 31, 2022 and 2021, respectively, and is included in accrued expenses on the consolidated statements of financial position.

MISSION AVIATION FELLOWSHIP AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

11. GIFT ANNUITIES AND TRUST AGREEMENTS:

Change in value of gift annuities and trust agreements consists of:

	December 31,	
	2022	2021
Without donor restrictions:		
Interest and dividend income	\$ 212,296	\$ 326,042
Net realized and unrealized gains (losses)	(933,371)	232,268
Matured annuities	110,191	42,527
Actuarial change	83,324	131,738
Annuitant payments	(279,452)	(291,113)
Administrative expenses	(26,021)	(28,394)
Total Change in Value Without Donor Restrictions	<u>\$ (833,033)</u>	<u>\$ 413,068</u>
With donor restrictions:		
Interest and dividend income	\$ 393,983	\$ 120,194
Net realized and unrealized gains (losses)	(1,590,684)	224,802
Matured trusts	-	345,863
Actuarial change	958,487	(150,460)
Trustor payments	(457,307)	(337,742)
Administrative expenses	(44,565)	(42,022)
Total Change in Value With Donor Restrictions	<u>\$ (740,086)</u>	<u>\$ 160,635</u>
Less: Intercompany trust payments made from the Foundation to MAF (eliminated on the consolidated financial statements)	<u>-</u>	<u>(314,546)</u>
Total Change in Value With Donor Restricted as Reported within the Consolidating Schedules	<u>\$ (740,086)</u>	<u>\$ (153,911)</u>

12. PAYCHECK PROTECTION PROGRAM LOAN:

In April 2020, MAF obtained a Paycheck Protection Program (PPP) loan through the Coronavirus Aid, Relief, and Economic Security (CARES) Act in the amount of \$2,080,000. During the year ended December 31, 2021, MAF received notification from the Small Business Administration of full forgiveness of the PPP loan. The forgiveness is shown as gain on extinguishment of debt on the consolidated statements of activities.

MISSION AVIATION FELLOWSHIP AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

13. ACCRUED POST-RETIREMENT BENEFIT OBLIGATION:

MAF established a defined benefit pension plan (the Plan) covering eligible employees who chose to participate. The benefits are based on years of service and the employee's highest average compensation. The funding policy is to review the Plan's status annually and to fund payments from the Plan on a pay-as-you-go basis, therefore there are no segregated assets of the Plan. The Plan was frozen effective September 30, 2009. The following table sets forth the Plan's funded status and amounts recognized in MAF's consolidated statements of financial position as of December 31, 2022 and 2021, in accordance with the Accounting Standards Codification topic of Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans:

	December 31,	
	2022	2021
Funded Status:		
Retirees	\$ (2,955,766)	\$ (3,137,467)
Fully eligible active plan participants	<u>(1,362,084)</u>	<u>(1,391,177)</u>
Funded Status	<u>\$ (4,317,850)</u>	<u>\$ (4,528,644)</u>
Change in Benefit Obligation:		
Benefit obligation at beginning of year	\$ 4,528,644	\$ 4,691,830
Interest cost	128,160	138,691
Actuarial gain	(257,562)	(232,043)
Benefits paid	<u>(81,392)</u>	<u>(69,834)</u>
Unfunded Benefit Obligation at End of Year	<u>\$ 4,317,850</u>	<u>\$ 4,528,644</u>

MISSION AVIATION FELLOWSHIP AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

13. ACCRUED POST-RETIREMENT BENEFIT OBLIGATION, continued:

	December 31,	
	2022	2021
Net Periodic Benefit Cost:		
Interest cost	\$ 128,160	\$ 138,691
Amortization of net loss from earlier periods	60,875	34,565
Amortization of unrecognized prior service cost	(74,043)	(74,043)
Net Periodic Benefit Cost	<u>\$ 114,992</u>	<u>\$ 99,213</u>
Items not yet recognized as a component of Net Periodic Benefit Cost		
Unrecognized prior service cost (credit)	\$ (351,700)	\$ (425,743)
Unrecognized net loss	<u>1,000,742</u>	<u>1,061,617</u>
Total	<u>\$ 649,042</u>	<u>\$ 635,874</u>

Weighted-average assumptions and methods disclosures include:

Discount rate—postretirement benefit obligation	2.83%	2.83%
General inflation—postretirement benefit obligation	0.83%	0.83%
Discount rate—net periodic benefit cost	3.20%	3.20%
General inflation—net periodic benefit cost	1.20%	1.20%

The following benefit payments, which reflect expected future service, are expected to be paid:

<u>Year Ending December 31,</u>	
2023	\$ 345,000
2024	348,000
2025	347,000
2026	342,000
2027	335,000
Thereafter	<u>2,600,850</u>
	<u>\$ 4,317,850</u>

MISSION AVIATION FELLOWSHIP AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

14. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consists of:

	December 31,	
	2022	2021
Restricted by purpose or time:		
Trust agreements	\$ 3,110,110	\$ 3,238,667
Africa projects	2,412,251	838,148
Headquarter projects	2,360,397	2,320,108
Plane fund projects	640,841	2,793,369
Asia projects	349,295	613,383
Eurasia projects	333,143	1,269,954
Endowment fund earnings	82,523	230,150
Latin America projects	54,015	159,024
	<u>9,342,575</u>	<u>11,462,803</u>
Restricted in perpetuity:		
General	129,317	129,317
Scholarships	814,672	814,672
	<u>943,989</u>	<u>943,989</u>
	<u>\$ 10,286,564</u>	<u>\$ 12,406,792</u>

MISSION AVIATION FELLOWSHIP AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

15. ASSETS HELD FOR ENDOWMENT FUND:

Changes in assets held for endowment fund for the year ended December 31, 2022, consist of:

	Accumulated Gains	Original Gift Amount	Total
Endowment net assets, beginning of year	\$ 230,150	\$ 943,989	\$ 1,174,139
Dividend and interest income	50,741	-	50,741
Net realized and unrealized losses	(198,368)	-	(198,368)
Endowment net assets, end of year	<u>\$ 82,523</u>	<u>\$ 943,989</u>	<u>\$ 1,026,512</u>

Changes in assets held for endowment fund for the year ended December 31, 2021, consist of:

	Accumulated Gains	Original Gift Amount	Total
Endowment net assets, beginning of year	\$ 187,360	\$ 943,989	\$ 1,131,349
Dividend and interest income	19,598	-	19,598
Net realized and unrealized gains	76,582	-	76,582
Appropriations for expenditure	(53,390)	-	(53,390)
Endowment net assets, end of year	<u>\$ 230,150</u>	<u>\$ 943,989</u>	<u>\$ 1,174,139</u>

16. FAIR VALUE MEASUREMENTS:

MAF uses appropriate valuation techniques to determine fair value based on inputs available. When possible, MAF measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs were not used during the years ended December 31, 2022 and 2021.

· *Level 1* - Fair values for mutual funds and exchange-traded funds are determined by reference to quoted market prices and other relevant information generated by market transactions.

· *Level 2* - Fair values for municipal bonds and fixed income securities for which quoted market prices are not available are valued based on yields currently available on comparable securities of issuers within similar credit ratings.

MISSION AVIATION FELLOWSHIP AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

16. FAIR VALUE MEASUREMENTS, continued:

The following tables displays the fair value of investments and assets under gift annuities, trusts, and endowment fund measured on a recurring basis as of December 31, 2022 and 2021.

		Fair Value Measurements Using:	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
	December 31, 2022		
Investments and assets under gift annuities, trusts, and endowment fund held at fair value:			
Exchange-traded funds	\$ 2,597,939	\$ 2,597,939	\$ -
Municipal bonds	432,990	-	432,990
Fixed income securities	69,851	-	69,851
Mutual funds	9,888,524	9,888,524	-
	<u>\$ 12,989,304</u>	<u>\$ 12,486,463</u>	<u>\$ 502,841</u>
Investments and assets under gift annuities, trusts, and endowment fund held at other than fair value:			
Cash and cash equivalents	1,280,053		
Cash surrender value	659,573		
Captive insurance arrangements	2,451,844		
	<u>\$ 17,380,774</u>		

MISSION AVIATION FELLOWSHIP AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

16. FAIR VALUE MEASUREMENTS, continued:

	December 31, 2021	Fair Value Measurements Using:	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments and assets under gift annuities, trusts, and endowment fund held at fair value:			
Exchange-traded funds	\$ 3,358,519	\$ 3,358,519	\$ -
Municipal bonds	509,393	-	509,393
Mutual funds	10,969,709	10,969,709	-
	<u>\$ 14,837,621</u>	<u>\$ 14,328,228</u>	<u>\$ 509,393</u>
Investments and assets under gift annuities, trusts, and endowment fund held at other than fair value:			
Cash and cash equivalents	741,172		
Cash surrender value	643,226		
Captive insurance arrangements	<u>2,383,387</u>		
	<u>\$ 18,605,406</u>		

17. INVESTMENT IN CAPTIVE INSURANCE COMPANIES:

MAF and ten other not-for-profit organizations are members of two offshore captive insurance holding companies, Lucent Insurance, Ltd. (Lucent) and Lucent Reinsurance, Ltd. (LucentRe). MAF accounts for its investment in these captives based on the equity method of accounting.

Lucent insures claims related to domestic and foreign workers' compensation. Lucent reinsures the first \$250,000 of any claim. LucentRe insures the following \$100,000 of any claim related to domestic workers' compensation.

Included within investments is \$2,451,844 and \$2,383,387 which represents MAF's investment in the captives as of December 31, 2022 and 2021, respectively, representing a 16.8% and 14.9% interest in Lucent. Investment balances are measured as of November 30, 2022 and 2021, which represents the most recent information available. MAF is not aware of any material changes to these balances as of December 31, 2022 and 2021. MAF paid approximately \$580,000 and \$484,000 in premiums to the captive during the year ended December 31, 2022 and 2021, respectively.

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Notes to Consolidated Financial Statements

December 31, 2022 and 2021

17. INVESTMENT IN CAPTIVE INSURANCE COMPANIES, continued:

Summary financial information of Lucent as of November 30, 2022 and 2021* is as follows:

	November 30	
	2022	2021
Total assets	\$ 23,112,000	\$ 23,544,000
Total liabilities	\$ 8,589,000	\$ 7,569,000
Comprehensive income (loss), net of dividends	\$ (698,000)	\$ 3,258,000

*Amounts represent unaudited balances and activities through the year ended November 30, 2022 and 2021.

18. LINE OF CREDIT:

MAF has a revolving line of credit held by a financial institution in the amount of \$1,450,000, with monthly interest payments due, calculated at a variable interest rate (effective rate of 7.5% as of December 31, 2022). MAF had no outstanding balance on the line of credit as of December 31, 2022 and 2021.

19. RELATED PARTY TRANSACTIONS:

MAF has affiliate agreements with international organizations that operate using a similar name. These organizations are not controlled by MAF nor consolidated within MAF's consolidated financial statements. During the years ended December 31, 2022 and 2021, MAF received approximately \$1,038,000 and \$970,000 from and granted approximately \$1,405,000 and \$1,580,000 to related party affiliate organizations, respectively. Amounts received are included within contributions on the consolidated statements of activities and amounts granted are included with grants and scholarships expense on the consolidated statements of functional expenses, respectively. Additionally, accounts receivable from related party affiliate organizations totaled approximately \$227,000 and \$101,000 as of December 31, 2022 and 2021, respectively. These amounts are included within accounts receivable on the consolidated statements of financial position.

MAF also receives contributed services from the above-mentioned affiliate organizations. Amounts received totaled approximately \$2,175,000 and \$1,370,000 during the years ended December 31, 2022 and 2021, respectively. Amounts received are included within contributed services on the consolidated statements of activities and salaries and benefits expense on the consolidated statements of functional expenses, respectively.

MAF also holds notes receivable with affiliated organizations (Note 4). The notes receivable totaled \$136,000 and \$246,000 as of December 31, 2022 and 2021, respectively.

MISSION AVIATION FELLOWSHIP AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

20. JOINT COSTS:

MAF incurs joint costs for furloughing employees. These expenses have been allocated as follows:

	December 31,	
	2022	2021
Program activities	\$ 469,779	\$ 443,469
Supporting activities:		
Fund-raising	169,433	193,160
	<u>\$ 639,212</u>	<u>\$ 636,629</u>

21. RETIREMENT PLAN:

MAF has a defined contribution plan covering substantially all salaried and hourly United States citizen employees. MAF matches employee contributions up to 5% of eligible compensation. MAF's contributions to the plan for the years ended December 31, 2022 and 2021 were approximately \$908,000 and \$840,000, respectively.

22. SUBSEQUENT EVENTS:

In the spring of 2023, the board of directors voted to accept Alas de Socorro del Ecuador (ADSE), a former MAF flight program, back into MAF. Subsequent to this decision, MAF assumed control of Alas de Socorro del Ecuador (ADSE). The financial activity of ADSE will be incorporated into the 2023 consolidated financial statements.

Subsequent events were evaluated through September 14, 2023, which is the date the consolidated financial statements were available to be issued.