WESTMINSTER RESCUE MISSION, INC.

Financial Statements
For the Years Ended August 31, 2022 and 2021

Together with Independent Auditors' Report

Westminster Rescue Mission, Inc.

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For the Years Ended August 31, 2022 and 2021

SC&H

ATTEST SERVICES

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Westminster Rescue Mission, Inc.:

Opinion

We have audited the accompanying financial statements of Westminster Rescue Mission, Inc., which comprise the statement of financial position as of August 31, 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 2022 financial statements referred to above present fairly, in all material respects, the financial position of Westminster Rescue Mission, Inc. as of August 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Westminster Rescue Mission, 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.

Prior Period Financial Statements

The financial statements of Westminster Rescue Mission, Inc. as of August 31, 2021 were audited by other auditors whose report dated May 10, 2022 expressed an unmodified opinion on those statements.

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 Westminster Rescue Mission, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 Westminster Rescue Mission, 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 Westminster Rescue Mission, 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.

SC&H Attest Services, P.C.

November 3, 2023

Westminster Rescue Mission, Inc.

Statements of Financial Position

As of August 31,	*2022*	*2021*
Assets		
Cash	$ 115,279	$ 136,922
Designated cash	93,500	204,313
Employee Retention Credit receivable	-	160,969
Contributions and grants receivable	215,524	136,246
Accounts receivable	65,625	-
Prepaid expenses and other assets	12,618	13,182
Total Current Assets	502,546	651,632
Investments, at fair value	334,675	646,370
Right-of-use assets (operating leases), net	26,132	-
Property and equipment, net	3,037,136	3,100,836
Total Assets	$ 3,900,489	$ 4,398,838
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 18,420	$ 20,351
Accrued payroll	67,530	68,141
Accrued leave	69,237	46,299
Accrued interest	13,346	4,813
Current portion of lease liability (operating)	11,959	-
Medicaid payable	-	305,461
Advanced revenue	-	236,355
Deferred revenue	2,291	10,734
Total Current Liabilities	182,783	692,154
Note payable - long-term portion	500,000	150,000
Lease liability (operating), long-term portion	14,173	-
Total Liabilities	696,956	842,154
Commitments and Contingencies (Note 11)		
Net Assets		
Without donor restrictions	3,062,006	3,475,674
With donor restrictions	141,527	81,010
Total Net Assets	3,203,533	3,556,684
Total Liabilities and Net Assets	$ 3,900,489	$ 4,398,838

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

Westminster Rescue Mission, Inc.

Statements of Activities

For the Years Ended August 31,	*2022*	*2021*
Changes in Net Assets Without Donor Restrictions		
Revenue		
Support		
Contributions and grants	$ 936,808	$ 1,018,781
In-kind donations	91,845	122,699
Total Support	1,028,653	1,141,480
Client income	672,101	632,920
Thrift store	58,854	68,158
Food program income	20,600	-
Recycling income	17,721	17,271
Investment earnings (losses), net	(11,695)	3,858
Loss on asset disposal, net	(6,525)	(1,393)
Other income	41,626	78
Net assets released from restrictions	97,044	120,816
Total Revenue Without Donor Restrictions	1,918,379	1,983,188
Expenses		
Program services		
Thrift stores	236,244	258,647
Residential and rehabilitation	1,341,047	1,274,043
Food distribution	342,647	175,022
Total program services	1,919,938	1,707,712
Supporting services		
Management and general	242,202	261,930
Fundraising	169,907	278,155
Total Expenses	2,332,047	2,247,797
Change in Net Assets Without Donor Restrictions	(413,668)	(264,609)
Changes in Net Assets With Donor Restrictions		
Contributions and grants	157,561	214,636
Net assets released from donor restrictions	(97,044)	(120,816)
Change in Net Assets With Donor Restrictions	60,517	93,820
Total Change in Net Assets	(353,151)	(170,789)
Net Assets, beginning of year	3,556,684	3,727,473
Net Assets, end of year	$ 3,203,533	$ 3,556,684

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

Westminster Rescue Mission, Inc.

Statement of Functional Expenses
For the Year Ended August 31, 2022

	Program Services				Supporting Services		
	Thirft Store	*Residential & Rehabiliation*	*Food*	*Total Program*	*Management and General*	*Fundraising*	*Total*
Auto expense	$ -	$ 3,289	$ 11,043	$ 14,332	$ -	$ -	$ 14,332
CARF expenses	-	8,369	-	8,369	-	-	8,369
Client expenses	-	7,930	-	7,930	-	-	7,930
Clinical expenses	-	5,947	-	5,947	-	-	5,947
Compensation	101,678	908,513	142,054	1,152,245	145,654	65,568	1,363,467
Depreciation expense	18,315	100,734	45,789	164,838	9,158	9,158	183,154
Dues and subscriptions	-	4,183	-	4,183	598	1,195	5,976
Employee benefits	2,559	14,073	6,397	23,029	1,279	1,279	25,587
Fundraising	-	-	-	-	-	68,459	68,459
Human resources	454	2,497	1,135	4,086	227	227	4,540
Information technology	6,974	38,356	17,434	62,764	3,487	3,487	69,738
Insurance	8,217	45,196	20,543	73,956	4,109	4,109	82,174
Interest expense	853	4,694	2,133	7,680	427	427	8,534
Licenses and permits	129	712	324	1,165	65	65	1,295
Maintenance and repairs	4,586	27,250	29,007	60,843	2,417	2,417	65,677
Marketing	1,049	5,768	2,622	9,439	524	524	10,487
Office expense	1,906	10,490	4,767	17,163	952	952	19,067
Payroll taxes	7,866	68,156	10,987	87,009	11,277	5,075	103,361
Professional fees	-	-	-	-	55,063	-	55,063
Security	96	528	240	864	48	48	960
Supplies	1,226	6,741	3,064	11,031	613	613	12,257
Telephone	2,053	11,293	5,133	18,479	1,027	1,027	20,533
Thrift stores merchandise	58,821	-	-	58,821	-	-	58,821
Trash removal	1,236	1,484	1,236	3,956	495	495	4,946
Training	-	283	-	283	-	-	283
Utilities	12,307	58,057	26,831	97,195	4,782	4,782	106,759
Workforce program	5,919	6,504	11,908	24,331	-	-	24,331
Total Expenses	$ 236,244	$ 1,341,047	$ 342,647	$ 1,919,938	$ 242,202	$ 169,907	$ 2,332,047

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

Westminster Rescue Mission, Inc.

Statement of Functional Expenses
For the Year Ended August 31, 2021

	Program Services				Supporting Services		
	Thirft Store	*Residential & Rehabiliation*	*Food*	*Total Program*	*Management and General*	*Fundraising*	*Total*
Auto expense	$ 1,971	$ 3,267	$ 7,812	$ 13,050	$ 500	$ -	$ 13,550
CARF expenses	-	524	-	524	1,443	-	1,967
Client expenses	-	11,237	15	11,252	50	-	11,302
Clinical expenses	-	1,312	-	1,312	-	-	1,312
Compensation	121,497	804,456	94,432	1,020,385	148,839	148,824	1,318,048
Depreciation expense	2,224	129,037	15,151	146,412	10,123	208	156,743
Dues and subscriptions	-	-	-	-	2,773	330	3,103
Employee benefits	2,500	25,375	-	27,875	5,274	17,686	50,835
Fundraising	-	-	-	-	-	60,904	60,904
Human resources	217	4,379	179	4,775	3,653	-	8,428
Information technology	4,219	41,916	4,037	50,172	3,340	10,067	63,579
Insurance	11,032	68,683	12,725	92,440	7,293	4,382	104,115
Interest expense	-	4,813	-	4,813	-	-	4,813
Licenses and permits	-	-	75	75	1,041	-	1,116
Maintenance and repairs	8,257	25,344	10,584	44,185	1,852	1,852	47,889
Marketing	128	236	108	472	-	12,320	12,792
Office expense	2,430	7,873	2,193	12,496	6,747	8,169	27,412
Payroll taxes	11,323	66,972	8,198	86,493	11,511	11,798	109,802
Professional fees	-	-	-	-	26,250	-	26,250
Security	75	1,817	-	1,892	2,479	-	4,371
Supplies	1,569	9,770	1,034	12,373	15,811	414	28,598
Telephone	403	5,352	451	6,206	4,991	624	11,821
Thrift stores merchandise	66,822	-	-	66,822	-	-	66,822
Trash removal	1,380	2,046	1,023	4,449	512	512	5,473
Training	-	-	-	-	1,028	65	1,093
Utilities	12,631	58,313	14,750	85,694	6,331	-	92,025
Workforce program	9,969	1,321	2,255	13,545	89	-	13,634
Total Expenses	$ 258,647	$ 1,274,043	$175,022	$ 1,707,712	$ 261,930	$ 278,155	$ 2,247,797

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

Westminster Rescue Mission, Inc.

Statements of Cash Flows

For the Years Ended August 31,	*2022*	*2021*
Cash Flows From Operating Activities		
Change in net assets	$ (353,151)	$ (170,789)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	183,154	156,743
Amortization of right-of-use assets	11,883	-
In-kind donation of capitalized assets	(1,000)	(40,035)
Loss on asset disposal	6,525	1,393
Net realized and unrealized loss on investments	18,446	9,679
Collections of contributions restricted for long term purpose	(9,982)	(214,636)
Changes in assets and liabilities:		
Employee Retention Credit receivable	160,969	(160,969)
Contributions and grants receivable	(79,278)	(63,261)
Accounts receivable	(65,625)	20,909
Prepaid expenses and other assets	564	4,861
Accounts payable	(1,931)	(44,324)
Accrued payroll	(611)	15,753
Accrued leave	22,938	(11,536)
Accrued interest	8,533	4,813
Lease liability	(11,883)	-
Medicaid payable	(305,461)	305,461
Advanced revenue	(236,355)	46,620
Deferred revenue	(8,443)	(12,408)
Net Cash Used in Operating Activities	(660,708)	(151,726)
Cash Flows From Investing Activities		
Acquisition of property and equipment	(124,979)	(260,250)
Proceeds on disposals of equipment	-	3,500
Sales (purchases) of investments, net	293,249	(13,537)
Net Cash Provided by (Used in) Investing Activities	168,270	(270,287)
Cash Flows From Financing Activities		
Proceeds from note payable	350,000	-
Collections of contributions restricted for long term purposes	9,982	214,636
Net Cash Provided by Financing Activities	359,982	214,636
Net Decrease in Cash	(132,456)	(207,377)
Cash, beginning of year	341,235	548,612
Cash, end of year	$ 208,779	$ 341,235
Reconciliation of Cash and Designated Cash		
Cash	$ 115,279	$ 136,922
Designated Cash	93,500	204,313
Total Cash, end of year	$ 208,779	$ 341,235
Supplemental Cash Flow Information:		
Recognition of right-of-use assets - operating	$ 38,015	$ -
Recognition of lease liabilities - operating	$ 38,015	$ -

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

1. NATURE OF ORGANIZATION

Westminster Rescue Mission, Inc. ("the Mission") is a community that provides clinical, physical and spiritual resources to heal the addicted and feed the hungry. The Mission takes a holistic approach with Christ as the foundation of its work. The Mission is a 501(c)(3) non-profit organization with three key lines of service: the Addiction Healing Center ("AHC"), the Mission Food Program, and the Mission Marketplace. Although these are distinct services, they are also inter-related and work closely with one another to serve individuals with a wide spectrum of needs. Respecting each individual, honoring their choices, and meeting them where they are to best support them are key goals for the Mission.

Specifically, the AHC provides a long-term residential, 58-bed addiction treatment program for men and women. Located in Carroll County, Maryland, the program provides a CARF-accredited, ASAM 3.1 level of care, as well as step-down care in transitional housing. The AHC is committed to persistently improving client outcomes and helping individuals overcome barriers to long-term recovery and to become productive members of society. Adopting a client-centered model of care which approaches treatment from a variety of health perspectives – mental, emotional, physical and spiritual – while also providing practical support to assist clients in transitioning to an improved quality of life when they assimilate back into the community, is a hallmark of the AHC's program. With a care team of licensed clinicians, nursing, and peer recovery staff and counselors, clients benefit from a variety of perspectives, professional expertise, and supports.

The Mission also compassionately serves people in need in Carroll County, Maryland with food and clothing distributions. The Mission Store is a retail operation on the property, selling used clothing, housewares and furniture to the general public and is inventoried by donations from the public. The Mission Store was permanently closed during the year ended August 31, 2022.

As a partner with the Maryland Food Bank, the Mission participates in the Feeding America program and other food source networks intended to gather surplus food from stores and restaurants in the Carroll County region and redistribute it to individuals and families in need. The Mission operates an on-site pantry and also distributes food to other providers including senior centers, in-school programs, homeless shelters, soup kitchens, food pantries and various community outreach events which represents more than 1,000 unique families each year and on average, 850 families each month. During the years ended August 31, 2022 and 2021, over 793,500 pounds and 705,000 pounds, respectively, of food was redistributed directly and through partnering organizations to people in need in Carroll County, including the Mission kitchen to feed the men and women in the residential recovery program. The redistributed food was sourced from the Maryland Food Bank, local stores and restaurants, and donors. Beginning in May 2022, additional food was provided through The Emergency Food Assistance Program ("TEFAP").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Mission are prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

Financial Statement Presentation

The financial statement presentation is in accordance with the requirements of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958, *Not-for-Profit Entities: Presentation of Financial Statements.* The Mission is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions: These represent net assets that are not subject to donor-imposed restrictions. This net asset class would include net assets designated by the Board of Directors, however, there were no Board designated net assets as of August 31, 2022 and 2021.

Net Assets With Donor Restrictions: These represent net assets subject to stipulations imposed by donors, including grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Mission or by the passage of time. When a restriction expires or is fulfilled, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities. Donor restrictions may be perpetual in nature, whereby the donor has stipulated the funds to be maintained in perpetuity, however, there were no net assets restricted by donors in perpetuity as of August 31, 2022 and 2021.

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash

The Mission maintains substantially all of its cash with one commercial bank. Accounts are guaranteed by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000 per depositor. The Mission periodically maintains cash balances in excess of FDIC coverage. Management considers this to be a normal business risk.

Accounts Receivable

Accounts receivable consist primarily of fees due from program services, are shown at face value, and are non-interest bearing. Management has determined all receivables are collectible; accordingly, no allowance for doubtful accounts is deemed necessary.

Contributions and Grants Receivable

Contributions and grants receivable are recognized at net realizable value when the promise is received. The Mission expects all contributions and grants receivable to be collected; accordingly, no allowance for doubtful accounts is deemed necessary.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

Investments and Investment Income

The Mission reports its investments at fair value and any realized and unrealized gains and losses and investment income are recorded in the statements of activities as a change in without donor restricted net assets, unless their use is restricted by explicit donor-imposed stipulations or by law.

Investment Risks and Uncertainties

The Mission invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment of securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Right of Use Assets and Lease Liability

The Mission leases certain office equipment under noncancelable operating lease agreements. The Mission assesses its contracts to determine if they contain a lease. This assessment is based on (i) the right to control the use of an identified asset; (ii) the right to obtain substantially all of the economic benefits from the use of the identified asset; and (iii) the right to use the identified asset.

A right-of-use asset represents the Mission's right to use an underlying asset for the lease term, and a lease liability represents the Mission's obligation to make lease payments per the lease. Renewal options that the Mission is reasonably certain to accept are recognized as part of the lease liability and right-of-use asset. Operating lease right-of-use assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As the rate implicit in most of the Mission's leases is not readily determinable, the Mission used the risk-free rate to determine the present value of lease payments.

Property and Equipment

All acquisitions of property and equipment in excess of $1,000 and all expenditures for repairs, maintenance, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are stated at cost, or, if donated, at fair market value at the date of donation, less accumulated depreciation. Depreciation is recorded on a straight-line basis over the following estimated useful lives:

Buildings and land improvements	10-40 years
Furniture and fixtures	5-10 years
Equipment	5-7 years
Vehicles	5 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

Valuation of Long-Lived Assets

The Mission accounts for the valuation of long-lived assets under ASC 360, *Property, Plant and Equipment*. ASC 360 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed are reportable at the lower of the carrying amount or fair value, less costs to sell. As of August 31, 2022 and 2021, management does not believe any long-lived assets are impaired and has not identified any assets as being held for disposal.

Contributions and Grants

The Mission records contributions, including grants, in accordance with ASC 958-605, *Not-for-Profit Entities: Revenue Recognition*. Contributions are recognized when the donor makes an unconditional promise to give to the Mission. If an unconditional promise to give is not previously made, then the contribution is recognized when received. Contribution revenue is reported at the fair value of expected future cash flows.

All contributions are available for unrestricted use unless specifically restricted by the donor. Donor-restricted support whose restrictions are met in the same reporting period are recognized in the accompanying statements of activities as support without donor restrictions.

Conditional promises to give are not recognized until the related conditions are substantially met. Contributions restricted by donors to acquire or construct a long-lived asset, including property and equipment, are released when the long-lived asset has been placed into service.

In-Kind Donations

In-kind donations include donations of goods, services, and property and equipment. In-kind donations are recorded at the fair value of the item or service as of the date of the contribution. In-kind donations are generally recorded as support without donor restriction unless the donor specifically restricts the use of the item. Donated services that meet the criteria for recognition as contributed services are recorded as in-kind donations and are either recorded as an expense or capitalized as an asset. Contributed property and equipment are recorded at fair value in accordance with the Mission's capitalization policy.

Most donated goods are processed for sale in the thrift store, and generally consist of used clothing, furniture, or household goods. When these items are sold, thrift store revenue and cost of goods sold are recorded.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

Revenue from Exchange Transactions

In accordance with ASC 606, *Revenue from Contracts with Customers*, revenue is recognized when a customer obtains control of promised goods or services (performance obligation) in an amount that reflects the consideration the Mission expects to receive in exchange for those goods or services (transaction price). The Mission's exchange revenue is primarily derived from client income, which reflects the amount of income received for providing treatment, including but not limited to assessments and addiction and recovery services. Revenue is recognized as the services are provided.

Thrift store income is recognized at the time of sale. Recycling income is recognized at the time the recycling is delivered to the recycling centers for income. Food program income is stipend income received for being a Re-Distribution Organization for the Maryland Food Bank.

Functional Expenses

Expenses are charged directly to program, management and general, or fundraising categories based on specific identification where feasible. Costs that cannot be specifically identified with a particular function and that benefit more than one functional category are allocated by management on a consistent basis among program and supporting services benefited, based on either financial or non-financial data, such as square footage of buildings or estimates of personnel time and effort.

Income Taxes

The Mission is an organization described in Section 170(c) of the Internal Revenue Code ("the Code") and is exempt from taxation under Section 501(c)(3) of the Code.

ASC 740, *Income Taxes*, prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return as well as guidance on de-recognition, classification, interest and penalties, and financial statement reporting disclosures. For these benefits to be recognized, a tax position must be more-likely-than not to be sustained upon examination by taxing authorities. The amount recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Mission has not identified any unrecognized tax exposures. The Mission recognizes interest and penalties accrued on any unrecognized tax exposures as a component of income tax expense. The Mission does not have any amounts accrued relating to interest and penalties as of August 31, 2022 and 2021. The Mission is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

Recently Issued Accounting Pronouncements

The FASB issued Accounting Standard Update ("ASU") 2016-02, *Leases (Topic 842*), which is effective for fiscal years beginning after December 15, 2021. The distinction between finance leases and operating leases is substantially similar to the distinction between capital leases and operating leases in the previous lease guidance. Lessor accounting is also largely unchanged. For lessees, leases under both categories will be reported on the statement of financial position as a depreciable right-to-use asset and a liability to make lease payments. The asset and liability should be initially measured at the present value of the lease payments, including payments to be made in optional periods only if the lessee is reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease. The asset will be depreciated, and the liability will be reduced by lease payments. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and liabilities. The Mission early implemented ASU 2016-02 during the year ended August 31, 2022 using the modified retrospective transition approach to adopt this guidance, which allows a cumulative effect adjustment to apply the new lease standard at the adoption date and does not require adjustments to comparative periods or modified disclosures in those comparative periods. The Mission made the following elections:

- The Mission elected the package of practical expedients to not reassess prior conclusions related to contracts containing leases, lease classification, and initial direct costs for all leases upon transition.
- The Mission did not elect the hindsight practical expedient upon transition for all leases.
- The Mission elected the short-term lease measurement and recognition exemption, resulting in lease payments for short-term leases to be recorded as an expense on a straight-line basis over the lease term.
- The Mission elected to include both lease and non-lease components as a single component for all leases.

As a result of the adoption of ASU 2016-02, the Mission recognized right-of-use assets of $38,015 and total lease liability of $38,015 which represented the present value of the remaining lease payments as of September 1, 2021. The right-of-use asset was measured at an amount equal to the lease liability. Due to the adoption of the standard using the modified retrospective transition approach, there are no changes to previously reported results prior to September 1, 2021. Lease expense did not change materially as a result of the adoption of the new guidance.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. The ASU requires quantitative and qualitative enhancements to the financial statement presentation and disclosure of contributed nonfinancial assets, or in-kind donations. The Mission implemented ASU 2020-07 during the year ended August 31, 2022 and it did not have an effect on the Mission's net assets or changes in net assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

Reclassifications

Certain amounts in the prior year financial statements and footnotes have been reclassified to conform to current year presentation. The reclassifications had no effect on net assets or the changes therein.

Subsequent Events

The Mission evaluated for disclosure any subsequent events through November 3, 2023, the date the financial statements were available to be issued, and determined there were no material events that warrant disclosure except as described in Notes 4 and 8.

3. DESIGNATED CASH

Designated cash is maintained in separate bank accounts and consists of donor restricted funds as well as unused EIDL funds (Note 7). Designated cash consists of the following as of August 31,:

		2022		2021
Program support including staff compensation funding	$	56,220	$	65,499
Client expenses and special projects		5,325		124,158
Capital improvements		9,982		14,656
Unused EIDL funds		21,973		-
Total	$	93,500	$	204,313

4. EMPLOYEE RETENTION CREDIT

The Employee Retention Credit ("ERC") is a refundable credit against certain payroll taxes allowed to an eligible employer for qualifying wages that was established by the Coronavirus Aid, Relief, and Economic Security ("CARES") Act and further amended by the Consolidated Appropriations Act and the American Rescue Plan. During the year ended August 31, 2021, the Mission filed applicable Forms 941-X, *Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund* and recognized $160,969 of revenue, and the Mission recorded a corresponding ERC receivable totaling $160,969 on the accompanying statement of financial position as of August 31, 2021. These ERC funds were received in full during the year ended August 31, 2022. Subsequent to August 31, 2022, the Mission filed an additional Form 941-X in order to receive amounts related to an additional eligible quarter, and the Mission subsequently received an employee retention credit and related interest totaling $171,941.

5. FAIR VALUE MEASUREMENT

ASC 820, *Fair Value Measurement*, defines fair value and establishes a framework for measuring fair value. That framework 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 measurement) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

5. FAIR VALUE MEASUREMENT – cont'd.

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets to which the Mission 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 upon the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value:

Mutual funds: Valued at the closing price of shares held by the Mission at year end. All mutual funds held by the Mission are traded in active markets to which the Mission has access.

U.S. government obligations: Valued at the most recent price of the equivalent quoted yield for such securities or those of comparable maturity, quality, and type. Such debt securities are generally classified within Level 2 of the valuation hierarchy.

The methods described above may produce a fair value calculation that is not indicative of net realizable value or reflective of future fair values. Furthermore, while the Mission believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used as of August 31, 2022 and 2021.

5. FAIR VALUE MEASUREMENT – cont'd.

The following table presents the Mission's assets and liabilities measured at fair value by classification within the fair value hierarchy as of August 31, 2022:

	Level 1	Level 2	Level 3	Total
Mutual funds	$ 86,993	$ -	$ -	$ 86,993
U.S. government obligations	-	109,625	-	109,625
Total investments, at fair value	$ 86,993	$ 109,625	$ -	$ 196,618

The following table presents the Mission's assets and liabilities measured at fair value by classification within the fair value hierarchy as of August 31, 2021:

	Level 1	Level 2	Level 3	Total
Mutual funds	$ 247,075	$ -	$ -	$ 247,075
U.S. government obligations	-	237,989	-	237,989
Total investments, at fair value	$ 247,075	$ 237,989	$ -	$ 485,064

Cash and cash equivalents held in investment accounts totaling $138,057 and $161,306 as of August 31, 2022 and 2021, respectively, have been excluded from the fair value hierarchy tables above.

Below is a summary of the cost basis of investments as of August 31,:

	2022	2021
Cash and cash equivalents	$ 138,057	$ 161,306
Mutual funds	102,393	250,009
U.S. government obligations	110,092	234,347
Total investments, at cost basis	$ 350,542	$ 645,662

Investment earnings (losses) are comprised of the following for the years ended August 31,:

	2022	2021
Interest and dividends	$ 6,751	$ 13,537
Unrealized loss	(15,830)	(10,383)
Realized gain (loss)	(2,616)	704
Total investment earnings (losses), net	$ (11,695)	$ 3,858

6. PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of August 31,:

	2022	2021
Land	$ 98,405	$ 98,405
Buildings and land improvements	4,781,118	4,743,855
Furniture and fixtures	82,056	93,684
Vehicles	229,752	181,636
Equipment	269,245	266,300
	5,460,576	5,383,880
Less: accumulated depreciation	(2,423,440)	(2,283,044)
Property and equipment, net	$ 3,037,136	$ 3,100,836

Depreciation expense for the years ended August 31, 2022 and 2021 totaled $183,154 and $156,743, respectively.

7. NOTE PAYABLE

On July 6, 2020, the Mission entered into an agreement with the Small Business Administration ("SBA") for an Economic Injury Disaster Loan ("EIDL") in the amount of $150,000. In February 2022, the SBA authorized a loan modification to increase the loan amount from $150,000 to $500,000. The note will be payable over 30 years from the original date of the note. The Mission will make monthly payments of $2,211 that include principal and interest, beginning thirty months from the original date of the note. Payments will initially be interest-only to pay down accrued interest. The interest rate is 2.75%. Interest will be accrued during the deferment period. The note is collateralized by all tangible and intangible property owned by the Mission.

Future minimum payments on the note payable are as follows for the years ended August 31,:

2023	$ -
2024	3,495
2025	13,042
2026	13,405
2027	13,778
Thereafter	456,280
Total note payable	$ 500,000

8. LINE OF CREDIT

Subsequent to August 31, 2022, in February 2023, the Mission entered into a line of credit agreement with a commercial bank to borrow up to $500,000. The line bears interest based on prime rate, and monthly payments of interest are required. The line is due on demand.

The collateral on the line is a deed of trust dated February 28, 2023 for real property and an assignment of all rents on real property located in Carroll County, Maryland.

9. IN-KIND DONATIONS

The following table summarizes the contributed services and assets recorded as in-kind donations for the year ended August 31, 2022:

Description	Value	Fair Value Technique
Thrift store goods	$ 58,821	Based on selling price
IT services	31,564	Estimated based on provider's standard billing rate
Groundskeeping equipment	1,000	Estimated based on recent local sale price of similar equipment
Common area equipment	460	Estimated based on local market price for similar asset
Total	$ 91,845	

All in-kind donations were utilized in the Mission's operations. There were no donor restrictions associated with any of the in-kind donations.

10. DIRECT MAIL

The Mission uses a third party to generate direct mail to contributors. For the years ended August 31, 2022 and 2021, direct mail fees paid total $54,047 and $53,305, respectively. Contributions received for the years ended August 31, 2022 and 2021 related to these fees total $115,347 and $142,875, respectively.

11. COMMITMENTS

Contractual Commitment

In May 2022, the Mission entered into a contract with Constellation NewEnergy, Inc. in which the Mission's energy efficient equipment supplier will install new LED lighting in the Mission's facilities. The total costs per the contract will be $56,894 to be paid over 48 equal monthly installments beginning in November 2022. As of August 31, 2022, the LED lights were not installed or placed into service and the Mission had not yet been invoiced for any costs, therefore, there was no asset or note payable recorded on the accompanying statements of financial position. Future commitments under this contract are as follows for the years ending August 31,:

2023	$ 11,853
2024	14,223
2025	14,223
2026	14,223
2027	2,372
Total	$ 56,894

11. COMMITMENTS – cont'd.

Operating Leases

The Mission leases certain office equipment under agreements that expire through August 2025. Lease expense for the year ended August 31, 2021 was $13,019.

Operating lease costs for the year ended August 31, 2022 are $11,959. Operating cash flows from operating leases are $11,959 for the year ended August 31, 2022.

Right-of-use assets obtained in exchange for operating lease liabilities:	$ 38,015
Less: accumulated amortization:	(11,883)
Right-of-use assets (operating leases), net	$ 26,132

Weighted average remaining lease term - operating leases:	2.19 years
Weighted average discount rate - operating leases:	0.24%

The following table presents future annual minimum lease payments required under non-cancellable leases and the present value discount to arrive at total lease liability as of August 31, 2022.

Years ending August 31,:	
2023	$ 11,959
2024	11,959
2025	2,289
Total future minimum lease payments	26,207
Less: discount to present value	(75)
Total lease liability	$ 26,132

There were no variable lease costs during the year ended August 31, 2022. The Mission's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

12. RELATED PARTY TRANSACTIONS AND CONCENTRATIONS

Contributions, including grants, received from members of the Board of Directors and/or organizations affiliated with the Board of Directors totaled $68,254 and $97,677 for the years ended August 31, 2022 and 2021, respectively, which represented approximately 6.0% and 8.6% of total contributions, respectively.

During the year ended August 31, 2022, contribution revenue from one donor, unaffiliated with any Board member, represented approximately 12% of total contributions.

Grants from state and federal sources represent approximately 40% of the Mission's total contribution revenue for the year ended August 31, 2022.

13. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of August 31,:

	2022	2021
Program support and client expenses	$ 11,403	$ 18,600
Salaries	120,142	47,754
Facility expansion and capital projects	9,982	14,656
Total net assets with donor restrictions	$ 141,527	$ 81,010

Net assets were released from donor restrictions for the following purposes during the year ending August 31, 2022:

Program support and client expenses	$ 14,775
Salaries	67,613
Facility expansion and capital projects	14,656
Total net assets with donor restrictions	$ 97,044

14. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Mission's financial assets available within one year for general expenditures are as follows as of August 31,:

	2022	2021
Cash	$ 115,279	$ 136,922
Designated cash	93,500	204,313
Employee Retention Credit receivable	-	160,969
Contributions and grants receivable	215,524	136,246
Accounts receivable	65,625	-
Total current financial assets	489,928	638,450
Less: Net assets with donor restriction	(141,527)	(81,010)
Financial assets available to meet cash needs for general expenditures within one year	$ 348,401	$ 557,440

The Mission manages its cash available to meet general expenditures by operating within a prudent range of financial soundness and stability. The Board of Directors and Finance Committee meet regularly to review the operations of the Mission. Although the investments are held as non-current assets, the Mission does have the ability to withdrawal investments for use in operations. To help manage liquidity needs, subsequent to August 31, 2022, the Mission entered into a line of credit agreement with a commercial bank to borrow up to $500,000 (Note 8).