MODESTO GOSPEL MISSION

FINANCIAL STATEMENTS

YEARS ENDED
JUNE 30, 2022 AND 2021

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CONTENTS

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INDEPENDENT AUDITOR'S REPORT

October 24, 2022

Board of Directors
Modesto Gospel Mission
Modesto, California

Opinion
We have audited the accompanying financial statements of Modesto Gospel Mission (the Organization), which comprise the statements of financial position as of June 30, 2022 and 2021, the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter
As discussed in Note 1 to the financial statements, the Organization has elected to adopt Accounting Standards Update (ASU) 2014-07, *Not-For-Profit Entities (Topic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets* for the year ended June 30, 2022. Our opinion is not modified with respect to this matter.

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.

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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 issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

Atherton & Associates, LLP

MODESTO GOSPEL MISSION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

ASSETS

	2022	2021
CURRENT ASSETS		
Cash and cash equivalents	$ 1,748,348	$ 1,880,616
Grant receivable	98,279	96,723
Other receivables	227	163
Inventory	276,446	209,436
Prepaids	41,105	42,552
Promises to give, current portion	2,000	2,000
Investments	18,496	-
Total current assets	2,184,901	2,231,490
PROPERTY, PLANT, AND EQUIPMENT, net	4,642,231	4,249,603
NONCURRENT ASSETS		
Promises to give, net of current portion	-	2,000
Note receivable	150,000	150,000
Total noncurrent assets	150,000	152,000
TOTAL ASSETS	$ 6,977,132	$ 6,633,093

LIABILITIES AND NET ASSETS

	2022	2021
CURRENT LIABILITIES		
Accounts payable	$ 32,964	$ 121,190
Accrued payroll and payroll taxes	27,248	24,357
Unearned revenue	2,500	16,500
Rent deposits	14,033	8,400
Accrued vacation	44,030	52,987
Notes payable, current portion	6,306	6,000
Total current liabilities	127,081	229,434
NONCURRENT LIABILITIES, Notes payable, net of current portion	224,175	230,613
NET ASSETS		
Net assets without donor restrictions	6,269,158	5,673,596
Net assets with donor restrictions	356,718	499,450
Total net assets	6,625,876	6,173,046
TOTAL LIABILITIES AND NET ASSETS	$ 6,977,132	$ 6,633,093

MODESTO GOSPEL MISSION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT			
Contributions	$ 2,783,790	$ 8,500	$ 2,792,290
Event revenue, net of expense of $42,824	72,304	-	72,304
Grants	-	150,000	150,000
Contributed nonfinancial assets	4,150,324	-	4,150,324
Total support	7,006,418	158,500	7,164,918
OTHER REVENUE			
Interest income	8,480	-	8,480
Rental income	205,982	-	205,982
Other revenue	79,736	-	79,736
Loss on investments	(4,077)	-	(4,077)
Loss on sale of asset	(1,407)	-	(1,407)
Total other revenue	288,714	-	288,714
RECLASSIFICATIONS			
Net assets released from restrictions	301,232	(301,232)	-
Total support, other revenue, and reclassifications	7,596,364	(142,732)	7,453,632
EXPENSES			
Program services	6,190,150	-	6,190,150
General and administrative	394,733	-	394,733
Fundraising	415,919	-	415,919
Total expenses	7,000,802	-	7,000,802
Total change in net assets	595,562	(142,732)	452,830
NET ASSETS AT BEGINNING OF YEAR	5,673,596	499,450	6,173,046
NET ASSETS AT END OF YEAR	$ 6,269,158	$ 356,718	$ 6,625,876

MODESTO GOSPEL MISSION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT			
Contributions	$ 2,549,662	$ 41,000	$ 2,590,662
Event revenue, net of expenses of $90	83,592	-	83,592
Grants	-	279,839	279,839
Contributed nonfinancial assets	4,876,530	-	4,876,530
Total support	7,509,784	320,839	7,830,623
OTHER REVENUE			
Interest income	7,779	-	7,779
Rental income	206,254	-	206,254
Other revenue	108,960	-	108,960
Loss on investments	-	-	-
Loss on sale of asset	(640)	-	(640)
Total other revenue	322,353	-	322,353
RECLASSIFICATIONS			
Net assets released from restrictions	183,520	(183,520)	-
Total support, other revenue, and reclassifications	8,015,657	137,319	8,152,976
EXPENSES			
Program services	6,720,444	-	6,720,444
General and administrative	369,237	-	369,237
Fundraising	360,773	-	360,773
Total expenses	7,450,454	-	7,450,454
Total change in net assets	565,203	137,319	702,522
NET ASSETS AT BEGINNING OF YEAR	5,108,393	362,131	5,470,524
NET ASSETS AT END OF YEAR	$ 5,673,596	$ 499,450	$ 6,173,046

MODESTO GOSPEL MISSION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	Program Services	Supporting Services: General and Administrative	Supporting Services: Fund Raising	Total Expenses
Payroll	$ 1,095,094	$ 208,224	$ 178,541	$ 1,481,859
Payroll taxes	79,257	13,700	13,452	106,409
Employee benefits	65,583	12,379	15,196	93,158
Total payroll and related expenses	1,239,934	234,303	207,189	1,681,426
Advertising and development	5,528	1,559	81,319	88,406
Bank and merchant charges	86	1,407	65	1,558
Clinic	-	-	-	-
Clothing	2,567,194	-	-	2,567,194
Depreciation	201,418	8,277	-	209,695
Dues and subscriptions	1,636	4,573	23,823	30,032
Food	1,079,979	287	303	1,080,569
Gas and mileage	31,532	-	110	31,642
Insurance	137,913	12,532	5,540	155,985
Interest expense	-	11,539	-	11,539
Miscellaneous	9,721	6,363	5,599	21,683
Professional fees	21,440	50,037	6,613	78,090
Program expenses	5,869	-	17,631	23,500
Rent	100,878	2,169	3,167	106,214
Repairs and maintenance	78,183	4,214	5,595	87,992
Supplies	492,956	9,601	46,000	548,557
Taxes	12,891	1,601	-	14,492
Training and travel	15,076	4,140	3,956	23,172
Utilities	187,916	42,131	9,009	239,056
TOTAL EXPENSES	$ 6,190,150	$ 394,733	$ 415,919	$ 7,000,802

MODESTO GOSPEL MISSION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	Program Services	Supporting Services: General and Administrative	Supporting Services: Fund Raising	Total Expenses
Payroll	$ 1,093,842	$ 190,270	$ 197,129	$ 1,481,241
Payroll taxes	54,121	11,382	11,993	77,496
Employee benefits	61,245	12,346	11,949	85,540
Total payroll and related expenses	1,209,208	213,998	221,071	1,644,277
Advertising and development	4,000	1,384	75,242	80,626
Bank and merchant charges	171	426	-	597
Clinic	8,973	-	-	8,973
Clothing	2,844,980	-	-	2,844,980
Depreciation	174,977	6,999	-	181,976
Dues and subscriptions	-	3,808	20,975	24,783
Food	1,351,604	896	865	1,353,365
Gas and mileage	19,391	2	-	19,393
Insurance	111,634	13,565	6,044	131,243
Interest expense	12,195	-	-	12,195
Miscellaneous	43,768	1,535	-	45,303
Professional fees	1,383	46,749	-	48,132
Program expenses	16,850	-	-	16,850
Rent	55,858	18,178	679	74,715
Repairs and maintenance	63,493	8,874	4,336	76,703
Supplies	611,280	12,809	22,770	646,859
Taxes	15,467	1,890	-	17,357
Training and travel	5,074	1,489	649	7,212
Utilities	170,138	36,635	8,142	214,915
TOTAL EXPENSES	$ 6,720,444	$ 369,237	$ 360,773	$ 7,450,454

	2022	2021
OPERATING ACTIVITIES		
Change in net assets	$ 452,830	$ 702,522
Adjustments to reconcile changes in net assets to net cash and cash equivalents provided by operating activities:		
Donated inventory	(67,010)	(101,605)
Donated investments	(22,573)	-
Depreciation	209,695	181,976
Loss on investments	4,077	-
Loss on sale of asset	1,407	640
(Increase) decrease in operating assets:		
Grant receivable	(1,556)	(96,723)
Other receivables	(64)	7,017
Prepaids	1,447	(6,903)
Promises to give	2,000	2,000
Increase (decrease) in operating liabilites:		
Accounts payable	(88,226)	90,380
Accrued payroll and payroll taxes	2,891	22,198
Unearned revenue	(14,000)	16,500
Rent deposits	5,633	(2,044)
Accrued vacation	(8,957)	4,556
Net cash provided by operating activities	477,594	820,514
INVESTING ACTIVITIES		
Purchases of property, plant, and equipment	(603,730)	(454,744)
Net cash consumed by investing activities	(603,730)	(454,744)
FINANCING		
Payments made on notes payable	(6,132)	(5,475)
Net cash consumed by financing activities	(6,132)	(5,475)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(132,268)	360,295
Cash and cash equivalents at beginning of year	1,880,616	1,520,321
Cash and cash equivalents at end of year	$ 1,748,348	$ 1,880,616
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for:		
Interest	$ 11,539	$ 12,195

NOTES TO FINANCIAL STATEMENTS

Note 1 Summary of Significant Accounting Policies

Nature of Organization The Modesto Gospel Mission ("the Organization") is a non-profit, nondenominational Christian organization that has been serving the hungry and the homeless of Stanislaus County since 1948. John Haine, Modesto Gospel Mission's founder saw a need and addressed it by simply helping the homeless on the streets. Inspired by this example, others came to lend a hand, and with help of individuals, churches, businesses, and volunteers, the outreach grew. In 1984 the Modesto Gospel Mission moved to its current location on Yosemite Boulevard in the airport neighborhood. A major expansion and renovation was completed in 1997, with the Mission campus now encompassing two city blocks. During the year, the Organization created a new social enterprise, Volente Coffee Roasters (Volente). This social enterprise will roast and sell whole coffee beans to individuals, churches, and local businesses. This enterprise will raise funds for their programs while impacting the men and women in their New Life Program (NLP) to develop the skills needed for stable full-time employment with living wages. All activity for Volente has been included in these financial statements.

Basis of Accounting and Presentation The Organization's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

a) Net assets without donor restrictions - net assets that are not subject to donor imposed stipulations.
b) Net assets with donor restrictions - net assets subject to donor imposed stipulations that may or will be met, either by actions of the Organization and/or passage of time. When a restriction is satisfied or expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Adoption of New Accounting Standard In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Not-For-Profit Entities (Topic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets*, which increases the transparency of contributed nonfinancial assets for not-for-profit organizations through enhancements to presentation and disclosure. The update addresses certain stakeholders' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by not-for-profit organizations, as well as the amount of those contributions used in a not-for-profit organization's programs and other activities. ASU 2020-07 is effective for fiscal years beginning after June 15, 2021. The Organization adopted the new standard effective July 1, 2021, the first day of the Organization's fiscal year. The adoption of this ASU did not have a significant impact on the Organization's financial statements.

Cash and Cash Equivalents The Organization considers cash held in interest and noninterest bearing accounts and money market funds to be cash and cash equivalents.

Grant Receivable The Organization received an amount from an agency to provide funding for one of its offered programs. The amount is classified as a net asset with donor restrictions. No allowance for an uncollectible portion of the grant has been recorded as management believes the entire amount will be utilized for its stated purpose.

Inventory The Organization accepts contributions of clothing, food, and household items to be used in activities in running the Organization. These contributed items are recorded at their fair value at the date of receipt.

Note 1 Summary of Significant Accounting Policies (Continued)

Promises to Give The Organization uses the allowance method for determining the uncollectible portion of promises to give. No allowance for uncollectible promises to give has been recorded as management believes all amounts outstanding as of June 30, 2022 and 2021 are fully collectible. The fair value of promises to give is measured on a nonrecurring basis by estimating future cash flows and discounted using the carrying amount to present value using the Daily Treasury yield discount rate of .07% at year end (Level 2 inputs). The unamortized present value discount on the promises to give balance is not considered material for financial statement purposes at June 30, 2022 and 2021.

Investments As required by the *Accounting for Certain Investments Held by Not-for-Profit Organizations* topic of the FASB Accounting Standards Codification (ASC), the Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair market value in the statement of financial position. Realized and unrealized gains and losses are recognized in the statement of activities and changes in net assets. The investments consist of mutual funds with a value of $18,496 at June 30, 2022.

Property, Plant, and Equipment Property, plant, and equipment purchases are recorded at cost and donated property and equipment are recorded at estimated fair market value on the date contributed to the Organization. The cost of property, plant, and equipment purchases in excess of $1,000 are capitalized. Maintenance and repairs that do not extend the useful life of the respective assets are expensed as incurred. Depreciation is provided on the straight-line methods over the estimated useful lives of the assets of three to forty-five years.

Impairment of Long-Lived Assets On an ongoing basis, the Organization reviews long-lived assets for impairment whenever events or circumstances indicate that the carrying amounts may be overstated. The Organization recognizes impairment losses if the undiscounted cash flows expected to be generated by the asset are less than the carrying value of the related asset. The impairment loss adjusts the assets to fair value. As of June 30, 2022 and 2021, management believes that no impairments exist.

Unearned Revenue Unearned revenue represents advance payments for future special events.

Rent Deposits The Organization provides a New Life Program to assist participants in attaining sobriety. Once a participant graduates from the program, participants have the opportunity to rent living space from the Organization. During their rent tenure, the participant can earn up to a 60% rent credit against their monthly payment for the first six months and a maximum of $1,800, which is refunded to the participant upon moving out. Refundable rent deposits with third-parties are also included in this balance. As of June 30, 2022 and 2021, refundable rent credits amounted to $14,033 and $8,400, respectively.

Revenue Recognition and Contributions The Organization recognizes contributions as income when received or when money has been pledged to the Organization. Accounting principles generally accepted in the United States of America require non-profit organizations to record promises to give during the period in which the promise is made. Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Noncash gifts are reported as support at the estimated fair market value on the date of the gift. Goods given to the Organization that do not have an objective basis for valuation are not recorded. Revenue is primarily derived from contributions of cash. The Organization records contributions received as net assets without donor restrictions or net assets with donor restrictions depending on the existence or nature of any donor restriction. The Organization's grants are considered to be exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred.

Note 1 Summary of Significant Accounting Policies (Continued)

Revenue Recognition and Contributions (Continued) In accordance with FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made,* contributions received by the Organization are not considered an exchange transaction as no commensurate value is exchanged. The Organization receives unconditional contributions without donor restrictions and unconditional contributions with donor restrictions. The Organization may also receive contributions with donor restrictions which are considered conditional contributions as there is a right of return and a barrier to overcome in order to recognize revenue. Conditional contributions are not recognized until the conditions on which they depend on have been met. The Organization recognized unconditional contributions without donor restrictions of $2,783,790 and unconditional contributions with donor restrictions of $8,500 for the year ended June 30, 2022. The Organization recognized unconditional contributions without donor restrictions of $2,549,662 and unconditional contributions with donor restrictions of $41,000 for the year ended June 30, 2021. The Organization received conditional contributions and grants with donor restrictions of $150,000 and $279,839 for the years ended June 30, 2022 and 2021, respectively.

The Organization recognizes rental income in accordance with ASC Topic 606, *Revenue from Contracts with Customers*, which provides a five-step model for recognizing revenue from contracts with customers as follows:

1) Identify the contract with a customer
2) Identify the performance obligations in the contract
3) Determine the transaction price
4) Allocate the transaction price to the performance obligations in the contract
5) Recognize revenue when or as performance obligations are satisfied

Rental income consists of rentals of residential and non-residential property. The property rentals are marketed and leased to unrelated parties as well as participants whom graduated from the New Life program that are in transition. The rentals depend upon the economic and real estate conditions in these markets and are exposed to economic, tax, and other competitive factors specific to these urban centers. Base rent and operating expense reimbursement represent income from leases and are recognized in accordance with ASC 840, Leases. There were no other revenues to be recognized in accordance with ASC 606.

The Organization recognizes rental income resulting from tenant leases over the non-cancelable term of the related leases on a straight-line basis. The Organization considers any renewal options in determining the lease term. To the extent a lease includes a tenant option to renew or extend the duration of the lease at a fixed or determinable rental rate, the Organization evaluates whether that option represents a bargain renewal option by analyzing whether there is reasonable assurance at lease inception that the tenant will exercise the option because the rental rate is sufficiently lower than the expected rental rate for equivalent property under similar terms and conditions at the exercise date. The Organization commences rental income recognition when the tenant takes possession of the leased space and the leased space is substantially ready for its intended use. Income resulting from tenant leases that provide for the recovery of all or a portion of the operating expenses and real estate taxes of the common areas of the Organization's properties generally is recognized in the same period as the related expenses are incurred.

Note 1 Summary of Significant Accounting Policies (Continued)

Revenue Recognition and Contributions (Continued) Payment arrangements for customers are paid at invoice price. Amounts received by the Organization are applied to lessee balances by outstanding invoice or to the oldest invoice if not specifically noted. Payments are generally due from customers at the beginning of the month. The Organization does not charge interest on past due balances. The Organization does not grant any variable consideration to its lessee's, such as rebates, allowances, and returns that would generally decrease the transaction price which reduces revenue.

The Organization has elected the practical expedient that permits an entity not to recognize a significant financing component if the time between the transfer of the service and payment is one year or less. The Organization does not enter into contracts in which the period between payment by the lessee and the transfer of the promised services to the lessee is greater than 12 months. The Organization records a receivable when it has the unconditional right to issue an invoice and receive payment, regardless of whether revenue has been recognized. The Organization does not recognize revenue in advance of the right to invoice and therefore has not recorded a contract asset. If revenue has not yet been recognized, a contract liability (deferred income) is also recorded.

Contribution of Non-Financial Assets Donations of services are recognized as contributions in accordance with ASC Section 958-605 *Not-for-Profit Entities, Revenue Recognition,* if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased if not provided by donation.

Beneficial Interest in Charitable Trust The Organization is the primary beneficiary in a charitable trust. The assets in the trust were valued at $1,941,263 and $2,185,119 as of June 30, 2022 and 2021, respectively. The allocation of the income to the beneficiary is at the Trustee's discretion. For both years ended June 30, 2022 and 2021, the income received by the Organization from the trust was $120,000.

Advertising Advertising is expensed as incurred. Total advertising expense for the years ended June 30, 2022 and 2021 was $69,127 and $70,856, respectively.

Income Taxes The Organization is a not for profit corporation and is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code.

Management has evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements. With few exceptions, the Organization is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for the tax years ending June 30, 2018 and before.

Functional Allocation of Expenses The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities and changes in net assets and detailed in the statements of functional expenses. The majority of expenses were directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses have been allocated among the programs and supporting services benefited based on percentage of time spent by each employee on the activity or other basis determined by the Organization's management.

Fair Value of Financial Instruments The carrying amounts of financial instruments, including cash, receivables, accounts payable, accrued expenses, and current maturities of long-term obligations, approximate fair value.

Note 1 Summary of Significant Accounting Policies (Continued)

Risks and Uncertainties On March 11, 2020, the World Health Organization characterized coronavirus (COVID-19) as a pandemic, and on March 13, 2020, the President of the United States declared a national emergency relating to the disease. In addition to the President's declaration, state and local authorities have recommended social distancing and have imposed quarantine and isolation measures on large portions of the population. These measures are designed to protect the overall public health; however, they are expected to have material adverse impacts on domestic and foreign economies and may result in the United States entering a period of recession.

Recent Accounting Pronouncement In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842).* The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statements of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities and changes in net assets. In July 2018, the FASB issued ASU 2018-10, *Codification Improvements to Topic 842, Leases*, which makes narrow scope improvements to the standard for specific issues. In July 2018, the FASB also issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides an optional transition method allowing the standard to be applied at the adoption date. In March 2019, the FASB issued ASU 2019-01*, Leases (Topic 842) Codification Improvements*, which exempts entities from having to provide the interim disclosures required by ASC 250-10-50-3 in the fiscal year in which an entity adopts the new leases standard. In November 2021, the FASB issued ASU 2021-09, *Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities*, which allows lessees that are not public business entities to make the ASC 842 risk-free discount rate accounting policy election by class of underlying asset, rather than at the entity-wide level.

The new standard provides a number of practical expedients. Upon adoption, the Organization expects to elect the transition package of practical expedients permitted within the new standard, which among other things, allows the carryforward of the historical lease classification. Further, upon implementation of the new guidance, the Organization intends to elect the practical expedients to combine lease and non-lease components for all asset classes, to not recognize right-of-use assets and lease liabilities for short-term leases for all asset classes, and to use hindsight in determining the lease term and assessing impairment of right-of-use assets. The new standard is effective for the year ended June 30, 2023. The Organization is currently evaluating the impact of its pending adoption of the new standard on its financial statements.

Use of Estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 24, 2022, the date the financial statements were available to be issued.

Note 2 Concentration of Credit Risk

The Organization maintains cash balances at various financial institutions, which at times may exceed federally insured limits. At June 30, 2022, there was $1,442,548 of uninsured cash and cash equivalents.

Note 3 Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30, 2022:

Cash and cash equivalents	$1,748,348
Grant receivable	98,279
Other receivables	227
Promises to give, current portion	2,000
	1,848,854
Less net assets with donor restrictions	356,718
	$1,492,136

As part of the liquidity management plan, the Organization invests cash in excess of daily requirements in short-term investments, including money market accounts and mutual funds.

Note 4 Inventory

Inventory consists of the following at June 30:

	2022	2021
Clothing	$ 47,806	$ 7,392
Food	89,010	52,512
Medical supplies	17,351	-
Miscellaneous	122,279	149,532
	$ 276,446	$ 209,436

Note 5 Promises to Give

Promises to give consist of an amount for the Organization's pledge contributions. Promises to give is as follows at June 30:

	2022	2021
Pledge contributions	$ 2,000	$ 4,000
Less allowance for doubtful pledges	-	-
Total promises to give	$ 2,000	$ 4,000
Receivable in less than one year	$ 2,000	$ 2,000
Receivable in one to five years	-	2,000
Total promises to give	$ 2,000	$ 4,000

Note 6 Property, Plant, and Equipment

Property, plant, and equipment at June 30 consists of the following:

	2022	2021
Land	$1,076,567	$1,076,567
Building and improvements	6,231,609	5,516,290
Furniture and fixtures	67,867	67,867
Automobiles	307,444	214,567
Machinery and equipment	455,970	453,535
Construction in process	7,500	228,480
	8,146,956	7,557,306
Less accumulated depreciation	3,504,726	3,307,703
	$4,642,231	$4,249,603

Note 7 Note Receivable

The Organization has a note receivable from Soldiers of the Cross that matures December 7, 2027 at which time the entire balance is due. The note is fixed at the rate of 5.0% and is due on an annual basis. The balance of the note was $150,000 at June 30, 2022 and 2021.

Note 8 Note Payable

The Organization has a note with Oak Valley Community Bank with an outstanding balance of $230,481 and $236,613 as of June 30, 2022 and 2021, respectively. The note is secured by deed of trust and is due in monthly installments of $1,473 including fixed interest at 4.99%. During fiscal year ending June 30, 2024, the interest is then adjustable to the prevailing 5-year treasury note rate plus 2.65%. The note matures November 1, 2043.

The following are maturities of the note for each of the next five years and in the aggregate for the years ending June 30:

2023	$ 6,306
2024	6,628
2025	6,967
2026	7,322
2027	7,696
Thereafter	195,562
	$230,481

Note 9 Contributed Nonfinancial Assets

Contributed nonfinancial assets include clothing, food, medical supplies, and miscellaneous supplies provided by various professionals and companies in Stanislaus County which is summarized as follows for the years ended June 30:

	2022	2021	Utilization in Programs/ Activities	Donor Restrictions	Valuation Techniques and Inputs
Clothing	$2,634,204	$2,418,292	Program Services	No associated donor restrictions	Organization estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Investments	22,573	-	General and Administrative	No associated donor restrictions	Organization estimated the fair value on the basis of similar assets at the daily closing price as reported by the fund.
Food	1,053,649	1,347,871	Program Services	No associated donor restrictions	Organization estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Rent	27,275	28,900	Program Services	No associated donor restrictions	Organization estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Supplies	412,623	1,081,467	Program Services	No associated donor restrictions	Organization estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
	$4,150,324	$4,876,530			

Note 10 Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30 consist of the following:

	2022	2021
Oak Valley Community Bank	$ 2,000	$ 4,000
Grants	43,826	183,938
Women and Children's Building	307,012	303,512
Men's Bathroom	-	3,000
Youth Center	-	5,000
Hymn Books	3,880	-
	$ 356,718	$ 499,450

Note 11 Reclassifications of Net Assets With Donor Restrictions

Reclassifications on the statements of activities and changes in net assets represent net assets with donor restrictions which have been utilized in accordance with the donor restrictions. Donor restriction reclassifications for the years ended June 30 are summarized as follows:

	2022	2021
Senior care packages	$ -	$ 10,000
Oak Valley Community Bank Grant	2,000	2,000
Grants	287,112	171,520
Grover Grant Freedom Grant	3,000	-
Men's Bathroom	3,000	-
Hymn Books	1,120	-
Youth Center	5,000	-
	$ 301,232	$ 183,520

Note 12 Operating Leases

The Organization leases home apartments to graduating participants from the New Life Program, who are currently in transition or graduated from program. Monthly rents range from $275 to $800 plus insurance and utilities and expire at various times throughout the year. These leases are usually six months in duration and then convert into a month-to-month lease. Rent income for the years ended June 30, 2022 and 2021 was $144,619 and $116,895, respectively.

The Organization has lease agreements to lease building space to unrelated parties with expiration dates ranging from October 2022 to August 2023. Rent income for the years ended June 30, 2022 and 2021 was $61,363 and $59,785, respectively.

Note 12 Operating Leases (Continued)

The cost and accumulated depreciation for assets held for lease with lease terms greater than one year was $721,282 and $126,066 at June 30, 2022, respectively. The cost and accumulated depreciation for assets held for lease with lease terms greater than one year was $721,282 and $112,697 at June 30, 2021, respectively.

Minimum future rent income is as follows for the years ending June 30:

2023	$ 79,531
2024	6,750
Total minimum future rent income	$ 86,281

The Organization leases home apartments from an unrelated party. Donated rent expense for the years ended June 30, 2022 and 2021 was $27,275 and $28,900, respectively, and is included in rent expense on the statements of functional expenses. The lease with the unrelated party was extended through January 2023.

The Organization is obligated under various leasing agreements for the use of office equipment and leasing of home apartments. The operating leases have various terms and options and expire through June 2026. Equipment and apartment rental expense for the years ended June 30, 2022 and 2021 was $63,599 and $32,170, respectively, and is included in rent expense on the statements of functional expenses.

Minimum future rental payments under noncancelable operating leases having remaining terms in excess of one year as of June 30, 2022 for each of the next five years and in the aggregate is:

2023	$ 33,599
2024	2,664
2025	1,559
2026	1,429
Total minimum future rental payments	$ 39,251

Note 13 Defined Contribution Plan

The Organization has a defined contribution plan, which covers substantially all employees who have met certain eligibility requirements. The plan allows employees to defer a percentage of their compensation up to statutory maximums. The plan allows for discretionary employer matching and non-elective contributions. Employees are fully vested in their salary deferral contributions, and in their discretionary employer matching and non-elective contributions upon meeting certain eligibility requirements. There were no employer contributions to the plan for the years ended June 30, 2022 and 2021.

Note 14 Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

There have been no changes in the methodologies used at June 30, 2022 and 2021. The following is a description of the valuation methodologies used for assets measured at fair value.

Money market funds: Valued at the net asset value (NAV) of shares held by the Organization at year end.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

Promises to give: Valued at fair value on a nonrecurring basis by estimating future cash flows and discounted using the carrying amount to present value using the Daily Treasury yield discount rate.

Contributed nonfinancial assets: Valued at the estimated fair market value as income and expense or assets at the time the items are placed into service or distributed.

Note 14 Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets measured on a nonrecurring basis as of and for the years ended:

	June 30, 2022			
	Level 1	Level 2	Level 3	Total
Money market funds	$253,237	$ -	$ -	$ 253,237
Mutual funds	18,496	-	-	18,496
Promises to give	-	2,000	-	2,000
Contributed nonfinancial assets	-	4,150,324	-	4,150,324
Total assets in the fair value hierarchy	$271,733	$4,152,324	$ -	$4,424,057

	June 30, 2021			
	Level 1	Level 2	Level 3	Total
Money market funds	$232,373	$ -	$ -	$ 232,373
Promises to give	-	4,000	-	4,000
Contributed nonfinancial assets	-	4,876,530	-	4,876,530
Total assets in the fair value hierarchy	$232,373	$4,880,530	$ -	$5,112,903