

**Haven of Rest Ministries of Battle Creek**

**Financial Statements**

**June 30, 2022**

**(With Summarized Comparative Information for 2021)**



**YEO & YEO**

**BUSINESS SUCCESS  
PARTNERS**

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## **Independent Auditors' Report**

Management and the Board of Directors  
Haven of Rest Ministries of Battle Creek  
Battle Creek, Michigan

### **Opinion**

We have audited the accompanying financial statements of Haven of Rest Ministries of Battle Creek (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Haven of Rest Ministries of Battle Creek as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Haven of Rest Ministries of Battle Creek 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 Haven of Rest Ministries of Battle Creek's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

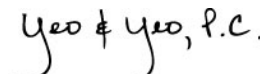
In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Haven of Rest Ministries of Battle Creek'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 Haven of Rest Ministries of Battle Creek's ability to continue as a going concern for a reasonable period of time.

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

### **Report on Summarized Comparative Information**

We have previously audited the Haven of Rest Ministries of Battle Creek's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 20, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

  
Kalamazoo, Michigan  
January 10, 2023

**Haven of Rest Ministries of Battle Creek**  
**Statement of Financial Position**  
**June 30, 2022 (With Summarized Comparative Information for 2021)**

|                                                   | <u>2022</u>                | <u>2021</u>                |
|---------------------------------------------------|----------------------------|----------------------------|
| <b>Assets</b>                                     |                            |                            |
| Current assets                                    |                            |                            |
| Cash and cash equivalents                         | \$ 97,236                  | \$ 93,728                  |
| Investments                                       | 99,059                     | 2,628                      |
| Grants receivable                                 | 813,957                    | 463,325                    |
| Accounts receivable                               | 37,649                     | 24,625                     |
| Other assets                                      | 12,859                     | -                          |
| Land contracts receivable - current portion       | 5,500                      | 21,860                     |
| Total current assets                              | <u>1,066,260</u>           | <u>606,166</u>             |
| Noncurrent assets                                 |                            |                            |
| Property and equipment                            | 4,722,210                  | 4,675,302                  |
| Less: accumulated depreciation                    | <u>(2,654,979)</u>         | <u>(2,495,442)</u>         |
| Net property and equipment                        | 2,067,231                  | 2,179,860                  |
| Land contracts receivable, net of current portion | <u>-</u>                   | <u>13,800</u>              |
| Total noncurrent assets                           | <u>2,067,231</u>           | <u>2,193,660</u>           |
| <b>Total assets</b>                               | <u><u>\$ 3,133,491</u></u> | <u><u>\$ 2,799,826</u></u> |

See Accompanying Notes to the Financial Statements

**Haven of Rest Ministries of Battle Creek**  
**Statement of Financial Position**  
**June 30, 2022 (With Summarized Comparative Information for 2021)**

|                                          | <u>2022</u>                | <u>2021</u>                |
|------------------------------------------|----------------------------|----------------------------|
| <b>Liabilities and net assets</b>        |                            |                            |
| Current liabilities                      |                            |                            |
| Accounts payable                         | \$ 26,391                  | \$ 17,225                  |
| Accrued payroll                          | 96,666                     | 88,276                     |
| Accrued compensated absences             | 61,338                     | 53,048                     |
| Accrued payroll taxes                    | 7,395                      | 6,714                      |
| Line of credit                           | 30,000                     | 55,000                     |
| Current portion of note payable          | -                          | 10,604                     |
| Total current liabilities                | <u>221,790</u>             | <u>230,867</u>             |
| Noncurrent liabilities                   |                            |                            |
| Note payable – less current portion      | -                          | 9,176                      |
| Total liabilities                        | <u>221,790</u>             | <u>240,043</u>             |
| Net assets                               |                            |                            |
| Without donor restrictions               |                            |                            |
| Net investment in property and equipment | 2,067,231                  | 2,179,860                  |
| Undesignated surplus                     | 264,526                    | 18,629                     |
| Total without donor restrictions         | <u>2,331,757</u>           | <u>2,198,489</u>           |
| With donor restrictions                  |                            |                            |
| Time restrictions                        | -                          | 100,000                    |
| Purpose restrictions                     | 579,944                    | 261,294                    |
| Total with donor restrictions            | <u>579,944</u>             | <u>361,294</u>             |
| Total net assets                         | <u>2,911,701</u>           | <u>2,559,783</u>           |
| <b>Total liabilities and net assets</b>  | <u><u>\$ 3,133,491</u></u> | <u><u>\$ 2,799,826</u></u> |

See Accompanying Notes to the Financial Statements

# Haven of Rest Ministries of Battle Creek

## Statement of Activities

Year Ended June 30, 2022 (With Summarized Comparative Information for 2021)

|                                       | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total<br>2022 | Total<br>2021 |
|---------------------------------------|-------------------------------|----------------------------|---------------|---------------|
| <b>Revenues and public support</b>    |                               |                            |               |               |
| Contributions                         | \$ 865,361                    | \$ 513,650                 | \$ 1,379,011  | \$ 1,239,548  |
| Contribution of nonfinancial assets   | 115,091                       | -                          | 115,091       | 41,464        |
| Grants                                | 1,293,575                     | 66,294                     | 1,359,869     | 1,229,791     |
| Program fees                          | 27,640                        | -                          | 27,640        | 16,626        |
| Special events                        | 59,855                        | -                          | 59,855        | 62,357        |
| Third party billings                  | 66,133                        | -                          | 66,133        | 63,646        |
| Gain on disposal of capital assets    | 19,252                        | -                          | 19,252        | -             |
| Other revenues                        | 81,726                        | -                          | 81,726        | 140,933       |
| Net assets released from restrictions | 361,294                       | (361,294)                  | -             | -             |
| Total revenues and public support     | 2,889,927                     | 218,650                    | 3,108,577     | 2,794,365     |
| <b>Expenses</b>                       |                               |                            |               |               |
| Program services                      | 2,301,539                     | -                          | 2,301,539     | 1,959,963     |
| Management and general                | 379,997                       | -                          | 379,997       | 372,920       |
| Fundraising                           | 75,123                        | -                          | 75,123        | 52,007        |
| Total expenses                        | 2,756,659                     | -                          | 2,756,659     | 2,384,890     |
| Change in net assets                  | 133,268                       | 218,650                    | 351,918       | 409,475       |
| Net assets – beginning of year        | 2,198,489                     | 361,294                    | 2,559,783     | 2,150,308     |
| Net assets – end of year              | \$ 2,331,757                  | \$ 579,944                 | \$ 2,911,701  | \$ 2,559,783  |

See Accompanying Notes to the Financial Statements

**Haven of Rest Ministries of Battle Creek**  
**Statement of Cash Flows**  
**Year Ended June 30, 2022 (With Summarized Comparative Information for 2021)**

|                                                         | <b>2022</b>             | 2021                    |
|---------------------------------------------------------|-------------------------|-------------------------|
| <b>Cash flows from operating activities</b>             |                         |                         |
| Change in net assets                                    | \$ 351,918              | \$ 409,475              |
| Items not requiring cash                                |                         |                         |
| Depreciation expense                                    | 169,901                 | 162,096                 |
| Bad debt expense                                        | -                       | 5,584                   |
| Realized and unrealized (gain) loss on investments      | 4,671                   | (157)                   |
| Gain on extinguishment of debt                          | -                       | (288,859)               |
| Gain on disposal of property and equipment              | (19,252)                | -                       |
| Changes in operating assets and liabilities             |                         |                         |
| Grants receivable                                       | (350,632)               | (346,417)               |
| Accounts receivable                                     | (13,024)                | (10,067)                |
| Other assets                                            | (12,859)                | -                       |
| Accounts payable                                        | 9,166                   | 16,187                  |
| Accrued payroll                                         | 8,390                   | (52,704)                |
| Accrued compensated absences                            | 8,290                   | 2,631                   |
| Accrued payroll taxes                                   | 681                     | (4,071)                 |
| Net cash provided (used) by operating activities        | <u>157,250</u>          | <u>(106,302)</u>        |
| <b>Cash flows from investing activities</b>             |                         |                         |
| Proceeds from sale of capital assets                    | 21,272                  | -                       |
| Acquisition of capital assets                           | (59,292)                | (143,740)               |
| Payments received on land contracts receivable          | 30,160                  | 43,180                  |
| Purchase of investments                                 | (101,102)               | -                       |
| Net cash used by investing activities                   | <u>(108,962)</u>        | <u>(100,560)</u>        |
| <b>Cash flows from financing activities</b>             |                         |                         |
| Payments on line of credit (net)                        | (25,000)                | -                       |
| Proceeds from line of credit                            | -                       | 55,000                  |
| Principal payments on long-term debt                    | (19,780)                | (43,538)                |
| Net cash provided (used) by financing activities        | <u>(44,780)</u>         | <u>11,462</u>           |
| Net change in cash and cash equivalents                 | 3,508                   | (195,400)               |
| Cash and cash equivalents – beginning of year           | <u>93,728</u>           | <u>289,128</u>          |
| <b>Cash and cash equivalents – end of year</b>          | <u><u>\$ 97,236</u></u> | <u><u>\$ 93,728</u></u> |
| <b>Supplemental disclosure of cash flow information</b> |                         |                         |
| Cash paid for interest                                  | \$ 1,412                | \$ 2,674                |

See Accompanying Notes to the Financial Statements

**Haven of Rest Ministries of Battle Creek**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2022 (With Summarized Comparative Information for 2021)**

|                                      | Program<br>Service | Management<br>and<br>General | Fundraising | 2022<br>Totals | 2021<br>Totals |
|--------------------------------------|--------------------|------------------------------|-------------|----------------|----------------|
| Salaries and wages                   | \$ 1,403,213       | \$ 238,198                   | \$ 27,674   | \$ 1,669,085   | \$ 1,515,600   |
| Payroll taxes                        | 104,193            | 17,555                       | 2,041       | 123,789        | 112,398        |
| Fringe benefits                      | 44,054             | 31,484                       | 353         | 75,891         | 66,675         |
| Food                                 | 86,600             | -                            | -           | 86,600         | 35,281         |
| Maintenance                          | 105,658            | 5,577                        | -           | 111,235        | 87,345         |
| Interest                             | 131                | 1,281                        | -           | 1,412          | 2,674          |
| Education and training               | 279                | 247                          | 87          | 613            | 1,088          |
| Insurance                            | 28,622             | 3,242                        | -           | 31,864         | 29,576         |
| Office expense                       | 28,454             | 32,086                       | 18,016      | 78,556         | 38,990         |
| Utilities                            | 108,473            | 12,561                       | -           | 121,034        | 118,494        |
| Supplies                             | 65,788             | 4,131                        | 1,546       | 71,465         | 48,172         |
| Telephone                            | 5,369              | 1,855                        | 135         | 7,359          | 5,861          |
| Depreciation                         | 142,837            | 24,247                       | 2,817       | 169,901        | 162,096        |
| Professional fees                    | 93,950             | 4,377                        | 2,804       | 101,131        | 84,114         |
| Property tax                         | -                  | 430                          | -           | 430            | -              |
| Advertising and similar costs        | 1,017              | -                            | 13,105      | 14,122         | 11,664         |
| Other miscellaneous shelter supplies | 72,086             | -                            | -           | 72,086         | 41,464         |
| Bad debt                             | -                  | -                            | -           | -              | 5,584          |
| Grants to others                     | -                  | -                            | -           | -              | 7,046          |
| Other                                | 10,815             | 2,726                        | 6,545       | 20,086         | 10,768         |
| Total expenses                       | \$ 2,301,539       | \$ 379,997                   | \$ 75,123   | \$ 2,756,659   | \$ 2,384,890   |

See Accompanying Notes to the Financial Statements

**Haven of Rest Ministries of Battle Creek**  
**Notes to the Financial Statements**  
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**Note 1 - Summary of Significant Accounting Policies**

**Nature of Activities**

Haven of Rest Ministries (the "Organization") is a Michigan non-profit Organization, based in Battle Creek, Michigan. The Organization was established to provide meals, shelter and the gospel message to individuals suffering from homelessness and addiction. The Organization offers many other pastoral and case management services to provide comfort and counseling to various individuals in the Battle Creek area.

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Basis of Presentation**

Net assets of the Organization and changes therein, are classified and reported as follows:

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. 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.

We report contributions restricted by donors 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, depending on the nature of the 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.

**Cash and Cash Equivalents**

The Organization considers all highly liquid investments purchased with maturity of three months or less to be cash equivalents. The entire bank balance was insured by the FDIC.

**Investments**

Investments are stated at fair value. Donated investments are reflected as contributions at their fair values at date of receipt. Investment income is reported net of direct investment expenses.

**Property and Equipment**

The Organization follows the practice of capitalizing all expenditures in excess of \$1,000. Property and equipment is recorded at cost or, if acquired by gift, the fair market value at the date of the gift. Assets acquired through lease agreements meeting requirements under generally accepted accounting principles that require capitalization are recorded at the lower of the present value of the minimum lease payments or their fair value as of the date of lease inception. Depreciation is mainly provided on the straight-line basis over the estimated useful lives of the respective assets, although accelerated methods have been utilized in previous years for certain assets. The Organization intends to only use the straight-line basis going forward. Useful lives range from three to forty years.

**Promises to Give**

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional.

The Organization uses the income approach to value unconditional promises to give, in the aggregate on an annual basis, under the fair value option.

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**Other Funds Held by Battle Creek Community Foundation**

The Organization is the income beneficiary of permanent endowment funds held by the Battle Creek Community Foundation. The Community Foundation's board of trustees has variance power over the endowment funds held by it. Under variance powers, if the named charity is no longer active or providing a needed service, or if the purpose of the fund becomes impractical or impossible to fulfill, the board of trustees of the Community Foundation may select another recipient with a similar purpose. Income distributions are based upon a formula of the market value of the assets under management and are reflected as grant revenues by the beneficiary organization. This endowment fund has not been recorded as an asset of the Organization.

The funds held by the Community Foundation are detailed as follows:

The A. Robert Briere Endowment Fund was established in 2017 for the purpose of supporting the programs provided by the Organization. The fair value of this fund was \$23,155 and \$27,221 for the years of June 30, 2022 and 2021, respectively. The Organization did not receive any revenue in 2022 or 2021 from this fund.

The Haven of Rest Ministries, Inc. Endowment Fund was established in 2010 for the purpose of supporting the programs provided by the Organization. The fair value of this fund was \$42,322 and \$49,078 for the years of June 30, 2022 and 2021, respectively. The Organization did not receive any revenue in 2022 or 2021 from this fund.

**Compensated Absences**

Employees of the Organization are entitled to paid time off, depending on length of service. Employees are allowed to accumulate days of varying limits depending on length of service and, upon separation, are paid out amounts at various limits at the employees' current pay rate. Employees can also carry over 5 days of earned vacation from year to year.

**Revenue and Revenue Recognition**

Revenue is recognized when earned. Program service fees are deferred to the applicable period in which the performance obligations are met. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

**Donated Services and Goods**

The Organization records the value of donated goods as contributions using estimated fair values at the date of receipt.

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills and would typically need to be purchased if not provided by donation are recorded at their fair values in the period received.

**Advertising**

The Organization expenses advertising costs the first time the advertising occurs. Advertising expense for the years ended June 30, 2022 and 2021 was \$14,122 and \$11,664, respectively.

**Functional Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, all costs have been directly charged to the functions except for an immaterial amount of salaries have been allocated to fundraising.

**Income Tax Status**

The Organization is qualified as a tax-exempt Organization under Section 501(c)(3) of the Internal Revenue Code, and is classified as an Organization other than a private foundation, as described in Section 509(a).

**Haven of Rest Ministries of Battle Creek**  
**Notes to the Financial Statements**  
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**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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Date of Management's Review**

Management has evaluated subsequent events through January 10, 2023, which is the date the financial statements were available to be issued.

**Note 2 - Liquidity and Availability**

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

|                                                                                        | 2022              | 2021              |
|----------------------------------------------------------------------------------------|-------------------|-------------------|
| Cash and cash equivalents                                                              | \$ 97,236         | \$ 93,728         |
| Investments                                                                            | 99,059            | 2,628             |
| Grants receivable                                                                      | 813,957           | 463,325           |
| Accounts receivable                                                                    | 37,649            | 24,625            |
| Land contracts receivable                                                              | 5,500             | 21,860            |
| Spendable portion of beneficial interest in assets held by community foundation        | 10,840            | 8,310             |
| Total financial assets - end of year                                                   | <u>1,064,241</u>  | <u>614,476</u>    |
| Less: Financial assets unavailable for general expenditures within one year, due to:   |                   |                   |
| Contractual or donor-imposed restrictions                                              |                   |                   |
| Restricted by donor with time or purpose restrictions                                  | <u>(579,944)</u>  | <u>(361,294)</u>  |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 484,297</u> | <u>\$ 253,182</u> |

The Organization does not have a policy to maintain a particular amount of days of operating expenses as liquid assets. The Organization is primarily supported by grants and contributions that are received on a frequent basis throughout the year. As such, the future cash needs of the Organization are substantially met by these receipts, which are received when the expenses are incurred. The Organization also has a line of credit that can be utilized.

**Note 3 - Investments and Fair Value Measurements**

Fair value of marketable debt and equity securities at the year ended June 30, consist of:

|                          | Fair Value<br>2022 | 2021            |
|--------------------------|--------------------|-----------------|
| Available for sale       |                    |                 |
| Money market funds       | \$ 5,189           | \$ 214          |
| Mutual funds             | 87,319             | 1,918           |
| Equity securities        | 6,551              | 496             |
| Total available for sale | <u>\$ 99,059</u>   | <u>\$ 2,628</u> |

Investment income is composed of the following at June 30:

|                         | 2022              | 2021          |
|-------------------------|-------------------|---------------|
| Dividends and interest  | \$ 1,259          | \$ 123        |
| Unrealized gain (loss)  | (5,930)           | -             |
| Less: investment fees   | -                 | -             |
| Total investment income | <u>\$ (4,671)</u> | <u>\$ 123</u> |

The following tables represent information about the Organization's assets and liabilities measured at fair value on a recurring basis at June 30, 2022 and 2021, and the valuation techniques used by the Organization to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices

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in active markets for identical assets or liabilities that the Organization has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in the entirety are categorized based on the lowest level input that is significant to the valuation. The Organization's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Disclosures concerning assets and liabilities measured at fair value on a recurring basis are as follows as of June 30, 2022:

|                      | Balance at June 30, 2022 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Unobservable Inputs (Level 3) |
|----------------------|--------------------------|----------------------------------------------------------------|-----------------------------------------------|-------------------------------|
| Mutual funds         | \$ 87,319                | \$ 87,319                                                      | \$ -                                          | \$ -                          |
| Equity securities    | 6,551                    | 6,551                                                          | -                                             | -                             |
|                      | <u>93,870</u>            | <u>\$ 93,870</u>                                               | <u>\$ -</u>                                   | <u>\$ -</u>                   |
| Money market at cost | 5,189                    |                                                                |                                               |                               |
| Total investments    | <u>\$ 99,059</u>         |                                                                |                                               |                               |

Disclosures concerning assets and liabilities measured at fair value on a recurring basis are as follows as of June 30, 2021:

|                      | Balance at June 30, 2021 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Unobservable Inputs (Level 3) |
|----------------------|--------------------------|----------------------------------------------------------------|-----------------------------------------------|-------------------------------|
| Mutual funds         | \$ 1,918                 | \$ 1,918                                                       | \$ -                                          | \$ -                          |
| Equity securities    | 496                      | 496                                                            | -                                             | -                             |
|                      | <u>2,414</u>             | <u>\$ 2,414</u>                                                | <u>\$ -</u>                                   | <u>\$ -</u>                   |
| Money market at cost | 214                      |                                                                |                                               |                               |
| Total investments    | <u>\$ 2,628</u>          |                                                                |                                               |                               |

#### Note 4 - Conditional Promises to Give

During the fiscal year, the Organization received conditional promises to give related to local, state and federal grants. Payment of the grants is contingent upon spending the funds for the designated allowable purpose and various compliance requirements which may include 2 CFR 200. The conditional contributions consisted of the following as of June 30, 2022:

|                                                                    | 2022                        |                   | 2021                     |                          |
|--------------------------------------------------------------------|-----------------------------|-------------------|--------------------------|--------------------------|
| Condition/<br>Grant Purpose                                        | Total Contract/Grant Amount | Spent to Date     | Conditional Contribution | Conditional Contribution |
| Funds need to be spent to be reimbursed for Salvation Army program | \$ 562,429                  | \$ 383,869        | \$ 178,560               | \$ 136,674               |
| Funds need to be spent to be reimbursed for Life Recovery Programs | 202,428                     | 176,827           | 25,602                   | 29,659                   |
| Money is paid per bed filled for VA program                        | 492,750                     | 285,075           | 207,675                  | 256,061                  |
| Money is paid monthly for HMIS work                                | 5,000                       | 1,250             | 3,750                    | 461                      |
| Outreach services                                                  | 27,500                      | 12,420            | 15,084                   | 3,059                    |
|                                                                    | <u>\$ 1,290,107</u>         | <u>\$ 859,441</u> | <u>\$ 430,671</u>        | <u>\$ 425,914</u>        |

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**Note 5 - Land Contracts Receivable**

The Organization had one piece of property in the current year and six pieces of property in the prior year that were in land contract. These properties were donated to the Organization in prior years and the contracts are non-interest bearing. Future payments consist of the following:

For the year ended June 30,

|      |                 |
|------|-----------------|
| 2023 | \$ <u>5,500</u> |
|------|-----------------|

Total land contract payments received in the year ending June 30, 2022 and 2021 was \$30,160 and \$43,180, respectively.

**Note 6 - Property and Equipment**

Major classes of assets and related accumulated depreciation thereon are summarized as follows:

|                                                | 2022                | 2021                |
|------------------------------------------------|---------------------|---------------------|
| Property and equipment not being depreciated   |                     |                     |
| Land                                           | \$ 54,000           | \$ 54,000           |
| Construction in process                        | <u>30,514</u>       | <u>30,514</u>       |
| Total non depreciable assets                   | <u>84,514</u>       | <u>84,514</u>       |
| Property and equipment being depreciated       |                     |                     |
| Land improvements                              | 1,656               | 1,656               |
| Buildings                                      | 4,191,076           | 4,137,202           |
| Equipment                                      | 416,309             | 410,889             |
| Vehicles                                       | <u>28,655</u>       | <u>41,041</u>       |
| Total property and equipment being depreciated | <u>4,637,696</u>    | <u>4,590,788</u>    |
| Less: accumulated depreciation                 |                     |                     |
| Land improvements                              | (1,538)             | (1,182)             |
| Buildings                                      | (2,245,064)         | (2,078,841)         |
| Equipment                                      | (388,269)           | (387,870)           |
| Vehicles                                       | <u>(20,108)</u>     | <u>(27,549)</u>     |
| Net property and equipment being depreciated   | <u>(2,654,979)</u>  | <u>(2,495,442)</u>  |
| Net property and equipment                     | <u>\$ 2,067,231</u> | <u>\$ 2,179,860</u> |

**Note 7 - Retirement Plan**

The Organization has a defined contribution salary deferral plan qualified under Internal Revenue Code Section 403(b). Under the plan, the Organization does not match employee contributions.

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**Note 8 - Line of Credit**

The Organization has an unsecured line of credit arrangement totaling \$100,000. This arrangement provides for borrowing amounts for short-term use at prime plus 1%. As of June 30, 2022, the line of credit had an interest rate of 5.75% with the balance maturing March 1, 2023. The Organization maintained an outstanding balance of \$30,000 and \$55,000 on the line of credit as of June 30, 2022 and 2021, respectively.

**Note 9 - Notes Payable**

The Organization has notes payable as follows:

|                                                                                                                                                                    | <u>2022</u>        | <u>2021</u>            |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|------------------------|
| Promissory note – secured by business loan agreement and negative pledge agreement, monthly payments of \$989.50, interest at fixed rate, 4.25%, due July 15, 2025 | \$ -               | \$ 19,780              |
| Less current portion                                                                                                                                               | <u>-</u>           | <u>10,604</u>          |
| Total long term note payable, net of current portion                                                                                                               | <u><u>\$ -</u></u> | <u><u>\$ 9,176</u></u> |

**Note 10 - Net Assets With Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes and periods at June 30:

|                                               | <u>2022</u>    | <u>2021</u> |
|-----------------------------------------------|----------------|-------------|
| Subject to expenditure for specified purpose: |                |             |
| Shelter Programs                              | \$ 10,875      | \$ 10,875   |
| Gain Access Program                           | 43,500         | 43,500      |
| Inasmuch Program                              | 11,919         | 11,919      |
| WLRP                                          | -              | 195,000     |
| Kitchen Program                               | 13,650         | -           |
| Dining hall project                           | <u>500,000</u> | <u>-</u>    |
| Total                                         | 579,944        | 261,294     |

Subject to the passage of time:

|                                                                                                         |          |                |
|---------------------------------------------------------------------------------------------------------|----------|----------------|
| Promises to give that are not restricted by donors, but which are unavailable for expenditure until due | <u>-</u> | <u>100,000</u> |
|---------------------------------------------------------------------------------------------------------|----------|----------------|

|                                          |                          |                          |
|------------------------------------------|--------------------------|--------------------------|
| Total net assets with donor restrictions | <u><u>\$ 579,944</u></u> | <u><u>\$ 361,294</u></u> |
|------------------------------------------|--------------------------|--------------------------|

Net assets were released for donor restrictions as follows for the years ended June 30:

|                                      | <u>2022</u>              | <u>2021</u>             |
|--------------------------------------|--------------------------|-------------------------|
| Expiration of time restrictions      | \$ 100,000               | \$ -                    |
| Satisfaction of purpose restrictions |                          |                         |
| July payroll expense                 | -                        | 10,000                  |
| Shelter Programs                     | 10,875                   | -                       |
| Gain Access Program                  | 43,500                   | -                       |
| Inasmuch Program                     | 11,919                   | -                       |
| WLRP                                 | <u>195,000</u>           | <u>-</u>                |
|                                      | <u><u>\$ 361,294</u></u> | <u><u>\$ 10,000</u></u> |

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**Note 11 - Revenue from Contracts with Customers**

The following summarizes revenue by type for the year ended June 30, 2022 and 2021:

|                                       | 2022                | 2021                |
|---------------------------------------|---------------------|---------------------|
| Revenue from contracts with customers | \$ 93,773           | \$ 80,272           |
| Contribution revenue                  | 2,933,078           | 2,573,160           |
| Miscellaneous income                  | 81,726              | 140,933             |
| Total revenue                         | <u>\$ 3,108,577</u> | <u>\$ 2,794,365</u> |

The revenue from contracts with customers for the year ended June 30, 2022 and 2021 consists of:

|                                   | 2022             | 2021             |
|-----------------------------------|------------------|------------------|
| Revenue earned over time          | \$ 27,640        | \$ 16,626        |
| Revenue earned at a point in time | 66,133           | 63,646           |
|                                   | <u>\$ 93,773</u> | <u>\$ 80,272</u> |

Revenue earned over time consists of membership dues from the Men's and Women's Life Recovery Programs. The twelve-month programs are designed to help participants overcome their addictions while identifying self-defeating behaviors and maximizing their potential to live and work in the community. Membership fees are calculated based on 10% of the individual's gross income after taking out legally mandated costs such as court fees and child support. Individuals pay on a month-to-month basis and therefore the performance obligations are typically satisfied over that period of time. Membership services include counseling, educational trainings, shelter, daily meals, and basic living necessities. Most of the performance obligations are considered "stand-ready" performance obligations and are therefore recognized as revenue over the length of the membership. The transaction price is allocated to the performance obligations based on the stand-alone selling price. Membership revenue is recognized based on the months completed in a membership year. Membership can be cancelled at any time.

Beginning or ending balances of contract assets were not significant for the years ended June 30, 2022 and 2021. There were no contract liabilities for the years ended June 30, 2022 and 2021.

There were no changes in judgements related to revenue recognition for the years ended June 30, 2022 and 2021.

**Note 12 - Contributed Nonfinancial Assets**

Contributed nonfinancial assets for the year ended June 30, 2022 were:

| Category           | Revenue Recognized | Utilization in Programs / Activities | Donor Restrictions    | Valuation Techniques and Inputs                                                      |
|--------------------|--------------------|--------------------------------------|-----------------------|--------------------------------------------------------------------------------------|
| Goods / Supplies   | \$ 115,091         | Shelter activities                   | No donor restrictions | Valued at estimated fair value of goods at the date of receipt                       |
| Volunteer Services | -                  | Shelter activities                   | No donor restrictions | Criteria for recording revenue are not met; approximately 640 man hours were donated |
|                    | <u>\$ 115,091</u>  |                                      |                       |                                                                                      |

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Contributed nonfinancial assets for the year ended June 30, 2021  
were:

| Category              | Revenue<br>Recognized | Utilization in<br>Programs /<br>Activities | Donor<br>Restrictions    | Valuation Techniques<br>and Inputs                                                            |
|-----------------------|-----------------------|--------------------------------------------|--------------------------|-----------------------------------------------------------------------------------------------|
| Goods /<br>Supplies   | \$ 41,464             | Shelter activities                         | No donor<br>restrictions | Valued at estimated fair<br>value of goods at the<br>date of receipt                          |
| Volunteer<br>Services | -                     | Shelter activities                         | No donor<br>restrictions | Criteria for recording<br>revenue are not met;<br>approximately 600 man<br>hours were donated |
|                       | <u>\$ 41,464</u>      |                                            |                          |                                                                                               |

**Note 13 - Risk and Uncertainty**

The Organization participates in several state funded contracts and grant programs, which are subject to the financial and compliance audits by the contractor/grantor or its representatives to ensure recipient compliance with the terms of the programs. Management maintains that any liability for reimbursement of contract/grant funding resulting for an audit would not be material to the financial statements.