GRACEWORKS MINISTRIES, INC.

FINANCIAL STATEMENTS

JUNE 30, 2022

WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2021

(With Independent Auditor's Report Thereon)

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FINANCIAL STATEMENTS
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To the Board of Directors
of GraceWorks Ministries, Inc.

Opinion

We have audited the accompanying financial statements of GraceWorks Ministries, Inc. (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 GraceWorks Ministries, Inc. as of June 30, 2022, and the changes in 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 GraceWorks Ministries Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 GraceWorks Ministries, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about GraceWorks Ministries, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited GraceWorks Ministries, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 20, 2021. 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.

UHY LLP

December 14, 2022

GRACEWORKS MINISTRIES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022
WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2021

ASSETS

	2022	2021
Current Assets:		
Cash and restricted cash	$ 4,108,892	$ 3,034,570
Accounts receivable	11,657	-
Investments	-	83,204
Inventory	874,111	818,003
Prepaid expenses	17,902	8,924
Total current assets	5,012,562	3,944,701
Property and Equipment:		
Vehicles	267,387	267,387
Property and equipment	175,201	144,410
Leasehold improvements	141,586	141,586
	584,174	553,383
Less: accumulated depreciation	(395,317)	(303,589)
Total property and equipment, net	188,857	249,794
Assets Whose Use is Limited:		
Investment - endowment	556,185	563,438
Total assets whose use is limited	556,185	563,438
Total assets	$ 5,757,604	$ 4,757,933

LIABILITIES AND NET ASSETS

	2022	2021
Current Liabilities:		
Accounts payable	$ 21,870	$ 23,269
Payroll liabilities	72,037	40,287
Deferred revenue	97,820	69,998
Accrued expenses	9,242	7,256
Total liabilities	200,969	140,810
Net Assets:		
Without donor restrictions	4,808,687	3,830,799
With donor restrictions	747,948	786,324
Total net assets	5,556,635	4,617,123
Total liabilities and net assets	$ 5,757,604	$ 4,757,933

See accompanying notes to financial statements.

GRACEWORKS MINISTRIES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022
WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total 2022	Total 2021
Public Support and Revenue:				
Gross special event revenue	$ 752,677	$ 92,569	$ 845,246	$ 601,506
Less direct cost of special events	(188,583)	-	(188,583)	(84,077)
Net special events revenue	564,094	92,569	656,663	517,429
Public Support:				
In-kind donations	4,507,949	-	4,507,949	4,132,602
Grants	335,120	-	335,120	794,512
Individual contributions	1,823,558	65,569	1,889,127	1,560,585
Business donations	102,524	11,828	114,352	245,034
Church contributions	232,634	34,310	266,944	364,083
Net assets released from restriction	242,652	(242,652)	-	-
Total public support	7,808,531	(38,376)	7,770,155	7,614,245
Program and Other Revenue:				
Store income	1,278,164	-	1,278,164	952,026
Neighbor assistance payments	16,742	-	16,742	7,403
Investment income (loss), net	(64,308)	-	(64,308)	116,969
Gain on sale of assets	10,000	-	10,000	-
Total program and other revenue	1,240,598	-	1,240,598	1,076,398
Total revenue	9,049,129	(38,376)	9,010,753	8,690,643
Expenses:				
Program services				
Food programs	4,786,607	-	4,786,607	3,506,632
Shelter programs	789,229	-	789,229	546,666
Other programs	1,710,119	-	1,710,119	1,451,580
Total program services	7,285,955	-	7,285,955	5,504,878
Supporting Services				
Management and general	401,132	-	401,132	1,101,370
Fundraising & special events	384,154	-	384,154	256,617
Total supporting services	785,286	-	785,286	1,357,987
Total expenses	8,071,241	-	8,071,241	6,862,865
Change in net assets	977,888	(38,376)	939,512	1,827,778
Net assets - beginning of year	3,830,799	786,324	4,617,123	2,789,345
Net assets - end of year	$ 4,808,687	$ 747,948	$ 5,556,635	$ 4,617,123

See accompanying notes to financial statements.

GRACEWORKS MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022
WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2021

	Program Services				Supporting Services		Total	Total
	Food	Shelter	Support	Total Program	Management and General	Fundraising & Special Events	2022	2021
Salaries	$ 764,202	$ 145,542	$ 132,034	$ 1,041,778	$ 268,345	$ 255,907	$ 1,566,030	$ 1,267,625
Payroll taxes and benefits	207,815	36,135	33,554	277,504	15,183	30,365	323,052	267,503
Total payroll and related expenses	972,017	181,677	165,588	1,319,282	283,528	286,272	1,889,082	1,535,128
Advertising	5,317	1,020	947	7,284	46	7,331	14,661	9,077
Client services	335,047	470,447	74,318	879,812	-	-	879,812	736,170
Continuing education	1,587	304	283	2,174	759	518	3,451	10,091
Depreciation and amortization	60,265	11,558	10,732	82,555	4,586	4,586	91,727	93,684
Dues and subscriptions	1,900	364	338	2,602	650	3,252	6,504	8,899
Fundraising	-	-	-	-	-	188,583	188,583	84,077
General & IT repairs and maintenance	90,564	17,369	16,128	124,061	7,212	8,294	139,567	88,430
General administration expenses	56,345	10,806	10,034	77,185	10,695	10,677	98,557	47,432
In-kind expenses	2,980,677	41,345	1,381,285	4,403,307	58,130	6,965	4,468,402	3,843,344
Insurance	20,985	4,025	3,737	28,747	3,382	1,691	33,820	37,919
Licenses and fees	-	-	-	-	375	-	375	260
Merchant and bank fees	34,228	6,564	6,096	46,888	4,664	23,569	75,121	56,818
Mileage and expense reimbursement	5,933	1,225	1,146	8,304	714	1,075	10,093	9,461
Miscellaneous	135	26	24	185	-	185	370	-
Office supplies	6,958	1,334	1,239	9,531	6,283	4,390	20,204	15,751
Postage and freight	541	104	96	741	148	592	1,481	1,482
Printing	4,882	936	869	6,687	1,337	5,349	13,373	29,090
Professional services	19,464	3,733	3,466	26,663	9,311	10,096	46,070	101,009
Property taxes	-	-	-	-	-	-	-	272
Rent	129,649	24,864	23,088	177,601	6,373	6,373	190,347	175,874
Store supplies	21,498	4,123	3,829	29,450	-	-	29,450	18,346
Utilities	38,615	7,405	6,876	52,896	2,939	2,939	58,774	44,328
Total expenses by function	4,786,607	789,229	1,710,119	7,285,955	401,132	572,737	8,259,824	6,946,942
Less expense included with revenues on the statement of activities:								
Direct cost of special events	-	-	-	-	-	(188,583)	(188,583)	(84,077)
Total expenses included in the expense section on the statement of activities	$ 4,786,607	$ 789,229	$ 1,710,119	$ 7,285,955	$ 401,132	$ 384,154	$ 8,071,241	$ 6,862,865

See accompanying notes to financial statements.

GRACEWORKS MINISTRIES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022
WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2021

	2022	2021
Cash Flows From Operating Activities:		
Change in net assets	$ 939,512	$ 1,827,778
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	91,727	93,683
Unrealized loss (gain) on investments	90,457	(131,296)
Gain on disposal of property and equipment	(10,000)	-
Changes in:		
Accounts receivable	(11,657)	74,250
Inventory	(56,108)	(271,620)
Prepaid expenses	(8,978)	6,362
Accounts payable	(1,399)	(7,693)
Payroll liabilities	31,750	(17,620)
Deferred revenue	27,822	(39,134)
Accrued expenses	1,986	-
Total adjustments	155,600	(293,068)
Net cash provided by operating activities	1,095,112	1,534,710
Cash Flows From Investing Activities:		
Purchase of property and equipment	(30,790)	(27,896)
Proceeds from sale of property and equipment	10,000	-
Net cash used in investing activities	(20,790)	(27,896)
Cash Flows From Financing Activities:		
Payments of Debt	-	(267,500)
Net cash provided by/(used in) financing activities	-	(267,500)
Change in cash	1,074,322	1,239,314
Cash and restricted cash - beginning of year	3,034,570	1,795,256
Cash and restricted cash - end of year	$ 4,108,892	$ 3,034,570

See accompanying notes to financial statements.

NOTE 1 - Summary of Significant Accounting Policies

Nature of Activities and Program Description

The terms "we", "us", "our" or "Organization" are used throughout these notes to the financial statements to identify GraceWorks Ministries, Inc. We are a nonprofit organization devoted to fulfilling our mission statement: Neighbor serving Neighbor, by the power of God's grace. We provide food, shelter, and support to our Neighbors in need.

GraceWorks Thrift Store

We believe that everyone should have the ability to purchase high-quality used goods such as clothing, furniture and household items at affordable prices. Our thrift stores are open to the public. All merchandise sold is donated, including many new items, and the sales help support our 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 – Helping families stay in their homes with rent payment assistance and utility payment assistance. Additionally, providing access to temporary shelter through hotel payments and providing household items such as furniture and 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 generally accepted accounting principles. Net assets 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.

Prior Year Summarized Financial Information

While comparative information is not required under United States generally accepted accounting principles ("US GAAP"), we believe this information is useful and have included certain summarized financial information from our 2021 financial statements. Such summarized information is not intended to be a complete presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with our financial statements as of and for the year ended June 30, 2021, from which it was derived.

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, 2022, and June 30, 2021, we had no cash equivalents.

Inventory

GraceWorks tracks inventory for its thrift store and food pantry, which are items that are donated to or purchased by the organization. Accounting principles generally accepted in the United States of America 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 $1.73, 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 GraceWorks 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 to us 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. At June 30, 2022, and June 30, 2021, no allowance was considered necessary.

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. Our 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.

We recorded $91,727 and $93,683 of depreciation at June 30, 2022, and 2021, respectively.

NOTE 1 - Summary of Significant Accounting Policies (continued)

Contributions, Support and Revenue

The Organization recognizes contributions as revenue when they are received or unconditionally pledged and records these revenues 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 consolidated statements of activities and changes in net assets. 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 revenue as either with or without donor restrictions based on any donor-imposed restrictions, if any, on the related contributions.

GraceWorks 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 Services

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.

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.

Deferred Revenue

Deferred revenue consists of amounts received for events that have not yet occurred. Deferred revenue balances at years ended June 30, 2022 and 2021, were $97,820 and $69,998. All of the prior year balance of $69,998 of deferred revenue was recognized as revenue in the current year.

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.

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.

NOTE 1 - Summary of Significant Accounting Policies (continued)

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, 2022, are broken out on the statement of functional expenses.

Advertising

Advertising is expensed as incurred. Total advertising expense for the years ended June 30, 2022, and June 30, 2021, was $14,661 and $9,077, respectively.

Income Taxes

We are a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and are 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 consolidated 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.

We use a framework for measuring fair value and disclosing fair values. We define fair value at the price which would be received to sell an asset in an orderly transaction between market participants at the measurement date. We use this framework for all assets and liabilities measured and reported on a fair value basis and enable 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:

- 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, 2022:

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

At June 30, 2021, the fair value hierarchy of investments held were as follows:

	Level 1	Level 2	Level 3	Total
Investments, NOTE 5	$ 646,642	$ -	$ -	$ 646,642

NOTE 1 - Summary of Significant Accounting Policies (continued)

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.

New Accounting Pronouncement

In fiscal year 2022, the Organization adopted Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets.* The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact on the financial statements, with the exception of increased disclosure.

Reclassifications

Certain accounts in the June 30, 2021, financial statements have been reclassified for comparative purposes to conform to the presentation of the June 30, 2022, financial statements.

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:

	2022	2021
Cash	$ 3,924,382	$ 2,811,684
Investments	-	83,204
Inventory	874,111	818,003
	$ 4,798,493	$ 3,712,891

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 $315,230. Accordingly, these assets have been included in the qualitative information above and are described in NOTE 6. 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 6.

In the next fiscal year, we plan to receive the same level of income from our donors and our thrift store, and consider this income for programs which are ongoing, major, and central to our 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. We manage our 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 our analysis of liquid assets reveals inadequate funds for near-term operating needs, we will immediately reduce spending of program and management and general expenditures

NOTE 3 - Concentrations of Credit Risk

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.

We maintain our cash in bank accounts which, at times, may exceed federally insured limits. As of June 30, 2022, we have $3,105,692 in excess of FDIC insured balances. We have not experienced any losses in such accounts and do not believe this exposes us to any significant credit risk on our cash.

NOTE 4 - Leases

We leased a single copier under an operating lease during the year end June 30, 2022. The minimum monthly rental amount for this copier is $347. Additional amounts due under the lease are based on the number of copies made during the billing period. We currently lease the warehouse where our Franklin store is located for a monthly cost of $13,200 and the administration building adjacent to the warehouse for a monthly cost of $1,000. The total yearly rent expense was $196,045, for the year ended June 30, 2022, which includes $5,698 for the copier that is in the General & IT repairs and maintenance line on the statement of functional expenses and $181,973 for June 30, 2021, which includes $6,099 for the copier that is in the General & IT repairs and maintenance line on the statement of functional expenses.

A schedule of future minimum lease payments required under all non-cancelable operating leases as of June 30, 2022 and 2021, is as follows:

Year Ending June 30,	
2023	$ 162,564
2024	4,164
2025	3,817
	$ 170,545

NOTE 5 - Investments

Investments consisted of the following at June 30, 2022 and 2021:

	2022	2021
Money Market Funds	$ 18,344	$ 18,344
Equities	13,022	-
Bond Funds	244,963	286,921
Equity Funds	151,452	192,278
Exchange Traded Funds	128,404	149,099
	$ 556,185	$ 646,642

As of June 30, 2022, the investment balance was included in net assets with donor restrictions (See NOTE 7). As of June 31, 2021, we recorded $83,204 of the total investment as net assets without donor restrictions.

NOTE 6 - 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,

	2022	2021
Building Improvements	$ 11,632	$ 11,632
Set Aside for Future Use	152,893	152,893
Endowment	52,677	3,811
Neighbor Services programs	98,028	98,028
	$ 315,230	$ 266,364

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

	2022	2021
Specific purpose:		
Cash for Backpacks	$ 2,039	$ 2,296
Cash for Manger	130,198	58,358
Cash for Vehicles	59,526	99,695
Cash for Food Pantry	-	62,537
Endowment:		
Investment endowment fund	556,185	563,438
	$ 747,948	$ 786,324

NOTE 7 - Endowment Funds

Our 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. Our 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 7 - 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 our endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not we are 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, we classify 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 – we have 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 years ended June 30, 2022, and 2021, were $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, 2022, our endowment funds were held in an investment account consisting of cash and investment funds, see NOTE 5.

As of June 30, 2022, the funds are shown on the statement of financial position as follows:

	2022	2021
Cash	$ 59,899	$ 34,202
Investments (NOTE 5)	-	83,204
Asset whose use is limited		
Investments (NOTE 6)	556,185	563,438
	616,084	680,844
Without donor restrictions:		
Board designated	(52,646)	(117,406)
Unrestricted	(7,253)	-
	$ 556,185	$ 563,438

NOTE 7 - Endowment Funds (continued)

The following is a schedule of changes in endowment net assets for the year ended June 30, 2022:

Endowment net assets, June 30, 2021	$ 563,438
Dividend and interest income	30,614
Administrative expenses	(4,918)
Net appreciation (realized and unrealized)	(106,429)
Amounts transferred in	16,004
Amounts released from board designated	64,729
Amounts added from unrestricted	(7,253)
Permanently restricted endowment net assets, June 30, 2022	$ 556,185

NOTE 8 – Gifts-in-Kind

Donated food and other goods and services for the fiscal years ended June 30 2022 and 2021, included in the financial statements, were as follows:

	2022	2021
Food pantry	$3,083,171	$ 2,830,327
Thrift store	1,279,215	818,455
Other	145,563	560,852
	$4,507,949	$ 4,209,634

Items are valued at fair market value based and on what we are able to sell the item for. These donations are without any donor restrictions.

NOTE 9 – Change in Accounting Principle

For the fiscal year ended June 30, 2022, we have changed our estimation for valuing inventory. Previously we valued inventory based on the estimation that items would have shelf life in our thrift store of three months. During 2022 we determined that the actual shelf life for these items are around two months based on our evaluation of inventory tags and date of items in the thrift store. As such, the net effect of net assets was ($63,678) for the year ended June 30, 2022.

NOTE 10 - New Pronouncements

In February 2016, FASB issued Accounting Standards Update 2016-02, *Leases (Topic 842).* The Update provides guidance about recording lease transactions on an organization's statements of financial position and activities. The amendments in this Update were recently deferred to become effective January of 2022. We are currently evaluating the impact of adopting this statement.

NOTE 11 - Subsequent Events

We have evaluated events subsequent to the year ending June 30, 2022. As of December 14, 2022, the date that the financial statements were available to be issued, we are not aware of any material subsequent events which would require recognition or disclosure in the accompanying financial statements for the year ended June 30, 2022.