

MODESTO GOSPEL MISSION

FINANCIAL STATEMENTS

**YEARS ENDED
JUNE 30, 2024 AND 2023**



ATHERTON
& ASSOCIATES, LLP

Tax • Assurance • Consulting

CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4 - 5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 20

INDEPENDENT AUDITOR'S REPORT

October 31, 2024

Audit Committee
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, 2024 and 2023, 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, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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.

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 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, 2024 AND 2023

	<u>ASSETS</u>	
	<u>2024</u>	<u>2023</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 180,499	\$ 625,867
Certificates of deposit	252,241	872,772
Grant and contract receivable	201,402	121,996
Other receivables	24,307	1,783
Employee retention credit receivable	235,723	623,878
Inventory	107,118	165,378
Marketable securities	3,868,730	662,323
Prepays	35,788	44,101
Total current assets	<u>4,905,808</u>	<u>3,118,098</u>
PROPERTY AND EQUIPMENT, net	<u>5,734,920</u>	<u>4,687,247</u>
NONCURRENT ASSETS, Operating lease right-of-use assets	<u>28,227</u>	<u>63,273</u>
TOTAL ASSETS	<u>\$ 10,668,955</u>	<u>\$ 7,868,618</u>
	<u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES		
Accounts payable	\$ 232,009	\$ 73,791
Accrued payroll and payroll taxes	6,201	14,336
Unearned revenue	7,500	15,200
Accrued vacation	58,755	57,631
Accrued expenses	26,440	28,735
Reimbursable payments	49,100	-
Notes payable	46,122	6,628
Operating lease liabilities	17,849	34,995
Total current liabilities	<u>443,976</u>	<u>231,316</u>
NONCURRENT LIABILITIES		
Notes payable	774,613	217,702
Operating lease liabilities	10,388	28,237
Total noncurrent liabilities	<u>785,001</u>	<u>245,939</u>
NET ASSETS		
Net assets without donor restrictions	7,353,085	7,059,351
Net assets with donor restrictions	2,086,893	332,012
Total net assets	<u>9,439,978</u>	<u>7,391,363</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,668,955</u>	<u>\$ 7,868,618</u>

MODESTO GOSPEL MISSION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	\$ 2,729,704	\$ 671,028	\$ 3,400,732
Grants	140,033	1,583,844	1,723,877
Contract income	338,219	-	338,219
Event revenue, net of expense of \$46,033	38,400	-	38,400
Employee retention credit	-	-	-
Contributed nonfinancial assets	5,786,259	-	5,786,259
	<u>9,032,615</u>	<u>2,254,872</u>	<u>11,287,487</u>
Total support			
OTHER REVENUE			
Interest income	71,073	-	71,073
Rental income	205,836	-	205,836
Other revenue	86,760	-	86,760
Unrealized gain on investments	102,229	-	102,229
Gain on sale of asset	836	-	836
	<u>466,734</u>	<u>-</u>	<u>466,734</u>
Total other revenue			
RECLASSIFICATIONS			
Net assets released from restrictions	499,991	(499,991)	-
	<u>9,999,340</u>	<u>1,754,881</u>	<u>11,754,221</u>
Total support, other revenue, and reclassifications			
EXPENSES			
Program services	8,327,173	-	8,327,173
General and administrative	770,341	-	770,341
Fundraising	608,092	-	608,092
	<u>9,705,606</u>	<u>-</u>	<u>9,705,606</u>
Total expenses			
Total change in net assets	293,734	1,754,881	2,048,615
NET ASSETS AT BEGINNING OF YEAR	<u>7,059,351</u>	<u>332,012</u>	<u>7,391,363</u>
NET ASSETS AT END OF YEAR	<u>\$ 7,353,085</u>	<u>\$ 2,086,893</u>	<u>\$ 9,439,978</u>

MODESTO GOSPEL MISSION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2023

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
SUPPORT			
Contributions	\$ 2,662,641	\$ 56,161	\$ 2,718,802
Grants	-	125,000	125,000
Other services	-	-	-
Event revenue, net of expenses of \$55,559	89,233	-	89,233
Employee retention credit	1,001,272	-	1,001,272
Contributed nonfinancial assets	<u>3,594,759</u>	<u>-</u>	<u>3,594,759</u>
Total support	<u>7,347,905</u>	<u>181,161</u>	<u>7,529,066</u>
OTHER REVENUE			
Interest income	6,250	-	6,250
Rental income	185,367	-	185,367
Other revenue	135,975	-	135,975
Unrealized loss on investments	(3,401)	-	(3,401)
Gain on sale of asset	<u>9,561</u>	<u>-</u>	<u>9,561</u>
Total other revenue	<u>333,752</u>	<u>-</u>	<u>333,752</u>
RECLASSIFICATIONS			
Net assets released from restrictions	<u>205,867</u>	<u>(205,867)</u>	<u>-</u>
Total support, other revenue, and reclassifications	<u>7,887,524</u>	<u>(24,706)</u>	<u>7,862,818</u>
EXPENSES			
Program services	6,110,717	-	6,110,717
General and administrative	465,706	-	465,706
Fundraising	<u>520,908</u>	<u>-</u>	<u>520,908</u>
Total expenses	<u>7,097,331</u>	<u>-</u>	<u>7,097,331</u>
Total change in net assets	790,193	(24,706)	765,487
NET ASSETS AT BEGINNING OF YEAR	<u>6,269,158</u>	<u>356,718</u>	<u>6,625,876</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 7,059,351</u></u>	<u><u>\$ 332,012</u></u>	<u><u>\$ 7,391,363</u></u>

MODESTO GOSPEL MISSION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2024

		Supporting Services		
	Program Services	General and Administrative	Fund Raising	Total Expenses
Payroll	\$ 1,228,706	\$ 366,027	\$ 213,681	\$ 1,808,414
Payroll taxes	94,966	24,796	15,532	135,294
Employee benefits	63,974	33,025	27,248	124,247
Total payroll and related expenses	1,387,646	423,848	256,461	2,067,955
Advertising and development	22,595	2,287	215,173	240,055
Bad debt	-	1,180	-	1,180
Bank and merchant charges	132	1,693	-	1,825
Clothing	3,695,072	-	-	3,695,072
Depreciation	274,939	10,759	-	285,698
Dues and subscriptions	9,343	5,341	22,882	37,566
Food	1,340,282	238	4,429	1,344,949
Gas and mileage	44,624	-	-	44,624
Insurance	167,165	15,481	5,647	188,293
Interest	-	45,287	-	45,287
Lease	69,324	3,987	6,737	80,048
Miscellaneous	24,635	2,060	2,017	28,712
Professional fees	12,289	219,495	4,469	236,253
Program	22,244	-	14,886	37,130
Repairs and maintenance	108,906	7,158	23,446	139,510
Supplies	910,256	9,219	39,561	959,036
Taxes	18,765	2,503	-	21,268
Training and travel	7,528	3,711	1,929	13,168
Utilities	211,428	16,094	10,455	237,977
TOTAL EXPENSES	\$ 8,327,173	\$ 770,341	\$ 608,092	\$ 9,705,606

MODESTO GOSPEL MISSION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

		Supporting Services		
	Program Services	General and Administrative	Fund Raising	Total Expenses
Payroll	\$ 1,256,463	\$ 251,850	\$ 222,423	\$ 1,730,736
Payroll taxes	88,670	17,325	16,474	122,469
Employee benefits	50,812	12,648	18,196	81,656
Total payroll and related expenses	1,395,945	281,823	257,093	1,934,861
Advertising and development	16,420	2,304	111,273	129,997
Bad debt	-	30,000	-	30,000
Bank and merchant charges	184	1,709	1	1,894
Clothing	2,281,549	-	-	2,281,549
Depreciation	233,198	9,401	-	242,599
Dues and subscriptions	2,962	4,871	24,515	32,348
Food	1,034,010	206	1,752	1,035,968
Gas and mileage	38,633	-	418	39,051
Insurance	161,216	12,815	5,974	180,005
Interest	-	11,520	-	11,520
Lease	62,956	2,268	8,213	73,437
Miscellaneous	13,667	1,443	7,170	22,280
Professional fees	5,357	61,898	2,499	69,754
Program	16,633	-	24,518	41,151
Repairs and maintenance	105,725	6,978	8,248	120,951
Supplies	514,630	6,062	50,332	571,024
Taxes	17,963	1,569	-	19,532
Training and travel	5,488	1,328	2,735	9,551
Utilities	204,181	29,511	16,167	249,859
TOTAL EXPENSES	\$ 6,110,717	\$ 465,706	\$ 520,908	\$ 7,097,331

MODESTO GOSPEL MISSION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 2,048,615	\$ 765,487
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Bad debt	-	30,000
Donated inventory	58,260	111,068
Unrealized (gain) loss on investments	(102,229)	3,401
Depreciation	285,698	242,599
Gain on sale of asset	(836)	(9,561)
Amortization	310	-
Reduction in operating right-of-use assets	35,046	33,904
(Increase) decrease in operating assets:		
Grant receivable	(79,406)	(23,717)
Other receivables	(22,524)	(1,556)
Employee retention credit receivable	388,155	(623,878)
Prepays	8,313	(2,996)
Promises to give	-	2,000
Increase (decrease) in operating liabilities:		
Accounts payable	158,218	40,827
Accrued payroll and payroll taxes	(8,135)	(12,912)
Unearned revenue	(7,700)	12,700
Accrued vacation	1,124	13,601
Accrued expenses	(2,295)	14,702
Reimbursable payments	49,100	-
Operating lease liabilities	(34,995)	(33,945)
Net cash provided by operating activities	<u>2,774,719</u>	<u>561,724</u>
INVESTING ACTIVITIES		
Proceeds from sale of marketable securities	420,822	230,000
Proceeds from sale of property, plant, and equipment	2,823	9,561
Proceeds from note receivable	-	120,000
Proceeds of certificates of deposit	870,531	-
Purchase of certificates of deposit	(250,000)	(875,000)
Purchase of marketable securities	(3,525,000)	(875,000)
Purchases of property and equipment	(685,358)	(287,615)
Net cash consumed by investing activities	<u>(3,166,182)</u>	<u>(1,678,054)</u>
FINANCING		
Payments made on notes payable	(50,805)	(6,151)
Payments for loan fees	(3,100)	-
Net cash consumed by financing activities	<u>(53,905)</u>	<u>(6,151)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(445,368)	(1,122,481)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>625,867</u>	<u>1,748,348</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 180,499</u></u>	<u><u>\$ 625,867</u></u>

SUPPLEMENTAL CASH FLOW INFORMATION (Note 12)

NOTES TO FINANCIAL STATEMENTS

MODESTO GOSPEL MISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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. 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.

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.

Certificates of Deposit The Organization has various certificates of deposit with original maturities greater than three months.

Grant and Contract Receivable Receivables consists of payments due from grants and contracts. The direct write-off method is used to account for bad debts in which individual accounts are expensed as they become uncollectible. Accounting principles generally accepted in the United States of America require that accounts receivable be presented net of an allowance for uncollectible accounts. The difference between these two methods is not material to these financial statements.

Employee Retention Credit The Employee Retention Credit (ERC) under the Coronavirus Aid, Relief, and Economic Security Act (CARES) was established to encourage businesses to keep employees on their payroll as the result of coronavirus (COVID-19). A business can qualify for the ERC if there was a significant decline in gross receipts when comparing each quarter for calendar year 2021 or 2020 to calendar year 2019. In addition, a business can qualify using the alternative method per Section 2301(C)(2)(B) of the CARES Act. The credit is 70% (or 50% for the 2020 calendar year) of up to \$10,000 in qualified wages paid by an eligible employer whose business has been financially impacted by COVID-19.

MODESTO GOSPEL MISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 1 Summary of Significant Accounting Policies (Continued)

Employee Retention Credit (Continued) This ERC applies to qualified wages paid between March 12, 2020 and September 30, 2021. During the year ended June 30, 2023, the Organization qualified for the ERC and submitted for a refund in the amount of \$1,001,272, which is included on the statement of activities and changes in net assets for the year ended June 30, 2023. Amounts that have not been received are included on the statements of financial position as of June 30, 2024 and 2023 for \$235,723 and \$623,878, respectively.

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. The Organization also capitalizes costs associated with the manufacture of its Volente coffee bean operations. The inventory associated with Volente is carried at the lower of cost or net realizable value. Inventory consists of the following at June 30:

	<u>2024</u>	<u>2023</u>
Clothing	\$ 21,006	\$ 18,602
Food	54,091	56,988
Medical supplies	-	12,657
Finished goods	14,112	4,335
Miscellaneous	<u>17,909</u>	<u>72,796</u>
	<u>\$ 107,118</u>	<u>\$ 165,378</u>

Marketable Securities As required by the *Accounting for Certain Investments Held by Not-for-Profit Organizations* topic of the Financial Accounting Standards Board (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 statements of activities and changes in net assets. The investments consist of the following at June 30:

	<u>2024</u>	<u>2023</u>
Mutual funds	\$ 184,694	\$ 320,227
Corporate bonds	<u>3,684,036</u>	<u>342,096</u>
	<u>\$3,868,730</u>	<u>\$ 662,323</u>

Property and Equipment Property 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 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.

Debt Issuance Costs Debt issuance costs are presented as a reduction of the carrying amount of the related debt. Unamortized debt issuance costs are being amortized over ten years using the straight-line method and are included in interest expense on the statements of activities and changes in net assets. Future amortization expense for years ending June 30 is as follows:

MODESTO GOSPEL MISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 1 Summary of Significant Accounting Policies (Continued)

Debt Issuance Costs Debt issuance costs are presented as a reduction of the carrying amount of the related debt. Unamortized debt issuance costs are being amortized over ten years using the straight-line method and are included in interest expense on the statements of activities and changes in net assets. Future amortization expense for years ending June 30 is as follows:

2025	\$ 310
2026	310
2027	310
2028	310
2029	310
Thereafter	<u>1,240</u>
	<u>\$ 2,790</u>

Leases The Organization accounts for operating leases under Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The Organization recorded the impact of adoption as of July 1, 2022, without restating any prior-year amounts or disclosures. This resulted in the recognition of operating right-of-use assets and lease liabilities. In addition, the Organization elected various practical expedients that allows the Organization not to reassess at adoption a) expired or existing contracts to determine whether they are or contain a lease, b) the lease classification of any existing leases, or c) initial direct costs for existing leases.

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, 2024 and 2023, 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, 2024 and 2023, refundable rent credits amounted to \$23,026 and \$18,988, respectively, and is included in accrued expenses.

Reimbursable Payments As part of a newly compensated program offered by the Organization during the year ended June 30, 2024, amounts were advanced to the Organization for payment of services performed from an entity not providing the funding. This entity provided the temporary funding as the agencies the Organization were in contract with were encountering information technology issues. As of June 30, 2024, reimbursement payments due was \$49,100 and was paid back subsequent to year end.

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.

MODESTO GOSPEL MISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 1 Summary of Significant Accounting Policies (Continued)

Revenue Recognition and Contributions (Continued) 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.

In accordance with FASB ASU 2018-08, *Not-for-Profit Entities (Topic 958): 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 also receives 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. A portion of the Organization's revenue is derived from cost-reimbursable contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position. The cost-reimbursable grants are considered both conditional and unconditional contributions with donor restrictions.

The Organization recognized unconditional contributions without donor restrictions of \$2,729,704 and unconditional contributions with donor restrictions of \$671,028 for the year ended June 30, 2024. The Organization recognized unconditional contributions without donor restrictions of \$2,662,641 and unconditional contributions with donor restrictions of \$56,161 for the year ended June 30, 2023. The Organization received conditional grants with donor restrictions of \$1,583,844 and \$125,000 for the years ended June 30, 2024 and 2023, respectively.

The Organization recognizes contract and rental income in accordance with FASB ASC Topic 606, *Revenue from Contracts with Customers*.

The Organization derives its revenues from providing services to those in the public who struggle with various forms of substance abuse issues. These services are reported at the estimated net realizable amounts from third-party payors. Revenues are recognized over time as the customer consumes the benefits of the goods and services the Organization provides. The timing of revenue recognition is based on an input measure, which is based on labor and material costs incurred to date as they relate to the estimated total cost to complete the engagement. Estimates of total engagement revenue and cost of services are monitored regularly during the term of the engagement. The transaction price is the amount of consideration to which the Organization expects to be entitled in exchange for transferring goods and services to the customer. Revenue is recorded based on the transaction price, which includes fixed consideration.

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 Organization considers any renewal options in determining the lease term. 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.

MODESTO GOSPEL MISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 1 Summary of Significant Accounting Policies (Continued)

Revenue Recognition and Contributions (Continued) 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 a good or service and payment is one year or less. The Organization generally does not enter into contracts in which the period between payment by the customer and the transfer of the promised goods or services to the customer is greater than 12 months.

Payment arrangements are paid at invoice price. The Organization does not charge interest on past due balances. The Organization does not grant any variable consideration, such as rebates, allowances, and returns that would generally decrease the transaction price which reduces revenue.

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. Opening grants receivable and deferred revenue as of July 1, 2022 was \$98,279 and \$2,500, respectively.

Contribution of Nonfinancial 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 \$1,995,318 and \$1,886,032 as of June 30, 2024 and 2023, respectively. The allocation of the income to the beneficiary is at the Trustee's discretion. For both years ended June 30, 2024 and 2023, 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, 2024 and 2023 was \$211,549 and \$95,623, respectively.

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.

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, 2020 and before.

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.

MODESTO GOSPEL MISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 1 Summary of Significant Accounting Policies (Continued)

Concentration of Credit Risk The Organization maintains cash balances at various financial institutions, which at times may exceed federally insured limits. At June 30, 2024, there was \$3,196 of uninsured cash and cash equivalents.

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 31, 2024, the date the financial statements were available to be issued.

Subsequent to year end, the Organization was awarded a grant from the Affordable Housing Program for \$2,000,000. The grant is to be utilized for the restoration of existing transitional housing.

Note 2 Liquidity and Availability

As part of the liquidity management plan, the Organization invests cash in excess of daily requirements in short-term investments, including money market accounts, certificates of deposit, and marketable securities. 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, 2024:

Cash and cash equivalents	\$ 180,499
Certificates of deposit	252,241
Grant and contract receivable	201,402
Other receivables	24,307
Employee retention credit receivable	235,723
Marketable securities	<u>3,868,730</u>
	4,762,902
Less net assets with donor restrictions	<u>2,086,893</u>
	<u>\$2,676,009</u>

Note 3 Inventory

Inventory consists of the following at June 30:

	<u>2024</u>	<u>2023</u>
Clothing	\$ 21,006	\$ 18,602
Food	54,091	56,988
Finished goods	14,112	4,335
Miscellaneous	<u>17,909</u>	<u>85,453</u>
	<u>\$ 107,118</u>	<u>\$ 165,378</u>

MODESTO GOSPEL MISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 4 Property and Equipment

Property and equipment at June 30 consists of the following:

	<u>2024</u>	<u>2023</u>
Land	\$1,076,567	\$1,076,567
Building and improvements	6,753,816	6,398,123
Furniture and fixtures	97,321	94,311
Automobiles	349,309	316,505
Machinery and equipment	565,931	483,940
Construction in process	<u>813,861</u>	<u>3,555</u>
	9,656,805	8,373,001
Less accumulated depreciation	<u>3,921,885</u>	<u>3,685,754</u>
	<u>\$5,734,920</u>	<u>\$4,687,247</u>

Note 5 Note Payable

The following is a summary of long-term debt at June 30:

	<u>2024</u>	<u>2023</u>
Oak Valley Community Bank, secured by deed of trust, interest at 5.95%, monthly principal and interest payments of approximately \$1,434, matures November 2043.	\$ 207,041	\$ 224,330
The Food Initiative of the Greater Stanislaus, secured by deed of trust, interest at 5.00%, monthly principal and interest payments of approximately \$2,689, balloon payment due at maturity, matures August 2028.	328,359	-
Oak Valley Community Bank, secured by deed of trust, interest at 5.95%, monthly principal and interest payments of approximately \$3,447, matures July 2033.	<u>288,125</u>	<u>-</u>
	823,525	224,330
Less current portion	46,122	6,628
Less debt issuance costs	<u>2,790</u>	<u>-</u>
	<u>\$ 774,613</u>	<u>\$ 217,702</u>

MODESTO GOSPEL MISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 5 Note Payable (Continued)

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

2025	\$ 46,122
2026	48,780
2027	51,592
2028	54,569
2029	474,967
Thereafter	<u>147,495</u>
	<u>\$ 823,525</u>

Note 6 Net Assets With Donor Restrictions

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

	<u>2024</u>	<u>2023</u>
Grants	\$1,135,275	\$ -
Women and Children's Building	<u>951,618</u>	<u>332,012</u>
	<u>\$2,086,893</u>	<u>\$ 332,012</u>

Note 7 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:

	<u>2024</u>	<u>2023</u>
Various grants and contributions	\$ 74,319	\$ 177,206
CalAim	377,250	-
Volente – LEMO	28,422	-
Volente - Consulting	20,000	-
New A/C Unit	-	12,161
Women's/Children's Ministry	<u>-</u>	<u>16,500</u>
	<u>\$ 499,991</u>	<u>\$ 205,867</u>

MODESTO GOSPEL MISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 8 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 \$250 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, 2024 and 2023 was \$141,686 and \$122,342, respectively. The Organization also has lease agreements to lease building space to unrelated parties with expiration dates ranging from February 2026 to August 2028. Rent income for the years ended June 30, 2024 and 2023 was \$64,150 and \$63,025, respectively.

The cost and accumulated depreciation for assets held for lease with lease terms greater than one year was \$721,282 and \$152,803 at June 30, 2024, respectively. The cost and accumulated depreciation for assets held for lease with lease terms greater than one year was \$721,282 and \$139,434 at June 30, 2023, respectively.

As a lessee, the Organization leases buildings and office equipment under operating leases expiring at various dates through August 2027. The leases include fixed rental payments. For the years ended June 30, the Organization recognized lease expense associated with its leases as follows:

	<u>2024</u>	<u>2023</u>
Fixed lease expense	\$ 35,046	\$ 33,904
Short-term lease expense	<u>19,072</u>	<u>15,518</u>
Net lease cost	<u>\$ 54,118</u>	<u>\$ 49,422</u>

During the years ended June 30, the Organization has the following cash and non-cash activities associated with its lease:

	<u>2024</u>	<u>2023</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 36,377	\$ 36,128
Noncash investing and financing activities:		
Right-of-use assets obtained in exchange for lease liabilities at implementation	\$ -	\$ 97,177

The future payments due under operating leases as of June 30, 2024 is as follows:

2025	\$ 18,367
2026	5,736
2027	4,308
2028	<u>716</u>
	29,127
Less effects of discounting	<u>890</u>
	<u>\$ 28,237</u>

MODESTO GOSPEL MISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 8 Leases (Continued)

For the years ended June 30, 2024 and 2023, the weighted average remaining lease term for all leases are 1.80 and 2.22 years, respectively. Since the Organization generally does not have access to the rate implicit in the lease, the Organization utilizes their incremental borrowing rate as the discount rate. The weighted average discount rate associated with leases for the years ended June 30, 2024 and 2023 are 3.21% and 3.04%, respectively.

The Organization leases home apartments from an unrelated party. Donated lease expense for the years ended June 30, 2024 and 2023 was \$25,930 and \$24,015, respectively, and is included in lease expense on the statements of functional expenses.

Note 9 Contributed Nonfinancial Assets

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

	<u>2024</u>	<u>2023</u>	Utilization in Programs/ Activities	Donor Restrictions	<u>Valuation Techniques and Inputs</u>
Clothing	\$3,695,072	\$2,237,631	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.
Food	1,329,514	966,465	Program Services	No associated donor restrictions	Organization estimated the fair value based on estimates of wholesale values that would be received for selling similar products in the United States.
Rent	25,930	24,015	Program Services	No associated donor restrictions	Organization estimated the fair value based on similar properties rented in the same approximate location.
Supplies	<u>735,743</u>	<u>366,648</u>	Program Services	No associated donor restrictions	Organization estimated the fair value based on estimates of wholesale values that would be received for selling similar products in the United States.
	<u>\$5,786,259</u>	<u>\$3,594,759</u>			

Note 10 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, 2024 and 2023.

Note 11 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, 2024 and 2023. 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.

Certificates of deposit: Valued at amortized cost, which approximate fair value.

MODESTO GOSPEL MISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 11 Fair Value Measurements (Continued)

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization 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.

Corporate bonds: Valued at the closing price reported on the active market on which the individual securities are traded.

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:

	<u>June 30, 2024</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 811	\$ -	\$ -	\$ 811
Certificates of deposit	252,241	-	-	252,241
Mutual funds	184,694	-	-	184,694
Corporate bonds	<u>3,684,036</u>	<u>-</u>	<u>-</u>	<u>3,684,036</u>
Total assets in the fair value hierarchy	<u>\$4,121,782</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$4,121,782</u>

	<u>June 30, 2023</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 54,128	\$ -	\$ -	\$ 54,128
Certificates of deposit	872,772	-	-	872,772
Mutual funds	320,227	-	-	320,227
Corporate bonds	<u>342,096</u>	<u>-</u>	<u>-</u>	<u>342,096</u>
Total assets in the fair value hierarchy	<u>\$1,589,223</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,589,223</u>

Note 12 Supplemental Cash Flow Information

	<u>2024</u>	<u>2023</u>
Cash paid for interest	\$ 41,563	\$ 11,520
Noncash transactions:		
Property and equipment acquired with notes payable	650,000	-
Right-of-use assets obtained in exchange for operating lease liabilities at implementation	-	77,443
Right-of-use assets obtained in exchange for operating lease liabilities	-	19,734