

ROCKFORD RESCUE MISSION MINISTRIES

FINANCIAL STATEMENTS

September 30, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rockford Rescue Mission Ministries
Rockford, Illinois

Opinion

We have audited the financial statements of Rockford Rescue Mission Ministries, which comprise the statements of financial position as of September 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Rockford Rescue Mission Ministries as of September 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal 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 Rockford Rescue Mission Ministries 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 Rockford Rescue Mission Ministries 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.

Wegner CPAs LLP

Wegner CPAs, LLP
Janesville, Wisconsin
January 11, 2024

ROCKFORD RESCUE MISSION MINISTRIES
STATEMENTS OF FINANCIAL POSITION
September 30, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|---|-----------------------------|-----------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 1,433,598 | \$ 1,889,553 |
| Accounts receivable | 6,803 | 47,951 |
| Inventories | 284,026 | 451,391 |
| Prepaid expenses | <u>132,041</u> | <u>123,163</u> |
| Total current assets | 1,856,468 | 2,512,058 |
| Property and equipment, net | 9,939,011 | 10,064,633 |
| OTHER ASSETS | | |
| Investments | 10,694,645 | 8,716,881 |
| Restricted cash | 40,818 | 40,797 |
| Gift cards | 6,066 | 10,987 |
| Intangible assets, net | <u>14,871</u> | <u>22,630</u> |
| Total other assets | <u>10,756,400</u> | <u>8,791,295</u> |
| Total assets | <u><u>\$ 22,551,879</u></u> | <u><u>\$ 21,367,986</u></u> |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 85,245 | \$ 108,658 |
| Accrued liabilities | 217,170 | 200,196 |
| Notes payable | <u>3,278</u> | <u>4,174</u> |
| Total liabilities | 305,693 | 313,028 |
| NET ASSETS | | |
| Without donor restrictions | 21,105,368 | 19,914,161 |
| With donor restrictions | <u>1,140,818</u> | <u>1,140,797</u> |
| Total net assets | <u>22,246,186</u> | <u>21,054,958</u> |
| Total liabilities and net assets | <u><u>\$ 22,551,879</u></u> | <u><u>\$ 21,367,986</u></u> |

See accompanying notes.

ROCKFORD RESCUE MISSION MINISTRIES
STATEMENTS OF ACTIVITIES
Years Ended September 30, 2023 and 2022

| | 2023 | 2022 |
|---|----------------------|----------------------|
| CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS | | |
| SUPPORT, REVENUE, AND GAINS | | |
| Contributions | \$ 5,724,591 | \$ 7,050,861 |
| In-kind contributions | 2,455,893 | 2,612,333 |
| Investment return, net | 972,639 | (1,664,230) |
| Sales from resale store | 1,078,488 | 977,863 |
| Sales from mercantile shop | 28,369 | 38,592 |
| Sales of bulk clothing and recycled materials | 68,838 | 97,827 |
| Vending | 5,962 | 6,795 |
| Miscellaneous | 13,096 | 35,404 |
| Total support, revenue, and gains without donor restrictions | 10,347,876 | 9,155,445 |
| EXPENSES AND LOSSES | | |
| Program services | | |
| Recovery | 1,411,656 | 1,338,265 |
| Crisis | 1,185,004 | 942,041 |
| Food service | 1,746,691 | 1,698,367 |
| Thrift store | 2,260,205 | 1,806,106 |
| Other | 686,407 | 634,901 |
| Supporting activities | | |
| Management and general | 812,893 | 552,761 |
| Fundraising | 1,053,813 | 1,042,360 |
| Total expenses | 9,156,669 | 8,014,801 |
| Loss on disposal of assets | - | 3,781 |
| Total expenses and losses | 9,156,669 | 8,018,582 |
| Changes in net assets without donor restrictions | 1,191,207 | 1,136,863 |
| CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS | | |
| Investment return, net | 21 | 20 |
| Changes in net assets | 1,191,228 | 1,136,883 |
| Net assets at beginning of year | 21,054,958 | 19,918,075 |
| Net assets at end of year | \$ 22,246,186 | \$ 21,054,958 |

See accompanying notes.

ROCKFORD RESCUE MISSION MINISTRIES
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2023

| | Program Services | | | | | Supporting Activities | | Total Expenses |
|-------------------------------|---------------------|---------------------|---------------------|---------------------|-------------------|------------------------|---------------------|---------------------|
| | Recovery | Crisis | Food Service | Thrift Store | Other | Management and General | Fundraising | |
| Personnel | \$ 884,379 | \$ 948,441 | \$ 273,978 | \$ 788,389 | \$ 352,159 | \$ 489,153 | \$ 373,034 | \$ 4,109,533 |
| Donated goods and services | 44,083 | 35,121 | 1,301,597 | 1,207,169 | 47,127 | 610 | 1,980 | 2,637,687 |
| Other promotional activities | 16,057 | - | - | 24 | 386 | 26,252 | 464,111 | 506,830 |
| Depreciation and amortization | 224,479 | 10,210 | 2,592 | 46,992 | 184,456 | 9,798 | - | 478,527 |
| Utilities | 70,026 | 57,650 | 36,220 | 69,953 | 31,542 | 16,040 | 2,966 | 284,397 |
| Repairs and maintenance | 46,064 | 50,869 | 71,517 | 58,469 | 21,924 | 12,762 | 1,625 | 263,230 |
| Professional fees | 39,839 | 39,838 | - | 20,180 | - | 155,600 | 57,792 | 313,249 |
| Assistance to individuals | 30,385 | 3,160 | 34,288 | 86 | 21,486 | - | - | 89,405 |
| Postage | 1,422 | 1,422 | - | - | 711 | 3,554 | 125,689 | 132,798 |
| Insurance | 18,636 | 14,316 | 9,851 | 8,727 | 7,048 | 14,526 | 3,609 | 76,713 |
| Other supplies | - | - | - | 38,025 | - | - | - | 38,025 |
| Small equipment purchases | 6,486 | 2,611 | 2,683 | 6,317 | 9,155 | 2,651 | 1,142 | 31,045 |
| Telephone | 14,685 | 11,413 | 4,717 | 8,835 | 6,254 | 15,549 | 14,687 | 76,140 |
| Education | 5,011 | 1,144 | 265 | 1,003 | 1,470 | 19,108 | 1,794 | 29,795 |
| Office supplies | 1,967 | 2,377 | 38 | 891 | 1,953 | 1,690 | 2,508 | 11,424 |
| Vehicle operation | 7,485 | 5,908 | 8,691 | 3,906 | 736 | 616 | 2,539 | 29,881 |
| Miscellaneous | 525 | 524 | - | 985 | - | 33,963 | 337 | 36,334 |
| Employee and board activities | - | - | - | - | - | 11,021 | - | 11,021 |
| Volunteer operations | 127 | - | 254 | 254 | - | - | - | 635 |
| Total expenses | \$ 1,411,656 | \$ 1,185,004 | \$ 1,746,691 | \$ 2,260,205 | \$ 686,407 | \$ 812,893 | \$ 1,053,813 | \$ 9,156,669 |

See accompanying notes.

ROCKFORD RESCUE MISSION MINISTRIES
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2022

| | Program Services | | | | | Supporting Activities | | Total Expenses |
|-------------------------------|---------------------|-------------------|---------------------|---------------------|-------------------|------------------------|---------------------|---------------------|
| | Recovery | Crisis | Food Service | Thrift Store | Other | Management and General | Fundraising | |
| Personnel | \$ 817,849 | \$ 763,895 | \$ 218,161 | \$ 540,676 | \$ 318,628 | \$ 301,983 | \$ 270,745 | \$ 3,231,937 |
| Donated goods and services | 51,750 | - | 1,343,860 | 991,391 | 58,717 | 4,569 | 4,200 | 2,454,487 |
| Other promotional activities | 18,855 | - | - | 1,276 | 1,583 | 29,254 | 473,741 | 524,709 |
| Depreciation | 222,257 | 7,568 | 1,052 | 37,860 | 180,304 | 8,364 | - | 457,405 |
| Utilities | 68,067 | 54,878 | 34,738 | 74,553 | 29,004 | 14,371 | 2,708 | 278,319 |
| Repairs and maintenance | 50,875 | 39,865 | 58,657 | 50,765 | 13,390 | 23,033 | 1,740 | 238,325 |
| Professional fees | 40,542 | 40,542 | - | 40,608 | - | 116,063 | 69,591 | 307,346 |
| Assistance to individuals | 26,750 | 4,168 | 25,991 | - | 12,925 | - | - | 69,834 |
| Postage | 370 | 370 | - | - | 185 | 925 | 196,958 | 198,808 |
| Insurance | 14,568 | 12,248 | 8,436 | 7,487 | 6,391 | 11,236 | 2,605 | 62,971 |
| Other supplies | - | - | - | 34,591 | - | - | - | 34,591 |
| Small equipment purchases | 5,381 | 2,417 | 2,078 | 2,429 | 8,565 | 5,945 | 4,496 | 31,311 |
| Telephone | 9,229 | 5,659 | 907 | 10,660 | 2,720 | 4,460 | 1,813 | 35,448 |
| Education | 4,348 | 3,943 | 154 | 6,407 | 456 | 4,729 | 922 | 20,959 |
| Office supplies | 2,746 | 2,728 | 146 | 703 | 1,599 | 9,163 | 3,995 | 21,080 |
| Vehicle operation | 4,385 | 3,760 | 3,601 | 2,711 | 434 | 325 | 1,188 | 16,404 |
| Miscellaneous | - | - | - | 3,403 | - | 758 | 7,658 | 11,819 |
| Employee and board activities | - | - | - | - | - | 17,583 | - | 17,583 |
| Volunteer operations | 293 | - | 586 | 586 | - | - | - | 1,465 |
| Total expenses | \$ 1,338,265 | \$ 942,041 | \$ 1,698,367 | \$ 1,806,106 | \$ 634,901 | \$ 552,761 | \$ 1,042,360 | \$ 8,014,801 |

See accompanying notes.

ROCKFORD RESCUE MISSION MINISTRIES
STATEMENTS OF CASH FLOWS
Years Ended September 30, 2023 and 2022

| | 2023 | 2022 |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 1,191,228 | \$ 1,136,883 |
| Adjustments to reconcile change in net assets to net cash flows from operating activities | | |
| Depreciation and amortization | 478,527 | 457,405 |
| Realized and unrealized (gains) and losses on investments | (727,186) | 1,736,162 |
| (Increase) decrease in assets | | |
| Accounts receivable | 41,148 | (47,951) |
| Inventory | 167,365 | (155,683) |
| Prepaid expenses | (8,878) | (18,764) |
| Gift cards | 4,921 | 8,470 |
| Increase (decrease) in liabilities | | |
| Accounts payable | (23,413) | (13,212) |
| Accrued liabilities | 16,974 | 35,988 |
| Other accrued liabilities | - | (845) |
| Net cash flows from operating activities | 1,140,686 | 3,138,453 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of property and equipment | (345,146) | (162,667) |
| Purchase of intangible asset | - | (23,277) |
| Purchases of investments | (1,250,578) | (3,378,118) |
| Proceeds from sale of property and equipment | - | 4,783 |
| Net cash flows from investing activities | (1,595,724) | (3,559,279) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from notes payable | - | 4,174 |
| Repayments of note payable | (896) | - |
| Net cash flows from financing activities | (896) | 4,174 |
| Change in cash and restricted cash | (455,934) | (416,652) |
| Cash and restricted cash at beginning of year | 1,930,350 | 2,347,002 |
| Cash and restricted cash at end of year | <u>\$ 1,474,416</u> | <u>\$ 1,930,350</u> |
| SUPPLEMENTAL DISCLOSURES | | |
| Cash paid for interest | \$ 208 | \$ 174 |
| Cash and restricted cash at end of year is comprised of the following: | | |
| Cash | \$ 1,433,598 | \$ 1,889,553 |
| Restricted cash | 40,818 | 40,797 |
| | <u>\$ 1,474,416</u> | <u>\$ 1,930,350</u> |

See accompanying notes.

ROCKFORD RESCUE MISSION MINISTRIES
NOTES TO FINANCIAL STATEMENTS
September 30, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Rockford Rescue Mission Ministries' (the Mission) purpose is to share hope and help in Jesus' name to move people from homelessness and despair toward personal and spiritual wholeness. This ministry will serve humanity in the spirit expressed by Our Lord and Savior Jesus Christ in Matthew 25:35-36, "For I was hungry, and you gave Me something to eat; I was thirsty, and you gave Me something to drink; I was a stranger, and you invited Me in; naked, and you clothed Me; I was sick, and you visited Me; I was in prison, and you came to Me". To that end, this Mission is engaged in rescue, missionary, educational, and evangelistic work, proclaiming salvation through belief in Jesus Christ the Son of God. Contributions are the Mission's main source of revenue to provide programs.

Restricted Cash

The Mission was awarded a grant during the year ended September 30, 2012, which requires reserved cash to be kept in a separate bank account. The Mission is required to maintain a housing replacement reserve at a minimum of \$40,500 for the duration of a 15-year retention period. At September 30, 2023 and 2022, the required reserve balance totaled \$40,818 and \$40,797, respectively.

Promises to Give

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Uncollectible promises are written off after management has used reasonable collection efforts and determine the promises will not be collected. On September 30, 2023 and 2022, all unconditional promises to give are receivable in less than one year.

Property and Equipment

The Mission capitalizes all expenditures for property in excess of \$5,000 and for all equipment in excess of \$2,000. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Investments

Investments at September 30, 2023 and 2022, consist of open-end mutual funds, which are valued at the daily closing price as reported by the fund. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Mission are considered to be actively traded.

ROCKFORD RESCUE MISSION MINISTRIES
NOTES TO FINANCIAL STATEMENTS
September 30, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Merchandise Sales

Revenue from merchandise sales is recognized when the customer receives and pays for the merchandise. Sales taxes collected from customers are excluded from revenue. The Mission does not have any financing components as payment is received at or shortly after the point of sale. Returns are expected to be insignificant.

Contributions

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, 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.

Donated Inventories

Donated inventories of food and other assets are recognized as support at their estimated fair market values on the date they are received. Donated clothing and housewares sold through the thrift store's resale shop are recognized as sales, and are not recorded in inventory, except as an adjustment at year-end. Net increases in donated clothing and housewares at the retail stores are recognized as support without donor restrictions at year-end. Net decreases in inventory are recognized as adjustments to decrease sales from the thrift store's resale shop. Donated clothing and housewares given to clients are recognized as an expense at estimated fair market value at the time of transfer.

Donated Services

The Mission uses the services of a number of volunteers to assist its staff. No amounts have been reflected in the financial statements for these donated services, as no objective basis is available to measure the value of such services. Such amounts would have no net effect on the statement of activities.

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Mission. Donated services are reflected in the financial statements.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from those estimates.

ROCKFORD RESCUE MISSION MINISTRIES
NOTES TO FINANCIAL STATEMENTS
September 30, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel, utilities, repairs and maintenance, insurance, vehicle operation, depreciation and amortization, telephone, and office supplies, which are allocated on the basis of estimates of time and effort. The following program services and supporting activities are included in the accompanying financial statements:

Recovery—The Life Recovery Program is a residential program offering comprehensive help and hope for men, women, and children in desperate circumstances, such as chemical dependency, domestic violence issues, or destructive relationships.

Crisis—The Men’s and Women’s Crisis Centers provide safe shelter, food, and clothing, as well as guest advocacy, community resources and medical services.

Food Service—At the Mission, a hot, nutritious breakfast, lunch, and dinner are offered free of charge every day for any hungry man, woman, or child in the community.

Thrift Store—Thrift Store offers gently used items including clothing, household goods, furniture, and accessories, which both meet the needs of the guests as well as provide a low-cost shopping option for the community.

Other—Other activities relate to education including vocational, basic life skills, GED preparation, higher education exposure, and adult literacy. Additional activities include medical, dental, and chiropractic clinic onsite providing appointments.

Management and general—Management and general activities relate to the overall direction of the Mission and include the functions necessary to ensure proper administrative functioning of the board of directors, manage the financial and budgetary responsibilities of the Mission, and perform other administrative functions.

Fundraising—Fundraising activities relate to soliciting contributions from individuals, foundations, and others, and other activities that involve inducing potential donors to contribute assets, services, or time to the Mission.

Income Tax Status

The Mission is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Mission qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

ROCKFORD RESCUE MISSION MINISTRIES
NOTES TO FINANCIAL STATEMENTS
September 30, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Date of Management’s Review

Management has evaluated subsequent events through January 11, 2024, the date which the financial statements were available to be issued.

Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation.

NOTE 2 – CONCENTRATION OF CREDIT RISK

The Mission maintains its cash balances in four financial institutions located in Rockford, Illinois. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each financial institution. At September 30, 2023 and 2022, the Mission’s uninsured cash balances total approximately \$1,087,000 and \$1,335,000, respectively.

NOTE 3 – INVESTMENTS

Investments consist of the following:

| | <u>2023</u> | <u>2022</u> |
|--------------------|----------------------|---------------------|
| Money market funds | \$ 929,229 | \$ 484,514 |
| Mutual funds | <u>9,765,416</u> | <u>8,232,367</u> |
| Investments | <u>\$ 10,694,645</u> | <u>\$ 8,716,881</u> |

The mutual funds are subject to changes in economic market conditions. The Mission’s investment policy attempts to minimize market risk through portfolio diversification.

Investment return, net consisted of the following:

| | <u>2023</u> | <u>2022</u> |
|-------------------------|-------------------|-----------------------|
| Interest and dividends | \$ 314,979 | \$ 162,407 |
| Realized gain | (62,017) | (64,185) |
| Unrealized gain | 767,534 | (1,720,089) |
| Management fees | <u>(47,857)</u> | <u>(42,343)</u> |
| Total investment return | <u>\$ 972,639</u> | <u>\$ (1,664,210)</u> |

Rockford Rescue Mission relies on investment returns to fund operating reserves with the remaining balance applied toward Mission expansion.

As of September 30, 2023, the Mission’s Board designated \$2,831,842 for operating reserves.

ROCKFORD RESCUE MISSION MINISTRIES
NOTES TO FINANCIAL STATEMENTS
September 30, 2023 and 2022

NOTE 4 – LINE OF CREDIT

The Mission has a \$1,000,000 line of credit which was unused at September 30, 2023 and 2022. Bank advances on the credit line are payable on demand and carry an interest rate of 5.1% over the 20-day LIBOR rate index (5.43% on September 30, 2023). The credit line is secured by promises to give, and property and equipment of the Mission.

NOTE 5 – RETIREMENT PLAN

The Mission has a qualified retirement plan under Section 403(b) of the IRC whereby full-time employees may make voluntary contributions. The plan allows the Mission to make discretionary contributions. For the years ended September 30, 2023 and 2022, the Mission made discretionary contributions of \$61,570 and \$54,406, respectively.

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

| | 2023 | 2022 |
|---|------------------|-------------------|
| Land | \$ 507,384 | \$ 507,384 |
| Building and improvements | 14,430,812 | 14,218,210 |
| Parking lots | 37,010 | 37,010 |
| Kitchen equipment | 151,126 | 142,400 |
| Program furnishing and equipment | 457,878 | 457,878 |
| Vehicles | 171,719 | 194,154 |
| Musical instruments and sound equipment | 13,177 | 13,177 |
| Office and computer equipment | 394,629 | 270,810 |
| Tools and equipment | 110,403 | 110,403 |
| Store fixtures and equipment | 83,458 | 83,458 |
| Total property and equipment | 16,357,596 | 16,034,884 |
| Accumulated depreciation | (6,418,585) | (5,970,251) |
| Property and equipment, net | \$ 9,939,011 | \$ 10,064,633 |

NOTE 7 – PAYCHECK PROTECTION PROGRAM LOAN

On April 14, 2020, the Mission received a \$489,541 loan under the Paycheck Protection Program (PPP) as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act administered by the United States Small Business Administration (SBA). On November 2, 2020, the Mission received complete forgiveness of their loan of \$489,541 of principal which was removed from the associated liability and recorded as revenue.

The Mission must retain PPP documentation in its files for six years after the date the loan is forgiven or repaid in full and permit authorized representatives of SBA to access such files upon request. SBA may review any loan at any time at its discretion. Therefore, SBA may review the Mission's good-faith certification concerning the necessity of its loan request, whether the Mission calculated the loan amount correctly, whether the Mission used loan proceeds for the allowable

ROCKFORD RESCUE MISSION MINISTRIES
NOTES TO FINANCIAL STATEMENTS
September 30, 2023 and 2022

NOTE 7 – PAYCHECK PROTECTION PROGRAM LOAN (continued)

uses specified in the CARES Act, and whether the Mission is entitled to loan forgiveness in the amount claimed on its application. If SBA determines the Mission was ineligible for the loan or for full forgiveness in whole or in part, SBA will seek repayment of the outstanding loan balance.

NOTE 8 – NET ASSETS

Net assets with donor restrictions are restricted for the following purposes or periods:

| | 2023 | 2022 |
|----------------------------------|--------------|--------------|
| Endowment fund | \$ 1,100,000 | \$ 1,100,000 |
| FHLB housing replacement reserve | 40,818 | 40,797 |
| | \$ 1,140,818 | \$ 1,140,797 |

The Mission’s board of directors has designated net assets without donor restrictions for the following purposes:

| | 2023 | 2022 |
|---------------------------------------|--------------|--------------|
| Endowment fund | \$ 387,223 | \$ 534,165 |
| Four and half month operating reserve | 2,444,619 | 2,085,365 |
| Board designated net assets | \$ 2,831,842 | \$ 2,619,530 |

NOTE 9 – ENDOWMENT FUND

The Mission’s endowment fund consists of one individual fund. The endowment fund includes both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. Net assets associated with endowment funds are classified and reported based on existence or absence of donor-imposed restrictions.

Absent explicit donor stipulations to the contrary, the board of Directors of the Mission has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original fit date of the donor-restricted endowment funds. As a result of this interpretation, the Mission retains in perpetuity and classifies as net assets with donor restrictions (1) the original value of gifts donated to the perpetual endowment, (2) the original value of subsequent gifts to the perpetual endowment, and (3) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not retained in perpetuity are subject to appropriation for expenditure by the Mission in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Mission considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected

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NOTE 9 – ENDOWMENT FUND (continued)

total return from income and the appreciation of investments, (6) other resources of the Mission, and (7) the Mission's investment policies.

Investment Return Objectives, Risk Parameters and Strategies: The Mission has adopted investment and spending policies, approved by the board of directors, for endowment assets.

Those policies attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of these endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities. The Mission expects its endowment assets over time, to produce an average rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount, Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to prevent exposing the fund to unacceptable levels of risk.

Spending policy: The Mission has a policy of appropriating for distribution when the board considers the funds are needed. In establishing this policy, the Mission considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of the donor-restrictions, and the possible effects of inflation.

Endowment net asset composition by type of fund as of September 30, 2023 and 2022 are as follows:

| | 2023 | | |
|------------------------|-------------------------------|----------------------------|--------------|
| | Without donor Restrictions | With donor Restrictions | Total |
| Donor-restricted funds | \$ - | \$ 1,100,000 | \$ 1,100,000 |
| Board-designated funds | 387,223 | | 387,223 |
| Total | \$ 387,223 | \$ 1,100,000 | \$ 1,487,223 |
| | 2022 | | |
| | Without donor Restrictions | With donor Restrictions | Total |
| Donor-restricted funds | \$ - | \$ 1,100,000 | \$ 1,100,000 |
| Board-designated funds | 534,165 | - | 534,165 |
| Total | \$ 534,165 | \$ 1,100,000 | \$ 1,634,165 |

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NOTE 9 – ENDOWMENT FUND (continued)

Changes in endowment net assets as of September 30, 2023 are as follows:

| | Without donor Restrictions | With donor Restrictions | Total Endowment Net Assets |
|---|-------------------------------|----------------------------|----------------------------------|
| Endowment net assets at beginning of year | \$ 534,165 | \$ 1,100,000 | \$ 1,634,165 |
| Transfers | 48,440 | - | 48,440 |
| Investment return, net | <u>(195,382)</u> | <u>-</u> | <u>(195,382)</u> |
| Endowment net assets at end of year | <u>\$ 387,223</u> | <u>\$ 1,100,000</u> | <u>\$ 1,487,223</u> |

Changes in endowment net assets as of September 30, 2022 are as follows:

| | Without donor Restrictions | With donor Restrictions | Total Endowment Net Assets |
|---|-------------------------------|----------------------------|----------------------------------|
| Endowment net assets, beginning of year | \$ 676,120 | \$ 1,100,000 | \$ 1,776,120 |
| Transfers | 197,265 | - | 197,265 |
| Investment return, net | <u>(339,220)</u> | <u>-</u> | <u>(339,220)</u> |
| Endowment net assets at end of year | <u>\$ 534,165</u> | <u>\$ 1,100,000</u> | <u>\$ 1,634,165</u> |

NOTE 10 – JOINT COSTS

The Mission achieves some of its programmatic and management and general goals in an informational newsletter that includes requests for contributions. The costs of those newsletters include a total of \$32,116 and \$37,685 joint costs that are not directly attributable to either program or management and general components or the fundraising component of the activities for the years ended September 30, 2023 and 2022. Those joint costs were allocated as follows:

| | 2023 | 2022 |
|-------------|------------------|------------------|
| Recovery | \$ 16,058 | \$ 18,843 |
| Crisis | 8,029 | 9,421 |
| Fundraising | <u>8,029</u> | <u>9,421</u> |
| Total | <u>\$ 32,116</u> | <u>\$ 37,685</u> |

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NOTE 11 – LIQUIDITY AND AVAILABILITY

The following table reflects the Mission’s financial assets, as of the dates of the statements of financial position, reduced by amounts that are not available to meet general expenditures within one year of the statements of financial position dates because of contractual restrictions or internal board designations.

| | 2023 | 2022 |
|--|---------------|---------------|
| Cash | \$ 1,433,598 | \$ 1,889,553 |
| Accounts receivable | 6,803 | 47,951 |
| Investments | 10,694,645 | 8,716,881 |
| Restricted cash | 40,818 | 40,797 |
| Financial assets at year-end | \$ 12,175,864 | \$ 10,695,182 |
| Less those unavailable for general expenditures within one year due to: | | |
| Contractual or donor-imposed restrictions: | | |
| Restricted cash for housing replacement reserve | (40,818) | (40,797) |
| Restricted by donor with purpose or period restrictions | (1,100,000) | (1,100,000) |
| Board designations: | | |
| Amounts set aside for purpose or period designations | (2,831,842) | (2,619,529) |
| Financial assets available to meet cash needs for general expenditures within one year | \$ 8,203,204 | \$ 6,934,856 |

The Mission strives to maintain liquid financials assets sufficient to cover four and half months of general expenditures. As a non-profit, donor-funded organization, the Mission receives significant contributions each year from donors on a regular basis, which are available to meet annual cash needs for general operating expenditures. Financial assets in excess of daily cash requirements are invested in money market funds and other investments. In the event of unanticipated liquidity needs, the Mission also can draw up to \$1,000,000 of the available line of credit (as further discussed in Note 4) and its operating reserve.

NOTE 12—COMMITMENTS

The Mission entered into an employment agreement with its Chief Executive Officer (CEO) which provides the CEO with additional retirement compensation in light of the CEO’s many years of service at significantly low compensation levels. The additional compensation is contingent on the CEO remaining employed with the organization through February 29, 2024, to receive the full compensation. As of September 30, 2023, the amount contingent on employment date is \$269,125.

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NOTE 13 – IN-KIND CONTRIBUTIONS

Contributed nonfinancial assets recognized within the statement of activities for the years ended September 30, 2023 and 2022 include:

| | <u>2023</u> | <u>2022</u> |
|------------------------|---------------------|---------------------|
| Food | \$ 1,162,925 | \$ 1,440,409 |
| Clothing | 1,198,934 | 1,051,891 |
| Supplies and equipment | 36,802 | 40,362 |
| Services | 57,232 | 76,717 |
| Vehicle | <u>-</u> | <u>2,954</u> |
| Total | <u>\$ 2,455,893</u> | <u>\$ 2,612,333</u> |

Donated inventory is comprised of clothing and goods held for resale at the Mission’s Thrift Store. Proceeds from the sale of donated inventory are used to support the Mission’s shelter programming. The value of donated inventory is valued based on the estimated resale value. Unless otherwise noted, donated inventory did not have donor-imposed restrictions.

All donated supplies and services received are related to program services. The value of donated supplies and services are based on fair value in purchasing similar items. Unless otherwise noted, donated materials did not have donor-imposed restrictions.

Donated food is related to program services. The value of donated food is determined by using a discounted price per pound. Unless otherwise noted, donated food did not have donor-imposed restrictions.

Donated vehicles have been donated to the Mission and are valued at fair value.