

ROCKFORD RESCUE MISSION MINISTRIES

**Financial Statements and
Independent Auditor's Report**

September 30, 2025

ROCKFORD RESCUE MISSION MINISTRIES
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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statement of Rockford Rescue Mission Ministries (a nonprofit organization), which comprise the statement of financial position as of September 30, 2025, and the related statement of activities, functional expenses, and cash flows for the years 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 Rockford Rescue Mission Ministries as of September 30, 2025, 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 audit in accordance with auditing standards generally accepted in the United States of America. 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 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 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 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 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 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.

Lucas Group CPAs + Advisors, PLLC

Rockford, Illinois
February 20, 2026

ROCKFORD RESCUE MISSION MINISTRIES

Statement of Financial Position

September 30, 2025

	<u>2025</u>
<u>Assets</u>	
Current assets:	
Cash and cash equivalents	\$ 1,516,644
Accounts receivable	5,313
Inventories	297,070
Prepaid expenses	99,836
Certificate of deposits	1,144,992
Total current assets	<u>3,063,855</u>
Noncurrent assets:	
Investments	14,148,517
Property and equipment, net of accumulated depreciation	9,374,375
Right-of-use lease assets -finance lease	2,336
Restricted cash	40,859
Gift cards	1,726
Beneficial interest in trusts	311,126
Total noncurrent assets	<u>23,878,939</u>
Total assets	<u>\$ 26,942,794</u>
<u>Liabilities and Net Assets</u>	
Current liabilities:	
Accounts payable	\$ 34,859
Accrued payroll liabilities	312,934
Current portion of right of use - finance lease	751
Other accrued liabilities	67,039
Total current liabilities	<u>415,583</u>
Net assets:	
Without donor restrictions	25,075,226
With donor restrictions	1,451,985
Total net assets	<u>26,527,211</u>
Total liabilities and net assets	<u>\$ 26,942,794</u>

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

ROCKFORD RESCUE MISSION MINISTRIES

Statement of Activities

For the Year Ended September 30, 2025

	Without Donor Restrictions	With Donor Restrictions	2025
Support, Revenue, and Gains:			
Contributions	\$ 5,806,132	\$ 311,126	\$ 6,117,258
In-kind contributions	2,976,210	-	2,976,210
Investment return, net	1,911,230	21	1,911,251
Unrealized gain (loss) on investments	(662,718)	-	(662,718)
Sales from resale store	1,199,659	-	1,199,659
Sales of bulk clothing and recycled materials	46,888	-	46,888
Miscellaneous	24,186	-	24,186
	<u>11,301,587</u>	<u>311,147</u>	<u>11,612,734</u>
Net assets released from restrictions:			
Satisfaction of purpose restrictions	-	-	-
Total revenue and support	<u>11,301,587</u>	<u>311,147</u>	<u>11,612,734</u>
Expenses:			
Program services	7,680,631	-	7,680,631
Supporting services:			
Management and general	1,241,296	-	1,241,296
Fundraising	861,841	-	861,841
Total expenses	<u>9,783,768</u>	<u>-</u>	<u>9,783,768</u>
Change in net assets	1,517,819	311,147	1,828,966
Net assets, beginning of year	23,557,407	1,140,838	24,698,245
Net assets, end of year	<u>\$ 25,075,226</u>	<u>\$ 1,451,985</u>	<u>\$ 26,527,211</u>

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

ROCKFORD RESCUE MISSION MINISTRIES

Statement of Functional Expenses

For the Year Ended September 30, 2025

	Program Services						Supporting Services		2025 Total
	Recovery	Crisis	Food Service	Thrift Store	Other	Total	Management & General	Fundraising	
Personnel	\$ 874,535	\$ 882,498	\$ 328,644	\$ 798,435	\$ 351,027	\$ 3,235,139	\$ 570,437	\$ 237,088	\$ 4,042,664
Donated goods and services	26,605	-	1,565,568	1,311,308	46,456	2,949,937	19,262	-	2,969,199
Other promotional activities	-	-	-	6,740	44,459	51,199	-	456,209	507,408
Depreciation and amortization	241,459	10,982	2,788	50,547	198,408	504,184	10,539	-	514,723
Utilities	54,856	48,574	45,805	79,111	68,869	297,215	7,519	-	304,734
Repairs and maintenance	42,833	46,443	88,083	45,501	31,393	254,253	15,135	-	269,388
Professional fees	16,471	12,716	17,451	36,202	40,185	123,025	420,773	55,905	599,703
Assistance to individuals	9,494	7,338	23,357	9,684	6,353	56,226	435	-	56,661
Postage	-	-	-	-	27,421	27,421	743	112,242	140,406
Insurance	-	-	-	-	20,229	20,229	74,622	-	94,851
Other supplies	-	-	-	-	-	-	-	-	-
Small equipment purchases	5,025	16,264	7,033	6,702	29,179	64,203	10,141	-	74,344
Telephone	16,678	14,750	5,639	7,187	29,707	73,961	19,603	-	93,564
Education	1,795	155	702	-	5,538	8,190	681	-	8,871
Office supplies	4	2	-	-	279	285	7,543	-	7,828
Vehicle operation	5,469	2,096	3,051	2,946	1,354	14,916	433	397	15,746
Miscellaneous	-	-	-	54	194	248	76,199	-	76,447
Employee and board activities	-	-	-	-	-	-	7,231	-	7,231
	<u>\$ 1,295,224</u>	<u>\$ 1,041,818</u>	<u>\$ 2,088,121</u>	<u>\$ 2,354,417</u>	<u>\$ 901,051</u>	<u>\$ 7,680,631</u>	<u>\$ 1,241,296</u>	<u>\$ 861,841</u>	<u>\$ 9,783,768</u>

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

ROCKFORD RESCUE MISSION MINISTRIES

Statement of Cash Flows

For the Year Ended September 30, 2025

	<u>2025</u>
Cash flows from operating activities:	
Change in net assets	\$ 1,828,966
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation and amortization	514,723
Realized and unrealized (gain)/loss on investments	(828,697)
Change in beneficial interest in trust	(311,126)
(Increase) decrease in assets:	
Accounts receivable	8,302
Inventory	13,737
Prepaid expenses	(32,250)
Gift cards	753
Increase (decrease) in liabilities:	
Accounts payable	(135,601)
Accrued payroll liabilities	60,934
Other accrued liabilities	23,897
Net cash provided by (used for) operating activities	<u>1,143,638</u>
Cash flows from investing activities:	
Purchases of property and equipment	(200,310)
Purchases of investments and certificates of deposit	(1,546,440)
Net cash provided by (used for) investing activities	<u>(1,746,750)</u>
Cash flows from financing activities:	
Repayment of lease liability - finance lease	(1,234)
Net cash provided by (used for) financing activities	<u>(1,234)</u>
Net increase in cash	(604,346)
Cash, beginning of year	2,161,849
Cash, end of year	<u>\$ 1,557,503</u>
Cash, cash equivalents and restricted cash at end of year is comprised of the following:	
Cash and cash equivalents	\$ 1,516,644
Restricted cash	40,859
	<u>\$ 1,557,503</u>

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

ROCKFORD RESCUE MISSION MINISTRIES
Notes to Financial Statements
September 30, 2025

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. The 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; the 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.

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting in which revenue is recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation

Net assets, revenues, expenses, 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 grantor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor or 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. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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.

Use of Estimates

The preparation of financial statements in accordance 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.

Cash and Cash Equivalents

The Mission defines cash and cash equivalents as highly liquid, short-term investments with a maturity at the date of acquisition of three months or less.

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, 2025, the required reserve balance totaled \$40,859.

ROCKFORD RESCUE MISSION MINISTRIES
Notes to Financial Statements
September 30, 2025

Note 1 - Summary of Significant Accounting Policies (Continued)

Investments

Investments consist of open-end mutual funds that are recorded at cost on the date of purchase. Thereafter, the securities are reported at fair value in the statements of financial position. Unrealized gains/(losses) and investment income, consisting of interest, dividends, and realized gains (losses), net of external investment expenses, are reported in the statements of activities. Investments are Level 1 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.

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 fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Impairment of Long-Lived Assets

The Mission reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset and its fair value are less than the carrying amount of that asset. The Mission has not recognized any impairment of long lived assets during fiscal year 2025.

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.

Support and Revenue

Contributions are recognized when the donor makes a promise to give to the Mission that is, in substance, unconditional. All contributions are considered available for unrestricted use unless specifically restricted by the donor. 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 a purpose restriction is accomplished) in the fiscal year in which the contribution 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 in the Statement 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.

ROCKFORD RESCUE MISSION MINISTRIES
Notes to Financial Statements
September 30, 2025

Note 1 - Summary of Significant Accounting Policies (Continued)

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 and are performed by people with those skills, which would otherwise be purchased by the Mission. Donated services are reflected in the financial statements.

Thrift Store Inventory

Thrift store inventory consists of donated goods that have been processed and ready for sale. The value of contributed inventory is estimated based on the selling price.

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.

ROCKFORD RESCUE MISSION MINISTRIES
Notes to Financial Statements
September 30, 2025

Note 1 - Summary of Significant Accounting Policies (Continued)

Income Taxes

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).

The Financial Accounting Standards Board (FASB) released FASC ASC 740-10, Income Taxes, that provides guidance for reporting uncertainty in income taxes. For the year ended September 30, 2025, the Mission has considered FASB ASC 740-10 and determined that no material uncertain tax provisions qualify for either recognition or disclosure in the financial statements.

Note 2 – Concentration of Credit Risk

For the year ended September 30, 2025, the Mission receives approximately 51% of its revenue from contributions. A significant reduction of this level of support, if it were to occur, could have a negative impact on the Mission's programs and activities.

The cash and cash equivalents are held at a financial institution located in Northern Illinois. Accounts at the institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At various times during the year ended September 30, 2025, the bank balances exceed FDIC insurance limits. The Organization does not believe it is exposed to any significant risk on cash deposits.

Note 3 – Investments and Fair Value Measurements

The Mission has adopted ASC Topic 820, Fair Value Measurements and Disclosures, which provides a comprehensive framework for measuring fair value and expands required disclosures about fair value measurements. Specifically, ASC Topic 820 sets forth a definition of fair value and establishes a hierarchy prioritizing the inputs to valuation techniques, giving the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable value inputs. ASC Topic 820 defines levels within the hierarchy as follows:

Level 1 – Quoted market prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable in the market.

Level 2 – Pricing inputs are other than quoted market prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities include investments for which quoted prices are available but trade less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.

Level 3 – Securities have little to no pricing observability as of the report date. These securities are measured using management's best estimate of fair value, which the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

ROCKFORD RESCUE MISSION MINISTRIES
Notes to Financial Statements
September 30, 2025

Note 3 – Investments and Fair Value Measurements, continued

The Mission’s investments consist of the following at September 30, 2025:

<u>2025</u>	Level 1	Level 2	Level 3	Total
Money market funds	\$ 272,326	\$ -	\$ -	\$ 272,326
CD's	-	1,144,992	-	1,144,992
Mutual funds	13,876,191	-	-	13,876,191
Beneficial interest in trusts	-	-	311,126	311,126
Total investments	\$ 14,148,517	\$ 1,144,992	\$ 311,126	\$ 15,604,635

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable input (Level 3) for the year ended September 30, 2025:

	Beneficial Interest Perpetual Trust
Balance at September 30, 2024	\$ -
Contributions	311,126
Investment returns, net	-
Distributions	-
Balance at September 30, 2025	<u>\$ 311,126</u>

Note 4 – Beneficial Interest in Trust

Charitable Trust

The Mission was named a beneficiary of a charitable trust, which was created in 2006. The Mission shall receive 25% distribution of income, at least monthly from its Charitable Share of the Trust. The Mission has recorded a beneficial interest in the trust as restricted support. The Mission’s share of trust is \$311,126 as of September 30, 2025.

Note 5 – Line of Credit

The Mission has a \$1,000,000 line of credit which was unused at September 30, 2025. Bank advances on the line of credit are payable on demand and carry an interest rate of 8.5%. The credit line is secured by the property and equipment of the Mission.

Note 6 – Leasing Activities

In May 2021, the Mission entered into a lease agreement for printer and copier equipment under a finance lease. This agreement required 60 monthly payments of \$99. The effective interest rate on this capital lease was 2.3%. The balance as of September 30, 2025 was \$751. The final payment is due April 1, 2026.

ROCKFORD RESCUE MISSION MINISTRIES
Notes to Financial Statements
September 30, 2025

Note 7 – 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 year ended September 30, 2025, the Mission made discretionary contributions of \$115,835. There was \$42,376 recorded in the statement of position for match payable as of September 30, 2025.

Note 8 - Property and Equipment

A summary of property and equipment as of September 30, 2025 is as follows:

	Balance 09/30/2024	Additions	Disposals	Balance 09/30/2025
Non-depreciable assets:				
Land	\$ 507,384	\$ -	\$ -	\$ 507,384
Total non-depreciable assets	507,384	-	-	507,384
Depreciable assets:				
Building and improvements	14,519,717	175,261	-	14,694,978
Parking lots	37,010	-	-	37,010
Kitchen equipment	187,704	-	-	187,704
Program furnishing and equipment	513,273	-	-	513,273
Vehicles	191,170	10,523	-	201,693
Musical instruments and sound equipment	13,176	-	-	13,176
Office and computer equipment	360,751	14,526	-	375,277
Right-of-use asset-financial lease	5,607	-	-	5,607
Tools and equipment	152,120	-	-	152,120
Store fixtures and equipment	90,998	-	-	90,998
Total depreciable assets	16,071,526	200,310	-	16,271,836
Less accumulated depreciation	(6,894,898)	(507,611)	-	(7,402,509)
Net property & equipment	\$ 9,684,012	\$ (307,301)	\$ -	\$ 9,376,711
Intangible assets	\$ 23,277	\$ -	\$ -	\$ 23,277
Less: accumulated amortization	(16,165)	(7,112)	-	(23,277)
Net intangible assets	\$ 7,112	\$ (7,112)	\$ -	\$ -

Depreciation and amortization expense for the year ended September 30, 2025 was \$514,723.

ROCKFORD RESCUE MISSION MINISTRIES
Notes to Financial Statements
September 30, 2025

Note 9 - Net Assets

Net assets with donor restrictions consist of the following at September 30, 2025:

	2025
Restricted as to purpose or periods:	
Endowment fund	\$ 1,100,000
FHLB housing replacement reserve	40,859
Beneficial interest in trust	311,126
Total net assets with donor restrictions	\$ 1,451,985

The Mission's board of directors has designated net assets without donor restrictions for the following purposes as of September 30, 2025:

	2025
Board designated net assets:	
Endowment fund	\$ 1,634,206
Four and half months operating reserve	2,034,707
Total board designated net assets	\$ 3,668,913

Note 10 – 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 total return from income and the appreciation of investments, (6) other

ROCKFORD RESCUE MISSION MINISTRIES
Notes to Financial Statements
September 30, 2025

Note 10 – Endowment Fund (Continued)

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 are allocated 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 rate of 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, 2025 is as follows:

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted funds	\$ -	\$ 1,100,000	\$ 1,100,000
Board designated funds	1,634,206	-	1,634,206
	<u>\$ 1,634,206</u>	<u>\$ 1,100,000</u>	<u>\$ 2,734,206</u>

ROCKFORD RESCUE MISSION MINISTRIES
Notes to Financial Statements
September 30, 2025

Note 10 – Endowment Fund (Continued)

Changes in endowment net assets as of September 30, 2025 are as follows:

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning	\$ 1,313,108	\$ 1,100,000	\$ 2,413,108
Transfers	55,676	-	55,676
Investment return, net	265,422	-	265,422
Endowment net assets, ending	<u>\$ 1,634,206</u>	<u>\$ 1,100,000</u>	<u>\$ 2,734,206</u>

Note 11 – 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 \$37,992 joint costs that are not directly attributable to either program or management and general components of the fundraising component of the activities for the year ended September 30, 2025. Those joint costs were allocated as follows:

	2025
Recovery	\$ 22,796
Crisis	7,598
Fundraising	7,598
Total	<u>\$ 37,992</u>

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Note 12 - Liquidity and Availability

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

	2025
Cash and cash equivalents	\$ 1,516,644
Accounts receivable	5,313
Investments	14,148,517
CDs	1,144,992
Restricted cash	40,859
Financial assets at year-end	16,856,325
Donor restrictions	(1,451,985)
Board designations	(3,668,913)
Total financial assets available	13,136,437
for general expenditure	\$ 11,735,427

The Mission strives to maintain liquid financial assets sufficient to cover four and a 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 can draw up to \$1,000,000 of the available line of credit (as discussed in Note 5) and its operating reserve.

Note 13 – In-Kind Support

Contributed nonfinancial assets recognized within the statement of activities for the year ended September 30, 2025 include:

	2025
Food	\$ 1,600,495
Clothing	1,268,273
Supplies and equipment	17,019
Services	90,423
Total	\$ 2,976,210

Donated clothing 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 determined based on the estimated resale value. Unless otherwise noted, donated inventory did not have donor-imposed restrictions.

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Note 13 – In-Kind Support, continued

All donated supplies, equipment 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.

Note 14 – Commitments and Contingencies

The Mission entered into forgivable Federal Home Loan Bank (FHLB) agreements. The loans are forgivable after 15 years, as long as they are used for rehabilitation and construction and the Mission provides housing for homeless individuals. The following are the two agreements:

	Origination Date	Maturity Date	Amount	Funds Use
FHLB	12/21/2012	7/24/2028	\$ 750,000	Rehab 715 West State St
FHLB	11/16/2015	10/31/2031	850,000	Building Addition Pitney Place
			<u>\$ 1,600,000</u>	

The amounts were originally recorded as contribution revenue, upon the completion of the projects. Management believes they will remain in compliance with the loan requirements and the loans will be forgiven on the loans maturity date.

Note 15 - Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before financial statements are issued or are available to be issued. The Mission has evaluated subsequent events through February 20, 2026, which was the date that these financial statements were available to be issued, and determined that there were no subsequent events through that date.