GRACEWORKS MINISTRIES, INC.

AUDITED FINANCIAL STATEMENTS

Year Ended June 30, 2023
(With Comparative Totals for 2022)

GRACEWORKS MINISTRIES, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of GraceWorks Ministries, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of GraceWorks Ministries, Inc. (the "Organization"), a nonprofit organization, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Organization 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 the Organization'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 the Organization'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 Organization's 2022 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated December 14, 2022. In our opinion, the summarized comparative information herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

UHY LLP

Nashville, Tennessee
December 5, 2023

GRACEWORKS MINISTRIES, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2023 (With Comparative Totals for 2022)

	June 30,	
	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and restricted cash	**$ 4,166,465**	$ 4,108,892
Contributions receivable	**16,488**	11,657
Inventory	**872,854**	874,111
Prepaid expenses	**27,645**	17,902
Total current assets	**5,083,452**	5,012,562
OTHER ASSETS		
Property and equipment	**262,993**	188,857
Right-of-use assets	**1,909,784**	-
Restricted investment - endowment	**584,307**	556,185
Total other assets	**2,757,084**	745,042
TOTAL ASSETS	**$ 7,840,536**	$ 5,757,604
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	**$ 60,217**	$ 31,112
Contract liabilities	**43,165**	97,820
Accrued expenses	**78,135**	72,037
Current portion of operating lease liabilities	**358,288**	-
Total current liabilities	**539,805**	200,969
LONG-TERM LIABILITIES		
Operating lease liabilities, net of current portion	**1,713,072**	-
Total liabilities	**2,252,877**	200,969
NET ASSETS		
Without donor restrictions	**4,895,851**	4,808,687
With donor restrictions	**691,808**	747,948
Total net assets	**5,587,659**	5,556,635
TOTAL LIABILITIES AND NET ASSETS	**$ 7,840,536**	$ 5,757,604

See notes to financial statements.

GRACEWORKS MINISTRIES, INC.
STATEMENT OF ACTIVITIES
Year ended June 30, 2023 (With Comparative Totals for 2022)

	Without Donor Restrictions	**With Donor Restrictions**	**Total 2023**	Total 2022
Public Support and Revenue:				
Gross special event revenue	**$ 755,096**	**$ 99,481**	**$ 854,577**	$ 845,246
Less direct cost of special events	**(274,054)**	**-**	**(274,054)**	(188,583)
Net special events revenue	**481,042**	**99,481**	**580,523**	656,663
Public Support:				
Contributed nonfinancial assets	**6,900,566**	**-**	**6,900,566**	4,507,949
Grants	**442,896**	**-**	**442,896**	335,120
Individual contributions	**1,504,759**	**-**	**1,504,759**	1,889,127
Business donations	**228,347**	**-**	**228,347**	114,352
Church contributions	**313,203**	**-**	**313,203**	266,944
Net assets released from restriction	**155,621**	**(155,621)**	**-**	-
Total public support	**10,026,434**	**(56,140)**	**9,970,294**	7,770,155
Program and Other Revenue:				
Store income	**1,526,448**	**-**	**1,526,448**	1,278,164
Neighbor assistance payments	**51,566**	**-**	**51,566**	16,742
Investment income (loss), net	**78,706**	**-**	**78,706**	(64,308)
Gain on sale of assets	**-**	**-**	**-**	10,000
Total program and other revenue	**1,656,720**	**-**	**1,656,720**	1,240,598
Total revenue	**11,683,154**	**(56,140)**	**11,627,014**	9,010,753
Expenses:				
Program services				
Food programs	**7,633,650**	**-**	**7,633,650**	4,688,698
Shelter programs	**1,002,611**	**-**	**1,002,611**	752,533
Support programs	**2,043,532**	**-**	**2,043,532**	1,676,043
Total program services	**10,679,793**	**-**	**10,679,793**	7,117,274
Supporting Services				
Management and general	**426,431**	**-**	**426,431**	391,061
Fundraising & special events	**489,766**	**-**	**489,766**	562,906
Total supporting services	**916,197**	**-**	**916,197**	953,967
Total expenses	**11,595,990**	**-**	**11,595,990**	8,071,241
Change in net assets	**87,164**	**(56,140)**	**31,024**	939,512
Net assets - beginning of year	**4,808,687**	**747,948**	**5,556,635**	4,617,123
Net assets - end of year	**$ 4,895,851**	**$ 691,808**	**$ 5,587,659**	$ 5,556,635

See notes to financial statements.

GRACEWORKS MINISTRIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2023 (With Comparative Totals for 2022)

	Program Services				Supporting Services			
	Food	**Shelter**	**Support**	**Total Program**	**Management and General**	**Fundraising & Special Events**	**Total 2023**	Total 2022
Salaries	$ 959,624	$ 184,037	$ 170,892	$ 1,314,553	$ 175,894	$ 289,323	$ 1,779,770	$ 1,566,030
Payroll taxes and benefits	209,983	40,271	37,394	287,648	43,946	67,917	399,511	323,052
Total payroll and related expenses	1,169,607	224,308	208,286	1,602,201	219,840	357,240	2,179,281	1,889,082
Advertising	4,125	791	735	5,651	5,487	5,673	16,811	14,661
Client services	511,291	645,740	190,707	1,347,738	-	-	1,347,738	879,812
Continuing education	-	-	-	-	6,355	6,355	12,710	3,451
Depreciation and amortization	55,469	10,638	9,878	75,985	9,498	9,498	94,981	91,727
Dues and subscriptions	634	122	112	868	1,737	868	3,473	6,504
Fundraising	-	-	-	-	143	273,911	274,054	188,583
General & IT repairs and maintenance	152,036	29,158	27,075	208,269	28,525	28,517	265,311	139,567
General administration expenses	30,745	8,193	7,773	46,711	9,512	4,397	60,620	98,557
In-kind expenses	5,274,252	-	1,521,269	6,795,521	92,883	16,396	6,904,800	4,468,402
Insurance	26,795	5,139	4,772	36,706	4,588	4,588	45,882	33,820
Licenses and fees	68	13	12	93	185	93	371	375
Merchant and bank fees	41,693	7,996	7,425	57,114	6,295	25,639	89,048	75,121
Mileage and expense reimbursement	5,341	1,165	1,094	7,600	1,544	2,843	11,987	10,093
Miscellaneous	60	12	10	82	87	82	251	370
Office supplies	11,523	2,210	2,053	15,786	3,173	3,546	22,505	20,204
Postage and freight	3,672	704	654	5,030	5,045	5,030	15,105	1,481
Printing	2,021	388	360	2,769	2,777	2,769	8,315	13,373
Professional services	32,547	6,242	5,796	44,585	6,812	10,527	61,924	46,070
Rent	36,279	6,958	6,461	49,698	459	-	50,157	190,347
Operating lease expense	220,864	42,357	39,332	302,553	15,924	-	318,477	-
Store supplies	21,308	4,087	3,795	29,190	-	-	29,190	29,450
Utilities	33,320	6,390	5,933	45,643	5,705	5,705	57,053	58,774
Total expenses by function	7,633,650	1,002,611	2,043,532	10,679,793	426,574	763,677	11,870,044	8,259,824
Less expense included with revenues on the statement of activities:								
Direct cost of special events	-	-	-	-	(143)	(273,911)	(274,054)	(188,583)
Total expenses included in the expense section on the statement of activities	$ 7,633,650	$ 1,002,611	$ 2,043,532	$ 10,679,793	$ 426,431	$ 489,766	$ 11,595,990	$ 8,071,241

See notes to financial statements.

GRACEWORKS MINISTRIES, INC.

STATEMENT OF CASH FLOWS

Year ended June 30, 2023 (With Comparative Totals for 2022)

	2023	2022
Cash Flows From Operating Activities:		
Change in net assets	**$ 31,024**	$ 939,512
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**94,981**	91,727
Unrealized loss (gain) on investments	**(28,122)**	90,457
Gain on disposal of property and equipment	**-**	(10,000)
Noncash lease expense	**161,576**	-
Changes in:		
Contributions receivable	**(4,831)**	(11,657)
Inventory	**1,257**	(56,108)
Prepaid expenses	**(9,743)**	(8,978)
Accounts payable	**29,105**	(1,399)
Contract liabilities	**(54,655)**	27,822
Accrued expenses	**6,098**	33,736
Total adjustments	**195,666**	155,600
Net cash provided by operating activities	**226,690**	1,095,112
Cash Flows From Investing Activities:		
Purchase of property and equipment	**(169,117)**	(30,790)
Proceeds from sale of property and equipment	**-**	10,000
Net cash used in investing activities	**(169,117)**	(20,790)
Change in cash	**57,573**	1,074,322
Cash and restricted cash - beginning of year	**4,108,892**	3,034,570
Cash and restricted cash - end of year	**$ 4,166,465**	$ 4,108,892
NONCASH SUPPLEMENTAL DISCLOSURES		
Right-of-use assets obtained in exchange for new operating lease liabilities	**$ 2,164,416**	$ -

See notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities and Program Description

GraceWorks Ministries, Inc. (the "Organization") is a nonprofit organization devoted to fulfilling their mission statement: Neighbor serving Neighbor, by the power of God's grace. The Organization provides food, shelter, and support to their Neighbors in need.

GraceWorks Thrift Store

The Organization believes that everyone should have the ability to purchase high-quality used goods such as clothing, furniture and household items at affordable prices. The Organization's thrift stores are open to the public. All merchandise sold is donated, including many new items, and the sales help support its mission.

Program Services

The following program services are included in the accompanying financial statements:

> Food – Providing food to families experiencing crisis or poverty through five access points: a food pantry, mobile food pantries, holiday food boxes, and student fuel bags and classroom snack boxes.
>
> Shelter – Providing families access to temporary shelter through hotel payments and providing household items such as furniture, air conditioners, and heaters.
>
> Support – Providing access to additional resources including financial coaching, tax assistance, Christmas gifts, medical supplies, newborn supplies, transportation, gas cards, counseling referrals, and access to our network of partners with additional resources.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with United States Generally Accepted Accounting Principles (U.S. GAAP). Net assets, support and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, our net assets and changes therein are classified and reported as follows:

> Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors. Restrictions fulfilled in the same accounting period in which the contributions are received are reported in the Statement of Activities as unrestricted.
>
> Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, we consider all unrestricted cash and investment instruments purchased with an original maturity date of ninety days or less from the date of issuance to be a cash equivalent. At June 30, 2023, and 2022, we had no cash equivalents.

Inventory

The Organization tracks inventory for its thrift store and food pantry, which are items that are donated to or purchased by the organization. U.S. GAAP require that contributions be recognized as revenue when received.

> Thrift Store Inventory: The Organization considers the value of contributed merchandise to be equal to the value of the annual thrift store revenue. Management estimates that all thrift store donations exit the store within two months' time, therefore the value of the thrift store inventory equals two months of subsequent sales.
>
> Food Pantry Inventory: The organization considers the value of contributed food to be equal to the number of food carts and fuel bags distributed to community members (neighbors). Food cart value is based on the average weight of the food carts multiplied by $1.92, which is a donated food value issued in the most recent RSM report from Feeding America. Fuel bag and snack bag values were determined by auditing the actual retail price of contents contained in each bag. Management estimates the Organization maintains a month and a half of food on premises, therefore the value of the food pantry inventory equals the value of the subsequent 1.5 months of food distributed to our neighbors.

Contributions Receivable

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Unconditional promises to give are recorded as temporarily restricted revenue in the year the promise is made and released from restriction in the year received.

Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts.

We use the allowance method to determine uncollectible promises receivable. The allowance is based on our analysis of specific promises made. No allowance was considered necessary June 30, 2023, and 2022.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are recorded at cost, or, if donated, at the estimated fair market value at the date of donation. If equipment is donated, the donor can stipulate how long the assets must be used, and the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. The Organization's capitalization policy is to capitalize any expenditure over $1,000 for property and equipment. Depreciation is provided utilizing the straight-line method over the estimated useful lives of the respective assets. Expenditures for repairs and maintenance are charged to expense as incurred.

Leases

The Organization determines if an arrangement is a lease at inception by determining whether the agreement conveys the right to control the use of the identified asset for a period of time, whether the Organization has the right to obtain substantially all of the economic benefits from use of the identified asset, and the right to direct the use of the asset. Lease liabilities are recognized at the commencement date based upon the present value of the remaining future minimum lease payments over the lease term using the rate implicit in the lease or the risk free rate. The risk free rate is defined as the daily treasury par yield curve rate for a period of time that approximates the lease term. The Company's lease terms include options to renew or terminate the lease when it is reasonably certain that it will exercise the option.

The lease right-of-use assets are initially measured at the carrying amount of the lease liability and adjusted for any prepaid or accrued lease payments, remaining balance of lease incentives received, unamortized initial direct costs, or impairment charges relating to the right-of-use-asset. Certain leases contain escalation clauses, which are factored into the right-of-use asset where appropriate. Lease expense for minimum lease payments are recognized on straight-line basis over the lease term.

The Organization has lease agreements with lease and non-lease components. For all leases, these components are accounted for as a single lease component.

Public Support and Revenue

The Organization recognizes contributions as support when they are received or unconditionally pledged and records these contributions as with donor restrictions or without donor restrictions according to donor stipulations that limit the use of these assets due to either a time or purpose restriction. Contributions received with donor restrictions that are met in the year of receipt are recorded as revenues without donor restrictions. When a restriction expires or is met in a subsequent year, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. Conditional contributions or promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts on multi-year pledges is recorded as additional contribution support as either with or without donor restrictions based on any donor-imposed restrictions, if any, on the related contributions.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Public Support and Revenue (Continued)

The Organization operates a thrift store that sells donated clothes and furniture to raise funds for its programs that assist those in need. Customers will make payment and receive the product at the point of sale at the store. Items must be picked up onsite and no shipping is conducted. There are no returns as all sales are final once payment is made.

Contributed Nonfinancial Assets

Contributions of donated services that create or enhance non-financial assets or that require specialized skills are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. We receive many contributed services for our outreach programs. These services meet the requirements for recognition in the financial statements and have been recorded or reflected in the accompanying financial statements.

Contributions of food pantry and thrift store goods are valued at the price sold and recognized as support and expense when sold.

Compensated Absences

Full time employees are defined as those working 30 hours or more per week. Paid time off is calculated based on each employee's regularly scheduled hours per week and is granted 90 days after hire date. An employee can carry over up to 40 hours of paid time off at the end of the fiscal year into the new year.

Contract Liabilities

Contract liabilities consist of amounts received for events that have not yet occurred. Contract liability balances at June 30, 2023, and 2022 were $43,165 and $97,820, respectively. The prior year balance of $97,820 was recognized in full during the year ended June 30, 2023.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expense by function.

The financial statements report certain categories of expense that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses (Continued)

The majority of expenses are specifically identified and directly coded to program services or supporting services. Allocated expenses include payroll and related expenses, advertising, continuing education, depreciation and amortization, dues and subscriptions, general & IT repairs and maintenance, general administration expenses, in-kind expenses, insurance, merchant and bank fees, mileage and expense reimbursement, office supplies, postage and freight, printing, professional services, rent, and utilities. Allocated amounts are based on time spent, square footage, and percentages based on how resources are used.

Joint Costs

As stated in the Financial Accounting Standards Board's Accounting Standards Codification Topic 958 ("ASC 958"), Not for Profit Entities, costs included in conducting joint activities that are not identifiable with a particular component of the activity are allocated between fundraising and program services. Joint costs for the year ended June 30, 2023, are broken out on the statement of functional expenses.

Advertising

Advertising is expensed as incurred. Total advertising expense for the years ended June 30, 2023, and 2022 was $16,811 and $14,661, respectively.

Income Taxes

The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and is classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying financial statements. We do not believe there are any uncertain tax positions. Further, we do not believe that we have any unrelated business income, which would be subject to federal taxes.

Fair Values of Financial Instruments

The fair values of current assets, current liabilities, and restricted cash approximate the carrying values due to the short maturities of these instruments and they are all Level 1 in the fair value hierarchy.

The Organization uses a framework for measuring fair value and disclosing fair values. The Organization defines fair value at the price which would be received to sell an asset in an orderly transaction between market participants at the measurement date. The Organization uses this framework for all assets and liabilities measured and reported on a fair value basis and enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires each asset and liability carried at fair value be classified into one of the following categories:

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Values of Financial Instruments (Continued)

- Level 1 - Quoted market prices in active markets for identical assets or liabilities
- Level 2 - Observable market-based inputs or unobservable inputs corroborated by market data
- Level 3 - Unobservable inputs that are not corroborated by market data

The following table summarizes our financial assets measured at fair value on a recurring basis segregated by level of valuation inputs within the fair value hierarchy utilized to measure fair value as of June 30, 2023:

	Level 1	Level 2	Level 3	Total
Investments, NOTE 5	$ 584,307	$ -	$ -	$ 584,307

As of June 30, 2022, fair value hierarchy of investments were as follows:

	Level 1	Level 2	Level 3	Total
Investments, NOTE 5	$ 556,185	$ -	$ -	$ 556,185

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Subsequent Events

The Organization has performed a review of events subsequent to the statement of financial position date through December 5, 2023, the date financial statements were available to be issued.

New Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board issued accounting standards update (“ASU”) 2016-02 “Leases (Topic 842)”. Under this guidance, an entity is required to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements.

The Organization adopted the new standard effective July 1, 2022 using the modified retrospective approach. This approach allows the Organization to initially apply the new accounting standards at the adoption date and recognize a cumulative adjustment to the opening balance of retained earnings in the period of adoption. The prior year comparative information has not been restated and continues to be reported under the accounting standards in effect for that period. The adoption of the new standards had no impact on retained earnings. In addition, the Organization recorded operating lease right-of-use assets and operating lease liabilities totaling $2,152,527.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncement (Continued)

The new standard provides a number of optional practical expedients at transition. The Organization elected certain practical expedients that must be elected as a package, which permit the Organization to not reassess, under the new standard, prior conclusions about (1) lease identification, (2) lease classification and (3) initial direct costs. Additionally, the Company elected a short-term lease exception policy, which allows entities to not apply the new standard to short-term leases (i.e. leases with terms of 12 months or less) and a hindsight policy, which allows an entity to include current considerations for existing leases when determining initial lease terms. The Organization has also elected to account for lease and non-lease components as a single component for all lease classes, and elected to utilize a risk-free rate for all lease classes when calculating the lease liability.

NOTE 2 – AVAILABILITY AND LIQUIDITY

Financial assets available for general expenditure within one year of the statement of financial position, consisted of the following at June 30, 2023:

	2023	2022
Cash	$4,058,964	$3,924,382
Inventory	872,854	874,111
	$4,931,818	$4,798,493

The Organization has certain board-designated assets limited to use, which are available for general expenditure within one year in the normal course of operations in the amount of $223,374. Accordingly, these assets have been included in the qualitative information above and are described in NOTE 7. The Organization also has certain donor-restricted assets limited to use which are only available for restricted programs. Accordingly, these assets have been excluded from the qualitative information above and are described in NOTE 7.

In the next fiscal year, the Organization plans to receive the same level of income from donors and the thrift store, and consider this income for programs which are ongoing, major, and central to annual operations to be available to meet cash needs for general expenditures. The Organization has minimal amounts of liabilities in order to maintain most of its financial assets to be readily available. Cash is currently held in multiple bank accounts including interest bearing savings accounts. This cash is considered readily available. The Organization manages liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. If the analysis of liquid assets reveals inadequate funds for near-term operating needs, the Organization will immediately reduce spending of program and management and general expenditures.

NOTE 3 – CONCENTRATIONS OF CREDIT RISKS

Financial instruments that potentially subject us to concentrations of credit risk consist of cash and cash equivalents, and various grant, contract and contributions receivable. Grant, contract and contributions receivable represent concentrations of credit risk to the extent they are receivable from concentrated sources.

The Organization maintains cash in bank accounts which, at times, may exceed federally insured limits. As of June 30, 2023, the Organization had $3,494,105 in excess of FDIC insured balances. The Organization has not experienced any losses in such accounts and does not believe this exposes it to any significant credit risk on its cash.

NOTE 4 – LEASES

The Organization has operating leases for warehouse buildings and parking space which encompass third-party leases. The Organization's leases have remaining terms that mature through 2028.

The components of lease expenses were as follows:

Operating lease expense	$ 318,477

The weighted average remaining operating lease term was 5 years at June 30, 2023. The weighted average discount rate for operating leases was 4.05% at June 30, 2023.

Future minimum lease payments under operating leases are as follows:

For the year ending June 30,	
2024	$ 434,100
2025	445,572
2026	457,392
2027	469,572
2028	482,112
Total undiscounted cash flows	$ 2,288,748
Less: present value discount	(217,388)
Total lease liabilities	$ 2,071,360

Lease liabilities are shown on the balance sheet as follows:

Current operating lease liabilities	$ 358,288
Long-term operating lease liabilities	1,713,072
	$2,071,360

NOTE 4 – LEASES (Continued)

The Organization has also entered into the month-to-month lease agreement for administration building for a monthly cost of $1,000.

Lease expense for the year ended June 30, 2022 totaled $196,045.

NOTE 5 – RESTRICTED INVESTMENT - ENDOWMENT

Restricted investment - endowment consisted of the following:

	June 30,	
	2023	2022
Money Market Funds	$ 18,344	$ 18,344
Equities	51,808	13,022
Bond Funds	239,885	244,963
Equity Funds	87,691	151,452
Exchange Traded Funds	186,579	128,404
	$ 584,307	$ 556,185

As of June 30, 2023, and 2022, the investment balance was included in net assets with donor restrictions (See NOTE 8).

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	June 30,	
	2023	2022
Vehicles	$ 394,627	$ 267,387
Property and equipment	193,986	175,201
Leasehold improvements	158,313	141,586
	590,636	584,174
Less: accumulated depreciation	(483,933)	(395,317)
Total property and equipment, net	$ 262,993	$ 188,857

The aggregate depreciation and amortization charged to operations for the years ended June 30, 2023, and 2022 was $94,981 and $91,727, respectively.

NOTE 7 – NET ASSETS

Board-designated net assets are available for the following purposes:

> Building Improvements - This account is intended to provide funds necessary for building improvements.
>
> Endowment - This account is intended to hold the excess realized annual income and the excess of the market value of the corpus that is to remain with the endowment at all times per the investment policy.

Board designated net assets without donor restrictions consisted of the following at June 30,

	2023	2022
Building Improvements	$ 4,690	$ 11,632
Set Aside for Future Use	152,893	152,893
Other	1,444	-
Endowment	-	52,677
Neighbor Services programs	64,347	98,028
	$ 223,374	$ 315,230

Net assets with donor restrictions consisted of the following at June 30,

	2023	2022
Specific purpose:		
Holiday Food Boxes	$ 21,061	$ -
Heaters for Neighbors	3,374	-
Cash for Backpacks	-	2,039
Cash for Vehicles	-	59,526
Cash for Manger	82,398	130,198
Cash for Manger Bike	668	-
Endowment:		
Investment endowment fund	584,307	556,185
	$ 691,808	$ 747,948

NOTE 8 – ENDOWMENT FUNDS

The Organization’s endowment consists of funds established by donors to be held in perpetuity, including gifts requiring that the principal be invested and the income or specific portions thereof be used for operations. Net assets with donor restrictions endowment funds are based on the spending policies described below which follow the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and the State of Tennessee's State Uniform Prudent Management of Institutional Funds Act (SUPMIFA).

NOTE 8 – ENDOWMENT FUNDS (Continued)

Financial accounting standards provide guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of UPMIFA. Financial accounting standards also require additional disclosures about endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not the Organization is subject to UPMIFA.

Interpretation of applicable law - The Board of Directors has interpreted UPMIFA as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, and (b) accumulations to the permanent 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 classified as net assets with donor restrictions are classified as net assets without restrictions until those amounts are appropriated for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA.

Spending policy - the Organization has a policy of appropriating for distribution each year a maximum payout up to the total earnings from the funds in excess of the original corpus value. Withdrawal of funds cannot cause the account to fall below the original corpus. If market conditions cause the value of the account to fall below this limit, no withdrawal of funds can be made until the value exceeds this limit. Corpus balance will not be restored from general operating funds of the Organization rather withdrawals will be prohibited until market growth restores balance. Withdrawn funds will only be used to enhance the Neighbor Service programs above and beyond the amounts typically spent or budgeted on such programs. Funds released for this purpose for the year ended June 30, 2023, and 2022 was $0.

Investment return objective, risk parameters and strategies – the objective of our endowment portfolio is a balanced approach between equities and fixed income. The investment horizon is long-term and balances the need for income and growth. The portfolio allows up to 60% investment in equities and up to 40% investment in fixed income.

At June 30, 2023, and 2022, our endowment funds were held in an investment account consisting of cash and investment funds, see NOTE 5.

The funds are shown on the statement of financial position as follows:

	June 30,	
	2023	2022
Cash	$ 102,639	$ 59,899
Asset whose use is limited		
Investments (NOTE 7)	584,307	556,185
	686,946	616,084
Without donor restrictions:		
Board designated	-	(52,646)
Unrestricted	-	(7,253)
	$ 686,946	$ 556,185

NOTE 8 – ENDOWMENT FUNDS (Continued)

The following is a schedule of changes in endowment net assets for the year ended June 30, 2023:

Endowment net assets, June 30, 2022	$ 556,185
Dividend and interest income	24,495
Administrative expenses	(4,275)
Net appreciation (realized and unrealized)	15,760
Amounts transferred in	34,882
Permanently restricted endowment net assets, June 30, 2023	$ 686,946

NOTE 9 – CONTRIBUTED NONFINANCIAL ASSETS

The Organization periodically receives donations of services, when donated services (a) create or enhance non-financial assets, or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The value of the donation is recorded as contribution revenue in the period received.

The following donations are reflected as contributions of nonfinancial assets with no associated donor restriction in the accompanying statement of activities as follows:

	Valuation Techniques and Inputs	Year Ended June 30, 2023	2022
Food pantry	Contributed goods at estimated fair value based on current rates for similar items	$ 4,926,957	$ 3,083,171
Thrift store	Contributed goods at estimated fair value based on current rates for similar items	1,501,597	1,279,215
Other	Contributed goods and services at estimated fair value based on current rates for similar items	472,012	145,563
		$ 6,900,566	$ 4,507,949

Contributions of nonfinancial assets and their use in programs and other activities are as follows:

	Program Services	General & Administrative	Fundraising	Year Ended June 30, 2023	2022
Food	$ 4,926,957	$ -	$ -	$ 4,926,957	$ 3,083,171
Thrift store	1,501,597	-	-	1,501,597	1,279,215
Other	472,012	-	-	472,012	145,563
	$ 6,900,566	$ -	$ -	$ 6,900,566	$ 4,507,949