

MAGDALENA MINISTRIES, INC.

**FINANCIAL STATEMENTS WITH
COMPLIANCE REPORTING**

December 31, 2023 and 2022

MAGDALENA MINISTRIES, INC.
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COMPLIANCE REPORTING
December 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Magdalena Ministries, Inc.
San Antonio, Texas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Magdalena Ministries, Inc. (a non-profit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Magdalena Ministries, Inc. as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Magdalena Ministries, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards*

will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2024 on pages 15-16 on our consideration of Magdalena Ministries, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Magdalena Ministries, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Magdalena Ministries, Inc.'s internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited Magdalena Ministries, Inc.'s 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 22, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Randy Walker & Co.

San Antonio, Texas
August 8, 2024

FINANCIAL STATEMENTS

MAGDALENA MINISTRIES, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2023 and 2022

	2023	2022
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	\$ 3,168,309	\$ 2,182,562
Grants Receivable	120,149	94,827
Pledges Receivable	19,125	-
Prepaid Expenses	16,750	28,000
Total Current Assets	3,324,333	2,305,389
<u>LONG-TERM ASSETS</u>		
Investments	642,274	586,433
Property and Equipment - net	2,425,041	2,191,503
Total Long-Term Assets	3,067,315	2,777,936
TOTAL ASSETS	\$ 6,391,648	\$ 5,083,325
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accrued Expenses	\$ 15,821	\$ 15,557
Note Payable - current	24,250	23,330
Total Current Liabilities	40,071	38,887
<u>LONG-TERM LIABILITIES</u>		
Note Payable - long-term	288,901	313,229
Total Long-Term Liabilities	288,901	313,229
TOTAL LIABILITIES	328,972	352,116
<u>NET ASSETS</u>		
Without Donor Restrictions	4,523,491	4,492,940
With Donor Restrictions	1,539,185	238,269
TOTAL NET ASSETS	6,062,676	4,731,209
TOTAL LIABILITIES AND NET ASSETS	\$ 6,391,648	\$ 5,083,325

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

MAGDALENA MINISTRIES, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2023
(summarized for 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
<u>OPERATING SUPPORT AND REVENUE</u>				
Grants	\$ 100,095	\$ 768,136	\$ 868,231	\$ 755,997
Fundraising Revenue - net of direct expenses of \$173,638 and \$173,985, respectively	374,903	-	374,903	526,023
General Contributions	152,236	-	152,236	245,637
In-Kind Contributions	76,638	-	76,638	78,463
Net Assets Released from Restrictions	637,058	(637,058)	-	-
TOTAL OPERATING SUPPORT AND REVENUE	1,340,930	131,078	1,472,008	1,606,120
 <u>OPERATING EXPENSES</u>				
Program	1,083,135	-	1,083,135	907,279
General and Administrative	109,532	-	109,532	146,444
Fundraising	208,979	-	208,979	225,664
TOTAL OPERATING EXPENSES	1,401,646	-	1,401,646	1,279,387
 CHANGE IN NET ASSETS BEFORE NON-OPERATING ACTIVITY				
	(60,716)	131,078	70,362	326,733
 <u>NON-OPERATING ACTIVITY</u>				
Capital Campaign Contributions	-	1,169,838	1,169,838	157,713
Interest and Investment Income (Loss) - net	91,267	-	91,267	(93,757)
TOTAL NON-OPERATING ACTIVITY	91,267	1,169,838	1,261,105	63,956
 CHANGE IN NET ASSETS AFTER NON-OPERATING ACTIVITY				
	30,551	1,300,916	1,331,467	390,689
NET ASSETS, BEGINNING OF YEAR	4,492,940	238,269	4,731,209	4,340,520
NET ASSETS, END OF YEAR	\$ 4,523,491	\$ 1,539,185	\$ 6,062,676	\$ 4,731,209

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

MAGDALENA MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2023
(summarized for 2022)

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>2023 Total</u>	<u>2022 Total</u>
<u>OPERATING EXPENSES</u>					
Salaries and Wages	\$ 611,489	\$ 68,936	\$ 175,821	\$ 856,246	\$ 745,674
Payroll Taxes	49,016	5,526	14,094	68,636	61,015
Employee Benefits	25,141	2,834	7,229	35,204	44,533
Total Payroll Expenses	<u>685,646</u>	<u>77,296</u>	<u>197,144</u>	<u>960,086</u>	<u>851,222</u>
Supplies	110,347	4,368	-	114,715	105,128
Maintenance and Repair	51,697	-	-	51,697	28,695
Depreciation Expense	47,862	-	-	47,862	48,270
Professional Services	29,492	11,891	-	41,383	47,932
Utilities and Telephone	32,163	846	846	33,855	29,250
Children's Services	26,794	-	-	26,794	17,883
Resident Education	22,434	-	-	22,434	34,090
Volunteer/Staff Development	8,623	-	10,065	18,688	32,244
Insurance	12,865	5,514	-	18,379	16,152
Interest Expense	12,556	-	-	12,556	13,520
Special Events - Families	10,752	-	-	10,752	19,285
Office Expenses	-	8,496	-	8,496	9,100
Transportation	7,313	-	-	7,313	4,076
Security	6,747	-	-	6,747	3,797
Health Services	6,681	-	-	6,681	5,443
Software	5,599	-	-	5,599	5,599
Miscellaneous	4,382	-	-	4,382	1,451
Bank Charges	1,121	1,121	924	3,166	3,206
Travel	31	-	-	31	1,346
Transitional Assistance	30	-	-	30	1,698
TOTAL OPERATING EXPENSES	<u>\$ 1,083,135</u>	<u>\$ 109,532</u>	<u>\$ 208,979</u>	<u>\$ 1,401,646</u>	<u>\$ 1,279,387</u>

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

MAGDALENA MINISTRIES, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2023 and 2022

	2023	2022
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in Net Assets	\$ 1,331,467	\$ 390,689
Adjustments to Reconcile Net Change to Net Cash		
Provided by Operations:		
Depreciation	47,862	48,270
Realized/Unrealized (Gain) Loss on Investments	(41,904)	100,808
(Increase) Decrease in Assets:		
Grants Receivable	(25,322)	(7,119)
Pledges Receivable	(19,125)	-
Prepaid Expenses	11,250	4,000
Increase in Liabilities:		
Accrued Expenses	264	16,536
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,304,492	553,184
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of Property and Equipment	(281,400)	(22,871)
Purchase of Investments	(13,937)	(1,127)
NET CASH USED BY INVESTING ACTIVITIES	(295,337)	(23,998)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Principal Payments on Long-Term Debt	(23,408)	(22,445)
NET CASH USED BY FINANCING ACTIVITIES	(23,408)	(22,445)
NET INCREASE IN CASH FLOWS	985,747	506,741
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,182,562	1,675,821
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 3,168,309	\$ 2,182,562
<u>SUPPLEMENTAL DISCLOSURE</u>		
Interest Paid	\$ 12,556	\$ 13,520

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

MAGDALENA MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

Basis of Accounting

The accompanying statements of Magdalena Ministries, Inc. (the Organization) have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Nature of Activities

Magdalena Ministries, Inc. is a Texas 501(c)(3) non-profit corporation. The Organization is a neighborhood of transitional homes in San Antonio that serves mothers and their children who have fled dangerous and abusive lives. Utilizing a dual generation approach, Magdalena House provides safe shelter, basic needs, educational programming, and therapeutic services to the families it serves.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to two classes of net assets:

- *Net Assets Without Donor Restrictions* – Net assets available for use in the general operations and not subject to donor restrictions. Assets restricted solely through the actions of the Board of Directors are reported as net assets without donor restrictions, board-designated.
- *Net Assets With Donor Restrictions* – Net assets subject to donor-imposed restrictions that are more restrictive than the Organization’s mission and purpose. Some 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. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, as such, qualifies for the maximum charitable contributions deduction by donors. As of December 31, 2023, the tax years that remain subject to examination by taxing authorities begin with 2020.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid savings and securities with a maturity of three months or less to be cash equivalents.

MAGDALENA MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (continued)

Investments

Purchased securities are reported at market value. Donated securities are recorded at market value at date of donation. All realized and unrealized gains and losses, dividends, interest, and fees are reported as investment income (loss) in the accompanying statement of activities along with earned interest from the Organization's other operational accounts.

Grants Receivable

Grants receivable consists of cost-reimbursement funds due from grantors. They are recorded as receivables upon expenditure of funds. These receivables are due in less than one year and are deemed to be fully collectible by management; therefore, no allowance for uncollectible accounts is considered necessary.

Pledges Receivable

Pledges receivable consists of contribution pledges for the Organization's capital campaign. These pledges are recognized when the donor makes a promise to give. All pledges receivable are due in less than one year and are deemed to be fully collectible by management; therefore, no allowance for uncollectible accounts or discount is considered necessary.

Property and Equipment

Property and equipment are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. Depreciation on the assets owned by the Organization has been computed using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and Improvements	15-27 years
Furniture and Equipment	5-7 years
Vehicles	5 years

Functional Allocation of Expenses

The costs of providing the various programs and general and administrative expenses have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include payroll expenses, which are allocated on the basis of estimates of time and effort, as well as utilities and telephone, insurance, and other operating expenses, which are allocated on the basis of square footage or some other reasonable basis.

Revenue - Exchange Transactions

The Organization receives revenue through exchange transactions related to fundraising events. The Organization records revenue from exchange transactions as increases in net assets without donor restrictions to the extent that the earnings process is complete. Performance obligations are satisfied when the event occurs, at which time the revenue is recognized. Any amount received in excess of the benefit provided to the attendees is recorded as a contribution. There were no contract assets, receivables, or contract liabilities related to these exchange transactions at December 31, 2023, December 31, 2022 or January 1, 2022. Disaggregation of revenue is presented on the face of the statement of activities.

MAGDALENA MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (continued)

New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued a new accounting pronouncement regarding lease accounting for reporting periods beginning after December 15, 2021. A lessee will be required to recognize on the statement of financial position the assets and liabilities for leases with lease terms of more than twelve months. Management has evaluated this pronouncement and determined it is not applicable as the Organization did not have any material leases for the years ended December 31, 2023 and 2022.

In June 2016, the FASB issued Accounting Standards Codification (ASC) 326, *Financial Instruments – Credit Losses*, which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this pronouncement is a shift from the incurred loss model to the expected loss model. Under this pronouncement, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Management has evaluated this new pronouncement and determined it is not applicable as the Organization did not have financial assets subject to the guidance in ASC 326 as of January 1, 2023 or December 31, 2023.

Recently Adopted Accounting Pronouncements

In 2020, the FASB issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This pronouncement requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions, effective for periods beginning after June 15, 2022, with early adoption permitted. The Organization adopted this pronouncement effective January 1, 2022. The pronouncement did not have a material impact on the financial statements. The Organization has updated disclosures as necessary.

In 2016, the FASB issued ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. This update was followed up in 2018 by ASU 2018-03, *Technical Corrections and Improvements to Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* and ASU 2018-09, *Codification Improvements*. These pronouncements provide guidance regarding the reporting and disclosure requirements of investments, effective for periods beginning after December 15, 2018. The Organization adopted these pronouncements effective January 1, 2022.

In 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, effective for periods beginning after December 15, 2018. This pronouncement clarifies and improves the scope and the accounting guidance for contributions received and contributions made in order to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) subject to other guidance and (2) determining whether a contribution is conditional. The Organization adopted this pronouncement effective January 1, 2022.

In 2018, the FASB issued ASU 2018-13, *Changes to the Disclosure Requirements for Fair Value Measurement*, effective for periods beginning after December 15, 2019. This pronouncement improves the effectiveness of fair value measurement disclosures in the notes to the financial statements. The Organization adopted this pronouncement effective January 1, 2022.

MAGDALENA MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (continued)

Recently Adopted Accounting Pronouncements (continued)

In 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This pronouncement provides guidance regarding revenue recognition effective for reporting periods beginning after December 15, 2019. The pronouncement affects contracts with customers to transfer goods or services and contracts for the transfer of non-financial assets. The core principle of this update is that the entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods or services. The Organization adopted this pronouncement effective January 1, 2022.

Contributions and Grants

Contributions and grants are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets or funds. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Grants are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are awarded, they are not recorded as revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require a refund of all or part of the unused amount.

NOTE 2 - CONCENTRATION OF CREDIT RISK

The Organization maintains cash and investment accounts at financial institutions and investment companies. The Federal Deposit Insurance Corporation insures the balances in the cash accounts up to \$250,000, while the Securities Investor Protection Corporation insures the balances in investment accounts up to \$500,000. At December 31, 2023 and 2022, the Organization's uninsured cash balances totaled \$2,895,607 and \$1,909,971, respectively, without regard to reconciling items. At December 31, 2023 and 2022, the Organization's uninsured investment balances totaled \$142,274 and \$86,433.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment, less accumulated depreciation, were as follows at December 31:

	<u>2023</u>	<u>2022</u>
Land and Buildings	\$ 2,193,027	\$ 2,193,027
Construction in Progress	413,760	132,360
Furniture and Equipment	69,247	69,247
Vehicles	<u>26,715</u>	<u>26,715</u>
	2,702,749	2,421,349
Less Accumulated Depreciation	<u>(277,708)</u>	<u>(229,846)</u>
Property and Equipment - net	<u>\$ 2,425,041</u>	<u>\$ 2,191,503</u>

MAGDALENA MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 3 - PROPERTY AND EQUIPMENT (continued)

Depreciation expense for the years ended December 31, 2023 and 2022 was \$47,862 and \$48,270, respectively.

NOTE 4 - LINE OF CREDIT

The Organization has an agreement with Frost Bank for a line of credit of \$500,000 for operational purposes. This line of credit is renewed annually, bears interest at 1.250 percentage points over the prime rate as quoted in the Wall Street Journal (US Edition) in the “Money Rates” section, and has a maturity date of February 6, 2024. The line is secured by the accounts and property of the Organization. There were no outstanding borrowings on the line of credit at December 31, 2023 and 2022.

NOTE 5 - NOTE PAYABLE

The Organization has a note payable with monthly principal and interest payments of \$2,997.07 due until the maturity date of July 15, 2034. The note bears an interest rate of 3.875% and is secured by one of the Organization’s buildings. The note payable balance at December 31, 2023 and 2022 was \$313,151 and \$336,559, respectively.

Principal maturities of the note payable are as follows:

Years Ending December 31,		
2024	\$	24,250
2025		25,207
2026		26,201
2027		27,235
2028		28,309
Thereafter		<u>181,949</u>
Total	\$	<u>313,151</u>

Interest expense for the years ended December 31, 2023 and 2022 was \$12,556 and \$13,520, respectively.

NOTE 6 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Organization adopted the provisions of ASC 820, *Fair Value Measurements and Disclosures* (formerly SFAS 157). ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market, and establishes a framework for measuring fair value in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The adoption of ASC 820 did not affect the Organization’s financial position or results of operations.

The valuation techniques required by ASC 820 are based upon observable and unobservable inputs, and ASC 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are as follows:

MAGDALENA MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 6 - FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

- Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets or liabilities and have the highest priority.
- Level 2 valuations are based on quoted prices in markets that are not active.
- Level 3 valuations are based on inputs that are unobservable and supported by little or no market activity.

The Organization's current assets and liabilities as presented in the statements of financial position are Level 1. The Organization has no Level 2 or Level 3 assets or liabilities. The carrying amounts reported in the statements of financial position approximate fair values because of the short maturities of those instruments.

The Organization's financial instruments also includes investments. The fair value of investments is based upon quoted market prices for those or similar investments.

The following table represents investments measured at fair value on a recurring basis as reported in the statement of financial position as of December 31, 2023 by level within the fair value measurement hierarchy:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial Assets:				
Exchange Traded Funds	\$ 282,134	\$ -	\$ -	\$ 282,134
Stock Funds	54,807	-	-	54,807
Cash and Money Market Funds	<u>305,333</u>	<u>-</u>	<u>-</u>	<u>305,333</u>
Total	<u>\$ 642,274</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 642,274</u>

The following table represents investments measured at fair value on a recurring basis as reported in the statement of financial position as of December 31, 2022 by level within the fair value measurement hierarchy:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial Assets:				
Exchange Traded Funds	\$ 532,134	\$ -	\$ -	\$ 532,134
Stock Funds	45,818	-	-	45,818
Cash and Money Market Funds	<u>8,481</u>	<u>-</u>	<u>-</u>	<u>8,481</u>
Total	<u>\$ 586,433</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 586,433</u>

The following schedule summarizes interest and investment income (loss) for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Interest and Dividend Income	\$ 55,319	\$ 14,526
Realized/Unrealized Gain (Loss)	41,904	(100,808)
Investment Fees	<u>(5,956)</u>	<u>(7,485)</u>
Total	<u>\$ 91,267</u>	<u>\$ (93,757)</u>

MAGDALENA MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 7 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The following reflects the Organization’s financial assets as of December 31, reduced by amounts not available for general use because of donor-stipulated restrictions.

	2023	2022
Cash and Cash Equivalents	\$ 3,168,309	\$ 2,182,562
Investments	642,274	586,433
Grants Receivable	120,149	94,827
Pledges Receivable	19,125	-
Total Financial Assets	3,949,857	2,863,822
Donor Restrictions	(1,539,185)	(238,269)
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	\$ 2,410,672	\$ 2,625,553

The Organization’s primary sources of cash flows during the year are grants, contributions from individuals and corporations, and fundraising revenue. These revenue sources provide a consistent inflow of cash throughout the year to cover normal operating expenses.

NOTE 8 - EMPLOYEE BENEFIT PLAN

The Organization began a 401k Plan for eligible employees in fiscal year 2022. Employees are eligible to participate after completing 3 months of employment. On January 1, 2024, the Organization began a match program whereby the Organization will match up to 3% of each participating employee’s salary. Employees are eligible for the match program after one year of employment. The Organization had retirement benefit expense of \$364 and \$-0- for the years ended December 31, 2023 and 2022, respectively.

NOTE 9 - FUNDRAISING EVENTS

The Organization holds fundraising events each year. As discussed in Note 1, fundraising events are considered exchange transactions. For the years ended December 31, 2023 and 2022, the exchange portion of fundraising events income was \$108,967 and \$129,833, respectively, and is included in fundraising revenue in the statement of activities. The amount in excess of this exchange portion is considered contribution income.

NOTE 10 - CONTRIBUTED GOODS AND SERVICES

The Organization receives various forms of contributed goods and services, including event auction items, household items, and donated services from individuals and businesses for operations and programmatic activities. Contributed goods are reported as contributions at their estimated fair value on the date of receipt and reported as expense when utilized. Contributed goods are valued based upon estimates of fair market or wholesale values that would be received for selling the goods in their principal market considering their condition and utility for use at the time the goods are contributed by the donor. Contributions of donated services that create or enhance non-financial assets, or that require specialized skills, or are provided by individuals possessing those skills, which would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

MAGDALENA MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 10 - CONTRIBUTED GOODS AND SERVICES (continued)

Contributed goods and services were as follows for the years ended December 31:

		<u>2023</u>		<u>2022</u>
Event Auction Items	\$	51,981	\$	70,798
Professional Services		19,043		35,353
Household Items		51,531		34,066
Gift Cards and Other		<u>6,064</u>		<u>9,044</u>
Total	\$	<u>128,619</u>	\$	<u>149,261</u>

In-kind contributions of \$76,638 and \$78,463 are reflected in total in the statement of activities and did not have donor restrictions for the years ended December 31, 2023 and 2022, respectively. Additionally, donated auction items of \$51,981 and \$70,798 related to fundraising activities are included in fundraising revenue, net of direct expenses in the statement of activities and did not have donor restrictions for the years ended December 31, 2023 and 2022, respectively.

The value for other donated services is not reflected in the financial statements since they do not meet the specified criteria as determined by GAAP (performed by professionals and tradesmen with specialized skill in the service).

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at December 31:

		<u>2023</u>		<u>2022</u>
Capital Campaign	\$	1,305,249	\$	180,411
Staff Salaries		77,914		8,532
Playground		60,000		-
Generator		45,000		-
Program Supplies		12,866		34,867
Capacity Building		10,000		-
Food, Clothing, and Transportation		10,000		-
Shelter		10,000		5,000
Education and Tuition		8,156		5,045
Enrichment		<u>-</u>		<u>4,414</u>
Total Net Assets With Donor Restrictions	\$	<u>1,539,185</u>	\$	<u>238,269</u>

NOTE 12 - SUBSEQUENT EVENTS

The Organization evaluates subsequent events in accordance with ASC Topic No. 855, “*Subsequent Events*” (formally SFAS No. 165). The guidance requires an entity to disclose the date through which subsequent events have been evaluated, as well as whether that date is the date the financial statements were issued or the date the financial statements were available to be issued. In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 8, 2024, the date the financial statements were available to be issued.

OTHER REPORTING REQUIRED

INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Magdalena Ministries, Inc.
San Antonio, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Magdalena Ministries, Inc. (the Organization), a nonprofit organization, which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 8, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies. However, material weaknesses and/or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Randy Walker & Co.

San Antonio, Texas
August 8, 2024