

2022

OFFERING CIRCULAR



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Offering Circular

\$600,000,000 (See “The Offering” on page 16)

(The Solomon Foundation (“TSF”) may issue up to this amount of its investment obligations (the “Certificates”) during the 12-month period ending April 30, 2023.)

THESE SECURITIES MAY EITHER BE REGISTERED OR EXEMPT FROM REGISTRATION IN THE VARIOUS STATES OR JURISDICTIONS IN WHICH THEY ARE OFFERED OR SOLD BY THE ISSUER. THIS OFFERING CIRCULAR HAS BEEN FILED WITH THE SECURITIES ADMINISTRATORS IN SUCH STATES OR JURISDICTIONS THAT REQUIRE IT FOR REGISTRATION OR EXEMPTION.

THESE SECURITIES ARE ISSUED PURSUANT TO A CLAIM OF EXEMPTION FROM REGISTRATION UNDER SECTION 3(a)(4) OF THE FEDERAL SECURITIES ACT OF 1933. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION.

THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY, ADEQUACY, TRUTHFULNESS, OR COMPLETENESS OF THIS DOCUMENT AND HAVE NOT PASSED UPON THE MERIT OR VALUE OF THESE SECURITIES, OR APPROVED, DISAPPROVED OR ENDORSED THE OFFERING. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THIS OFFER IS SUBJECT TO CERTAIN RISK FACTORS DESCRIBED HEREIN BEGINNING ON PAGE 12.

The following Certificates are offered by TSF under the terms described in “Description of Certificates” beginning on page 26:

Demand Certificates (Foundation Investment) - A demand investment certificate with an interest rate that may be adjusted on a monthly basis and that permits additions of principal and partial withdrawals at any time without any penalty or service fee upon request (which may be required to be provided up to thirty (30) days in advance of any partial withdrawal). Minimum investment of \$2,500, except that if the Demand Certificate will be issued to the Investor as a custodian for a minor, then the minimum initial investment is \$250.

Time Certificates (Cornerstone Investment) - An investment certificate with an interest rate that remains fixed throughout its term, with available terms of any period from six (6) months to seven (7) years, as may be offered by TSF from time to time. Minimum investment of \$5,000, except that if the Time Certificate will be issued to the Investor as a custodian for a minor, then the minimum initial investment is \$500.

If a minimum investment of at least \$250,000 is maintained, a Demand Certificate or Time Certificate is also available as a “Negotiated Certificate (Keystone Investment)” which denotes a Demand Certificate or Time Certificate with a rate of interest that will be specially negotiated between the Investor and TSF and that is higher than the usual rates.

For current interest rates, please call TSF at 1.855.873.5873, or visit TSF’s Internet website, www.thesolomonfoundation.org.

Interest rates on all Certificates offered by TSF are established for each type and term according to a procedure set forth under “Description of Certificates” beginning on page 26. **TSF reserves the right to change the method by which interest is determined or the frequency with which interest is paid to the Investor or added to the Certificates. See “Description of Certificates.”**

NOTE: Investments offered by The Solomon Foundation are not bank deposits or obligations and are not insured by the Federal Deposit Insurance Corporation (“FDIC”), the Securities Investor Protection Corporation (“SIPC”) or any other federal or state agency.

This Offering Circular is dated May 1, 2022 and is to be used by Investors from May 1, 2022 through April 30, 2023.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE DISCLOSURES, MERITS AND RISKS INVOLVED.

The aggregate amount of the Certificates being offered may be sold in any one or more of the offered categories.

This offering is not underwritten, and no commission or discounts will be paid or provided by TSF in connection with the sale of Certificates. TSF will receive 100% of the proceeds from the sale of the Certificates. TSF will bear all expenses, including securities registration fees, printing, mailing, accounting fees and attorney's fees, incurred in this offering, which is estimated to be approximately \$185,000.

No sinking fund or trust indenture will be used by TSF in conjunction with the issuance of the Certificates. Investors must rely solely upon the financial condition of TSF for repayment of the Certificates. The Certificates are unsecured debts of TSF and are of equal priority with all other current indebtedness of TSF. TSF reserves the right to issue future obligations or obtain a line of credit secured by a first lien on its assets. TSF will not create, incur, or voluntarily permit any material lien upon any of its assets or otherwise incur material indebtedness having a prior claim to its assets or otherwise senior to the Certificates. The term "material," as used in this paragraph, shall mean an amount which exceeds ten percent (10%) of the tangible assets (total assets less intangible assets as defined by U.S. GAAP, as hereinafter defined) of TSF. The Certificates are non-negotiable and may be assigned only upon TSF's prior written consent.

THE CERTIFICATES ARE NOT SAVINGS OR DEPOSIT ACCOUNTS OR OTHER OBLIGATIONS OF A BANK AND ARE NOT INSURED BY THE FDIC, THE SIPC, ANY STATE BANK OR INSURANCE FUND OR ANY OTHER GOVERNMENTAL AGENCY. THE PAYMENT OF PRINCIPAL AND INTEREST TO AN INVESTOR IN THE CERTIFICATES IS DEPENDENT UPON TSF'S FINANCIAL CONDITION. ANY PROSPECTIVE INVESTOR IS ENTITLED TO REVIEW TSF'S FINANCIAL STATEMENTS, WHICH SHALL BE FURNISHED AT ANY TIME DURING BUSINESS HOURS UPON REQUEST. THE CERTIFICATES ARE NOT OBLIGATIONS OF, NOR GUARANTEED BY, ANY OTHER PERSON OR ENTITY EXCEPT FOR TSF.

THE OFFER AND SALE OF THE CERTIFICATES IS LIMITED TO: (i) PERSONS (INCLUDING ENTITIES OR ARRANGEMENTS CONTROLLED BY, OWNED BY, OR EXISTING FOR THE BENEFIT OF SUCH PERSONS) WHO, PRIOR TO RECEIPT OF THIS OFFERING CIRCULAR, ARE MEMBERS OF, CONTRIBUTORS TO, OR PARTICIPANTS IN TSF, INDEPENDENT CHRISTIAN CHURCHES, CHURCHES OF CHRIST, OR OTHER AUTONOMOUS CHURCHES OR CHURCH MINISTRIES ADHERING TO THE BELIEFS AND RELIGIOUS PRINCIPLES OF THE RESTORATION MOVEMENT CHRISTIAN CHURCHES AND CHURCHES OF CHRIST, OR IN ANY RELIGIOUS ORGANIZATION THAT HAS A PROGRAMMATIC RELATIONSHIP WITH ANY OF THE FOREGOING, (ii) INDEPENDENT CHRISTIAN CHURCHES, CHURCHES OF CHRIST, OR OTHER AUTONOMOUS CHURCHES OR CHURCH MINISTRIES ADHERING TO THE BELIEFS AND RELIGIOUS PRINCIPLES OF THE RESTORATION MOVEMENT CHRISTIAN CHURCHES AND CHURCHES OF CHRIST, OR ANY RELIGIOUS ORGANIZATION THAT HAS A PROGRAMMATIC RELATIONSHIP WITH ANY OF THE FOREGOING OR TSF, OR (iii) ANY ANCESTOR, DESCENDANT OR SUCCESSOR IN INTEREST OF PERSONS DESCRIBED IN (i) AND (ii) ABOVE WHEN SUCH ANCESTOR, DESCENDANT OR SUCCESSOR IN INTEREST WOULD ONLY BE RENEWING A CERTIFICATE RECEIVED FROM OR ATTRIBUTABLE TO A CERTIFICATE RECEIVED FROM SUCH A PERSON.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION IN CONNECTION WITH THIS OFFERING OTHER THAN THOSE CONTAINED IN THIS OFFERING CIRCULAR AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED ON AS HAVING BEEN MADE OR AUTHORIZED BY TSF.

THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT WITH TSF'S WRITTEN CONSENT AND AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM.

INVESTORS ARE ENCOURAGED TO CONSIDER THE CONCEPT OF INVESTMENT DIVERSIFICATION WHEN DETERMINING THE AMOUNT OF CERTIFICATES THAT WOULD BE APPROPRIATE FOR THEM IN RELATION TO THEIR OVERALL INVESTMENT PORTFOLIO AND PERSONAL FINANCIAL NEEDS.

THE FOREGOING STATEMENTS AND CERTAIN OTHER PORTIONS OF THIS OFFERING CIRCULAR ARE USED BECAUSE STATE LAW REQUIRES SUCH OF ALL ISSUERS OF SECURITIES, AND THE LANGUAGE USED IS GENERALLY SIMILAR TO THAT USED BY ALL ISSUERS.

STATE SPECIFIC INFORMATION

The following disclosures are required to be provided to residents of the following states:

Alabama

THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION FROM REGISTRATION UNDER SECTION 8-6-10(8) OF THE ALABAMA SECURITIES ACT AND SECTION 3(a)(4) OF THE SECURITIES ACT OF 1933. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE ALABAMA SECURITIES COMMISSION OR WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION. NEITHER THE ALABAMA SECURITIES COMMISSION NOR THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION HAS PASSED UPON THE VALUE OF THESE SECURITIES, MADE ANY RECOMMENDATIONS AS TO THEIR PURCHASE, APPROVED OR DISAPPROVED THE OFFERING, OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

Arkansas

THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION FROM REGISTRATION UNDER ARK. CODE ANN. SECTION 23-42-503(a)(7) AND RULE 503.01(A)(7) OF THE RULES OF THE COMMISSIONER OF SECURITIES AND SECTION 3(a)(4) OF THE SECURITIES ACT OF 1933. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE ARKANSAS SECURITIES DEPARTMENT OR WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION. NEITHER THE DEPARTMENT NOR THE COMMISSIONER HAS PASSED UPON THE VALUE OF THESE SECURITIES, MADE ANY RECOMMENDATIONS AS TO THEIR PURCHASE, APPROVED OR DISAPPROVED THE OFFERING, OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

California

CERTIFICATES WILL BE REDEEMED AT MATURITY UNLESS THE INVESTOR NOTIFIES TSF, IN WRITING, PRIOR TO MATURITY THAT SUCH INVESTOR ELECTS TO REINVEST THE CERTIFICATE PROCEEDS. AT LEAST THIRTY (30) DAYS PRIOR TO MATURITY OF A TIME CERTIFICATE, TSF WILL SEND A WRITTEN NOTICE AND, UNLESS PREVIOUSLY FURNISHED, A NEW OFFERING CIRCULAR TO INVESTORS. THE NOTICE GIVEN BY TSF SHALL STATE THE MATURITY DATE OF THE TIME CERTIFICATE AND THAT, UNLESS WRITTEN NOTICE OF INTENTION TO REINVEST THE AMOUNT DUE UNDER THE TIME CERTIFICATE IS RECEIVED BY TSF WITHIN TWENTY (20) DAYS BEFORE OR AFTER THE MATURITY DATE, THE TIME CERTIFICATE SHALL CEASE TO EARN INTEREST AFTER THE MATURITY DATE. ANY REDEMPTION OR PAYMENT OF AN AMOUNT DUE UNDER A TIME CERTIFICATE WILL BE PAID IN FULL TO THE INVESTOR TO WHOM SUCH TIME CERTIFICATE WAS ISSUED AND WILL NOT BE PAID IN INSTALLMENTS OR WITH OTHER DEBT INSTRUMENTS, UNLESS THE INVESTOR EXPRESSLY ELECTS TO ROLLOVER THE TIME CERTIFICATE INTO A NEW TERM FOR THE SAME CERTIFICATE OR A NEW CERTIFICATE.

THE OFFERING OF SECURITIES DESCRIBED HEREIN IS AUTHORIZED BY A PERMIT GRANTED BY THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION OF THE STATE OF CALIFORNIA. THE DEPARTMENT DOES NOT RECOMMEND OR ENDORSE THE PURCHASE OF THESE SECURITIES NOR HAS THE DEPARTMENT PASSED UPON THE ADEQUACY OR ACCURACY OF THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR.

IT IS UNLAWFUL TO CONSUMMATE A SALE OR TRANSFER OF THESE SECURITIES, OR ANY INTEREST THEREIN, OR TO RECEIVE ANY CONSIDERATION THEREFOR, WITHOUT THE PRIOR WRITTEN CONSENT OF THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION OF THE STATE OF CALIFORNIA, EXCEPT AS PERMITTED IN THE COMMISSIONER'S RULES.

AUTOMATIC RENEWAL UPON MATURITY OF A CERTIFICATE, AS PROVIDED IN THIS OFFERING CIRCULAR, IS NOT AVAILABLE TO INVESTORS WHO ARE CALIFORNIA RESIDENTS. ALL CALIFORNIA INVESTORS WILL RECEIVE A MATURITY NOTICE AND A CURRENT OFFERING CIRCULAR WITHIN 30 DAYS OF EACH MATURITY DATE, AND CALIFORNIA INVESTORS WILL HAVE THE OPPORTUNITY TO NOTIFY TSF IF THEY INTEND TO RENEW THEIR INVESTMENTS. IF RENEWAL IS NOT REQUESTED, INVESTOR'S FUNDS WILL BE PROMPTLY RETURNED. RENEWALS CAN BE MADE ONLY IF TSF IS QUALIFIED TO MAKE SALES IN THE STATE OF CALIFORNIA.

TSF WILL NOT CREATE, INCUR, OR INVOLUNTARILY PERMIT ANY MATERIAL LIEN UPON ANY OF ITS ASSETS OR OTHERWISE INCUR MATERIAL INDEBTEDNESS HAVING A PRIOR CLAIM TO ITS ASSETS OR OTHERWISE SENIOR TO CERTIFICATES ISSUED TO CALIFORNIA INVESTORS, EXCEPT FOR (i) LIENS OR CHARGES FOR CURRENT TAXES, ASSESSMENTS OR OTHER GOVERNMENTAL CHARGES WHICH ARE NOT DELINQUENT OR WHICH REMAIN PAYABLE WITHOUT PENALTY OR THE VALIDITY OF WHICH ARE CONTESTED IN GOOD FAITH; (ii) LIENS MADE TO SECURE STATUTORY OBLIGATIONS, SURETY OR APPEAL BONDS, OR BONDS FOR THE RELEASE OF ATTACHMENTS OR FOR STAY OF EXECUTION; (iii) PURCHASE MONEY SECURITY INTERESTS FOR PROPERTY HEREAFTER ACQUIRED; OR (iv) JUDGMENT LIENS. FOR PURPOSES OF THIS COVENANT, THE TERM "MATERIAL" SHALL MEAN AN AMOUNT WHICH EQUALS OR EXCEEDS 10% OF THE TANGIBLE ASSETS OF TSF.

Florida

THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION FROM REGISTRATION UNDER CHAPTER 517.051(9), FLORIDA STATUTES. THE SOLOMON FOUNDATION IS REGISTERED WITH THE DEPARTMENT OF BANKING AND FINANCE AS AN ISSUER/DEALER. OFFERS AND SALES OF THESE SECURITIES WILL BE MADE ONLY THROUGH REPRESENTATIVES OF THE SOLOMON FOUNDATION REGISTERED WITH THE DEPARTMENT OF BANKING AND FINANCE AS ASSOCIATED PERSONS OF THE SOLOMON FOUNDATION.

Kentucky

THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION FROM REGISTRATION UNDER KRS 292.400(9) OF THE KENTUCKY SECURITIES ACT.

Louisiana

THESE SECURITIES HAVE BEEN REGISTERED WITH THE SECURITIES COMMISSIONER OF THE STATE OF LOUISIANA. THE SECURITIES COMMISSIONER, BY ACCEPTING REGISTRATION, DOES NOT IN ANY WAY ENDORSE OR RECOMMEND THE PURCHASE OF ANY OF THESE SECURITIES.

Michigan

A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS, CORPORATIONS, SECURITIES & COMMERCIAL LICENSING BUREAU ("CSCL"). NEITHER THE CSCL NOR THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION HAS PASSED UPON THE VALUE OF THESE SECURITIES, MADE ANY RECOMMENDATIONS AS TO THEIR PURCHASE, APPROVED OR DISAPPROVED THE OFFERING, OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

Missouri

THE MISSOURI SECURITIES DIVISION HAS NOT IN ANY WAY PASSED UPON THE MERITS OR QUALIFICATIONS OF THE SECURITIES HEREBY OFFERED, OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE MISSOURI SECURITIES ACT UNDER THE EXEMPTION PROVIDED BY SECTION 409.2-201(7)(B) OF THE REVISED STATUTES OF MISSOURI. NO APPROVAL HAS BEEN GIVEN TO THE ISSUER, THESE SECURITIES, OR THE OFFER OR SALE THEREOF IN CONNECTION TO ANY MISSOURI RESIDENTS.

Ohio

IN THE EVENT THE OHIO HOLDER OF A TIME CERTIFICATE INADVERTENTLY ALLOWS SUCH CERTIFICATE TO AUTOMATICALLY RENEW AT MATURITY, TSF WILL HONOR REQUESTS FROM THAT HOLDER TO REDEEM THE TIME CERTIFICATE AFTER AUTOMATIC RENEWAL.

Oklahoma

THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION FROM REGISTRATION UNDER SECTION 1-201.7 OF THE OKLAHOMA UNIFORM SECURITIES ACT AND SECTION 3(a)(4) OF THE SECURITIES ACT OF 1933. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE OKLAHOMA SECURITIES COMMISSION OR WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION. NEITHER THE OKLAHOMA SECURITIES COMMISSION NOR THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION HAS PASSED UPON THE VALUE OF THESE SECURITIES, MADE ANY RECOMMENDATIONS AS TO THEIR PURCHASE, APPROVED OR DISAPPROVED THE OFFERING, OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

Oregon

AUTOMATIC RENEWAL OF TIME CERTIFICATES, AS PROVIDED IN THIS OFFERING CIRCULAR, IS AVAILABLE TO OREGON RESIDENTS ONLY UNDER LIMITED CIRCUMSTANCES. IF WRITTEN DEMAND FOR PAYMENT IS NOT MADE BY THE INVESTOR AT MATURITY, THEN UNLESS THE INVESTOR NOTIFIES TSF, IN WRITING, PRIOR TO MATURITY THAT SUCH INVESTOR ELECTS TO ROLLOVER OR REINVEST THE CERTIFICATE PROCEEDS IN THE SAME OR A DIFFERENT CERTIFICATE FOR A LONGER TERM, SUCH MATURING CERTIFICATE MAY BE AUTOMATICALLY RENEWED ON THE DATE OF MATURITY AS A DEMAND CERTIFICATE, AT THE CURRENT INTEREST RATE THEN IN EFFECT FOR A DEMAND CERTIFICATE (WHICH MAY BE HIGHER OR LOWER THAN THE PREVIOUS RATE) AND UNDER THE TERMS DESCRIBED IN THE THEN CURRENT OFFERING CIRCULAR.

Pennsylvania

NOTICE OF RIGHT TO WITHDRAWAL: IF YOU HAVE ACCEPTED AN OFFER TO PURCHASE THESE SECURITIES MADE PURSUANT TO AN OFFERING CIRCULAR WHICH CONTAINS A WRITTEN NOTICE EXPLAINING YOUR RIGHT TO WITHDRAW YOUR ACCEPTANCE PURSUANT TO SECTION 207(m)(1) OF THE PENNSYLVANIA SECURITIES ACT OF 1972, YOU MAY ELECT, WITHIN TWO BUSINESS DAYS AFTER THE FIRST TIME YOU HAVE RECEIVED THIS NOTICE AND AN OFFERING CIRCULAR (WHICH IS NOT MATERIALLY DIFFERENT FROM THE FINAL OFFERING CIRCULAR) TO WITHDRAW FROM YOUR PURCHASE AGREEMENT AND RECEIVE A FULL REFUND OF ALL MONIES PAID BY YOU. YOUR WITHDRAWAL WILL BE WITHOUT ANY FURTHER LIABILITY TO ANY PERSON. TO ACCOMPLISH THIS WITHDRAWAL, YOU NEED ONLY SEND A WRITTEN NOTICE (INCLUDING A NOTICE BY FACSIMILE OR ELECTRONIC MAIL) TO THE ISSUER (OR UNDERWRITER IF ONE IS LISTED ON THE FRONT PAGE OF THE OFFERING CIRCULAR) INDICATING YOUR INTENTION TO WITHDRAW.

A REGISTRATION STATEMENT WITH RESPECT TO THE SECURITIES OFFERED BY THE OFFERING CIRCULAR HAS BEEN FILED IN THE OFFICES OF THE DEPARTMENT OF BANKING AND SECURITIES IN HARRISBURG, PENNSYLVANIA. THE REGISTRATION STATEMENT INCLUDES CERTAIN EXHIBITS ONLY SUMMARIZED OR ALLUDED TO IN THE OFFERING CIRCULAR. SUCH ADDITIONAL DOCUMENTS ARE AVAILABLE FOR

INSPECTION AT THE HARRISBURG OFFICE OF THE DEPARTMENT DURING REGULAR BUSINESS HOURS (ADDRESS: PENNSYLVANIA DEPARTMENT OF BANKING AND SECURITIES, 17 NORTH 2ND STREET, SUITE 1300, ATTN: CORPORATION FINANCE OFFICE, HARRISBURG, PA 17101; PHONE: 717-787-8061).

IT IS THE POSITION OF THE PENNSYLVANIA DEPARTMENT OF BANKING AND SECURITIES THAT INDEMNIFICATION BY TSF OF ITS OFFICERS, DIRECTORS, AGENTS AND EMPLOYEES IN CONNECTION WITH VIOLATIONS OF SECURITIES LAWS IS AGAINST PUBLIC POLICY AND VOID.

South Carolina

CERTIFICATES WHICH HAVE NO FIXED MATURITY AND ARE PAYABLE ON DEMAND ARE NOT AVAILABLE TO, AND ARE NOT BEING OFFERED AND WILL NOT BE ISSUED TO, RESIDENTS OF SOUTH CAROLINA. ONLY TIME CERTIFICATES WITH A FIXED MATURITY WILL BE OFFERED AND SOLD TO SOUTH CAROLINA RESIDENTS.

South Dakota

THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION FROM REGISTRATION UNDER SDCL 47-31B-201(7)(B) OF THE SOUTH DAKOTA SECURITIES ACT. NEITHER THE SOUTH DAKOTA DIVISION OF INSURANCE NOR THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION HAS PASSED UPON THE VALUE OF THESE SECURITIES, MADE ANY RECOMMENDATIONS AS TO THEIR PURCHASE, APPROVED OR DISAPPROVED THE OFFERING, OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

Tennessee

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISK OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

Washington

CERTIFICATES WILL BE REDEEMED AT MATURITY UNLESS THE INVESTOR NOTIFIES TSF, IN WRITING, PRIOR TO MATURITY THAT SUCH INVESTOR ELECTS TO REINVEST THE CERTIFICATE PROCEEDS. AT LEAST THIRTY (30) DAYS PRIOR TO MATURITY OF A TIME CERTIFICATE, TSF WILL SEND A WRITTEN NOTICE AND, UNLESS PREVIOUSLY FURNISHED, A NEW OFFERING CIRCULAR TO INVESTORS. THE NOTICE GIVEN BY TSF SHALL STATE THE MATURITY DATE OF THE TIME CERTIFICATE AND THAT, UNLESS WRITTEN NOTICE OF INTENTION TO REINVEST THE AMOUNT DUE UNDER THE TIME CERTIFICATE IS RECEIVED BY TSF WITHIN TWENTY (20) DAYS BEFORE OR AFTER THE MATURITY DATE, THE TIME CERTIFICATE SHALL CEASE TO EARN INTEREST AFTER THE MATURITY DATE. ANY REDEMPTION OR PAYMENT OF AN AMOUNT DUE UNDER A TIME CERTIFICATE WILL BE PAID IN FULL TO THE INVESTOR TO WHOM SUCH TIME CERTIFICATE WAS ISSUED AND WILL NOT BE PAID IN INSTALLMENTS OR WITH OTHER DEBT INSTRUMENTS, UNLESS THE INVESTOR EXPRESSLY ELECTS TO ROLLOVER THE TIME CERTIFICATE INTO A NEW TERM FOR THE SAME CERTIFICATE OR A NEW CERTIFICATE.

ANY PROSPECTIVE PURCHASER IS ENTITLED TO REVIEW FINANCIAL STATEMENTS OF THE ISSUER WHICH SHALL BE FURNISHED UPON REQUEST.

REGISTRATION OF THIS OFFERING WITH THE WASHINGTON ADMINISTRATOR OF SECURITIES DOES NOT SIGNIFY THAT THE ADMINISTRATOR OF SECURITIES HAS APPROVED OR RECOMMENDED THESE SECURITIES, NOR HAS THE ADMINISTRATOR PASSED UPON THE OFFERING. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE RETURN OF FUNDS OF THE PURCHASER IS DEPENDENT UPON THE FINANCIAL CONDITION OF THE ORGANIZATION.

FORWARD LOOKING STATEMENTS

Investment in the securities to be issued by TSF involves certain risks. Prospective Investors are encouraged to review all the materials contained in this Offering Circular and to consult their own attorneys and financial advisors.

This Offering Circular includes “forward-looking statements” within the meaning of the federal and state securities laws. Statements about TSF and its expected financial position, business and financing plans are forward-looking statements. Forward-looking statements can be identified by, among other things, the use of forward-looking terminology such as “believes,” “expects,” “may,” “will,” “should,” “seeks,” “pro forma,” “anticipates,” “intends,” “projects,” or other variations or comparable terminology, or by discussions of strategy or intentions. Forward-looking statements are necessarily dependent upon assumptions, estimates and data that may be incorrect or imprecise and involve known and unknown risks, uncertainties and other factors. Accordingly, prospective Investors should not consider TSF’s forward-looking statements as predictions of future events or circumstances. A number of factors could cause TSF’s actual results, performance, achievements or industry results to be materially different from any future results, performance or achievements expressed or implied by TSF’s forward-looking statements. These factors include, but are not limited to: changes in economic conditions in general and in TSF’s business; changes in prevailing interest rates and the availability of and terms of financing to fund TSF’s business; changes in TSF’s capital expenditure plans; and other factors discussed in this Offering Circular. Given these uncertainties, prospective Investors should not rely on TSF’s forward-looking statements in making an investment decision. TSF disclaims any obligation to update Investors on any factors that may affect the likelihood of realization of TSF’s expectations.

Prospective Investors should not place undue reliance on any forward-looking statements, which speak only as of the date made. Prospective Investors should understand that the factors discussed herein and under “**RISK FACTORS**” could affect TSF’s future results and performance. This could cause those results to differ materially from those expressed in the forward-looking statements.

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DEFINITIONS

The terms defined below apply to all portions of this Offering Circular except the Consolidated Financial Statements and the Notes to Consolidated Financial Statements, which must be read in the context of the terms separately defined therein.

Certificate – Term or demand unsecured debt obligation, issued by TSF and offered herein. For a further description of the terms of the Certificates, see “Description of Certificates.”

Demand Certificates – See “Description of Certificates.”

Eligible Ministries – Independent Christian Churches, Churches of Christ, or other autonomous churches or church ministries adhering to the beliefs and religious principles of the Restoration Movement Christian Churches and Churches of Christ, or in any religious organization that has a programmatic relationship with any of the foregoing (each such entity is individually referred to herein as an “Eligible Ministry”).

Invested Funds – Funds of TSF not immediately needed for operations or Loans and invested as further described in the “Financing and Operational Activities” and “Investing Activities” sections.

Investor (or Purchaser) – (i) a person (including entities or arrangements controlled by, owned by, or existing for the benefit of such a person) who purchases Certificates who, prior to the receipt of the Offering Circular, is a member of, contributor to, or participant in TSF, independent Christian Churches, Churches of Christ, or other autonomous churches or church ministries adhering to the beliefs and religious principles of the Restoration Movement Christian Churches and Churches of Christ, or in any religious organization that has a programmatic relationship with any of the foregoing, (ii) independent Christian Churches, Churches of Christ, or other autonomous churches or church ministries adhering to the beliefs and religious principles of the Restoration Movement Christian Churches and Churches of Christ, or any religious organization that has a programmatic relationship with any of the foregoing or TSF, or (iii) any ancestor, descendant or successor in interest of persons described in (i) or (ii) above when such ancestor, descendant or successor in interest would only be renewing a Certificate received from or attributable to a Certificate received from such a person.

Loan – A fixed or adjustable interest rate loan originated by TSF to an Eligible Ministry for Ministry Activities. See “Lending Activities.”

Ministry Activities – The acquisition of sites in conjunction with the construction of facilities or contiguous to an existing facility (including a church facility, schools and any other facilities operated by Eligible Ministries), construction of a new facility on a site already owned, renovation or expansion of existing facilities, and refinancing or consolidation of existing debt incurred for any of the preceding purposes for qualifying Eligible Ministries.

Offering Circular – This disclosure document prepared by TSF.

NASAA SOP – The North American Securities Administrators Association, Inc. Statement of Policy Regarding Church Extension Fund Securities adopted April 17, 1994, and amended April 18, 2004.

Purchaser – See “Investor.”

TSF – The Solomon Foundation, a Colorado nonprofit corporation.

U.S. GAAP – Generally Accepted Accounting Principles in the United States as established by the Financial Accounting Standards Board (FASB).

SUMMARY OF OFFERING

The following is a summary of TSF's offering and contains only selected information. This summary does not contain all of the information that a potential Investor should consider before investing. The information provided in this summary should be read in conjunction with the detailed information contained in this Offering Circular, including TSF's audited financial statements.

1. TSF may issue up to Six Hundred Million Dollars (\$600,000,000) of its Certificates during the 12-month period ending April 30, 2023. This amount may be issued in any one or more of the types of Certificates and may be issued throughout the fifty (50) states and the District of Columbia to the extent qualified for offer and sale in such jurisdictions.
2. TSF is a Colorado nonprofit corporation and is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended under Subtitle A thereof. It is a "public charity" under Section 509 of the Code, and is organized and operated exclusively for religious, educational, benevolent and charitable purposes.
3. TSF offers and sells Certificates to Investors to make funds available for Loans and Ministry Activities.
4. Certificates offered pursuant to this Offering Circular bear a fixed or variable rate of interest and have maturities ranging from six (6) months to seven (7) years, as may be offered by TSF from time to time (except in the case of Demand Certificates, which are demand obligations).
5. Interest payable on Certificates is taxable to the Investor, except when such Certificates are held in an IRA or other similar instrument, in the year in which such interest is paid or credited.
6. At maturity, unless the Investor elects to redeem a Certificate, such Certificate will automatically renew for a term equal to the prior term at the then-current interest rate for such Certificate.
7. TSF's Loan portfolio consists of Loans originated for Eligible Ministries. The ability of each borrower to repay its Loan generally depends upon the contributions received from its members. The number of members of each borrower and its revenue is likely to fluctuate. TSF must rely on the borrower's continued financial viability for repayment of Loans. If a borrower experiences a decrease in contributions or revenues, payments on that Loan may be adversely affected.
8. TSF will use the proceeds from the sale of its Certificates to carry on Ministry Activities by making Loans to Eligible Ministries and acquiring ministry properties for its gift/leaseback program. Any Certificate proceeds not used as described above will be invested pursuant to TSF's investment policies. Any such Invested Funds invested in readily marketable securities are subject to various market risks, which may result in losses if market values of investments decline.
9. Below is a summary of certain selected financial data with respect to TSF's operations as of December 31, 2021. This data has been compiled by management from TSF's audited financial statements, and it should be read in conjunction with the most recent audited financial statements of TSF, which begin on page 36. See "Selected Financial Data" for financial data from the last five (5) fiscal years.

| <u>Description of Selected Financial Data of TSF</u> | <u>12/31/2021</u> |
|---|-------------------|
| Cash and cash equivalents | \$113,884,649 |
| Loans, net | \$550,634,233 |
| Unsecured Loans receivable | \$4,309,167 |
| As a percentage of Loans, net | 0.78% |
| Loan delinquencies in excess of 90 days as a percentage of Loans, net | 0% |
| Investments | \$18,984,626 |
| Interest receivable | \$2,772,278 |
| Ministry properties, net | \$170,821,817 |
| Premises and equipment, net | \$20,908,192 |
| Total assets | \$885,996,856 |
| Line of credit payable | \$-0- |
| Debt securities payable to Investors | \$829,081,926 |
| Debt securities redemptions for the period then ended | \$107,747,275 |
| Total net assets | \$44,841,464 |
| Net assets without donor restrictions | \$44,534,659 |
| Net assets with donor restrictions | \$306,805 |

RISK FACTORS

1. **Unsecured and Uninsured General Obligations.** The Certificates are general obligations of The Solomon Foundation, a Colorado nonprofit corporation formed December 3, 2010. Investors are dependent solely upon the financial condition of TSF for repayment of principal and interest on the Certificates. The Certificates are unsecured and are not insured.

2. **No Sinking Fund or Trust Indenture.** No sinking fund or trust indenture has been or will be established. The absence of a sinking fund and trust indenture may adversely affect TSF's ability to repay principal and interest on the Certificates.

3. **Senior Secured Indebtedness.** The Certificates are subordinate in ranking and priority to TSF's secured line of credit described below and are of equal priority with all other current indebtedness of TSF. However, TSF reserves the right to issue future obligations, or obtain a line of credit, secured by a first lien on its assets in an amount not to exceed ten percent (10%) of the tangible assets of TSF (total assets less intangible assets as defined by U.S. GAAP). TSF has a \$60,000,000 secured line of credit and, as of December 31, 2021, TSF had \$46,785,000 available under such line of credit. TSF can add additional collateral to have up to \$60,000,000 available on the line of credit. TSF's line of credit is secured by two properties: its headquarters located in Parker, Colorado and a ministry property located in West Hills, California, as well as approximately \$34,387,000 of Loans receivable. To the extent that TSF has drawn, or further draws, upon such secured line of credit or incurs any other senior secured indebtedness, then repayment of such line of credit or indebtedness will have priority in TSF's assets over all other unsecured creditors of TSF, including Investors.

4. **No Public Market for Certificates.** No public market exists for the Certificates and none will develop. Therefore, Investors should consider the purchase of a Certificate as an investment for the full term of the Certificate.

5. **Liquidity.** It is TSF's practice to maintain at all times an aggregate operating and reserve liquidity of cash, cash equivalents, readily marketable securities and immediately available funds through a line of credit equal to at least 8% of TSF's principal balance of all outstanding Certificates (which is the NASAA SOP minimum standard). As of December 31, 2021, TSF had cash, cash equivalents and readily marketable securities, together with its available line of credit (considered up to only 2% of TSF's outstanding Certificates), equal to 17.9% of TSF's principal balance of all outstanding Certificates. TSF plans to continue to maintain cash and Invested Funds, including its available line of credit an amount equal to or in excess of this practice. There can be no assurance, however, that such practice will be continued in the future. Any Invested Funds invested in readily marketable securities are subject to various market risks, which may result in losses if market values of investments decline.

6. **No Guarantee of Future Offerings.** There can be no assurance that TSF will continue to offer and sell Certificates in the future. See "Financing and Operational Activities."

7. **Tax Consequences.** Investors will not receive a charitable deduction upon the purchase of a Certificate, except if held in an IRA or similar instrument, and interest paid or payable on the Certificates will be taxable as ordinary income to an Investor regardless of whether the interest is paid directly to the Investor or retained and compounded. If interest paid is below the market rate of interest, the Internal Revenue Service may impute income up to the market interest rate level. The Internal Revenue Service may exempt loans, including gift loans to charitable organizations, if the amount does not exceed \$250,000. See "Tax Aspects."

8. **Loan Collection Risks.** TSF's Loan portfolio consists of Loans made to Eligible Ministries. The ability of each borrower to repay its Loan generally depends upon the contributions received from its members. The number of members of each borrower and its revenue is likely to fluctuate. TSF must rely on the borrower's continued financial viability for repayment of Loans. If a borrower experiences a decrease in contributions or revenues, payments on that Loan may be adversely affected. Contributions may decline for a variety of reasons including, but not limited to, the impact of a softening economy, increased job losses or other economic difficulties encountered by church members, and/or a decline in the business prospects of donors. See "Lending Activities."

9. **COVID-19 Pandemic and Economic Conditions.** Due to the novel Coronavirus (COVID-19) pandemic that began in March 2020 and continues into 2022, Eligible Ministries throughout the United States have been forced to temporarily cancel or severely limit in-person gatherings to stop the spread of the virus. Additionally, the pandemic has resulted in a downturn in the economy, including market volatility, increased unemployment, shuttered businesses, and fluctuating interest rates. As a result, Eligible Ministries could experience a decline in charitable contributions, which could impair their ability to repay their Loans. For the year ended December 31, 2021, TSF did not have a material negative financial impact as a result of the pandemic and saw an increase in investments and a decrease in loan delinquencies.

10. **Special Purpose of Borrower Properties.** Although the Loans made by TSF are primarily secured by a first mortgage on the borrower's property, typically such property is improved for church, charitable or educational uses and may have a lower fair market value than general purpose properties. As a result, there is no assurance that such properties can be sold for an amount that will be sufficient to repay the amounts owed by borrowers to TSF under the Loans.

11. **Loan Policies.** The relationship of TSF to its borrowers and policies with respect to Loan delinquencies cannot be compared to that of a normal commercial lender. Recognizing the relationship to its borrowers, TSF's Loan eligibility and approval criteria may be more flexible than might be applied by a normal commercial lender. In addition, in view of the relationship to its borrowers, TSF may be willing to renegotiate the terms of Loans and, accordingly, the timing and amount of collections on such Loans may be modified. See "Lending Activities."

12. **Material Loans and Loan Delinquencies.** As of December 31, 2021, TSF had a balance of \$550,634,233 in outstanding Loans, net of allowance for Loan losses of \$5,342,225 and including deferred Loan fees and discounts of \$191,944 (the "Total Loan Balance"). Two (2) borrowers had a Loan having an aggregate outstanding principal balance greater than five percent (5%) of the Total Loan Balance as of December 31, 2021, with the total aggregate principal balance of such borrowers' Loans totaling \$56,476,903 as of such date (see "Material Loans and Loan Delinquencies" on page 22). As of December 31, 2021, zero (0) borrowers had Loans that were ninety (90) days or more past due, with an aggregate principal balance of \$0, which represents 0% of the Total Loan Balance. As of December 31, 2021, Loans that were ninety (90) days or more past due and Loans that were considered impaired totaled \$27,363,003, of which all were restructured, and all of such restructured Loans are paying as agreed. TSF's yield on its impaired loans is greater than its cost of funds. There can be no assurance that delinquencies will not increase in the future. If TSF experiences any significant losses on any of these Loans, TSF's resulting financial condition could adversely affect its ability to repay Certificates.

13. **Future Changes in Federal or State Laws.** Changes in federal laws or the laws of the various states in which TSF offers its Certificates may make it more difficult or costly for TSF to offer and sell Certificates in the future.

14. **Certificate Repayment Ability.** TSF uses principal and interest payments on Loans and earnings from Invested Funds, and may use proceeds from the sale of new Certificates on a cash-flow basis, to pay interest and principal on Certificates (see "Use of Proceeds" on page 17). Future market conditions could affect TSF's ability to repay Certificates. For example, if yields on Invested Funds fall below Certificate interest rates, if demand for new Certificates decreases significantly or ceases altogether, if there is a significant decrease in the renewal rate of maturing Certificates resulting in a significant increase in redemptions, or if a substantial percentage of borrowers default on Loan payments, TSF's resulting financial condition could adversely affect its ability to repay Certificates.

15. Geographic Concentration of Loans. There are risks related to geographic concentration of Loans to borrowers within a limited region, such that changes in economic conditions of that region could affect the ability of the borrowers, as a group, to repay the Loans. As of December 31, 2021, the amount of Loans outstanding in each of the eight geographic regions classified by the U.S. Bureau of Economic Analysis (BEA), and their respective percentages of the total Loans outstanding, before deducting for net deferred Loan fees and allowance for Loan losses, were as follows:

| <u>BEA Region</u> | <u>Loan Amount</u> | <u>% of Total</u> |
|-----------------------|--------------------|-------------------|
| Far West Region | \$45,679,014 | 8.2% |
| Great Lakes Region | \$130,495,589 | 23.5% |
| Midwest Region | \$50,009,526 | 9.0% |
| New England Region | \$17,197,917 | 3.1% |
| Plains Region | \$28,611,444 | 5.1% |
| Rocky Mountain Region | \$69,125,518 | 12.4% |
| Southeast Region | \$159,518,305 | 28.7% |
| Southwest Region | \$53,077,797 | 9.6% |
| <u>Non-U.S.</u> | <u>\$2,069,404</u> | <u>0.4%</u> |
| Total for All Regions | \$555,784,514 | 100% |

16. Future Material Loan Losses. TSF rates each Loan pursuant to an internal risk rating system and determines its Loan loss reserve accordingly. TSF's allowances for Loan losses are maintained at a level that it believes is adequate to provide for potential losses. As of December 31, 2021, the aggregate allowance for Loan losses was \$5,342,225. There is a risk that Loan losses could be greater than TSF's present allowance for Loan losses which, if significantly greater than anticipated, could adversely affect TSF's financial condition. See "Allowance for Loan Losses" on page 22.

17. Competition from Other Lenders. The availability and cost of loans offered by banks, other corporations, and loan programs may affect overall demand for Loans from TSF. Any decrease in the demand for Loans could adversely affect TSF's financial condition.

18. Other Investment Opportunities. Other investment opportunities may yield a higher rate of return with less risk than the Certificates. This may adversely affect sales of the Certificates.

19. Interest Rate Fluctuation. Interest rates will fluctuate in the future. Investors should be aware that if interest rates rise or fall, TSF is not obligated to redeem any Certificate prior to its maturity. Further, if interest rates fall, in order to reduce future interest obligations, TSF may exercise its right to call Certificates for redemption (see Risk Factor 25 below).

20. Minimum Balances Required. Investors may be required to maintain a minimum investment in each Certificate. If the amount invested in a Certificate falls below such minimum amount, the balance of such Certificate may be fully redeemed without notice to the Investor or, in lieu of such full redemption, the interest rate may be reduced to the then current rate applicable to Demand Certificates. See "Description of Certificates" beginning on page 26.

21. Interest Rate on Automatic Rollover or Reinvestment at Maturity. Upon maturity of a Certificate, if an Investor does not choose to redeem the Certificate or to reinvest the amount due thereunder into a new Certificate, then it will be automatically renewed at the interest rate in effect on the date of maturity for such type and term of Certificate. An automatically renewed Certificate may be assigned a new Certificate investment number. If TSF is then offering a separate interest rate for investments of only new funds, that separate interest rate will not apply to a rollover or reinvestment, and only the rate then applicable to rollovers or reinvestments not involving new funds will apply. If the then current interest rate is less than the interest rate on the Certificate as in effect prior to maturity, the Investor will receive a lower interest rate return on the renewed Certificate.

22. Interest Rate Policy and Payment Change. TSF reserves the right to change the method by which interest is determined or the frequency with which interest is paid to the Investor or added to the Certificates. If TSF exercises its right to change the method by which interest is calculated or the frequency in which interest is paid on existing Certificates, the holders of such Certificates would receive written notification describing the changes and the method of determining rates of such Certificates. If upon receiving the notice, Investors wish to make a complete withdrawal, they may do so (without penalty) within

thirty (30) days of receiving the notice. For the last payment of interest only, they may also be paid interest at the rates in effect for these Certificates during the preceding month, provided they notify TSF within this thirty (30) day period.

23. TSF Solely Liable on Certificates. The debts and liabilities of TSF, including the Certificates, are independent of the financial structure of any other person or entity. Therefore, Investors may not rely upon any person or entity other than TSF for payment of the Certificates when due.

24. Early Withdrawal Penalties. TSF is not required to redeem any Time Certificate prior to its maturity date. In the event TSF agrees, in its sole discretion, to redeem a Time Certificate prior to its maturity, early withdrawal penalties may be applied. See “Withdrawal and Early Withdrawal Penalties” on page 28.

25. Ability to Call Certificates. TSF has the right to call Certificates for redemption at any time upon sixty (60) days’ written notice. In such event, interest will be paid to the date of redemption.

26. Limitation on Transferability. The Certificates are non-negotiable and may be assigned or transferred only upon TSF’s written consent. In addition, conditions on the transfer of the Certificates may be imposed under the securities laws of certain states.

27. Unclaimed Property. TSF identifies potential unclaimed property if TSF receives undeliverable mail with no forwarding address pertaining to a Certificate or if an Investor ceases to communicate with TSF pertaining to a Certificate. TSF tracks and monitors such a dormant account. However, the Certificate will continue to accrue interest until it is redeemed or until it is disposed of by TSF pursuant to applicable state unclaimed property laws.

28. Environmental Risks on Collateral. There is potential environmental liability associated with the collateral securing the Loans made by TSF. While TSF does generally require a third-party Environmental Screen Report before approving a Loan, TSF does not typically require a Phase I Environmental Site Assessment unless the initial screen indicates a potential problem. In the event that environmental pollution or other contamination is found on or near property securing a Loan, TSF could, in some cases, face environmental liability or the security for the Loan could be impaired. In addition, changes to environmental regulations could require a borrower to incur significant unanticipated expenses to comply with such regulations which could adversely affect the borrower’s ability to repay the Loan.

29. Construction Risks. Many of the Loans made by TSF are used by borrowers for construction of new facilities or improvements to existing facilities. Consequently, such Loans will be subject to usual construction-related risks. Such risks include defaults or bankruptcies of contractors or subcontractors, construction delays (due to events such as weather conditions, strikes, shortage of materials, acts of nature, regulatory delays, etc.), increased and unexpected costs, adverse effects on adjacent facilities and other operations, and other factors and contingencies unknown to or beyond the control of the borrower or other parties. In the event that construction is delayed or prevented, or if costs for construction increase substantially, the borrower’s ability to repay a Loan could be adversely affected.

30. Decrease in Certificate Renewals. TSF’s business plan anticipates that a significant number of Certificates will be renewed at maturity. If there is a significant decrease in the renewal rate of maturing Certificates resulting in a significant increase in redemptions, TSF’s resulting financial condition could adversely affect its ability to repay Certificates.

31. Concentration of Invested Funds. As of December 31, 2021, approximately 14.3% of the cash and Invested Funds of TSF was held in investments in securities that are not considered readily marketable securities, including investments in non-publicly traded REIT common stock, non-publicly traded debt certificates, and DDI NGI, LLC. See “Investing Activities” on page 22. In the event that TSF’s cash needs exceed its cash, cash equivalents, readily marketable securities and available line of credit, the potential inability to readily liquidate the securities that are not considered readily marketable could adversely affect TSF’s financial condition and ability to meet its cash needs.

32. Real Estate Marketability. In furtherance of its purposes, TSF receives donations of real property from Eligible Ministries. TSF then sometimes leases such property back to an Eligible Ministry at

below-market rates. This type of transaction is generally entered into by TSF with Eligible Ministries that are facing financial difficulty and/or declining membership, which threaten their continued viability. Through the gift/leaseback arrangement with TSF, Eligible Ministries with debt can be relieved of debt obligations on real property and become more financially stable. Additionally, by giving ownership of such properties to TSF, in the event an Eligible Ministry ultimately discontinues, TSF will utilize the Eligible Ministry property or the proceeds thereof to provide assistance to new or other existing Eligible Ministries. Thus, by engaging in this gift/leaseback activity, TSF is carrying out an integral part of the activities of its members and other Eligible Ministries adhering to the tenets of the Restoration Movement Christian Churches and Churches of Christ.

As of December 31, 2021, TSF held thirty-five (35) ministry properties (counting separate parcels received in a single transaction as one property) with a total value of \$170,821,817 (net of accumulated depreciation) that were acquired by gifts. Ministry properties are real estate assets and are recorded on TSF's books at estimated fair value on the date they are received, less accumulated depreciation. Certain of these ministry properties are leased by TSF to churches or other ministries, some at below-market rates and for potentially long terms that may, in some cases, be as long as fifty (50) years after including tenant renewal options. As of December 31, 2021, the future minimum rental payments to be received on such leases (excluding inflationary adjustments or contingent rent) are as follows:

| | <u>Minimum Rental Payments</u> |
|-------------------|--------------------------------|
| 2022 | \$4,188,770 |
| 2023 | \$4,141,517 |
| 2024 | \$4,132,003 |
| 2025 | \$4,120,504 |
| 2026 | \$4,029,177 |
| <u>Thereafter</u> | <u>\$17,654,829</u> |
| Total | \$38,266,800 |

In addition to ministry properties, TSF owns other properties, including its headquarters. This real estate held is presented in TSF's financial statements, at December 31, 2021, at a value of \$25,532,581 (including land, building and improvements and furniture and equipment) and \$20,908,192 after deducting accumulated depreciation, with a total of approximately 32% leased at or below market rate to Southeast Christian Church for a long term, approximately 18% occupied by TSF, and the balance of 50% leased at or above market rate.

The bulk of these properties produce rental income, but some or portions of them are rented at below-market rates for potentially long terms and as part of TSF's mission to support such ministry properties. As a result, although they can be sold, thereby producing additional income for TSF, there is no assurance that TSF will receive the values at which they are presented in TSF's financial statements. See "Financing and Operational Activities – Real Estate Held" on page 19.

THE OFFERING

TSF may issue up to Six Hundred Million Dollars (\$600,000,000) of its Certificates during the 12-month period ending April 30, 2023. This amount may be issued in any one or more of the types of Certificates and may be issued throughout the fifty (50) states and the District of Columbia to the extent qualified for offer and sale in such jurisdictions.

HISTORY AND OPERATIONS

History of The Solomon Foundation

On October 28, 2010, six Restoration Movement Christian Church leaders came together to cast the vision for TSF to serve the growing needs of the Restoration Movement Christian Churches and Churches of Christ all across America to provide churches and their members with competitive investment rates along with affordable financing alternatives for ministry.

From this meeting emerged the influence of two of the Restoration Movement's most successful churches, committed to be the two founding members of The Solomon Foundation: Crossroads Christian Church, located in Grand Prairie, TX, and Christ's Church of the Valley, in Peoria, AZ. Serving over 42,000

people every weekend, these two churches are financially strong organizations dedicated to the mission of the independent Christian Churches and Churches of Christ all across America. Doug Crozier was then commissioned to research the formation of a new church extension fund, which resulted in the formation of The Solomon Foundation.

The Solomon Foundation

The name of the issuer is The Solomon Foundation. Its principal address is 16965 Pine Lane, Suite 200, Parker, CO 80134.

TSF was incorporated as a Colorado nonprofit corporation on December 3, 2010. TSF is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), under Subtitle A thereof. It is a “public charity” under Section 509 of the Code, and is organized and operated exclusively for religious, educational, benevolent and charitable purposes. No part of the net earnings of TSF inures to the benefit of any person or individual. TSF, as a nonprofit corporation, does not have any shareholders. TSF has two corporate members, Crossroads Christian Church (Grand Prairie, TX) and Christ’s Church of the Valley (Peoria, AZ), each of which may select one director to serve on TSF’s Board of Directors.

The management affairs of TSF are conducted by its Board of Directors consisting of at least five (5) and not more than eleven (11) directors as established from time to time by duly adopted resolution of the Board of Directors. All members of the Board of Directors must be members of the Restoration Movement Christian Churches or Churches of Christ and shall be active in the Restoration Movement. The day-to-day operations of TSF are carried out under supervision of the Chief Executive Officer of TSF.

In December 2010, January 2011 and February 2011, TSF was initially funded with grants from Crossroads Christian Church in Grand Prairie, TX and Christ’s Church of the Valley in Peoria, AZ, each contributing a total of \$250,000. TSF is authorized, in furtherance of its corporate purposes, to provide a variety of services to independent Christian Churches, Churches of Christ, or other autonomous churches or church ministries adhering to the beliefs and religious principles of the Restoration Movement Christian Churches and Churches of Christ. TSF is engaged primarily in assisting such Eligible Ministries in planning and financing their capital expansion projects.

In the first quarter of 2017, TSF formed Restoration Movement Media (“RMM”), a Colorado nonprofit corporation, of which TSF is the sole member, which acquired the assets of Christian Standard Media, LLC, including the Christian Standard and The Lookout magazine publications. RMM operates as an independent, nonprofit ministry continuing to publish The Christian Standard and The Lookout magazine publications to serve congregations, ministries, and Christian leaders worldwide. The Christian Standard was founded in 1866 by Isaac Errett whose family owned the magazine, which grew into Standard Publishing. The Lookout began publication in 1894. The Errett heirs sold the business to a Christian businessman in 1955, and it became the cornerstone of a multinational corporation finally known as Standex International. With their acquisition by RMM, both publications are now owned by an entity controlled within the Restoration Movement Christian Church for the first time in 62 years. See Note 1 in the Notes to Consolidated Financial Statements beginning on page 41 and the Supplementary Information provided following the Notes to Consolidated Financial Statements.

On July 1, 2020, TSF formed Solomon Real Estate Holdings, LLC (“SREH”), a Colorado limited liability company, of which TSF is the sole member. SREH was formed to hold real estate, including ministry properties. SREH is disregarded as a separate entity for tax purposes. SREH operations are overseen by a board of managers.

USE OF PROCEEDS

TSF will use the proceeds from the sale of its Certificates to carry on Ministry Activities as follows:

1. Loans will be originated for Eligible Ministries;
2. Ministry properties will be acquired for TSF’s gift/leaseback program; and

3. Any Certificate proceeds not used as described above will be invested pursuant to TSF's investment policies. See "Financing and Operational Activities."

It is anticipated that all operating expenses will be charged against TSF's net assets without donor restrictions and not against Certificate proceeds, although the cash flow from Certificate proceeds may, in fact, be used for operating expenses to the extent that cash flow from other sources is insufficient. It is anticipated that all interest and principal due on Certificates will be charged against TSF's assets exclusive of new Certificate proceeds, although the cash flow from new Certificate proceeds may, in fact, be used to repay interest and principal due on Certificates to the extent that cash flow from other sources is insufficient.

The amount of proceeds actually used for each of these purposes will vary depending upon a number of factors, including the amount of Certificates sold to new Investors, the amount of Certificates redeemed or renewed at any given time by existing Investors, the demand for new Loans, and the amount of scheduled payments and prepayments received on outstanding Loans. TSF anticipates that its operating expenses will represent less than 2% of the aggregate offering amount (based on TSF's 2022 budget) and that new Certificate proceeds will not be needed (except on a "cash flow" basis) for operating expenses or to repay interest and principal due on Certificates. Accordingly, TSF anticipates that new Certificate proceeds will be used for the purpose of making Loans and acquiring ministry properties for its gift/leaseback program, with surplus funds being invested in accordance with TSF's investment policies. However, there is no guarantee that the anticipated results will occur.

FINANCING AND OPERATIONAL ACTIVITIES

TSF's means of generating funds for making Loans for Ministry Activities is through the sale of Certificates, earnings from Invested Funds and principal and interest payments on Loans.

In December 2010, January 2011 and February 2011, TSF was initially funded with grants from Crossroads Christian Church in Grand Prairie, TX and Christ's Church of the Valley in Peoria, AZ, each contributing a total of \$250,000. TSF occupies approximately 8,000 sq. ft. of The Solomon Centre office building owned by TSF.

Outstanding Certificates Payable

As of December 31, 2021, TSF had 10,673 Certificates outstanding totaling \$829,081,926. The amount of Certificate proceeds and redemptions for the year ended December 31, 2021, are as follows:

| | <u>2021</u> |
|--|---------------|
| Proceeds from issuance of and reinvestments in | |
| Certificates payable | \$257,713,064 |
| Payment (redemption) of Certificates payable | \$107,747,275 |

The Certificates payable held by TSF at December 31, 2021, mature as follows:

| | |
|--------|----------------------|
| Demand | \$211,790,548 |
| 2022 | \$194,284,066 |
| 2023 | \$105,433,564 |
| 2024 | \$106,050,344 |
| 2025 | \$99,253,389 |
| 2026 | <u>\$112,270,015</u> |
| Total | \$829,081,926 |

Outstanding Loans Receivable

As of December 31, 2021, TSF had Loans with an outstanding balance totaling \$550,634,233, net of allowance for Loan losses of \$5,342,225 and including deferred Loan fees and discounts of \$191,944.

The anticipated Loan maturities in each of the next five (5) years and the aggregate thereafter are as follows:

| | |
|---------------------------------------|----------------------|
| 2022 | \$65,090,841 |
| 2023 | \$76,768,513 |
| 2024 | \$125,681,345 |
| 2025 | \$51,267,116 |
| 2026 | \$111,956,908 |
| 2027 and thereafter | \$125,019,791 |
| Plus deferred Loan fees and discounts | \$191,944 |
| | <u>(\$5,342,225)</u> |
| Total | \$550,634,233 |

NOTE: Amounts shown above are estimates based upon current amortization schedules. Such amortization schedules may be adjusted throughout the life of a Loan as interest rates change and unscheduled payments are made. Figures are for Loans of record as of December 31, 2021. The above estimates are based upon historical data and average amortization schedules.

The NASAA SOP requires that a church extension fund, such as TSF, should limit the amount of Loans that are not secured by real or personal property or guaranteed by third parties to no more than ten percent (10%) of its outstanding Loans. As of December 31, 2021, there were thirty-seven (37) Loans with outstanding balances totaling \$4,309,167 that were not secured by real or personal property or guaranteed by third parties, representing 0.78% of the total outstanding Loans, net, and there were no Loan commitments that are not to be secured by real or personal property or guaranteed by third parties.

Real Estate Held

TSF's Headquarters Property

TSF owns the land and an approximately 60,000 sq. ft. building at which its headquarters is located and another 23,000 sq. ft. building occupied by SECOR, which together are presented in TSF's financial statements, at December 31, 2021, at a value of \$25,532,581 (including land, building and improvements and furniture and equipment), and \$20,908,192 after deducting accumulated depreciation. Approximately eighteen percent (18%) of the headquarters building is used to house TSF's offices, approximately thirty-two percent (32%) is leased to Southeast Christian Church (as described below), and the remainder of the building is leased to other parties typically at or above market rate. In 2014, TSF entered into an initial 20-year lease agreement under which Southeast Christian Church leases approximately 16,000 sq. ft. for \$1.00 per year. The lease agreement with Southeast Christian Church provides that, in the event the property is rendered untenantable during the initial term due to casualty or condemnation and if, as a result, the lease agreement is terminated by TSF, then TSF will be required to pay to Southeast Christian Church a termination fee equal to the following formula: \$2,640,000 minus (\$11,000 multiplied by the number of full months of occupancy by Southeast Christian Church), less amounts then owed by Southeast Christian Church to TSF. During 2020, tenant improvements were completed on the first floor and the spaces are fully leased. Quality ministry tenants, such as CASA, MountainChild, and new ministry suites were added. TSF has also constructed a new 23,000 sq. ft. ministry building on the property for SECOR, which had occupied approximately 9,000 sq. ft. on the first floor. SECOR has entered into a 20-year lease agreement with TSF for the facility. TSF intends to maintain adequate insurance coverage against casualty risks with respect to the property.

Ministry Properties

In furtherance of its purposes, TSF receives donations of real property from Eligible Ministries. TSF then may lease such property back to the Eligible Ministry at below-market rates. This type of transaction is generally entered into by TSF with Eligible Ministries which are facing financial difficulty and/or declining membership that threaten their continued viability. Through the gift/leaseback arrangement with TSF, Eligible Ministries with debt can be relieved of debt obligations on real property and become more financially stable. Additionally, by giving ownership of such properties to TSF, in the event an Eligible Ministry ultimately discontinues, TSF will utilize the Eligible Ministry property or the proceeds thereof to provide assistance to new or other existing Eligible Ministries. Thus, by engaging in this gift/leaseback activity, TSF is carrying out an integral part of the activities of its members and other Eligible Ministries adhering to the tenets of Restoration Movement Christian Churches and Churches of Christ.

As of December 31, 2021, TSF held thirty-five (35) ministry properties (counting separate parcels received in a single transaction as one property) with a total value of \$170,821,817 (net of accumulated depreciation) that were acquired by gifts or bargain-sale gifts. Ministry properties are real estate assets and are recorded on TSF's books at estimated fair value on the date they are received, less accumulated depreciation. Certain of these ministry properties are leased by TSF to churches or other ministries, some at below-market rates and for potentially long terms that may, in some cases, be as long as fifty (50) years after including tenant renewal options. As of December 31, 2021, the future minimum rental payments to be received on such leases (excluding inflationary adjustments or contingent rent) are as follows:

| | <u>Minimum Rental Payments</u> |
|-------------------|--------------------------------|
| 2022 | \$4,188,770 |
| 2023 | \$4,141,517 |
| 2024 | \$4,132,003 |
| 2025 | \$4,120,504 |
| 2026 | \$4,029,177 |
| <u>Thereafter</u> | <u>\$17,654,820</u> |
| Total | \$38,266,800 |

In 2021, TSF engaged in three (3) real estate gift/leaseback transactions in which the properties received had an aggregate estimated fair value (valued at the date of each gift) of approximately \$30,190,000, with an aggregate net gift value of \$12,710,099. These gifts are included in TSF's Consolidated Statements of Activities for the year ended December 31, 2021, as contributions of assets without donor restrictions. Also, these properties are included in "Ministry properties" in TSF's Consolidated Statements of Financial Position, as of December 31, 2021.

LENDING ACTIVITIES

Loans will be originated for qualifying Eligible Ministries for the acquisition of sites in conjunction with the construction of facilities or contiguous to an existing facility (including a church facilities, schools and any other facilities operated by Eligible Ministries), construction of a new facility on a site already owned, renovation or expansion of existing facilities, and refinancing or consolidation of existing debt incurred for any of the preceding purposes for qualifying Eligible Ministries. TSF may also originate line of credit Loans for short term cash flow needs of borrowers.

TSF's underwriting guidelines have been established and may be changed only by TSF's Board of Directors. As of the date of this Offering Circular, TSF's underwriting guidelines are as described below. TSF's underwriting guidelines generally require that Loans be secured by a first mortgage or deed of trust on the property of the borrowers and/or by a pledge of Certificates in an amount generally equal to or exceeding the outstanding Loan principal balance. When Certificates are pledged to secure a Loan, the underwriting guidelines require that TSF's security interest in such pledged assets be perfected pursuant to applicable state laws. At least ninety percent (90%) of TSF's outstanding Loans will be secured by real or personal property. Any extension, renewal or modification of a Loan will be underwritten according to policies applicable at the time of extension, renewal or modification of the Loan. TSF's underwriting guidelines further generally require all borrowers to submit a financial plan for Loan repayment including, as may be requested by TSF, source of funds, repayment schedules, and cash flow projections. Further, TSF's underwriting guidelines generally require consideration of the following factors: (i) loan to value ratio, (ii) debt service to income ratio, (iii) expense coverage ratio, (iv) debt per church attendee, (v) offering

per church attendee, (vi) and church attendance growth. TSF considers those factors to determine an overall credit score that TSF will consider as part of its Loan approval process. An assessment of additional subjective factors such as growth potential, staff, location, programming and leadership will also be performed on every Loan application.

TSF's underwriting guidelines also generally require borrowers to submit, at minimum, the following:

1. A completed Loan application;
2. Financial statements for the borrower's three (3) most recent years, along with a list of borrower's cash and liquid investments not disclosed in financial statements;
3. A copy of the borrower's operating budget;
4. Copies of the borrower's governing documents and, where applicable, a Certificate of Good Standing; and
5. If the Loan is to be secured, in whole or in part, by a mortgage or deed of trust on real property:
 - a. A set of architectural drawings, if applicable;
 - b. An appraised value of any property being purchased or improved, or a completed Appraisal Checklist supplied by TSF;
 - c. A third-party Environmental Screen Report;
 - d. Copies of construction contracts between the borrower and contractors (if any);
 - e. Preliminary title insurance commitment from a title insurance company, along with updates to such commitment as necessary, or a current abstract of title if title insurance is unavailable;
 - g. Evidence of zoning compliance, if applicable; and
 - h. Flood Certificate.

TSF may, on an exception basis, waive one or more of these requirements if TSF determines that doing so will not materially increase the risk associated with the particular Loan.

In addition, in the case of Loans secured, in whole or in part, by a mortgage or deed of trust on real property, TSF's underwriting guidelines generally require borrowers to maintain hazard and, if applicable, builder's risk insurance in an amount at least equal to the Loan amount. TSF must be named as an additional insured and loss payee/mortgagee on any such policy of insurance during the term of a Loan. Also, the underwriting guidelines generally require property title insurance to be obtained where it is available.

The terms and availability of Loans to be made by TSF have been established and are revised periodically by TSF's Board of Directors. Loans are written at either a fixed or adjustable interest rate, determined under the policies of TSF. Loans with an adjustable interest rate will have an interest rate that adjusts at least every five (5) years. Interest rates of Loans are generally based on TSF's then current cost of funds plus a margin that is generally, but can be greater or smaller than, 2.5% per annum. TSF's cost of funds is the weighted average annual rate of interest, determined by TSF on a date selected by it, based upon the interest and other costs payable on or with respect to such of its outstanding investment and other obligations as shall be determined by TSF pursuant to its lending procedures as in effect from time to time. TSF reserves the right to offer differing interest rates for Loans with different periods of interest rate adjustments or different maturity periods (i.e., a two-year adjustable rate Loan versus a three-year adjustable rate Loan). Loans for capital construction may be at a fixed or adjustable rate. Loans will generally be written for terms between one (1) to twenty (20) years with monthly payments based on an amortization period up to thirty (30) years. Interest-only payments will be required during the construction phase of a Loan. Line of credit Loans, which may be secured or unsecured, for short term cash flow needs of borrowers provide for terms of up to five (5) years, with interest-only payments.

Material Loans and Loan Delinquencies

TSF had a balance of \$550,634,233 (as of December 31, 2021) in outstanding Loans, net of a reserve for Loan losses of \$5,342,225 and including deferred Loan fees and discounts of \$191,944 (the "Total Loan Balance"). Two (2) borrowers had a Loan having an aggregate outstanding principal balance greater than five percent (5%) of the Total Loan Balance as of December 31, 2021, with the total aggregate principal balance of such borrowers' Loans totaling \$56,476,903 as of such date. As of December 31, 2021, zero (0) borrowers had Loans that were ninety (90) days or more past due, with an aggregate principal balance of \$0, which is 0% of the Total Loan Balance. As of December 31, 2020 and 2019, two (2) borrowers each year had Loans that were ninety (90) days or more past due, with an aggregate principal balance of \$6,460,341 and \$6,448,363, respectively, each balance comprising 1.30% and 1.48% of the respective year's Total Loan Balance. There can be no assurance that delinquencies will not increase in the future. In addition, as of December 31, 2021, Loans that were ninety (90) days or more past due and Loans that were considered impaired totaled \$27,363,003, of which all were restructured, and all of such restructured Loans are paying as agreed. TSF's yield on its impaired loans is greater than its cost of funds.

Due to the nature of the relationship with its borrowers, it is the policy of TSF to closely monitor loan status and work with its borrowers to find solutions and assist in their efforts to meet Loan obligations. However, no assurance can be given that TSF will be willing to refinance, restructure or work out delinquent Loans in the future.

Allowance for Loan Losses

TSF rates each Loan pursuant to an internal rating system and determines its Loan loss reserve accordingly. TSF's allowances for Loan losses are maintained at a level that it believes is adequate to provide for potential losses. As of December 31, 2021, the aggregate allowance for Loan losses was \$5,342,225. During the year ended December 31, 2021, TSF recorded a charge off of \$79,641 on a previously restructured Loan.

COVID-19 Pandemic and Economic Conditions

Due to the novel Coronavirus (COVID-19) pandemic that began in March 2020 and continues into 2022, Eligible Ministries throughout the United States have been forced to temporarily cancel or severely limit in-person gatherings to stop the spread of the virus. Additionally, the pandemic has resulted in a downturn in the economy, including market volatility, increased unemployment, shuttered businesses, and low interest rates. As a result, Eligible Ministries could experience a decline in charitable contributions, which could impair their ability to repay their Loans. For the year ended December 31, 2021, TSF did not have a material negative financial impact as a result of the pandemic and saw an increase in investments and a decrease in loan delinquencies. Although TSF extended payment modifications during 2020, all Loans had returned to normal repayment status in 2021.

INVESTING ACTIVITIES

TSF maintains a portion of its assets in an investment portfolio pending utilization for Loan activities or for maintaining reasonable liquidity. The current investment policy of TSF restricts investments to United States Treasury issues, money market funds, bank time deposits, bank certificates of deposit, investment obligations of other church extension funds (with approval of TSF's Board of Directors). TSF's Board of Directors may approve other investments not within the current policy, and TSF's Board of Directors has specifically approved investment of certain amounts in REIT common stock (see table below). TSF may from time to time change its investment policies to include intermediate and long-term U.S. government and other fixed income securities or other types of investments.

The Board of Directors oversees the investment policy and reviews investment transactions on a quarterly basis. The Chief Executive Officer and Senior Vice President, Chief Financial Officer have the responsibility of implementing the policy. See "Management." TSF does not currently utilize the services of an investment adviser.

Below is a summary of TSF's cash and Invested Funds as of December 31, 2021:

| <u>Type of Investment</u> | <u>12/31/2021</u> | <u>% of Total</u> |
|-----------------------------------|--------------------|-------------------|
| Cash and cash equivalents | \$113,884,649 | 85.7% |
| Invested Funds | | |
| REIT common stock | \$1,628,738 | 1.2% |
| Debt certificates | \$15,341,128 | 11.6% |
| <u>Investment in DDI NGL, LLC</u> | <u>\$2,014,760</u> | <u>1.5%</u> |
| Total | \$132,869,275 | 100.0% |

As of December 31, 2021, TSF had an investment of \$2,014,760 in DDI NGL, LLC, an Indiana limited liability company ("DDI NGL"), of which each member is a nonprofit, tax-exempt organization. As of December 31, 2021, TSF owned 45% of DDI NGL. DDI NGL was formed to allow certain nonprofit, tax-exempt organizations to invest in the funding of the development and completion of loan and investment data processing software by DiscipleData, Inc., an Indiana nonprofit corporation ("DDI"). TSF's CEO was the Chairman of the Board of Directors for DDI, and his term as Chairman ended on April 1, 2021. TSF's CEO remains a director of DDI, as TSF has the right to appoint a member to DDI's Board of Directors. TSF's investment is accounted for using the equity method. See Note 2 to the Financial Statements.

For the years ended December 31, 2021, 2020, and 2019, respectively, TSF recorded net realized and unrealized gain (loss) on certain Invested Funds of (\$187,879), (\$247,086), and (\$33,241).

SELECTED FINANCIAL DATA

TSF was incorporated on December 3, 2010 and has no financial history prior to that date. Below is a summary in tabular form of certain selected financial data with respect to TSF's operations as of December 31, 2021. This data has been compiled by management from TSF's audited financial statements, and it should be read in conjunction with the most recent audited financial statements of TSF (including the Notes thereto), which begin on page 36. This information has been derived from TSF's audited financial statements. The financial statements as of and for the years ended December 31, 2021, 2020 and 2019 have been audited by BKD, LLP, independent accountants, as stated in their report appearing herein. The financial statements as of and for the years ended December 31, 2018 and 2017, were audited by BKD, LLP, whose reports dated March 26, 2019, and March 23, 2018, respectively, expressed an unmodified opinion on those financial statements.

| <u>Description of Selected Financial Data</u> | <u>12/31/2021</u> | <u>12/31/2020</u> | <u>12/31/2019</u> | <u>12/31/2018</u> | <u>12/31/2017</u> |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Cash and cash equivalents | \$113,884,649 | \$74,450,373 | \$38,371,666 | \$21,092,838 | \$26,246,147 |
| Loans, net | \$550,634,233 | 498,223,990 | 435,335,471 | 381,724,306 | 284,541,824 |
| Unsecured Loans receivable | \$4,309,167 | 3,713,198 | 2,813,765 | 2,766,235 | 2,747,246 |
| Unsecured Loans as a percentage of Loans, net | 0.78% | 0.75% | 0.65% | 0.72% | 0.97% |
| Loan delinquencies in excess of 90 days as a percentage of Loans, net | 0% | 1.30% | 1.48% | 5.17% | 0.78% |
| Investments | \$18,984,626 | 7,822,483 | 8,094,959 | 7,944,105 | 8,026,605 |
| Restricted investments | \$-0- | -0- | -0- | -0- | 891,201 |
| Interest receivable | \$2,772,278 | 4,545,150 | 1,898,429 | 2,691,304 | 1,580,363 |
| Ministry properties, net | \$170,821,817 | 146,199,684 | 120,586,928 | 89,223,503 | 91,397,439 |
| Property and equipment, net | \$20,908,192 | 20,867,960 | 19,605,455 | 16,256,465 | 14,324,058 |
| Total Assets | \$885,996,856 | 754,136,656 | 625,856,525 | 520,595,044 | 427,706,144 |
| Debt securities payable to Investors | \$829,081,926 | 679,116,137 | 551,532,120 | 452,786,674 | 373,382,681 |
| Debt securities redemptions for the year then ended | \$107,747,275 | 93,327,185 | 82,557,257 | 77,513,924 | 40,071,800 |
| Total net assets | \$44,841,464 | 38,108,968 | 35,281,368 | 26,110,475 | 26,095,246 |

| | | | | | |
|--|--------------|------------|------------|------------|------------|
| Net assets without donor restrictions | \$44,534,659 | 37,715,225 | 34,913,820 | 25,818,348 | 25,792,937 |
| Net assets with donor restrictions | \$306,805 | 393,743 | 367,548 | 292,127 | 302,309 |
| Change in total net assets for the year then ended | \$6,732,496 | 2,827,600 | 9,170,893 | 15,229 | 8,165,103 |
| Change in net assets without donor restrictions | \$6,819,434 | 2,801,405 | 9,095,472 | 25,411 | 8,163,890 |
| Change in net assets with donor restrictions | \$(86,938) | 26,195 | 75,421 | (10,182) | 1,213 |

Management's Financial Summary

The senior leadership team of TSF, consisting of TSF's executive officers, reviews TSF's overall financial position monthly. TSF's operating philosophy is to maintain a position of liquidity sufficient to provide for operating cash requirements, a capital position sufficient to support its financial position and operations, and a margin of assets over liabilities. A significant shift in interest rates or Loan demand may adversely affect actual performance. TSF's Board of Directors may modify existing procedures or implement new procedures to enable TSF to operate under changing economic conditions. Some of the key areas regularly reviewed are the following:

Source of Funds for Payment of Certificates – Under TSF's method of accounting, interest payments on Certificates will be made from TSF's operating income and net assets without donor restrictions, and principal payments on Certificates will be made from TSF's assets, exclusive of new Certificate proceeds. TSF anticipates that new Certificate proceeds will not be needed (except on a "cash flow" basis) for operating expenses or to repay interest and principal due on Certificates. See "Use of Proceeds" on page 17. However, there is no guarantee that the anticipated results will occur.

Capital Adequacy – The net assets of TSF are anticipated to support TSF's ability to maintain its operations. As of December 31, 2021, TSF's net assets as a percentage of its total assets were 5.1% (which is greater than the NASAA SOP minimum standard of 5%) determined as follows:

| | |
|---------------------------------------|-------------------|
| | <u>12/31/2021</u> |
| Net Assets | \$44,841,464 |
| Total Assets | \$885,996,856 |
| Net Assets Percentage of Total Assets | 5.1% |

TSF strives to maintain a strong capital position to support TSF's operations and growth.

Liquidity – It is TSF's policy to maintain at all times an aggregate operating and reserve liquidity, comprised of cash, cash equivalents, readily marketable securities and immediately available funds through a line of credit, equal to at least 8% of TSF's principal balance of all outstanding Certificates to provide for cash requirements of TSF as well as reserve liquidity. As of December 31, 2021, TSF had cash, cash equivalents and readily marketable securities, and an available line of credit (collectively, "Cash and Available Funds"), equal to 17.9% of the total outstanding Certificates (which is greater than the NASAA SOP standard of 8%) as follows:

| | |
|--|---------------------|
| | <u>12/31/2021</u> |
| Cash and cash equivalents | \$113,884,649 |
| Investments, excluding equity | \$16,969,866 |
| Cash value of life insurance | \$752,657 |
| Available Line of Credit (limited to 2% of Outstanding Certificates Payable) | <u>\$16,581,639</u> |
| Total Cash and Available Funds | \$148,188,811 |
| Debt Securities Payable | \$829,081,926 |
| Cash and Available Funds Percentage of Certificates Payable | 17.9% |

Cash Flow – The ratio of available cash, cash equivalents and Invested Funds as compared to cash redemptions is expected to be at least one to one (1:1) pursuant to the NASAA SOP and, therefore, is

anticipated to be sufficient to meet its cash requirements for expenses as well as payments of interest and principal due on Certificates. However, there is no guarantee that the anticipated results will occur. TSF's ratio of available cash to cash redemptions for its three most recent fiscal years is at least one to one (1:1) as follows:

| | 2021 | 2020 | 2019 |
|---|------------------------|---------------------|---------------------|
| Net cash used in operating activities | \$(2,933,294) | \$(3,778,107) | \$(1,063,359) |
| Liquid assets, including cash, cash equivalents, and readily marketable securities (at beginning of year) | \$80,365,845 | 45,298,493 | 29,036,943 |
| Loan Repayments | \$79,360,289 | 28,900,468 | 33,508,736 |
| Cash from sale of Certificates | \$257,713,064 | 220,911,202 | 181,302,703 |
| Available line of credit (at beginning of year) | \$21,064,000 | 22,333,000 | 9,102,000 |
| <u>Loan Disbursements</u> | <u>\$(100,293,358)</u> | <u>(92,570,528)</u> | <u>(90,114,042)</u> |
| Total Available Cash | \$335,276,546 | 221,094,528 | 161,772,981 |
| <u>Redemptions of Certificates</u> | <u>\$107,747,275</u> | <u>93,327,185</u> | <u>82,557,257</u> |
| Ratio | 3.11 | 2.37 | 1.96 |

Loan Delinquencies – During the year ending December 31, 2021, zero (0) borrowers had Loans that were ninety (90) days or more past due, with an aggregate principal balance of \$0, representing 0% of TSF's net total outstanding Loans receivable.

Operating Trends – TSF had a net surplus of income over expenses in 2021, 2020, 2019, 2018, and 2017. During fiscal years ended December 31, 2021, 2020, 2019, and 2018, TSF received contributions without donor restrictions totaling \$12,997,142, \$10,014,899, \$13,242,405, and \$4,718,692, respectively. TSF has included contribution income to achieve a positive change in net assets, which contribution income has come mainly from the receipt of ministry properties (See “Financing and Operational Activities – Real Estate Held” on page 19). A material reduction in the contributions TSF receives during periods in which its other income is insufficient to cover expenses could affect TSF's ability to realize increases in net assets in future years. There is no guarantee that TSF will continue to have a net surplus of income over expenses in the future. Below is a summary of TSF's change in net assets for 2021, 2020, 2019, 2018, and 2017:

| | 12/31/2021 | 12/31/2020 | 12/31/2019 | 12/31/2018 | 12/31/2017 |
|---|--------------|-------------|-------------|-------------|-------------|
| Net interest income (expense) after provision for Loan losses | \$4,434,688 | \$2,451,087 | \$4,868,685 | \$3,427,732 | \$2,369,511 |
| Net noninterest income (expense) including contributions without donor restrictions | \$2,384,746 | 350,318 | 4,226,787 | (3,402,321) | 5,794,379 |
| Change in net assets without donor restrictions | \$6,819,434 | 2,801,405 | 9,095,472 | 25,411 | 8,163,890 |
| Change in net assets with donor restrictions | \$(86,938) | 26,195 | 75,421 | (10,182) | 1,213 |
| Change in net assets for the year then ended | \$6,732,496 | 2,827,600 | 9,170,893 | 15,229 | 8,165,103 |
| Net assets at the beginning of the period | \$38,108,968 | 35,281,368 | 26,110,475 | 26,095,246 | 17,930,143 |
| Net assets at the end of the period | \$44,841,464 | 38,108,968 | 35,281,368 | 26,110,475 | 26,095,246 |

Interest Rate Management – TSF's method of determining interest rates on Certificates and Loans is based upon an effort to reduce the risks pertaining to the differential between borrowing and lending rates. Prior to closing a Loan, TSF limits the length of time to which it is committed to an initial Loan interest rate to sixty (60) days. TSF charges a penalty for early withdrawal of Time Certificates. See “Withdrawal and Early Withdrawal Penalties” on page 28. TSF has implemented these procedures to allow it to operate under fluctuating economic conditions.

DESCRIPTION OF CERTIFICATES

Investments offered by The Solomon Foundation are not bank deposits or obligations and are not insured by the FDIC, the SIPC or any other federal or state agency.

TSF may issue up to Six Hundred Million Dollars (\$600,000,000) of its Certificates during the 12-month period ending April 30, 2023. This amount may be issued in any one or more of the types of Certificates and may be issued throughout the fifty (50) states and the District of Columbia to the extent qualified for offer and sale in such jurisdictions. Certificates will be offered to eligible Investors and must be purchased in minimum face amounts of Two Thousand Five Hundred Dollars (\$2,500) in the case of Demand Certificates and Five Thousand Dollars (\$5,000) in the case of Time Certificates, except that, if the Demand Certificate will be issued to the Investor as a custodian for a minor, then the minimum initial investment is Two Hundred Fifty Dollars (\$250) and if the Time Certificate will be issued to the Investor as a custodian for a minor, then the minimum initial investment is Five Hundred Dollars (\$500). The terms of any Certificates purchased pursuant to this Offering Circular will remain as described in this Offering Circular. However, no assurance can be given that the terms of any Certificates offered in future issues will remain the same as those described herein.

All Certificates offered to individual Investors are also available as investments for self-directed IRAs of individual Investors. In order to purchase Certificates for a self-directed IRA, the individual Investor must first establish a self-directed IRA with the third-party custodian engaged by TSF for this purpose. That third-party custodian is GoldStar Trust Company, located in Canyon, Texas, a financial institution with trust powers authorized to act as custodian of self-directed IRAs, and upon direction of individual Investors, to invest funds with TSF. The individual Investor must also complete a purchase application along with certain other documents necessary to authorize GoldStar Trust Company, as custodian, to purchase Certificates to be held in the individual Investor's IRA. Please be aware that a processing fee may be assessed on IRA investments by GoldStar Trust Company for wire transfers, termination of an IRA account, and various other services. Detailed information about this arrangement is available either through TSF or GoldStar Trust Company, in the latter case addressed to GoldStar Trust Company, 1401 4th Avenue, Canyon, TX 79015. In order to comply with the USA Patriot Act, GoldStar Trust Company may require additional information to verify an Investor's identity; its privacy policy is provided to all potential IRA investors. For additional information regarding IRA investment options or required forms, contact TSF directly.

TSF will accept payment for Certificates in the form of personal check, cashier's check, money order or electronic funds transfer. TSF offers no financing terms. The Certificates offered and issued by TSF are issued as uncertificated securities (*i.e.*, in book-entry form), and the right of Investor(s) in such Certificates will be reflected upon the books and records of TSF. The terms and conditions of Certificates will be construed under and governed by Colorado law. The Investor will receive a periodic statement indicating the balance of a particular investment including any additions, withdrawals and any interest credited, withdrawn or accumulated.

Interest

Funds received for the purchase of Certificates earn interest from the day of issuance calculated on a 365-day basis, except in leap years in which case interest is calculated on a 366-day basis. Interest is accrued daily and compounded quarterly on the last day of each calendar quarter. Interest shall be added to the principal amount unless the Investor requests, either upon application for the Certificate or in any subsequent written notice received by TSF, that the interest be paid monthly or quarterly to the Investor; provided, however, with respect to Certificates held in an IRA, if interest is requested to be paid, such interest will be paid only to the IRA third-party custodian to be further distributed from the IRA to the Investor subject to the terms of the IRA. The election by the Investor to receive periodic monthly or quarterly payments of interest is available only on investments of \$5,000 or more. This election may be changed at any time upon receipt by TSF of the Investor's written notice to change. All Investors receive statements indicating the activities for the prior period at the end of each calendar quarter. Investors may choose to make a charitable contribution to TSF or to their church organization of interest earned on Certificates (see "Tax Aspects" at page 29).

Certificates will bear interest at a rate that is determined from time to time in accordance with the then current policies of TSF. Interest rates are currently established by TSF through a review of current interest rates paid by other institutions, while ensuring TSF maintains a spread to cover its operating costs. If an Investor invests over \$250,000 with TSF, the interest rate to be paid on such Investor's Certificates may be higher than the usual rates and will be specially negotiated between the Investor and TSF. See "Keystone Certificates" below.

The interest rate on a Time Certificate does not vary over the term of the Certificate. The interest rate on a Demand Certificate may be adjusted monthly. See "Demand Certificates" below. TSF will review certain factors, such as investment gap analysis, Loan demand, cash flow needs and the current policy of the Federal Reserve, before establishing each month's rate of interest. TSF will provide potential and existing Investors with current interest rates on Certificates along with this Offering Circular and, at any other time, upon request.

TSF reserves the right to change the method by which interest is determined or the frequency with which interest is paid to the Investor or added to the Certificates. If TSF exercises its right to change the method by which interest is calculated or the frequency in which interest is paid on existing Certificates, the holders of such Certificates would receive written notification describing the changes and the method of determining rates of such Certificates. If upon receiving the notice, Investors wish to make a complete withdrawal, they may do so within thirty (30) days of receiving the notice. For the last payment of interest only, they may also be paid interest at the rates in effect for these Certificates during the preceding month, provided they notify TSF within this thirty (30) day period.

TSF will establish interest rates on a monthly basis for Demand Certificates and for Time Certificates having terms of six (6) months to ten (10) years, as may be offered by TSF from time to time. TSF may, from time to time, establish separate interest rates for investments of only new funds that are different from the interest rates applicable to rollovers or reinvestments of existing investments.

Time Certificates (Cornerstone Investment)

Time Certificates pay interest at rates that remain fixed throughout their term and are available for terms of any period from six (6) months to ten (10) years, as may be offered by TSF from time to time. An initial investment of Five Thousand Dollars (\$5,000) is required to open a Time Certificate, except that, if the Time Certificate will be issued to the Investor as a custodian for a minor, then the minimum initial investment is Five Hundred Dollars (\$500). Additions of principal may be made to Time Certificates at any time.

Demand Certificates (Foundation Investment)

Demand Certificates pay interest at an adjustable interest rate that may be adjusted on the first day of each month. An initial investment of Two Thousand Five Hundred Dollars (\$2,500) is required to open a Demand Certificate, except that if the Demand Certificate will be issued to the Investor as a custodian for a minor, then the minimum initial investment is Two Hundred Fifty Dollars (\$250). Additions of principal may be made to Demand Certificates at any time. Withdrawals from Demand Certificates may be made at any time without any penalty or service fee and are payable upon request of the Investor provided, however, that TSF reserves the right to require the Investor to provide up to sixty (60) days written notice of any intended withdrawal before such withdrawal is made.

Negotiated Certificates (Keystone Investment)

Negotiated Certificates include a Time Certificate or Demand Certificate issued to an Investor who invests over \$250,000 with TSF. The interest rate to be paid on Keystone Certificates will be higher than the usual rates and will be specially negotiated between the Investor and TSF. If the balance of the Certificate falls below \$250,000, the balance of such Certificate may be fully redeemed without notice to the Investor or, in lieu of such full redemption, the interest rate may be reduced to the then applicable rate for a like Demand Certificate or Time Certificate.

Retirement Certificates

A Time Certificate or Demand Certificate may be issued to an IRA, an employer-sponsored 403(b) plan, or another similarly situated plan, provided that such IRA or plan permits investments in Certificates. Because an IRA is subject to specific requirements under the Internal Revenue Code, Investors are encouraged to consult their tax advisors before deciding to invest IRA assets in a Certificate.

Maturity/Automatic Rollover

At least thirty (30) days prior to maturity of a Time Certificate, TSF will send a written notice and a new Offering Circular to Investors, unless the Investor has previously received a current Offering Circular. The notice given by TSF shall state the maturity date of such Certificate and that the Certificate shall be automatically renewed at the current interest rate in effect on the date of maturity for such type and term of Certificate and under the terms described in the then current Offering Circular, unless the Investor elects in writing within twenty (20) days before or after the Certificate's maturity date to redeem the Certificate or to reinvest the amount due thereunder into a new Certificate. An automatically renewed Certificate may be assigned a new Certificate investment number. If TSF is then offering a separate interest rate for investments of only new funds, that separate interest rate will not apply to a rollover or reinvestment, and only the rate then applicable to rollovers or reinvestments not involving new funds will apply. In the event that an Investor elects to redeem without reinvestment, TSF will pay to the Investor named in such Certificate the full amount of principal outstanding plus any interest added to principal and not previously withdrawn.

TSF's Early Redemption Right

TSF has the right to call Certificates for redemption at any time upon sixty (60) days written notice. In such event, interest will be paid to the date of redemption.

Withdrawal and Early Withdrawal Penalties

TSF is not required to redeem all or part of any Time Certificate prior to its maturity date. As a matter of policy, TSF may redeem Time Certificates prior to the maturity date at the request of Investors upon a showing of need. When TSF agrees to redeem a Time Certificate prior to the maturity date, early withdrawal penalties are applied as follows:

| <u>Initial Term of Certificate</u> | <u>Early Withdrawal Penalty</u> |
|------------------------------------|---------------------------------|
| Up to 24 months | 1% of the amount redeemed |
| Over 24 months up to 36 months | 2% of the amount redeemed |
| Over 36 months | 3% of the amount redeemed |

Management of TSF may consider any extenuating circumstances that cause an Investor to request an early withdrawal and may waive some or all of any early withdrawal penalty. In no event, however, will any early withdrawal penalty be applied in the case of a redemption of a Certificate occurring upon or as a result of the death of the Investor in whose name such Certificate was issued.

In addition, in the event that the balance of a Certificate would, upon a withdrawal or partial redemption, fall below \$2,500 in the case of a Demand Certificate or below \$5,000 in the case of a Time Certificate, the balance of such Certificate may be fully redeemed without notice to the Investor or, in lieu of such full redemption, the interest rate may be reduced to the then current rate applicable to Demand Certificates.

Unsecured General Obligation Status of Certificates

The Certificates are unsecured and of equal priority with all other current indebtedness of TSF, except for TSF's secured line of credit described below and any future secured indebtedness. TSF reserves the right to issue future obligations, or obtain a line of credit, secured by a first lien on its assets in an amount not to exceed ten percent (10%) of the tangible assets of TSF (total assets less intangible assets as defined by U.S. GAAP). TSF has a \$60,000,000 secured line of credit and, as of December 31, 2021, TSF had \$46,785,000 available under such line of credit. TSF's line of credit is secured by two properties: its

headquarters located in Parker, Colorado and a ministry property located in West Hills, California. To the extent that TSF has drawn, or further draws, upon such secured line of credit or incurs any other senior secured indebtedness, then repayment of such line of credit or indebtedness will have priority in TSF's assets over all other unsecured creditors of TSF, including Investors.

Additional Information

TSF reserves the right at any time to discontinue offering any of the Certificates described herein without the need to supplement this Offering Circular. TSF also reserves the right at any time to offer additional Certificates having terms different than the terms of the Certificates described in this Offering Circular. The Certificates are non-negotiable and may be assigned or transferred only upon TSF's written consent.

PLAN OF DISTRIBUTION

The primary means for marketing the Certificates will be through promotional brochures and Offering Circulars distributed to churches and individual members of churches. Promotional materials will also be published on TSF's website (www.thesolomonfoundation.org). TSF will also make the Offering Circular and purchase application form available on its website and by e-mail. In addition, promotional materials will be distributed at church conferences, national and regional meetings, retreats and seminars. A representative for TSF may discuss the nature and purpose of TSF's work at national or regional meetings or at church services or gatherings. Each Investor will be provided a copy of the Offering Circular prior to the Investor's purchase of Certificates. No offers to purchase will be accepted prior to the time that an Investor has executed a purchase application form acknowledging that he or she received a current Offering Circular. All sales are made by directors, officers and/or employees of TSF. No underwriting or selling agreements exist, and no direct or indirect remuneration will be paid to any person in connection with the offer and sale of Certificates. Certificates will be offered and sold only to Investors. (See definition of "Investor" on page 10 of this Offering Circular).

TAX ASPECTS

Investors will not receive a charitable deduction upon the purchase of a Certificate. The interest payable on the Certificates will be taxable as ordinary income to the Investor in the year it is paid or accrued, regardless of whether it is actually paid out to the Investor. If interest is accrued over the life of the Certificate and paid at the maturity date, the Investor must report such interest as income on their federal and state income tax returns as it accrues. Transferability of the Certificates is limited, and it is unlikely that there would be a sale or exchange of a Certificate. Upon a transfer, however, the seller would generally report as either a short-term or long-term gain or loss depending upon the length of time held, the gain or loss being equal to the difference between the purchase price and the amount received upon sale or exchange, less accrued interest. Purchasers who hold Certificates until their maturity will not be taxed on the return of the principal purchase price or on previously accrued and taxed interest. Any excess will be interest income taxable in the year of maturity.

An individual Investor (or a husband and wife together) who has (have) invested more than \$250,000 in aggregate with or to TSF may be deemed to receive additional taxable interest under Section 7872 of the Internal Revenue Code. Such investors should consult their tax advisors to be informed of the special income tax rules applicable to loans and investments, in the aggregate, greater than \$250,000.

TSF will notify Investors of interest earned on Certificates by sending them IRS Form 1099 by January 31st of each year. Investors who do not provide TSF with their correct social security number or Federal tax identification number will be subject to backup withholding of 24% on interest earned as required by law.

LITIGATION AND OTHER MATERIAL TRANSACTIONS

The Board of Directors and management of TSF are not aware of any action, proceeding, inquiry, or investigation at law or in equity, before any court or public agency, board or body pending or, to the knowledge of TSF, threatened against it (i) affecting the existence of TSF, (ii) seeking to prohibit, restrain or enjoin the issuance and sale of Certificates, (iii) in any way contesting or affecting the validity or

enforceability of the Certificates, or (iv) in which an adverse determination would have an adverse material impact on TSF. Furthermore, the Board of Directors and management of TSF are not aware of any actual or threatened litigation involving any director or officer of TSF pertaining to their duties as a director or officer of TSF.

MATERIAL AFFILIATED/RELATED PARTY TRANSACTIONS

Except as otherwise disclosed in this Offering Circular, there have been no material transactions between TSF and any director or officer of TSF, or any borrower or other entity with which a director or officer of TSF is affiliated, during the three-year period immediately preceding the date of this Offering Circular. Any future transaction between TSF and a director or officer of TSF, or any borrower or other entity with which a director or officer of TSF is affiliated, will be made and entered into on terms no less favorable to TSF than those that TSF could obtain with an unaffiliated third party. With respect to any future affiliated transaction, or any forgiveness of the Loan of a borrower with which a director or officer of TSF is affiliated, a majority of TSF's independent, disinterested directors must approve such affiliated transaction or Loan forgiveness.

As of December 31, 2021, the directors and officers of TSF owned or controlled Certificates (including Certificates held by church organizations of which they are members, directors or officers) in the aggregate totaling \$50,470,862, which represents approximately 6.1% of TSF's total outstanding Certificates payable.

As of December 31, 2021, there were Loans made to church organizations of which a director or officer of TSF was a board member in the aggregate totaling \$43,105,503, which represents approximately 7.8% of TSF's total outstanding Loans receivable, net of allowance for Loan losses and including deferred Loan fees and discounts.

MANAGEMENT

Organizational Structure

TSF is a nonprofit corporation, incorporated in the State of Colorado on December 3, 2010. TSF has two corporate members, Crossroads Christian Church (Grand Prairie, TX) and Christ's Church of the Valley (Peoria, AZ), each of which is entitled to select one director to serve on TSF's Board of Directors.

Directors and Officers

TSF is currently managed by a Board of Directors, which has full power to conduct, manage, and direct the business affairs of the corporation. The Board of Directors consists of at least five (5) and not more than eleven (11) directors as established from time to time by duly adopted resolution of the Board of Directors. Presently, there are eleven (11) voting directors. All members of the Board of Directors must be members of the Restoration Movement Christian Churches or Churches of Christ and shall be active in the Restoration Movement. Except for the four directors who are elected by the two corporate members of TSF, the remaining members of the Board of Directors are elected by majority vote of the Board of Directors. The Chief Executive Officer of TSF also serves *ex officio* as a non-voting member of the Board of Directors. Each voting director is appointed or elected to serve a four (4) year term, such terms being staggered in order that no more than approximately one-half (1/2) of the voting directors on the Board of Directors are subject to replacement by reason of expiration of term in any election. A voting Director shall generally be eligible to serve a maximum of two (2) consecutive full four (4) year terms in office plus any unexpired term of his or her predecessor. The Board of Directors meets at regularly scheduled meetings not less frequent than annually and at special meetings as necessary. Officers of TSF are elected by the Board of Directors. Officers of TSF are each elected to serve a four (4) year term.

Remuneration

Members of TSF's Board of Directors do not receive compensation for their services to TSF. Directors are reimbursed for actual expenses incurred in attending the board meetings of TSF. The executive officers of TSF consist of the following officers: the Chief Executive Officer, the Senior Vice President and Chief Operating Officer, the Senior Vice President and Chief Financial Officer, the Senior Vice President and Chief Strategy Officer, and the Senior Vice President of Construction Management.

Officers of TSF are paid salaries, employer 403(b) contributions, annual bonus (if applicable), insurance benefits, and auto/travel allowances or reimbursements. For the year ended December 31, 2021, the direct and indirect annual compensation paid by TSF to its executive officers is shown below, in the aggregate for all executive officers and also individually for any officer whose total remuneration received was in excess of \$150,000:

| <u>Payee</u> | <u>Salary (Incl. Bonus)</u> | <u>Health and Other Insurance</u> | <u>Pension and Retirement</u> | <u>Total Remuneration</u> |
|--|-----------------------------|-----------------------------------|-------------------------------|---------------------------|
| Douglas Crozier, President and CEO | \$423,898 | \$11,336 | \$46,975 | \$482,209 |
| Sarah Roberts, Sr VP and Chief Operating Officer | \$158,192 | 30,380 | 18,984 | 207,556 |
| William Shalkowski, Sr VP Construction | \$177,780 | 32,722 | 21,334 | 231,836 |
| Renee Little, Sr VP and Chief Strategy Officer | <u>\$167,200</u> | <u>23,353</u> | <u>20,064</u> | <u>210,617</u> |
| Aggregate for all executive officers | \$1,077,605 | 131,136 | 125,113 | 1,333,854 |

The following persons presently serve as the members of the Board of Directors, and/or as officers of TSF, as designated:

ALLEN, MELISSA (Senior Vice President and Chief Financial Officer)

Age 53

Melissa Allen is the Senior Vice President and Chief Financial Officer of The Solomon Foundation. She holds a Bachelor's degree in Accounting and an MBA, both from Pittsburg State University, and is a Certified Public Accountant (CPA) and Certified Management Accountant (CMA). Melissa has over 30 years of experience in private industry, with varying roles and degrees of responsibility in Accounting, Finance and Financial Planning & Analysis (FP&A). Her education, career path and life experiences have uniquely prepared her for the role of TSF's CFO, where she provides Godly leadership and strong financial oversight while collaborating closely with the TSF Executive team.

BARCLAY, DR. RICHARD (Director and Secretary)

Age 70, Term expires Jan. 1, 2024

Dr. Richard Barclay earned a master's degree from Gordon Conwell Theological Seminary in Boston, Massachusetts in 1983, and he did graduate work at George Pepperdine University in Malibu, California in 1986. He earned a second master's degree in theology in 1990 from the California Graduate School of Theology in Anaheim, California. He was enrolled in a doctoral program in theology from 1990-1991 at California Graduate School of Theology in Anaheim, California. Barclay has been the evangelist to the Hillcrest Church of Christ in Corpus Christi, Texas (1977-1979); the Roxbury Church of Christ in Boston, Massachusetts (1979-1984); the Compton Avenue Church of Christ in Los Angeles, California (1984-1991); and the East Cotton Street Church of Christ in Longview, Texas (1991-1995). He served as the evangelist for the Kashmere Gardens Church of Christ in Houston, Texas from 1995 to 2006. During his tenure in Longview at the East Cotton congregation, he served on the Longview Branch NAACP Religious Affairs Committee as the chairman, the Gregg County Airport Board, the Board of Directors for the East Texas Literacy Council and the Longview Independent School District Public Information Advisory Committee. He served as the chaplain for the Longview Police Department and worked with the City of Longview Drug Task Force. Additionally, Richard worked with the Texas Adolescent and Family Substance Abuse Academy as well as, the South Longview Economic Development Council.

CROZIER, DOUGLAS J. (President and Chief Executive Officer and Ex Officio Non-Voting Director)

Age 67

Doug Crozier is the founding Chief Executive Officer of The Solomon Foundation and serves as an "ex officio" non-voting member of the Board. He served as the Chairman of the Denominational Investment and Loan Administrators (DILA) Securities Committee and worked hand in hand with state regulators and other denominational funds to help re-write the North American Securities Administrators Association,

Statement of Policy regarding Church Extension Fund Securities in 2002 – 2004. From September 1997 to May 2004 he served as the Chief Operating Officer of Church Development Fund, Inc. in Irvine, CA and he was the President of Church Development Fund, Inc. from May 2004 through October 2010. He formerly served on the Board of Directors of Church Development Fund, Inc. from 1993 to 1997. He was also a founding board member of Stadia and Visionering. Over the past 40 years, Doug has held leadership positions in financial and real-estate institutions and served in various ministry leadership roles. He is currently vice chairman and a board member of Lifeline Christian Mission. Doug also serves on the board of DDI in Indianapolis. Doug also serves on the management team at Cross Culture Church in Denver. Doug holds a B.A. in Business Administration from the University of Nebraska-Lincoln. Doug and his wife Julie attend Southeast Christian Church in Parker, CO.

FISHER, BRIAN (Director)

Age 55, Term expires Jan. 1, 2025

Brian Fisher is a graduate of Baylor University with a degree in Economics. Brian has owned businesses within the consulting, construction and real estate industries. He was named in Dallas Business & Industry Journal and D Magazine as one of the fastest rising business leaders in DFW. He and his wife Jennifer and son Ross have been active members at Crossroads Christian Church in Grand Prairie, Texas, since 2007. Brian has been serving as an elder on the board since 2016, holding Chairman and Vice Chairman roles. Brian currently serves as the Executive Pastor at Crossroads Christian Church, in Grand Prairie, TX in the heart of Dallas-Fort Worth.

HANSEN, ANDREW (Director)

Age 69, Term expires Jan. 1, 2026

Andy Hansen serves as Senior Relationship Officer at Christ In Youth, which ministers to over 80,000 pre-teens through high school youth and youth workers annually. Prior to his present position, which started in 2020, Andy served as President for 15 years as well as Director of Conferences for 19 years at CIY. Before joining CIY, Andy was the Associate Minister in Charge of Youth for 10 years at Kentwood Christian Church in Grand Rapids, MI. Andy holds a Bachelor's Degree from Great Lakes Christian College and a Master's Degree from Cincinnati Bible Seminary. He and his wife Marcia are proud parents of 3 grown children and greatly enjoy their 5 grandchildren. Andy loves the Kingdom work that is being accomplished through the influence of TSF.

LAND, DARREL (Director and Vice Chairman)

Age 48, Term expires Jan. 1, 2023

Darrel Land is the founding and Senior Minister of Redemption Christian Church (Formerly Christians Church of Jasper) in Jasper, Indiana, a small rural town with a population of 15,000. The church started in 2000 with 12 people and has grown to average over 2,200 people. In December 2016, Redemption Christian Church opened its second campus in Loogootee, Indiana. Darrel is the Chairman of the Board for House of Hope Orphanage in Haiti as well as the president of Camp Illiana Retreat Center Board of Directors. He is also a member of the Jasper Mayor's Ecumenical Council. He has served on the North American Christian Convention (NACC) continuation committee. Darrel previously served in ministries in Marengo, Indiana, and Gosport, Indiana. Darrel holds a bachelor's degree from Kentucky Christian University.

LITTLE, RENEE (Senior Vice President and Chief Strategy Officer)

Age 40

Renee Little is the Senior Vice President and Chief Strategy Officer at TSF. Before joining TSF, Renee worked in the almond industry where she worked with two of the largest almond growers in California overseeing operations. At TSF, Renee takes on special projects that will grow or enhance TSF. She is also tasked with setting the future strategy for TSF. She currently is responsible for the marketing and IT departments and plays a key role in developing new programs. Growing up in the Restoration Church has

led to a deep-rooted love for Christ and His church. Renee holds a B.A. in Agri-Business from California Polytechnic State University - San Luis Obispo.

MARTIN, ANDREW (Director)

Age 39, Term expires Jan. 1, 2025

Andrew Martin has been an active partner at Vail Christian Church in Tucson, Arizona since 2007. Prior to his current Elder role, he served as a deacon, treasurer and capital campaign advisor to the church. Professionally, Andrew has spent his entire career in the corporate banking sector. Initially focused on commercial sales, Andrew spent 12 years growing and managing commercial and commercial real estate loans and deposits. Currently Andrew serves as a national group manager in the Treasury Management Client Care division of PNC Bank where he oversees product implementations for the bank's business banking, commercial and international clients. Graduating from the University of Arizona, Andrew holds his B.S. in Agriculture Economics and Business Management.

MCCLOUD, JIMMY (Director)

Age 37, Term expires Jan. 1, 2025

Jimmy McCloud is the Lead Pastor at First Christian Church in Canton, Ohio. FCC is one of the great turnaround stories in the Restoration Movement. Prior to joining the staff team at FCC as the Executive Pastor, he served in ministry at churches in Ohio and North Carolina. Jimmy attended Mid-Atlantic Christian University, where he studied Theology with a focus in Family Ministry and Counseling. He and his wife, Ashley, live in North Canton with their four kids: Braylon, Carter, Ellie, and Grace.

MEROLD, MATT (Director)

Age 45, Term expires Jan. 1, 2025

Matt Merold has served as the Lead Pastor of Bethany Christian Church in Washington, Indiana since 1999. During that time Matt has led this multi-site church through generosity campaigns, building additions, and a relocation. Matt's vision of an outward focused, evangelistic community of believers has led a small-town church from 80 to over 2000 in weekend attendance. A gifted speaker and Spirit-filled leader, Matt has been instrumental in leading a small town church to experience amazing growth. Matt and his wife, Kelli, have 5 boys.

NAVE, MICHAEL (Director)

Age 68, Term expires Jan. 1, 2025

Mike Nave has been an active member of Christ's Church of the Valley ("CCV") since 1998. He has served in various capacities such as Greeting ministry, Usher ministry, Missions, Neighborhood Group leadership, Stewardship Campaign, international travel with church staff, financial oversight, Church Elder, Chairman of the Elders, and other ministry boards. His professional background is in Information Technology and Business, with emphasis in global Financial IT systems and global business services, including Director and Vice President roles. Mike has also served on city government boards and commissions. He is currently part of the leadership for Accelerate Group, Inc., a 501(c)(3) organization that works with pastor and wife couples, and church leaders, to increase their ministry effectiveness. Mike holds a B.B.A. from West Texas A&M University and a M.B.A. from Texas Tech University.

ROBERTS, SARAH (Senior Vice President and Chief Operating Officer)

Age 36

Sarah Roberts is the Senior Vice President and Chief Operating Officer at The Solomon Foundation. Sarah has extensive experience with real estate transactions of all shapes and sizes, having worked in numerous areas of real estate, from brokerage firms and title, to sales and property management. Before joining The Solomon Foundation team in 2012, Sarah worked with a Denver investment firm where she gained a tremendous amount of knowledge and experience with securities. Sarah attended Metro State College with continuing education at The Art Institute of Colorado. She currently is studying to receive her CCIM designation.

SHALKOWSKI, WILLIAM (Senior Vice President of Construction Management)

Age 58

Bill Shalkowski is the Senior Vice President of Construction Management at The Solomon Foundation. Prior to joining The Solomon Foundation, he was instrumental in the organization and operation of commercial construction companies in California and Colorado for 30 years. During these years, he was involved in many forms of construction. Some of his major projects included several California Embassy Suite Resorts, DIA Main Terminal, the Pepsi Center, Park Meadows Mall, Parker Adventist Hospital and several Colorado mountain resort properties. Bill studied Blueprint & Design, as well as receiving welding certifications at The University of New Mexico. Bill has been involved in international missions, Next Gen Ministries and church leadership over the past 16 years, currently serving as an elder at 3D Church in Aurora, CO and on the management team at Cross Culture Church in Green Valley Ranch, CO.

SIDDLE, STEVEN (Director)

Age 66, Term expires Jan. 1, 2023

Steven Siddle is a 1979 graduate of Ozark Christian College with a Bachelor's degree in Sacred Literature. Steve has been a Senior Buyer for Northrop Grumman Corporation working on the B-2 Stealth Bomber program at LTV Corporation in Dallas. Steve and his wife Pam and their daughter Caitlin joined Crossroads Christian Church in 1991. In 1996 Steve took a sabbatical from the Elder board where he had been serving since 1993 to join his wife Pam to serve in Children's Ministry, where Pam is currently in her 30th year of ministry. Steve retired from Crossroads Christian Church in 2021 where he is currently serving as an elder. Their daughter Caitlin (a Cardiac ICU nurse at Children's Hospital in Dallas) is married to Patrick Washington (Finance Manager at Lockheed Corporation). They have 3 amazing children.

SMITH, ROBERT (Director and Chairman)

Age 61, Term expires Jan. 1, 2026

Bob Smith has been on staff with 24/7 Community Church since November 2010. He coordinates the new church planting and expansion the campuses for the church. Bob had previously served as the Brighton Campus Pastor and the Executive Pastor for Business Operations. Bob has more than 28 years of law enforcement experience, retiring with Plymouth Township as the Deputy Chief of Police in November 2010. He has served on the Board of Directors of several community organizations and was the Chairman of the Board of New Churches of Christ-Evangelism from 2007-2017. Bob graduated from Northwestern University's Traffic Institute School of Staff and Command and holds a Master's degree in Liberal Studies from Eastern Michigan University.

WILSON, DR. DONALD (Director)

Age 74, Term expires Jan. 1, 2023

Dr. Don Wilson is the founder and Senior Pastor at Christ's Church of the Valley. Don began services in a rented movie theatre in 1982 with just a few people and today CCV is the largest church in our movement holding services at 8 locations with over 28,000 in attendance. Don also ministers to pastors, spouses, leaders, and churches through Accelerate Group, Inc. Don holds a bachelor's degree from Manhattan Christian College and an M.A. and Ph.D. from California Graduate School of Theology.

FINANCIAL STATEMENTS

The audited financial statements included herein are the Consolidated Statements of Financial Position as of December 31, 2021, 2020 and 2019, the related Consolidated Statements of Activities and Consolidated Statements of Cash Flows for the years ended December 31, 2021, 2020 and 2019, and the related Notes to the Consolidated Financial Statements.

INVESTOR REPORTS

TSF's current audited financial statements will be made available to an Investor electronically with notice by email, unless an Investor requests a paper copy, in which case it will be mailed within 120 days of the end of TSF's last fiscal year, and will also be made available to Investors upon written request.

INDEPENDENT ACCOUNTANTS

TSF's Statements of Financial Position as of December 31, 2021, 2020 and 2019, and the related Statements of Activities and Statements of Cash Flows for the years ended December 31, 2021, 2020 and 2019, have been audited by BKD, LLP, independent accountants, as stated in their report appearing herein.

Independent Auditor's Report

Board of Directors
The Solomon Foundation
Parker, Colorado

Opinion

We have audited the consolidated financial statements of The Solomon Foundation, which comprise the consolidated statements of financial position as of December 31, 2021, 2020, and 2019, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Solomon Foundation as of December 31, 2021, 2020, and 2019, 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 Consolidated Financial Statements" section of our report. We are required to be independent of The Solomon Foundation 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 the 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 The Solomon Foundation's ability to continue as a going concern within one year after the date that these 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 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 judgment made by a reasonable user based on the consolidated 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 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 The Solomon Foundation'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Solomon Foundation'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.

Supplementary Information (Not Subjected to our Auditing Procedures)

Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules listed in the table of contents is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Springfield, Missouri
April 4, 2022

The Solomon Foundation
Consolidated Statements of Financial Position
December 31, 2021, 2020, and 2019

Assets

| | 2021 | 2020 | 2019 |
|---|-----------------------|-----------------------|-----------------------|
| Cash and cash equivalents | \$ 113,884,649 | \$ 74,450,373 | \$ 38,371,666 |
| Investments | 18,984,626 | 7,822,483 | 8,094,959 |
| Interest receivable | 2,772,278 | 4,545,150 | 1,898,429 |
| Prepaid expenses and other assets | 1,425,956 | 1,426,306 | 1,592,066 |
| Loans, net of allowance for loan losses of \$5,342,225, \$6,529,104, and \$4,797,104 at December 31, 2021, 2020, and 2019, respectively | 550,634,233 | 498,223,990 | 435,335,471 |
| Other receivables | 701,875 | 600,710 | 371,551 |
| Other real estate owned | 5,863,230 | - | - |
| Ministry properties, net | 170,821,817 | 146,199,684 | 120,586,928 |
| Premises and equipment, net | 20,908,192 | 20,867,960 | 19,605,455 |
| Total assets | <u>\$ 885,996,856</u> | <u>\$ 754,136,656</u> | <u>\$ 625,856,525</u> |

Liabilities and Net Assets

Liabilities

| | | | |
|---------------------------------------|--------------------|--------------------|--------------------|
| Accounts payable and accrued expenses | \$ 2,006,218 | \$ 1,245,108 | \$ 1,701,288 |
| Line of credit | - | 30,000,000 | 32,000,000 |
| Debt securities | 829,081,926 | 679,116,137 | 551,532,120 |
| Trust obligation | 1,855,016 | 1,737,246 | 1,729,459 |
| Contribution payable | 8,212,232 | 3,929,197 | 3,612,290 |
| Total liabilities | <u>841,155,392</u> | <u>716,027,688</u> | <u>590,575,157</u> |

Net Assets

| | | | |
|------------------------------------|-----------------------|-----------------------|-----------------------|
| Without donor restrictions | | | |
| Undesignated | 44,534,659 | 37,715,225 | 34,913,820 |
| With donor restrictions | | | |
| Time-restricted for future periods | 306,805 | 393,743 | 367,548 |
| Total net assets | <u>44,841,464</u> | <u>38,108,968</u> | <u>35,281,368</u> |
| Total liabilities and net assets | <u>\$ 885,996,856</u> | <u>\$ 754,136,656</u> | <u>\$ 625,856,525</u> |

The Solomon Foundation
Consolidated Statements of Activities
Years Ended December 31, 2021, 2020, and 2019

| | 2021 | 2020 | 2019 |
|---|-----------------------------|-----------------------------|-----------------------------|
| Without Donor Restrictions | | | |
| Interest income | | | |
| Interest and fees on loans | \$ 35,754,989 | \$ 31,057,706 | \$ 28,339,452 |
| Net interest and dividends | <u>762,302</u> | <u>478,237</u> | <u>483,358</u> |
| Total interest income | <u>36,517,291</u> | <u>31,535,943</u> | <u>28,822,810</u> |
| Interest expense | | | |
| Interest on debt securities | 32,893,279 | 26,916,023 | 22,531,516 |
| Short-term borrowing interest | <u>296,562</u> | <u>436,833</u> | <u>703,880</u> |
| Total interest expense | <u>33,189,841</u> | <u>27,352,856</u> | <u>23,235,396</u> |
| Net interest income | 3,327,450 | 4,183,087 | 5,587,414 |
| Provision (credit) for loan losses | <u>(1,107,238)</u> | <u>1,732,000</u> | <u>718,729</u> |
| Net interest income after provision for loan losses | <u>4,434,688</u> | <u>2,451,087</u> | <u>4,868,685</u> |
| Noninterest operating income and expense | | | |
| Contributions | 12,997,142 | 10,014,899 | 13,258,644 |
| Rental income | 4,295,703 | 3,624,497 | 2,830,715 |
| Net realized and unrealized gains (losses) on investments | (187,879) | (247,086) | (33,241) |
| Subscription sales | 236,575 | 393,146 | 671,448 |
| Other income | 1,333,806 | 253,151 | 272,807 |
| General and administrative expenses | (9,008,372) | (7,402,703) | (7,665,210) |
| Depreciation | (4,876,954) | (4,272,788) | (3,291,231) |
| Grant and contribution expense | (1,430,351) | (1,795,737) | (1,344,605) |
| Publications production expense | (122,935) | (215,356) | (347,873) |
| Other operating expenses | <u>(851,989)</u> | <u>(1,705)</u> | <u>(124,667)</u> |
| Total noninterest operating income and expense | <u>2,384,746</u> | <u>350,318</u> | <u>4,226,787</u> |
| Increase in net assets without donor restrictions | <u>6,819,434</u> | <u>2,801,405</u> | <u>9,095,472</u> |
| With Donor Restrictions | | | |
| Actuarial loss on trust obligation | (117,770) | (7,787) | (9,051) |
| Contributions | <u>30,832</u> | <u>33,982</u> | <u>84,472</u> |
| Increase (decrease) in net assets with donor restrictions | <u>(86,938)</u> | <u>26,195</u> | <u>75,421</u> |
| Change in Net Assets | <u>6,732,496</u> | <u>2,827,600</u> | <u>9,170,893</u> |
| Net Assets, Beginning of Year | <u>38,108,968</u> | <u>35,281,368</u> | <u>26,110,475</u> |
| Net Assets, End of Year | <u><u>\$ 44,841,464</u></u> | <u><u>\$ 38,108,968</u></u> | <u><u>\$ 35,281,368</u></u> |

The Solomon Foundation
Consolidated Statements of Cash Flows
Years Ended December 31, 2021, 2020, and 2019

| | 2021 | 2020 | 2019 |
|--|------------------------------|-----------------------------|-----------------------------|
| Operating Activities | | | |
| Change in net assets | \$ 6,732,496 | \$ 2,827,600 | \$ 9,170,893 |
| Items not requiring (providing) cash from operating activities | | | |
| Depreciation | 4,876,954 | 4,272,788 | 3,291,231 |
| Provision (credit) for loan losses | (1,107,238) | 1,732,000 | 718,729 |
| Amortization of deferred loan fees and discounts | (998,661) | (691,277) | (649,588) |
| Contributions of ministry properties | (12,710,099) | (9,242,851) | (13,239,151) |
| Net realized and unrealized (gain) loss on investments | 187,879 | 247,086 | 33,241 |
| Actuarial loss on trust obligations | 117,770 | 7,787 | 9,051 |
| Loss on sale of premises and equipment | 24,411 | 5,451 | 3,254 |
| Gain on sale of ministry property | (433,337) | (87,298) | - |
| Loss on sale of other real estate owned | 57,072 | - | - |
| Increase in cash surrender value of life insurance | (52,657) | - | - |
| Changes in | | | |
| Prepaid expenses | 53,007 | 165,760 | (177,995) |
| Interest receivable | (217,150) | (2,646,721) | 792,875 |
| Other receivables | (101,165) | (229,159) | (123,099) |
| Accounts payable and accrued expenses | 637,424 | (139,273) | (892,800) |
| Net cash used in operating activities | <u>(2,933,294)</u> | <u>(3,778,107)</u> | <u>(1,063,359)</u> |
| Investing Activities | | | |
| Origination of loans | (100,293,358) | (92,570,528) | (90,114,042) |
| Proceeds from loan principal repayments | 79,360,289 | 28,900,468 | 33,508,736 |
| Purchase of loans | (30,401,223) | - | - |
| Proceeds from sale of investments | - | 851,390 | 1,060,905 |
| Proceeds from sale of premises and equipment | - | 17,500 | 15,000 |
| Proceeds from sale of ministry property | 2,175,009 | 111,078 | 368,914 |
| Proceeds from the sale of other real estate owned | 323,628 | - | - |
| Purchases of investments | (11,350,022) | (826,000) | (1,245,000) |
| Purchase of ministry properties | (16,655,362) | (20,050,972) | (18,179,284) |
| Purchases of property and equipment | (757,180) | (2,160,139) | (4,016,379) |
| Net cash used in investing activities | <u>(77,598,219)</u> | <u>(85,727,203)</u> | <u>(78,601,150)</u> |
| Financing Activities | | | |
| Proceeds from advances on line of credit | 90,000,000 | 128,350,000 | 162,301,231 |
| Repayment of advances on line of credit | (120,000,000) | (130,350,000) | (164,103,340) |
| Proceeds from and reinvestments in debt securities | 257,713,064 | 220,911,202 | 181,302,703 |
| Redemption of debt securities | (107,747,275) | (93,327,185) | (82,557,257) |
| Net cash provided by financing activities | <u>119,965,789</u> | <u>125,584,017</u> | <u>96,943,337</u> |
| Increase in Cash and Cash Equivalents | 39,434,276 | 36,078,707 | 17,278,828 |
| Cash and Cash Equivalents, Beginning of Year | <u>74,450,373</u> | <u>38,371,666</u> | <u>21,092,838</u> |
| Cash and Cash Equivalents, End of Year | <u><u>\$ 113,884,649</u></u> | <u><u>\$ 74,450,373</u></u> | <u><u>\$ 38,371,666</u></u> |
| Supplemental Cash Flows Information | | | |
| Interest paid | \$ 4,082,703 | \$ 3,750,340 | \$ 3,335,211 |
| Interest reinvested by debt securities holders | \$ 29,275,666 | \$ 23,575,746 | \$ 19,931,703 |
| Ministry properties acquired in settlement of loans | \$ - | \$ - | \$ 2,925,000 |
| Ministry properties acquired through noncash contributions | \$ 17,077,598 | \$ 9,242,851 | \$ 13,239,151 |
| Sale and financing of ministry properties | \$ 3,360,730 | \$ 259,182 | \$ - |
| Property and equipment in accounts payable | \$ 175,992 | \$ - | \$ 31,000 |
| Other real estate acquired through settlement of loans | \$ 6,243,930 | \$ - | \$ - |
| Interest refinanced by borrowers | \$ 1,990,022 | \$ - | \$ - |

See Notes to Consolidated Financial Statements

The Solomon Foundation
Notes to Consolidated Financial Statements
December 31, 2021, 2020, and 2019

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The Solomon Foundation (Solomon) was incorporated as a Colorado nonprofit corporation on December 3, 2010, and is organized for religious, educational, benevolent, and charitable purposes. Solomon's operating activities consist of lending funds to Christian Churches and Churches of Christ to assist them in the construction, remodeling, renovating, refinancing, and equipping of worship facilities. Solomon's funds are obtained through the issuance of interest-bearing notes (debt securities), gifts, and through commercial sources, if necessary.

Solomon, through its controlled subsidiary Restoration Movement Media (RMM), operates a magazine publication, Christian Standard. The magazine is operating as an independent nonprofit ministry. RMM is organized as a Colorado nonprofit corporation.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of The Solomon Foundation, and its wholly owned subsidiaries, Restoration Movement Media and Solomon Real Estate Holdings, LLC (collectively, the "Foundation"). All significant interorganizational balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of 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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses and the valuation of ministry properties acquired in connection with contributions. In connection with the determination of the allowance for loan losses and the valuation of ministry properties contributed, management typically obtains independent appraisals or other estimates of value for significant properties.

Cash and Cash Equivalents

The Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2021, 2020, and 2019, cash equivalents consisted of money market accounts with financial institutions.

The Solomon Foundation

Notes to Consolidated Financial Statements

December 31, 2021, 2020, and 2019

At December 31, 2021, the Foundation's cash accounts exceeded federally insured limits by approximately \$63,547,000.

Investments

The Foundation measures securities, other than investments that qualify for the equity method of accounting, at fair value. Investments in REIT common stock are reported at fair value. The investment in DDI NGI, LLC is accounted for using the equity method (see *Note 2*).

Net Investment Return

Investment return includes dividend, interest, and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses. Realized and unrealized gains and losses are reported as net realized and unrealized gains and losses on investments in the statement of activities. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Loans Receivable

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoffs are reported at their outstanding principal balances adjusted for unearned income, charge-offs, the allowance for loan losses, and any unamortized deferred fees or costs on originated loans.

For loans amortized at cost, interest income is accrued based on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, as well as premiums and discounts, are deferred and amortized as a level-yield adjustment over the respective term of the loan.

The accrual of interest on loans is generally discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Past-due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off are reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Loans receivable primarily represent loans made by the Foundation to churches and affiliated entities and are generally secured by mortgages on the properties.

The Solomon Foundation

Notes to Consolidated Financial Statements

December 31, 2021, 2020, and 2019

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to income. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. There is also a general or “collective” portion of the total allowance for loan losses that is assigned to each loan based on the Foundation’s internal risk rating process. See *Note 3* for specifics on the collective and individual portion of the allowance for loan losses. Subsequent recoveries, if any, are credited to the allowance. The allowance for loan losses is evaluated on a regular basis by management and is based upon management’s periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower’s ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of allocated and general components. The allocated component relates to loans that are classified as impaired. For those loans that are classified as impaired, an allowance is established when the estimated collateral value of the impaired loan is lower than the carrying value of that loan. The general component covers nonclassified loans and is based on historical charge-off experience and expected loss given default derived from the Foundation’s internal risk rating process. Other adjustments may be made to the allowance for pools of loans after an assessment of internal or external influences on credit quality that are not fully reflected in the historical loss or risk rating data.

A loan is considered impaired when, based on current information and events, it is probable that the Foundation will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. 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. Impairment is measured on a loan-by-loan basis by either the present value of expected future cash flows discounted at the loan’s effective interest rate or the fair value of the collateral if the loan is collateral dependent.

Other Real Estate Owned

Assets acquired through, or in lieu of, loan foreclosure are initially recorded at fair value less cost to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management on other real estate owned held for sale and the assets are carried at the lower of carrying amount or fair values estimated cost to sell. Revenues and expenses from operations of other real estate owned and changes in any valuation allowance related to other real estate owned are included in the change in net assets.

The Solomon Foundation
Notes to Consolidated Financial Statements
December 31, 2021, 2020, and 2019

Ministry Properties

Ministry properties are recorded at estimated fair value on the date they are received by the Foundation as a gift. Buildings are depreciated beginning on the first day of the month the gift is received and are recorded at initial estimated fair value less accumulated depreciation. Depreciation on ministry properties is charged to expense using the straight-line method over the estimated useful life of 30 – 40 years. The Foundation has entered into lease agreements on certain ministry properties with churches or other charitable organizations.

Premises and Equipment

Depreciable assets are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful lives of the assets.

The estimated useful lives for each major depreciable classification of premises and equipment are as follows:

| | |
|---------------------------|---------------|
| Furniture and equipment | 3 - 15 years |
| Building and improvements | 30 - 40 years |

Long-Lived Asset Impairment

The Foundation evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended December 31, 2021, 2020, and 2019.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. Net assets with donor restrictions are subject to donor-imposed restrictions. The donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor.

The Solomon Foundation

Notes to Consolidated Financial Statements

December 31, 2021, 2020, and 2019

Contributions

Contributions are provided to the Foundation either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

| Nature of the Gift | Value Recognized |
|--|---|
| <i>Conditional gifts, with or without restriction</i> | |
| Gifts that depend on the Foundation overcoming a donor-imposed barrier to be entitled to the funds | Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met |
| <i>Unconditional gifts, with or without restriction</i> | |
| Received at date of gift – cash and other assets | Fair value |
| Received at date of gift – property, equipment, and long-lived assets | Estimated fair value |
| Expected to be collected within one year | Net realizable value |
| Collected in future years | Initially reported at fair value determined using the discounted present value of estimated future cash flows technique |

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment, and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

The Solomon Foundation
Notes to Consolidated Financial Statements
December 31, 2021, 2020, and 2019

Paycheck Protection Program (PPP) Loan

In 2021 and 2020, the Foundation received a PPP loan established by the CARES Act and has elected to account for the funding as a conditional contribution by applying ASC Topic 958-605, *Revenue Recognition*. Revenue is recognized when conditions are met, which include meeting FTE and salary reduction requirements and incurring eligible expenditures. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required to the recognition of revenue. Revenue related to PPP loans of \$68,806 and \$746,210 was recognized in 2021 and 2020, respectively.

Trust Obligations

Trust obligations represent the amount of various planned giving instruments where the Foundation has fiduciary responsibility for the safekeeping, investment management, and distribution of such funds to donor-designated beneficiaries. Trust obligations are valued at the actuarial present value of the expected payments based on life expectancy of the grantors.

Contribution Payable

The Foundation has recorded a contribution payable related to the portion of certain leases to churches in the ministry properties portfolio that have a contributory portion of the lease rate. The payable is measured at present value of the contribution and will be recognized as income over the term of the leases on the straight-line basis.

Functional Allocation of Expenses

Functional expenses (*Note 8*) presents the natural classification detail of expenses by function. Certain costs have been allocated between the program and supporting services based on usage and other methods.

Exemption From Income Taxes

The Foundation is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income. Management determined there was no unrelated business taxable income in 2021, 2020, and 2019.

The Solomon Foundation
Notes to Consolidated Financial Statements
December 31, 2021, 2020, and 2019

Note 2: Investments

Investments consisted of the following at December 31:

| | 2021 | 2020 | 2019 |
|------------------------------|-----------------------------|----------------------------|----------------------------|
| REIT common stock investment | \$ 1,628,738 | \$ 1,672,366 | \$ 1,832,331 |
| Debt certificates | 15,341,128 | 4,243,106 | 5,094,496 |
| Investment in DDI NGI, LLC | <u>2,014,760</u> | <u>1,907,011</u> | <u>1,168,132</u> |
| | <u><u>\$ 18,984,626</u></u> | <u><u>\$ 7,822,483</u></u> | <u><u>\$ 8,094,959</u></u> |

During 2021, 2020, and 2019, the Foundation invested \$252,000, \$826,000, and \$1,245,000, respectively, in DDI NGI, LLC for total contributions of \$2,323,000. At December 31, 2021, 2020, and 2019, the Foundation owned approximately 45 percent, 47 percent, and 44 percent, respectively, of the common stock of DDI NGI, LLC. The Foundation's investment is accounted for using the equity method. Summarized financial information for DDI NGI, LLC as of December 31, 2021, 2020, and 2019, is shown below:

| | 2021 | 2020 | 2019 |
|---|--------------|--------------|-------------|
| Assets | \$ 4,491,420 | \$ 4,034,413 | \$2,642,865 |
| Liabilities | - | 1,557 | - |
| Net loss for the year ended December 31 | (326,436) | (183,014) | (177,135) |

Note 3: Loans Receivable and Allowance for Loan Losses

Loans receivable primarily represent loans made by the Foundation to churches and affiliated entities and are generally secured by mortgages on the properties. Loans at December 31, include:

| | 2021 | 2020 | 2019 |
|--------------------------------------|------------------------------|------------------------------|------------------------------|
| Mortgage | \$ 497,337,091 | \$ 330,346,007 | \$ 303,370,622 |
| Construction | 35,582,009 | 155,878,912 | 122,894,697 |
| Installment | <u>22,865,414</u> | <u>18,548,876</u> | <u>14,185,694</u> |
| | 555,784,514 | 504,773,795 | 440,451,013 |
| Net deferred loan fees and discounts | 191,944 | (20,701) | (318,438) |
| Allowance for loan losses | <u>(5,342,225)</u> | <u>(6,529,104)</u> | <u>(4,797,104)</u> |
| | <u><u>\$ 550,634,233</u></u> | <u><u>\$ 498,223,990</u></u> | <u><u>\$ 435,335,471</u></u> |

The Solomon Foundation
Notes to Consolidated Financial Statements
December 31, 2021, 2020, and 2019

During 2021, the Foundation purchased a group of loans at a discount. The principal balance of the loans on the date of purchase was \$32,035,978. Also recorded was accrued interest of \$119,605, a purchase discount on the loans of \$305,360, as well as a specific prepayment discount related to one loan for \$1,500,000. The loan with the prepayment discount was paid in full in 2021 and the related discount was removed in connection with the prepayment. At December 31, 2021, the principal balance remaining on the purchased loans is \$16,582,241, and the remaining discount recorded is \$128,607.

The following tables present the balance in the allowance for loan losses and the recorded investment in loans based on portfolio segment and impairment method as of December 31, 2021, 2020, and 2019:

| | 2021 | | | |
|---------------------------------------|-----------------------|----------------------|----------------------|-----------------------|
| | Mortgage | Construction | Installment | Total |
| Allowance for Loan Losses | | | | |
| Balance, beginning of year | \$ 4,350,338 | \$ 2,117,834 | \$ 60,932 | \$ 6,529,104 |
| Provision (credit) for loan losses | 237,430 | (1,331,601) | (13,067) | (1,107,238) |
| Charge-offs | (79,641) | - | - | (79,641) |
| Recoveries | - | - | - | - |
| Balance, end of year | <u>\$ 4,508,127</u> | <u>\$ 786,233</u> | <u>\$ 47,865</u> | <u>\$ 5,342,225</u> |
| Ending balance | | | | |
| Individually evaluated for impairment | <u>\$ 2,025,000</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,025,000</u> |
| Ending balance | | | | |
| Collectively evaluated for impairment | <u>\$ 2,483,127</u> | <u>\$ 786,233</u> | <u>\$ 47,865</u> | <u>\$ 3,317,225</u> |
| Loans | | | | |
| Ending balance | <u>\$ 497,337,091</u> | <u>\$ 35,582,009</u> | <u>\$ 22,865,414</u> | <u>\$ 555,784,514</u> |
| Ending balance | | | | |
| Individually evaluated for impairment | <u>\$ 27,363,003</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 27,363,003</u> |
| Collectively evaluated for impairment | <u>\$ 469,974,088</u> | <u>\$ 35,582,009</u> | <u>\$ 22,865,414</u> | <u>\$ 528,421,511</u> |

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| | 2020 | | | |
|---------------------------------------|-----------------------|-----------------------|----------------------|-----------------------|
| | Mortgage | Construction | Installment | Total |
| Allowance for Loan Losses | | | | |
| Balance, beginning of year | \$ 2,993,250 | \$ 1,784,546 | \$ 19,308 | \$ 4,797,104 |
| Provision for loan losses | 1,357,088 | 333,288 | 41,624 | 1,732,000 |
| Charge-offs | - | - | - | - |
| Recoveries | - | - | - | - |
| Balance, end of year | <u>\$ 4,350,338</u> | <u>\$ 2,117,834</u> | <u>\$ 60,932</u> | <u>\$ 6,529,104</u> |
| Ending balance | | | | |
| Individually evaluated for impairment | <u>\$ 2,955,000</u> | <u>\$ 790,000</u> | <u>\$ -</u> | <u>\$ 3,745,000</u> |
| Ending balance | | | | |
| Collectively evaluated for impairment | <u>\$ 1,395,338</u> | <u>\$ 1,327,834</u> | <u>\$ 60,932</u> | <u>\$ 2,784,104</u> |
| Loans | | | | |
| Ending balance | <u>\$ 330,346,007</u> | <u>\$ 155,878,912</u> | <u>\$ 18,548,876</u> | <u>\$ 504,773,795</u> |
| Ending balance | | | | |
| Individually evaluated for impairment | <u>\$ 44,898,484</u> | <u>\$ 3,969,483</u> | <u>\$ -</u> | <u>\$ 48,867,967</u> |
| Collectively evaluated for impairment | <u>\$ 285,447,523</u> | <u>\$ 151,909,429</u> | <u>\$ 18,548,876</u> | <u>\$ 455,905,828</u> |
| | 2019 | | | |
| | Mortgage | Construction | Installment | Total |
| Allowance for Loan Losses | | | | |
| Balance, beginning of year | \$ 2,517,116 | \$ 1,543,586 | \$ 17,673 | \$ 4,078,375 |
| Provision for loan losses | 476,134 | 240,960 | 1,635 | 718,729 |
| Charge-offs | - | - | - | - |
| Recoveries | - | - | - | - |
| Balance, end of year | <u>\$ 2,993,250</u> | <u>\$ 1,784,546</u> | <u>\$ 19,308</u> | <u>\$ 4,797,104</u> |
| Ending balance | | | | |
| Individually evaluated for impairment | <u>\$ 1,894,000</u> | <u>\$ 796,318</u> | <u>\$ 333</u> | <u>\$ 2,690,651</u> |
| Ending balance | | | | |
| Collectively evaluated for impairment | <u>\$ 1,099,250</u> | <u>\$ 988,228</u> | <u>\$ 18,975</u> | <u>\$ 2,106,453</u> |
| Loans | | | | |
| Ending balance | <u>\$ 303,370,622</u> | <u>\$ 122,894,697</u> | <u>\$ 14,185,694</u> | <u>\$ 440,451,013</u> |
| Ending balance: | | | | |
| Individually evaluated for impairment | <u>\$ 31,333,230</u> | <u>\$ 7,012,333</u> | <u>\$ 95,010</u> | <u>\$ 38,440,573</u> |
| Collectively evaluated for impairment | <u>\$ 272,037,392</u> | <u>\$ 115,882,364</u> | <u>\$ 14,090,684</u> | <u>\$ 402,010,440</u> |

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As part of the ongoing monitoring of the credit quality of the Foundation's loan portfolio, management tracks loans by an internal rating system. Loans are pooled based on an assigned loan grade.

The following are the internally assigned ratings:

Very Low Risk - Represents loans of superior quality with excellent credit strength and repayment ability providing a nominal credit risk.

Low Risk - Represents loans of above-average credit strength and repayment ability providing only a minimal credit risk.

Moderate Risk - Represents loans of reasonable credit strength and repayment ability providing an average credit risk due to one or more underlying weaknesses.

Medium Risk - Represents loans of the lowest acceptable credit strength and weakened repayment ability providing a cautionary credit risk due to one or more underlying weaknesses.

High Risk - Represents loans that have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the Foundation's credit position at some future date.

Special Mention - Represents loans that are significantly past due, impaired, or determined by management to be inadequately protected by the paying capacity of the borrower or value of the collateral pledged, if any. They are characterized by the distinct possibility that the Foundation will sustain some loss if the deficiencies are not corrected.

Risk characteristics applicable to each segment of the loan portfolio are described as follows:

Mortgage: The mortgage real estate loans are generally amortizing loans secured by church facilities and land. Repayment of these loans is primarily dependent on the church's revenue. Credit risk in these loans can be impacted by economic conditions within the church's market areas that might impact either property values or a borrower's personal income.

Construction: Construction real estate loans are generally interest-only payments and are usually based upon estimates of costs and estimated value of the completed project and include independent appraisal reviews and a financial analysis of the church. Repayment of these loans is primarily dependent on the church's revenue. Credit risk in these loans may be impacted by the creditworthiness of a borrower, property values, and the local economies in the church's market areas.

Installment: The installment loan portfolio consists of various term and line-of-credit loans to churches for various operational purposes. Repayment of these loans is primarily dependent on the church's revenue. Credit risk is driven by consumer economic factors (such as unemployment and general economic conditions in the church's market area) and the creditworthiness of a borrower.

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The following tables present the credit risk profile of the Foundation's loan portfolio based on internal rating category and payment activity as of December 31, 2021, 2020, and 2019:

| | | 2021 | | | Total |
|-------|-------------------|-----------------------|-----------------------|----------------------|-----------------------|
| | | Mortgage | Construction | Installment | |
| Grade | | | | | |
| | Very low - medium | \$ 394,721,760 | \$ 28,858,517 | \$ 22,298,139 | \$ 445,878,416 |
| | High | 75,252,328 | 6,723,492 | 567,275 | 82,543,095 |
| | Special mention | 27,363,003 | - | - | 27,363,003 |
| | | <u>\$ 497,337,091</u> | <u>\$ 35,582,009</u> | <u>\$ 22,865,414</u> | <u>\$ 555,784,514</u> |
| | | 2020 | | | Total |
| | | Mortgage | Construction | Installment | |
| Grade | | | | | |
| | Very low - medium | \$ 260,111,712 | \$ 114,863,704 | \$ 18,298,976 | \$ 393,274,392 |
| | High | 25,335,811 | 37,045,725 | 249,900 | 62,631,436 |
| | Special mention | 44,898,484 | 3,969,483 | - | 48,867,967 |
| | | <u>\$ 330,346,007</u> | <u>\$ 155,878,912</u> | <u>\$ 18,548,876</u> | <u>\$ 504,773,795</u> |
| | | 2019 | | | Total |
| | | Mortgage | Construction | Installment | |
| Grade | | | | | |
| | Very low - medium | \$ 261,055,632 | \$ 92,459,209 | \$ 14,090,684 | \$ 367,605,525 |
| | High | 10,981,760 | 23,423,155 | - | 34,404,915 |
| | Special mention | 31,333,230 | 7,012,333 | 95,010 | 38,440,573 |
| | | <u>\$ 303,370,622</u> | <u>\$ 122,894,697</u> | <u>\$ 14,185,694</u> | <u>\$ 440,451,013</u> |

The Foundation evaluates the loan risk grading system definitions and allowance for loan loss methodology on an ongoing basis. No significant changes were made to either during the past year.

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The following tables present the Foundation's loan portfolio aging analysis of the recorded investment in loans as of December 31, 2021, 2020, and 2019:

2021

| | 30-89 Days Past Due | Greater Than 90 Days | Total Past Due | Current | Total Loans Receivable | Total Loans > 90 Days & Accruing |
|--------------|--------------------------------|---------------------------------|-----------------------|-----------------------|-----------------------------------|--|
| Mortgage | \$ 2,449,908 | \$ - | \$ 2,449,908 | \$ 494,887,183 | \$ 497,337,091 | \$ - |
| Construction | - | - | - | 35,582,009 | 35,582,009 | - |
| Installment | - | - | - | 22,865,414 | 22,865,414 | - |
| Total | \$ 2,449,908 | \$ - | \$ 2,449,908 | \$ 553,334,606 | \$ 555,784,514 | \$ - |

2020

| | 30-89 Days Past Due | Greater Than 90 Days | Total Past Due | Current | Total Loans Receivable | Total Loans > 90 Days & Accruing |
|--------------|--------------------------------|---------------------------------|-----------------------|-----------------------|-----------------------------------|--|
| Mortgage | \$ - | \$ 6,000,000 | \$ 6,000,000 | \$ 324,346,007 | \$ 330,346,007 | \$ - |
| Construction | 1,125,000 | 460,341 | 1,585,341 | 154,293,571 | 155,878,912 | 460,341 |
| Installment | 9,631 | - | 9,631 | 18,539,245 | 18,548,876 | - |
| Total | \$ 1,134,631 | \$ 6,460,341 | \$ 7,594,972 | \$ 497,178,823 | \$ 504,773,795 | \$ 460,341 |

2019

| | 30-89 Days Past Due | Greater Than 90 Days | Total Past Due | Current | Total Loans Receivable | Total Loans > 90 Days & Accruing |
|--------------|--------------------------------|---------------------------------|-----------------------|-----------------------|-----------------------------------|--|
| Mortgage | \$ - | \$ 6,000,000 | \$ 6,000,000 | \$ 297,370,622 | \$ 303,370,622 | \$ - |
| Construction | - | 448,363 | 448,363 | 122,446,334 | 122,894,697 | 448,363 |
| Installment | - | - | - | 14,185,694 | 14,185,694 | - |
| Total | \$ - | \$ 6,448,363 | \$ 6,448,363 | \$ 434,002,650 | \$ 440,451,013 | \$ 448,363 |

A loan is considered impaired, in accordance with the impairment accounting guidance (ASC 310-10-35-16), when based on current information and events, it is probable the Foundation will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. Impaired loans include nonperforming loans but also include loans modified in troubled debt restructurings.

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The following tables present impaired loans at December 31, 2021, 2020, and 2019:

| 2021 | | | | | |
|--|-----------------------------|---|-------------------------------|---|---|
| | Recorded Balance | Unpaid Principal Balance | Specific Allowance | Average Investment in Impaired Loans | Interest Income Recognized |
| Loans without a specific valuation allowance | | | | | |
| Construction | \$ - | \$ - | \$ - | \$ 562,500 | \$ - |
| Mortgage loans | 9,401,678 | 9,401,678 | - | 16,497,810 | 497,665 |
| Loans with a specific valuation allowance | | | | | |
| Construction loans | - | - | - | 1,422,241 | - |
| Mortgage | 17,961,325 | 17,961,325 | 2,025,000 | 19,632,933 | 910,672 |
| Total impaired loans | <u>\$ 27,363,003</u> | <u>\$ 27,363,003</u> | <u>\$ 2,025,000</u> | <u>\$ 38,115,484</u> | <u>\$ 1,408,337</u> |
| 2020 | | | | | |
| | Recorded Balance | Unpaid Principal Balance | Specific Allowance | Average Investment in Impaired Loans | Interest Income Recognized |
| Loans without a specific valuation allowance | | | | | |
| Construction | \$ 1,125,000 | \$ 1,125,000 | \$ - | \$ 562,500 | \$ 81,074 |
| Mortgage loans | 23,593,942 | 23,593,942 | - | 14,306,008 | 578,631 |
| Loans with a specific valuation allowance | | | | | |
| Construction loans | 2,844,483 | 2,844,483 | 790,000 | 4,928,408 | 175,596 |
| Installment loans | - | - | - | 47,505 | - |
| Mortgage | 21,304,542 | 21,304,542 | 2,955,000 | 23,809,849 | 769,814 |
| Total impaired loans | <u>\$ 48,867,967</u> | <u>\$ 48,867,967</u> | <u>\$ 3,745,000</u> | <u>\$ 43,654,270</u> | <u>\$ 1,605,115</u> |

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| | 2019 | | | | |
|--|-----------------------------|---|-------------------------------|---|---|
| | Recorded Balance | Unpaid Principal Balance | Specific Allowance | Average Investment in Impaired Loans | Interest Income Recognized |
| Loans without a specific valuation allowance | | | | | |
| Mortgage loans | \$ 5,018,074 | \$ 5,018,074 | \$ - | \$ 5,893,589 | \$ 263,587 |
| Loans with a specific valuation allowance | | | | | |
| Construction loans | 7,012,333 | 7,012,333 | 796,318 | 9,742,482 | 616,660 |
| Installment loans | 95,010 | 95,010 | 333 | 95,010 | 7,720 |
| Mortgage | 26,315,156 | 26,315,156 | 1,894,000 | 22,206,877 | 835,617 |
| Total impaired loans | <u>\$ 38,440,573</u> | <u>\$ 38,440,573</u> | <u>\$ 2,690,651</u> | <u>\$ 37,937,958</u> | <u>\$ 1,723,584</u> |

Included in certain loan categories in the impaired loans are troubled debt restructurings that were classified as impaired. During 2021, there was one newly restructured mortgage loan of \$1,894,650. At December 31, 2021, the Foundation had \$0 in installment loans, \$27,363,003 in mortgage loans, and \$0 in construction loans that were modified in troubled debt restructurings and impaired. During 2020, there were two newly restructured mortgage loans of \$11,362,398. At December 31, 2020, the Foundation had \$0 in installment loans, \$38,230,106 in mortgage loans, and \$2,384,143 in construction loans that were modified in troubled debt restructurings and impaired. During 2019, there were two newly restructured mortgage loans of \$10,804,737. At December 31, 2019, the Foundation had \$95,010 in installment loans, \$31,333,230 in mortgage loans, and \$7,012,333 in construction loans that were modified in trouble debt restructurings and impaired. The terms of such loans were modified to extend interest-only payments, reduce interest to a below market interest rate, or a combination of those modifications.

The troubled debt restructurings described above increased the allowance for loan losses by \$2,025,000, \$3,420,000, and \$2,690,650 during the years ended December 31, 2021, 2020, and 2019, respectively. A charge-off of \$79,641 was recorded on a previously restructured loan during the year ended December 31, 2021. No charge-offs were recorded on troubled debt restructurings during the years ended December 31, 2020 and 2019.

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Of the impaired loans that were modified in trouble debt restructurings at December 31, 2021, \$21,675,186 were restructured with a temporarily reduced interest rate that has scheduled increases in the rate over a period of time. The following table shows these loans by the year in which the interest rate is scheduled to return to the current market interest rate.

| | |
|-------|----------------------|
| 2022 | \$ 14,467,408 |
| 2023 | - |
| 2024 | <u>7,207,778</u> |
| Total | <u>\$ 21,675,186</u> |

No troubled debt restructurings were modified in the past 12 months that subsequently defaulted.

Note 4: Ministry Properties

Ministry properties are generally land or church facilities that have been partially gifted to the Foundation. During 2019, the Foundation acquired one property deed in settlement of loans with a fair value of \$2,925,000. This property is included in ministry properties and the Foundation has a lease agreement for the use of this property. The Foundation has entered into lease agreements on certain ministry properties with churches or other charitable organizations. Ministry properties consist of the following:

| | 2021 | 2020 | 2019 |
|-------------------------------|-----------------------|-----------------------|-----------------------|
| Land | \$ 32,787,224 | \$ 33,971,016 | \$ 28,547,578 |
| Buildings and improvements | <u>154,037,855</u> | <u>124,430,443</u> | <u>100,843,020</u> |
| Total ministry properties | 186,825,079 | 158,401,459 | 129,390,598 |
| Less accumulated depreciation | <u>16,003,262</u> | <u>12,201,775</u> | <u>8,803,670</u> |
| Ministry properties, net | <u>\$ 170,821,817</u> | <u>\$ 146,199,684</u> | <u>\$ 120,586,928</u> |

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Future minimum rental payments to be received on noncancelable operating leases are contractually due as follows as of December 31, 2021:

| | |
|------------|----------------------|
| 2022 | \$ 4,188,770 |
| 2023 | 4,141,517 |
| 2024 | 4,132,003 |
| 2025 | 4,120,504 |
| 2026 | 4,029,177 |
| Thereafter | <u>17,654,829</u> |
| Total | <u>\$ 38,266,800</u> |

Future minimum rental payments to be received do not include inflationary adjustments or contingent rentals that may be received under certain leases because of use in excess of specified amounts.

Note 5: Premises and Equipment

Major classifications of premises and equipment, stated at cost, are as follows:

| | 2021 | 2020 | 2019 |
|-------------------------------|----------------------|----------------------|---------------------|
| Land | \$ 2,640,000 | \$ 2,640,000 | \$ 2,640,000 |
| Building and improvements | 21,019,630 | 20,749,931 | 18,797,731 |
| Furniture and equipment | 1,432,507 | 1,114,622 | 891,657 |
| Construction in process | <u>440,444</u> | <u>93,984</u> | <u>141,412</u> |
| Total premises and equipment | 25,532,581 | 24,598,537 | 22,470,800 |
| Less accumulated depreciation | <u>4,624,389</u> | <u>3,730,577</u> | <u>2,865,345</u> |
| Premises and equipment, net | <u>\$ 20,908,192</u> | <u>\$ 20,867,960</u> | <u>\$19,605,455</u> |

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Note 6: Debt Securities

Demand securities pay an adjustable rate that may be adjusted on the first day of each month. Redemptions from demand investments may be made at any time without penalty; however, the Foundation reserves the right to require 60 days' notice. The remaining debt securities pay a fixed interest rate and have maturities that range from six to sixty months. The Foundation has the right to redeem the debt securities any time upon 60 days' written notice. In such event, interest will be paid to the date of redemption. Additionally, the Foundation may, but is not required to, permit redemption prior to its scheduled maturity, in which case an early redemption fee may be charged to the investor. At December 31, 2021, the scheduled maturities of unsecured debt securities are as follows:

| | |
|--------|-----------------------|
| Demand | \$ 211,790,548 |
| 2022 | 194,284,066 |
| 2023 | 105,433,564 |
| 2024 | 106,050,344 |
| 2025 | 99,253,389 |
| 2026 | <u>112,270,015</u> |
| Total | <u>\$ 829,081,926</u> |

Debt securities by interest rate at December 31, are as follows:

| | 2021 | 2020 | 2019 |
|--------------|-----------------------|-----------------------|-----------------------|
| 2.00 - 2.99% | \$ 126,799,154 | \$ 96,865,583 | \$ 70,336,197 |
| 3.00 - 3.99% | 199,194,397 | 143,866,276 | 108,546,346 |
| 4.00 - 4.99% | 246,852,228 | 212,985,864 | 187,643,841 |
| 5.00 - 5.99% | 226,935,575 | 186,482,464 | 144,121,701 |
| 6.00 - 6.55% | <u>29,300,572</u> | <u>38,915,950</u> | <u>40,884,035</u> |
| | <u>\$ 829,081,926</u> | <u>\$ 679,116,137</u> | <u>\$ 551,532,120</u> |

Note 7: Line of Credit

The Foundation has a secured revolving line of credit with Hanmi Bank that originated on October 30, 2017. The line has potential availability of \$60,000,000, with actual availability based on the amount of loans receivable pledged by the Foundation. The line is also secured by two real estate properties. Actual remaining availability at December 31, 2021, was approximately \$46,785,000 and the Foundation has total loans of approximately \$34,387,000 securing the line at December 31, 2021. Actual remaining availability at December 31, 2020, was approximately \$21,064,000 and the Foundation has total loans of approximately \$42,140,000 securing the line at December 31, 2020. Actual remaining availability at December 31, 2019, was approximately

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\$22,333,000 and the Foundation had total loans of approximately \$47,045,000 securing the line at December 31, 2019. Interest varies with WSJ Prime Rate, is payable monthly, and was 3.50 percent, 3.25 percent, and 4.75 percent at December 31, 2021, 2020, and 2019, respectively. The loan agreement contains certain covenants. The line has an outstanding balance of \$0, \$30,000,000, and \$32,000,000 at December 31, 2021, 2020, and 2019, respectively, and matures on May 30, 2024.

Note 8: Functional Expenses

As described in *Note 1*, the financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include building expenses, which are based on a percentage of total expenses, as well as interest, provision for loan losses, salaries and benefits, professional fees, and other, which are allocated on the basis of estimates of time and effort. The tables below present expenses by both their nature and their function.

| December 31, 2021 Functional Classification | | | | | | | |
|--|-------------------------|--------------|-----------------------|------------------------|------------------------|-------|---------------|
| Natural Classification | PROGRAM | | | | Management and General | Total | |
| | Lending and Investments | Ministry | Ministry Publications | Total Program Services | | | |
| Interest on debt securities | \$ 32,893,279 | \$ - | \$ - | \$ 32,893,279 | \$ - | \$ | \$ 32,893,279 |
| Short-term borrowing interest | 296,562 | - | - | 296,562 | - | | 296,562 |
| Provision (credit) for loan losses | (1,107,238) | - | - | (1,107,238) | - | | (1,107,238) |
| Salaries | 1,685,271 | 596,449 | - | 2,281,720 | 668,154 | | 2,949,874 |
| Professional fees | 906,245 | 212,444 | - | 1,118,689 | 183,434 | | 1,302,123 |
| Other benefits | 932,169 | 278,737 | - | 1,210,906 | 312,246 | | 1,523,152 |
| Depreciation | 2,984,697 | 892,482 | - | 3,877,179 | 999,775 | | 4,876,954 |
| Grant and contribution expense | - | 1,430,351 | - | 1,430,351 | - | | 1,430,351 |
| Ministry property expense | - | 488,219 | - | 488,219 | - | | 488,219 |
| Other real estate owned expense | 855,211 | - | - | 855,211 | - | | 855,211 |
| Marketing and special events | 274,325 | 274,325 | - | 548,650 | - | | 548,650 |
| Publications production expense | - | - | 122,935 | 122,935 | - | | 122,935 |
| Other administrative and operating expenses | 1,063,581 | 472,221 | 368,236 | 1,904,038 | 289,094 | | 2,193,132 |
| Total expenses | \$ 40,784,102 | \$ 4,645,228 | \$ 491,171 | \$ 45,920,501 | \$ 2,452,703 | \$ | \$ 48,373,204 |

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December 31, 2020
Functional Classification

| Natural Classification | PROGRAM | | | | Management and General | Total |
|---|-------------------------|---------------------|-----------------------|------------------------|------------------------|----------------------|
| | Lending and Investments | Ministry | Ministry Publications | Total Program Services | | |
| Interest on debt securities | \$ 26,916,023 | \$ - | \$ - | \$ 26,916,023 | \$ - | \$ 26,916,023 |
| Short-term borrowing interest | 436,833 | - | - | 436,833 | - | 436,833 |
| Provision for loan losses | 1,732,000 | - | - | 1,732,000 | - | 1,732,000 |
| Salaries | 1,692,172 | 599,304 | - | 2,291,476 | 645,454 | 2,936,930 |
| Professional fees | 491,995 | 160,095 | - | 652,090 | 60,346 | 712,436 |
| Other benefits | 868,077 | 260,434 | - | 1,128,511 | 278,545 | 1,407,056 |
| Depreciation | 2,635,745 | 909,485 | - | 3,545,230 | 727,558 | 4,272,788 |
| Grant and contribution expense | - | 1,795,737 | - | 1,795,737 | - | 1,795,737 |
| Ministry property expense | - | 292,397 | - | 292,397 | - | 292,397 |
| Marketing and special events | 28,898 | 28,898 | - | 57,796 | - | 57,796 |
| Publications production expense | - | - | 215,356 | 215,356 | - | 215,356 |
| Other administrative and operating expenses | 952,916 | 304,477 | 474,175 | 1,731,568 | 266,225 | 1,997,793 |
| Total expenses | <u>\$ 35,754,659</u> | <u>\$ 4,350,827</u> | <u>\$ 689,531</u> | <u>\$ 40,795,017</u> | <u>\$ 1,978,128</u> | <u>\$ 42,773,145</u> |

December 31, 2019
Functional Classification

| Natural Classification | PROGRAM | | | | Management and General | Total |
|---|-------------------------|---------------------|-----------------------|------------------------|------------------------|----------------------|
| | Lending and Investments | Ministry | Ministry Publications | Total Program Services | | |
| Interest on debt securities | \$ 22,531,516 | \$ - | \$ - | \$ 22,531,516 | \$ - | \$ 22,531,516 |
| Short-term borrowing interest | 703,880 | - | - | 703,880 | - | 703,880 |
| Provision for loan losses | 718,729 | - | - | 718,729 | - | 718,729 |
| Salaries | 1,719,443 | 474,863 | - | 2,194,306 | 583,793 | 2,778,099 |
| Professional fees | 372,720 | 117,345 | - | 490,065 | 37,809 | 527,874 |
| Other benefits | 808,689 | 194,099 | - | 1,002,788 | 238,624 | 1,241,412 |
| Depreciation | 2,130,414 | 520,673 | - | 2,651,087 | 640,144 | 3,291,231 |
| Grant and contribution expense | - | 1,344,605 | - | 1,344,605 | - | 1,344,605 |
| Ministry property expense | - | 211,733 | - | 211,733 | - | 211,733 |
| Marketing and special events | 292,108 | 380,357 | - | 672,465 | - | 672,465 |
| Publications production expense | - | - | 347,873 | 347,873 | - | 347,873 |
| Other administrative and operating expenses | 1,338,020 | 327,862 | 607,404 | 2,273,286 | 85,008 | 2,358,294 |
| Total expenses | <u>\$ 30,615,519</u> | <u>\$ 3,571,537</u> | <u>\$ 955,277</u> | <u>\$ 35,142,333</u> | <u>\$ 1,585,378</u> | <u>\$ 36,727,711</u> |

Functional expenses include the Lending and Investments program, Ministry program, and Ministry Publications program along with the Management and General expenses.

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Note 9: Liquidity and Availability

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

| | 2021 | 2020 | 2019 |
|--|-----------------------|----------------------|----------------------|
| Cash and cash equivalents | \$ 113,884,649 | \$ 74,450,373 | \$ 38,371,666 |
| Investments, excluding investment in equity investees | 16,969,866 | 5,915,472 | 6,926,827 |
| Interest receivable | 2,772,278 | 4,545,150 | 1,898,429 |
| Cash value of life insurance | 752,657 | 700,000 | 700,000 |
| Scheduled loan receivable principal amounts due in the next year | 74,255,867 | 24,470,306 | 22,752,526 |
| Total financial assets | 208,635,317 | 110,081,301 | 70,649,448 |
| Internal designations | | | |
| Commitments to fund construction loans | (50,515,846) | (31,388,810) | (43,071,793) |
| Unused lines of credit to borrowers | (18,168,926) | (13,574,232) | (10,674,856) |
| Donor-imposed restrictions | | | |
| Restricted funds | (306,805) | (393,743) | (367,548) |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 139,643,740</u> | <u>\$ 64,724,516</u> | <u>\$ 16,535,251</u> |

The Foundation follows the financial standards included in the Statement of Policy Regarding Church Extension Fund Securities issued by the North American Securities Administrators Association, Inc. for liquidity status. The standards state that the Foundation's cash, cash equivalents, readily marketable securities, and available lines of credit shall have a value of at least 8 percent of the principal balance of its total outstanding debt securities, except that the value of available lines of credit for meeting this standard shall not exceed 2 percent of the principal balance of its total outstanding debt securities. To help manage unanticipated liquidity needs, the Foundation has a committed line of credit (*Note 7*) in the amount of up to \$60 million, of which approximately \$46,785,000 was available at December 31, 2021.

The Foundation owes \$211,790,548 in principal to holders of demand debt securities and \$194,284,066 in term debt securities that are scheduled to mature during 2022. See *Note 6* for the scheduled maturities of all debt securities. Demand debt securities may be redeemed in whole or in part, at the option of the registered holder; however, the Foundation reserves the right to require 60 days' notice. Similarly, term debt securities may be redeemed, subject to the availability of funds, at the option of the registered holder upon 30 days' written notice to the Foundation, but subject to early redemption penalties, unless redeemed at maturity.

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In addition to funding debt securities redemptions, the Foundation must also fund its outstanding loan commitments. Outstanding commitments to originate new loans totaled approximately \$13,642,500 as of December 31, 2021, the majority of which are expected to require funding during 2021. Historically, the Foundation has been able to meet the loan funding requirements through a combination of existing cash and investments on hand and cash generated from loan repayments and the sale of debt securities.

Note 10: Related Party Transactions

Certain members of the Foundation's management team and Board of Directors are associated with affiliated organizations that have loans with, have purchased debt securities, or have received grants from the Foundation. Loans receivable and debt securities to affiliated organizations are made at similar rates and terms as nonrelated parties.

The Foundation has outstanding loans receivable with multiple churches that share a board member with the Foundation. As of December 31, 2021, 2020, and 2019, the unpaid principal balance of those loans was \$43,105,503, \$32,233,529, and \$31,538,842, respectively. Additionally, the Foundation has outstanding debt securities to churches that share board members with the Foundation and to Foundation board members as well. The outstanding principal payable due to these investors and board members totaled \$50,470,862, \$61,446,611, and \$52,736,762 at December 31, 2021, 2020, and 2019, respectively.

Note 11: Employee Benefits

The Foundation sponsors a defined contribution plan (the "Plan"), which extends participation to employees who meet the Plan's eligibility requirements. The Foundation may make discretionary contributions to the Plan. The amount of contributions made and charged to expense during the years ended December 31, 2021, 2020, and 2019, was \$336,139, \$342,213, and \$314,659, respectively.

Note 12: Disclosures About Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

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Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2021, 2020, and 2019:

| | Fair Value | Fair Value Measurements Using | | |
|--------------------------|--------------|-------------------------------|--------------|---------|
| | | Level 1 | Level 2 | Level 3 |
| December 31, 2021 | | | | |
| REIT common stock | \$ 1,628,738 | \$ - | \$ 1,628,738 | \$ - |
| December 31, 2020 | | | | |
| REIT common stock | \$ 1,672,366 | \$ - | \$ 1,672,366 | \$ - |
| December 31, 2019 | | | | |
| REIT common stock | \$ 1,832,331 | \$ - | \$ 1,832,331 | \$ - |

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2021.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. Investments not measured at fair value, such as debt securities, are not included in this disclosure.

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Nonrecurring Measurements

The following table presents the fair value measurement of assets measured at fair value on a nonrecurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2021, 2020, and 2019:

| | Fair Value | Fair Value Measurements Using | | | |
|---------------------------------------|---------------|-------------------------------|---------|---------------|--|
| | | Level 1 | Level 2 | Level 3 | |
| December 31, 2021 | | | | | |
| Impaired loans (collateral dependent) | \$ 15,936,325 | \$ - | \$ - | \$ 15,936,325 | |
| December 31, 2020 | | | | | |
| Impaired loans (collateral dependent) | \$ 20,404,025 | \$ - | \$ - | \$ 20,404,025 | |
| December 31, 2019 | | | | | |
| Impaired loans (collateral dependent) | \$ 30,731,848 | \$ - | \$ - | \$ 30,731,848 | |

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a nonrecurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Impaired Loans (Collateral Dependent), Net of Allowance for Loan Losses

The estimated fair value of collateral-dependent impaired loans is based on the estimated fair value of the collateral, less estimated cost to sell. Collateral-dependent impaired loans are classified within Level 3 of the fair value hierarchy.

The Foundation considers the appraisal or other evaluation of the fair value of the collateral as the starting point for determining fair value and then considers other factors and events in the environment that may affect the fair value. The estimated fair values are reduced by discounts to consider lack of marketability and estimated cost to sell if repayment or satisfaction of the loan is dependent on the sale of the collateral, and are generally up to 10 percent. These discounts and estimates are developed by management by comparison to historical results.

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Unobservable (Level 3) Inputs

The following table presents quantitative information about unobservable inputs used in recurring and nonrecurring Level 3 fair value measurements at December 31, 2021, 2020, and 2019.

| | Fair Value at 12/31/21 | Valuation Technique | Unobservable Inputs | Range |
|--|-----------------------------------|--------------------------------|---|--------------|
| Impaired loans (collateral dependent) | \$ 15,936,325 | Market comparable | Discount to reflect realizable value | 0% - 10% |
| | Fair Value at 12/31/20 | Valuation Technique | Unobservable Inputs | Range |
| Impaired loans (collateral dependent) | \$ 20,404,025 | Market comparable | Discount to reflect realizable value | 0% - 10% |
| | Fair Value at 12/31/19 | Valuation Technique | Unobservable Inputs | Range |
| Impaired loans (collateral dependent) | \$ 30,731,848 | Market comparable | Discount to reflect realizable value | 0% - 10% |

Note 13: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Assets held for affiliates are based in part on an estimate of the remainder value of trust obligations. Estimates related to the allowances for loan losses are reflected in *Notes 1* and *3*. Current vulnerabilities due to certain concentrations of credit risk are discussed in *Note 14*. At December 31, 2021, 2020, and 2019, no investor held debt securities greater than 5 percent of total liabilities. At December 31, 2021, the Foundation's investors were concentrated in two states as follows:

| | Number of Investor Accounts | Aggregate Current Balances | Certificate Balances Outstanding |
|------------|--|---|---|
| Texas | 1,874 | \$ 128,689,145 | 16% |
| California | 678 | 85,501,113 | 10% |
| Total | 2,552 | \$ 214,190,258 | 26% |

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Borrower Concentrations

At December 31, 2021, two borrowers had an outstanding loan balance greater than 5 percent of total loans. At December 31, 2020 and 2019, one borrower had an outstanding loan balance greater than 5 percent of total loans.

Note 14: Commitments and Credit Risk

Commitments to Originate Loans

Commitments to originate loans are agreements to lend as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since a portion of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Each borrower's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of the counterparty. Collateral held generally includes church property and equipment.

At December 31, 2021, 2020, and 2019, the Foundation had outstanding commitments to originate loans aggregating approximately \$13,642,500, \$24,405,000, and \$6,095,000, respectively. At December 31, 2021, 2020, and 2019, the Foundation had granted unused lines of credit and had commitments to fund construction loans to borrowers aggregating approximately \$68,685,000, \$44,963,000, and \$53,747,000, respectively. The commitments extended over varying periods of time with the majority to be disbursed within a one-year period.

Standby Letters of Credit

Standby letters of credit are irrevocable conditional commitments issued by the Foundation to guarantee the performance of a customer to a third party. Financially standby letters of credit are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing, and similar transactions. Performance standby letters of credit are issued to guarantee performance of certain customers under nonfinancial contractual obligations. The credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loans to customers. Should the Foundation be obligated to perform under the standby letters of credit, the Foundation may seek recourse from the customer for reimbursement of amounts paid. The Foundation did not have any outstanding letters of credit at December 31, 2021. The Foundation has total outstanding letters of credit amounting to \$889,584 at December 31, 2020 and 2019.

Contingent Promises to Give

During the year ended December 31, 2013, the Foundation received a gift of real estate totaling \$915,000 from Parsippany Christian Church, Parsippany, New Jersey. The terms of the Parsippany donation agreements provide that from the date of the receipt of the gifts, the Foundation may grant the donor an amount equal to 2 percent of the net gift amount annually and paid monthly. Further,

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Notes to Consolidated Financial Statements

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from the date of the liquidation of the gift into cash or cash equivalents, the Foundation may grant to the donor an amount equal to 6 percent of the net sales amount annually. All grants to the donor are subject to and contingent upon the Foundation's Board approval each year and without such approval the grant will not be paid. During the years ended December 31, 2021, 2020, and 2019, approximately \$18,000 had been granted to the donor.

During the year ended December 31, 2011, an undesignated contribution was received in the amount of \$6,330,000 for property donated by Real Life Ministries. In 2012, the Foundation received an additional undesignated contribution of land totaling \$500,000 from Real Life Ministries, Post Falls, Idaho. The terms of the donation agreement provide that from the date of the receipt of the gifts, the Foundation may grant to the donor an amount equal to 5.37 percent of the net gift amount annually and paid monthly. Further, from the date of the liquidation of the gift into cash or cash equivalents, the Foundation may grant to the donor an amount equal to 6 percent of the net sales amount annually and paid monthly. All grants to the donor are subject to and contingent upon the Foundation's Board approval each year and without such approval the grant will not be paid. During the years ended December 31, 2021, 2020, and 2019, approximately \$495,000, \$485,000, and \$474,000, respectively, was granted to the donor.

Credit Risk

The Foundation's loans are made exclusively to churches. The repayment of loans by churches may affect the Foundation's ability to meet its obligations. In most instances, the ability of churches to repay their loans will depend upon the contributions they receive from their members. Both the number of members of a church and the amount of contributions may fluctuate. In addition, a church facility may be a single purpose building and the marketability of such a specific facility may be limited, potentially diminishing the value of such collateral in the event of foreclosure. Due in part to the large volume of construction lending, as well as the Foundation offering interest only for the first year after construction, the Foundation has 26 percent, 34 percent, and 40 percent of the outstanding loan portfolio on interest-only payments as of December 31, 2021, 2020, and 2019, respectively. Finally, because of the relationship the Foundation has with its borrowers, the Foundation has in the past been willing under certain circumstances to accommodate late payments or to extend or otherwise modify the terms of a loan. Should borrowers not be able to repay their principal and interest as scheduled, the Foundation's ability to make payments on its notes may be impacted.

Impact of COVID-19

In March 2020, the COVID-19 coronavirus was identified as a global pandemic and began affecting the health of large populations around the world. As a result of the spread of COVID-19, economic uncertainties arose which can ultimately affect the financial position, results of operations, and cash flows of the Foundation as well as the Foundation's customers. In response to concerns over COVID-19, the Foundation extended certain payment modifications to loan customers in need. During 2020, the Foundation extended payment modifications on approximately \$169,711,000 of loans. At December 31, 2020, approximately \$59,961,000 of loans remained on modified payment plans. As of December 31, 2021, all of these loans have returned to normal repayment status.

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Notes to Consolidated Financial Statements
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Note 15: NASAA Statement of Policy

As the Foundation is a Church Extension Fund that offers debt securities in 50 states, the Foundation follows the standards established by the North American Securities Administrators Association's (the "NASAA") Statement of Policy (SOP). Noncompliance with such standards could suspend the Foundation's ability to sell or renew debt securities in certain states, which could have a material effect on the operations of the Foundation.

The SOP requires, among other items, that Church Extension Funds maintain: (1) a capital ratio (defined as total net assets without donor restrictions as a percentage of total assets) of not less than 5 percent, (2) a debt securities reserve (defined as cash, cash equivalents, readily marketable securities, and available unused line-of-credit borrowing (up to 2 percent of outstanding debt securities) as a percentage of total outstanding debt securities) of not less than 8 percent, (3) senior secured indebtedness (defined as any borrowing senior to investors as a percentage of total assets) of not more than 10 percent, (4) a coverage ratio of available cash (calculated as provided in the NASAA SOP) to cash redemptions of at least one to one (1:1), and (5) positive change in net assets for three of the most recent five years, (or, if less, for its actual period of operations). The Foundation was in compliance with these SOP standards as of December 31, 2021, 2020, and 2019.

Note 16: Subsequent Events

Subsequent events have been evaluated through April 4, 2022, which is the date the financial statements were available to be issued.

Supplementary Information

The Solomon Foundation
Consolidating Schedule – Statement of Financial Position Information
December 31, 2021

Assets

| | The Solomon Foundation | Restoration Movement Media | Eliminations | Consolidated |
|--|-----------------------------------|---|-----------------------|-----------------------|
| Cash and cash equivalents | \$ 113,839,451 | \$ 45,198 | \$ - | \$ 113,884,649 |
| Investments | 18,984,626 | - | - | 18,984,626 |
| Interest receivable | 2,772,278 | - | - | 2,772,278 |
| Prepaid expenses and other assets | 1,089,193 | 336,763 | - | 1,425,956 |
| Loans, net of allowance for loan losses of \$5,342,225 at December 31, 2021 | 550,634,233 | - | - | 550,634,233 |
| Other receivables | 1,745,941 | 1,498 | (1,045,564) | 701,875 |
| Other real estate owned | 5,863,230 | - | - | 5,863,230 |
| Ministry properties, net | 170,821,817 | - | - | 170,821,817 |
| Premises and equipment, net | 20,908,192 | - | - | 20,908,192 |
| Total assets | <u>\$ 886,658,961</u> | <u>\$ 383,459</u> | <u>\$ (1,045,564)</u> | <u>\$ 885,996,856</u> |

Liabilities and Net Assets

Liabilities

| | | | | |
|---------------------------------------|--------------------|------------------|--------------------|--------------------|
| Accounts payable and accrued expenses | \$ 1,583,999 | \$ 1,467,783 | \$ (1,045,564) | \$ 2,006,218 |
| Debt securities | 829,081,926 | - | - | 829,081,926 |
| Trust obligation | 1,855,016 | - | - | 1,855,016 |
| Contribution payable | 8,212,232 | - | - | 8,212,232 |
| Total liabilities | <u>840,733,173</u> | <u>1,467,783</u> | <u>(1,045,564)</u> | <u>841,155,392</u> |

Net Assets

| | | | | |
|------------------------------------|-----------------------|--------------------|-----------------------|-----------------------|
| Without donor restrictions | | | | |
| Undesignated | 45,618,983 | (1,084,324) | - | 44,534,659 |
| With donor restrictions | | | | |
| Time-restricted for future periods | 306,805 | - | - | 306,805 |
| Total net assets | <u>45,925,788</u> | <u>(1,084,324)</u> | <u>-</u> | <u>44,841,464</u> |
| Total liabilities and net assets | <u>\$ 886,658,961</u> | <u>\$ 383,459</u> | <u>\$ (1,045,564)</u> | <u>\$ 885,996,856</u> |

The Solomon Foundation
Consolidating Schedule – Statement of Activities Information
Year Ended December 31, 2021

| | The Solomon Foundation | Restoration Movement Media | Eliminations | Consolidated |
|--|-----------------------------------|---|---------------------|----------------------|
| Net Assets Without Donor Restrictions | | | | |
| Interest income | | | | |
| Interest and fees on loans | \$ 35,754,989 | \$ - | \$ - | \$ 35,754,989 |
| Net interest and dividends | 762,302 | - | - | 762,302 |
| Total interest income | <u>36,517,291</u> | <u>-</u> | <u>-</u> | <u>36,517,291</u> |
| Interest expense | | | | |
| Interest on debt securities | 32,893,279 | - | - | 32,893,279 |
| Short-term borrowing interest | 296,562 | - | - | 296,562 |
| Total interest expense | <u>33,189,841</u> | <u>-</u> | <u>-</u> | <u>33,189,841</u> |
| Net interest income | 3,327,450 | - | - | 3,327,450 |
| Provision (credit) for loan losses | <u>(1,107,238)</u> | <u>-</u> | <u>-</u> | <u>(1,107,238)</u> |
| Net interest income after provision for loan losses | <u>4,434,688</u> | <u>-</u> | <u>-</u> | <u>4,434,688</u> |
| Noninterest operating income and expense | | | | |
| Contributions | 12,928,336 | 68,806 | - | 12,997,142 |
| Rental income | 4,295,703 | - | - | 4,295,703 |
| Net realized and unrealized gains (losses) on investments | (187,879) | - | - | (187,879) |
| Subscription sales | - | 436,575 | (200,000) | 236,575 |
| Other income | 1,333,806 | - | - | 1,333,806 |
| General and administrative expenses | (8,840,136) | (368,236) | 200,000 | (9,008,372) |
| Depreciation | (4,876,954) | - | - | (4,876,954) |
| Grant and contribution expense | (1,430,351) | - | - | (1,430,351) |
| Publications production expense | - | (122,935) | - | (122,935) |
| Other operating expenses | (851,989) | - | - | (851,989) |
| Total noninterest operating income and expenses | <u>2,370,536</u> | <u>14,210</u> | <u>-</u> | <u>2,384,746</u> |
| Increase in net assets without donor restrictions | <u>6,805,224</u> | <u>14,210</u> | <u>-</u> | <u>6,819,434</u> |
| Net Assets With Donor Restrictions | | | | |
| Actuarial loss on trust obligation | (117,770) | - | - | (117,770) |
| Contributions | <u>30,832</u> | <u>-</u> | <u>-</u> | <u>30,832</u> |
| Decrease in net assets with donor restrictions | <u>(86,938)</u> | <u>-</u> | <u>-</u> | <u>(86,938)</u> |
| Change in Net Assets | 6,718,286 | 14,210 | - | 6,732,496 |
| Net Assets, Beginning of Year | <u>39,207,502</u> | <u>(1,098,534)</u> | <u>-</u> | <u>38,108,968</u> |
| Net Assets, End of Year | <u>\$ 45,925,788</u> | <u>\$ (1,084,324)</u> | <u>\$ -</u> | <u>\$ 44,841,464</u> |



GROWING THE KINGDOM



The content and material contained herein are not an offer to sell or a solicitation to buy Investment Certificates of The Solomon Foundation. The offer is made solely by and through our Offering Circular, which you should read carefully before making an investment decision. The Investment Certificates are subject to certain risk factors as described in the Offering Circular. Investment Certificates are offered and sold only in states where authorized. Investment Certificates of The Solomon Foundation are not insured by the FDIC, SIPC or any other governmental agency. TSF has the right to call Certificates for redemption at any time upon sixty (60) days written notice. In such event, interest will be paid to the date of redemption.

TSF CORE VALUES

HONOR GOD

Honor the Lord with your wealth, with the first fruits of all your crops; then your barns will be filled to overflowing, and your vats will brim over with new wine.

Proverbs 3:9-10

HELP PEOPLE COME TO KNOW JESUS CHRIST AS LORD AND SAVIOR

The fruit of the righteous is a tree of life, and he who wins souls is wise.

Proverbs 11:30

HELP INVESTORS GET A GREAT RETURN ON THEIR INVESTMENTS

One man gives freely, yet gains even more; another withholds unduly, but comes to poverty. A generous man will prosper; he who refreshes others will himself be refreshed.

Proverbs 11:24-25

HELP CHURCHES GET TO THE NEXT STEP

Where there is no guidance, a people falls, but in an abundance of counselors there is safety.

Proverbs 11:14

HAVE FUN

A cheerful heart is good medicine, but a crushed spirit dries up the bones.

Proverbs 17:22

