

# IRVINE PRESBYTERIAN CHURCH INCORPORATED

## FINANCIAL STATEMENTS

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December 31, 2022  
(With Comparative Information for 2021)

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## **INDEPENDENT AUDITORS' REPORT**

To the Session of  
Irvine Presbyterian Church Incorporated  
Irvine, California

### **Opinion**

We have audited the accompanying financial statements of Irvine Presbyterian Church Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Irvine Presbyterian Church Inc. (the Church) as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Church and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

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

## **Auditors' 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 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **Report on Summarized Comparative Information**

We have previously audited the Church's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 14, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Long Beach, California  
September 12, 2023

**IRVINE PRESBYTERIAN CHURCH INCORPORATED**

**STATEMENT OF FINANCIAL POSITION**

**ASSETS**

	<b>December 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 579,814	\$ 561,606
Investments	58,599	76,719
Employee Retention Credit receivable	-	481,009
Land, building, and equipment, net	<u>4,267,488</u>	<u>4,058,806</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 4,905,901</u></b>	<b><u>\$ 5,178,140</u></b>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>		
Accounts payable	\$ 1,443,241	\$ 721,427
Accrued expenses	229,641	377,752
Deferred revenue	73,818	67,709
Notes payable	<u>1,586,688</u>	<u>1,664,897</u>
	<u>3,333,388</u>	<u>2,831,785</u>
<b>NET ASSETS</b>		
Without donor restrictions	1,539,434	2,202,616
With donor restrictions	<u>33,079</u>	<u>143,739</u>
	<u>1,572,513</u>	<u>2,346,355</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 4,905,901</u></b>	<b><u>\$ 5,178,140</u></b>

See Independent Auditors' Report

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

**IRVINE PRESBYTERIAN CHURCH INCORPORATED**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
WITH COMPARATIVE TOTALS FOR 2021**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	
			<b>2022</b>	<b>2021</b>
<b>REVENUE AND SUPPORT</b>				
Pledges and contributions	\$ 1,497,349	\$ 45,068	\$ 1,542,417	\$ 1,963,699
Tuition	1,608,011	-	1,608,011	1,594,585
Rental income	790,524	-	790,524	811,504
Employee Retention Credit income	3,054	-	3,054	481,009
Other income	153,160	-	153,160	141,232
Net assets released from restrictions	155,728	(155,728)	-	-
Total Revenue and Support	4,207,826	(110,660)	4,097,166	4,992,029
<b>EXPENSES</b>				
Program services	3,349,643	-	3,349,643	3,385,136
General and administrative	756,175	-	756,175	451,529
Facilities	765,190	-	765,190	1,151,066
Total Expenses	4,871,008	-	4,871,008	4,987,731
<b>CHANGE IN NET ASSETS</b>	(663,182)	(110,660)	(773,842)	4,298
<b>NET ASSETS AT BEGINNING OF YEAR</b>	2,202,616	143,739	2,346,355	2,342,057
<b>NET ASSETS AT END OF YEAR</b>	\$ 1,539,434	\$ 33,079	\$ 1,572,513	\$ 2,346,355

See Independent Auditors' Report

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

**IRVINE PRESBYTERIAN CHURCH INCORPORATED**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
WITH COMPARATIVE TOTALS FOR 2021**

	<u>Program Services</u>					<u>Totals</u>	
	Jenny Hart			General and Admin.	Facilities	2022	2021
	Early Education Center	Ministry Programs	Total Program Services				
<b>PERSONNEL EXPENSES</b>							
Salaries and wages	\$ 941,211	\$ 622,697	\$ 1,563,908	\$ 328,802	\$ 112,612	\$ 2,005,322	\$ 1,975,247
Payroll taxes	51,767	14,601	66,368	22,536	8,554	97,458	118,321
Health insurance	74,130	99,248	173,378	78,997	12,172	264,547	213,665
Benefits	21,683	60,905	82,588	-	-	82,588	70,584
Total personnel expenses	<u>1,088,791</u>	<u>797,451</u>	<u>1,886,242</u>	<u>430,335</u>	<u>133,338</u>	<u>2,449,915</u>	<u>2,377,817</u>
<b>OPERATIONAL EXPENSES</b>							
Advertising	-	-	-	618	-	618	9,312
Depreciation and amortization	7,979	149,063	157,042	2,081	346,413	505,536	470,368
Equipment	-	-	-	5,531	3,372	8,903	28,138
Fees and dues	1,248	56,565	57,813	20,309	2,174	80,296	86,822
Insurance	-	-	-	500	65,546	66,046	67,601
Interest	-	61,695	61,695	-	-	61,695	76,367
Missions	-	252,112	252,112	2,580	380	255,072	500,469
Printing and postage	-	2,521	2,521	5,163	-	7,684	9,952
Professional services - music	-	396,759	396,759	-	-	396,759	378,242
Professional services - operations	62,016	1,650	63,666	32,356	39,038	135,060	140,354
Repairs and maintenance	1,264	-	1,264	16	76,427	77,707	78,629
Rent	140,046	102,572	242,618	55,352	17,151	315,121	313,910
Scholarships	3,478	1,762	5,240	2,000	-	7,240	7,417
Service contracts	-	-	-	105,741	23,706	129,447	121,123
Special events	8,877	7,124	16,001	3,993	25,352	45,346	57,625
Supplies	60,430	35,220	95,650	64,245	22,007	181,902	150,969
Taxes	-	-	-	-	2,521	2,521	1,600
Travel	-	573	573	191	-	764	1,452
Utilities	63,407	47,040	110,447	25,164	7,765	143,376	109,564
Total operational expenses	<u>348,745</u>	<u>1,114,656</u>	<u>1,463,401</u>	<u>325,840</u>	<u>631,852</u>	<u>2,421,093</u>	<u>2,609,914</u>
	<u>\$ 1,437,536</u>	<u>\$ 1,912,107</u>	<u>\$ 3,349,643</u>	<u>\$ 756,175</u>	<u>\$ 765,190</u>	<u>\$ 4,871,008</u>	<u>\$ 4,987,731</u>

See Independent Auditors' Report

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

**IRVINE PRESBYTERIAN CHURCH INCORPORATED**

**STATEMENT OF CASH FLOWS**

	<b>For the Year Ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (773,842)	\$ 4,298
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization expense	505,536	470,368
Employee Retention Credit receivable	481,009	(481,009)
Changes in operating assets and liabilities:		
Accounts payable	721,814	543,275
Accrued expenses	(148,111)	113,396
Agency funds held for others	-	-
Deferred revenue	6,109	13,182
Net Cash Provided By Operating Activities	<u>792,515</u>	<u>663,510</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from the sale (purchase) of investments	18,120	(76,719)
Purchase of property and equipment	<u>(712,200)</u>	<u>(253,865)</u>
Net Cash Used In Investing Activities	<u>(694,080)</u>	<u>(330,584)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal repayments on notes payable	<u>(80,227)</u>	<u>(167,608)</u>
Net Cash Used In Financing Activities	<u>(80,227)</u>	<u>(167,608)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	18,208	165,318
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>561,606</u>	<u>396,288</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 579,814</u>	<u>\$ 561,606</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for:		
Interest expense	<u>\$ 61,695</u>	<u>\$ 76,366</u>

See Independent Auditors' Report

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



# IRVINE PRESBYTERIAN CHURCH INCORPORATED

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022

### **NOTE 1 – Nature of Organization**

Irvine Presbyterian Church Incorporated (the Church), an affiliate of The Presbyterian Church (USA) located in Irvine, California, is a non-profit corporation organized in California. The Church does business with the public as Shepherd's Grove Presbyterian Church. The Church also operates a preschool and kindergarten under the name Jenny Hart Early Education Center (the JHEEC).

### **NOTE 2 – Summary of Significant Accounting Policies**

#### ***Basis of Accounting***

The financial statements of the Church have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The following significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

#### ***Financial Statement Presentation***

The Church reports information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions. Net assets and revenues are classified based on the existence or absence of donor-imposed restrictions.

*Without Donor Restrictions* – Net assets that are not subject to donor-imposed restrictions.

*With Donor Restrictions* – Net assets subject to donor-imposed stipulations that may be temporary in nature to be met by the actions of the Church or the passage of time; or perpetual in nature, where the donor stipulates that the corpus be maintained intact in perpetuity. As the restrictions are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statement of activities as net assets released from restrictions.

#### ***Use of Estimates and Assumptions***

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

**IRVINE PRESBYTERIAN CHURCH INCORPORATED**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 2 – Summary of Significant Accounting Policies (Continued)**

***Prior-Period Information***

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Church's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

***Contributions***

All contributions are considered to be available for use without restriction unless specifically restricted by the donor. Contributions received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. When a donor's stipulated time restriction ends or purpose restriction is accomplished, restricted net assets are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions, including endowment gifts and pledges, are recognized as support in the period received or pledged. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. Contributions are included in donations and collections in the accompanying statement of activities.

***Contributed Services***

A substantial number of volunteers make significant contributions of their time in the furtherance of the Church's purpose. The value of this contributed time is not reflected in the accompanying financial statements, as it does not meet the recognition criteria under generally accepted accounting principles for contributed services.

***Tuition Revenue***

Student tuition and fees are recorded as revenue during the year the related academic services are rendered. Student tuition and fees received in advance of services to be rendered are recorded as deferred revenue.

**IRVINE PRESBYTERIAN CHURCH INCORPORATED**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 2 – Summary of Significant Accounting Policies (Continued)**

***Cash and Cash Equivalents***

Cash consists of cash on hand, in banks, and in money market accounts. The Church considers all highly liquid investments with maturities of 90 days or less to be cash equivalents. The Church maintains its cash accounts at various financial institutions.

The Church maintains its cash in financial institutions which, at times, may exceed federally insured limits. Historically, the Church has not experienced any losses in such accounts.

***Investments***

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Realized gains and losses are computed as the difference between historical cost and sales proceeds. Unrealized gains and losses are the change in the spread between historical cost and fair value during the year. Unrealized gains and losses are included in the change in net assets.

***Land, Building, and Equipment***

Land, building, and equipment are stated at cost, with the exception of donated equipment, which is recorded at fair market value on the date received. Depreciation has been provided using the straight-line method over the estimated useful lives of the assets, which range from three to ten years. Expenditures for repairs and maintenance are expensed as incurred.

***Impairment of Long-Lived Assets***

The Church's long-lived assets include land, building, and equipment. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the expected future cash flows from the use of the asset and its eventual disposition are less than the carrying amount of the asset, an impairment loss is recognized and measured using the fair value of the related asset. As of December 31, 2022, management did not identify any material impairment of the Church's long-lived assets.

**IRVINE PRESBYTERIAN CHURCH INCORPORATED**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 2 – Summary of Significant Accounting Policies (Continued)**

***Allocation of Expenses***

Expenses that can be identified with a specific program or supporting service are charged directly to the program or supporting service. Expenses which apply to more than one functional category have been allocated based on estimates made by management based on time and effort.

***Income Tax Status***

The Church is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code.

The Church recognizes the financial statement benefit of tax positions, such as its position of being tax-exempt, only after determining that the relevant tax authority would more likely than not sustain the position following an audit. The Church is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal and state purposes is generally three and four years, respectively.

***Recently Adopted Accounting Pronouncements***

In September 2020, the Financial Accounting Standards Board issued Accounting Standards Update 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit to present contributed nonfinancial assets as a separate line item in the statement of activities, disaggregate the amount of contributed nonfinancial assets by category that depicts the type of nonfinancial assets, and provide additional information related to the monetization, utilization, and valuation of the contributed nonfinancial assets. The Church adopted the standard during the year ended December 31, 2022.

***Reclassifications***

Certain amounts in the 2021 comparative totals have been reclassified to conform with the 2022 reporting format.

***Subsequent Events***

In preparing these financial statements, the Church's management has evaluated subsequent events and transactions for potential recognition or disclosure through September 12, 2023, the date the financial statements were available to be issued.

**IRVINE PRESBYTERIAN CHURCH INCORPORATED**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 3 – Liquidity**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Financial assets:		
Cash and cash equivalents	\$	579,814
Investments		58,599
Less amounts unavailable for general expenditure within one year due to:		
Agency funds held for others		(46,450)
Restricted by donor for purpose		<u>(33,079)</u>
	\$	<u>558,884</u>

The Church maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**NOTE 4 – Land, Building, and Equipment**

Land, building, and equipment consists of the following at December 31, 2022:

Land	\$	178,000
Furniture and equipment		1,862,755
Buildings and fixtures		10,545,276
Projects in process		<u>133,806</u>
		12,719,837
Accumulated depreciation		<u>(8,452,349)</u>
	\$	<u>4,267,488</u>

Depreciation expense was \$505,599 for the year ended December 31, 2022.

**IRVINE PRESBYTERIAN CHURCH INCORPORATED**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 5 – Notes Payable**

The Church entered into a \$2,000,000 term loan agreement, dated October 31, 2012, with Farmers & Merchants Bank (the Bank). The loan was payable in 120 monthly principal and interest payments of \$12,181, bore interest at 4.0%, was secured by a deed of trust, and matured on November 1, 2022.

The Church also entered into a term loan for \$585,000 on March 7, 2019, with the Bank. The loan was payable in 43 monthly principal and interest payments of \$8,390, bore interest at 5.25%, was secured by the property in Irvine, California, and matured on November 1, 2022.

In May 2022, the Church entered into a loan agreement with The Presbyterian Church (USA) Investment & Loan Program, Inc. (the Program) to refinance the above noted term loans. The agreement provides for an initial funding of \$1,586,688 to be disbursed upon closing in July 2022 and an additional amount not to exceed \$593,312 for renovations to the Church. The loan is payable in 60 monthly principal and interest payments of \$12,630 and bears interest at 3.488%, at which time the monthly payment and interest rate will be adjusted to the Program's then current base interest rate and will mature in July 2042. The agreement is secured by the property in Irvine, California and is guaranteed by Presbytery of Los Ranchos.

The Program loan agreement contains certain covenants and conditions. As of December 31, 2022, the Church was in compliance with the covenants and conditions.

As of December 31, 2022, the balance of the above Program loan totaled \$1,586,688.

**Year Ending  
December 31,**

2023	\$ 81,234
2024	100,644
2025	104,212
2026	107,906
2027	111,730
Thereafter	<u>1,080,962</u>
	<u>\$ 1,586,688</u>

**IRVINE PRESBYTERIAN CHURCH INCORPORATED**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 6 – Retirement Plan**

The Church is a member of the benefits plan of The Presbyterian Church (USA). Current dues paid by the Church to provide benefits under the pension plan are 11% of a member's pension participation basis, which includes the salaries and housing allowances paid to ordained personnel. The Church made total pension fund payments of \$29,152 during the year ended December 31, 2022. All ordained persons who are normally scheduled to work 20 hours or more a week in active service is eligible. Ordained personnel are automatically vested upon enrollment in the plan.

**NOTE 7 – Net Assets with Donor Restrictions**

Net assets with donor restrictions consisted of the following as of December 31, 2022:

**Donor Designation**

Building/Remodeling	\$ 3,676
Deacons	12,062
Donations	14,779
Stained glass memorial	<u>2,562</u>
	<u>\$ 33,079</u>

**NOTE 8 – Presbyterian Church (USA)**

In accordance with the deed of trust on the real property recorded May 25, 1982, the Church's property will automatically revert to Presbytery of Los Ranchos if the property ceases to be used as part of The Presbyterian Church (USA), unless the Church negotiates acceptable dismissal terms from the denomination relating to the property.

**IRVINE PRESBYTERIAN CHURCH INCORPORATED**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 9 – Rental Income**

The Church leases its Irvine, California property under a 120-month non-cancelable lease extension expiring in April 2033 to Crystal Cathedral Ministries (Affiliate). The monthly lease rates range from \$55,000 at inception to \$60,000 at expiration. Under the terms of the agreement and the extension, the Affiliate is responsible to pay executory costs (real estate taxes, insurance, utilities, and maintenance)

For the year ended December 31, 2022, rental income totaled \$668,075.

At December 31, 2022, minimum annual rental income under noncancelable leases is receivable as follows:

<u>Year Ending December 31,</u>	
2023	\$ 640,400
2024	660,000
2025	660,000
2026	660,000
2027	660,000
Thereafter	<u>3,820,000</u>
	<u>\$ 7,100,400</u>

**NOTE 10 – Commitments and Contingencies**

***Shared Costs Allocation***

The Church is subject to a shared costs allocation agreement with its Affiliate whereby certain shared costs, including facilities rent, are reimbursed to the Affiliate. At December 31, 2022, amounts due to the Affiliate included in accounts payable in the accompanying statement of financial position is summarized as follows:

Balance, December 31, 2021	\$ 588,683
Shared costs allocation	1,216,837
Cash payments	<u>(404,322)</u>
Balance, December 31, 2022	<u>\$ 1,401,198</u>