

FRESNO RESCUE MISSION & AFFILIATES
Fresno, California

CONSOLIDATED FINANCIAL STATEMENTS
and
INDEPENDENT AUDITOR'S REPORT

For the year ended June 30, 2023

Fresno Rescue Mission & Affiliates
CONSOLIDATED FINANCIAL STATEMENTS
For the year ended June 30, 2023

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS:	
Consolidated Statement of Financial Position	2
Consolidated Statement of Activities.....	3
Consolidated Statement of Functional Expenses	4
Consolidated Statement of Cash Flows	5
Notes to Consolidated Financial Statements.....	6



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Kenneth W. Savage, CPA

INDEPENDENT AUDITOR'S REPORT

May 6, 2024

To the Boards of Directors
Fresno Rescue Mission, Inc, Fresno Works, Inc.,
Fresno Rescue Mission Foundation, Fresno City Center Corporation, and
Fresno Mission Communities, Inc.
Fresno, California

We have audited the accompanying consolidated financial statements of Fresno Rescue Mission & Affiliates (a consolidation of nonprofit organizations), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Fresno Rescue Mission & Affiliates and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing and 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 consolidated 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 consolidated financial statements.
- Obtaining 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 Fresno Rescue Mission and Affiliates' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Fresno Rescue Mission and Affiliates' 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.

- Savage & Company

Savage & Company
Certified Public Accountant

Fresno Rescue Mission & Affiliates
Consolidated Statement of Financial Position
June 30, 2023

	<u>2023</u>
<u>ASSETS</u>	
CURRENT ASSETS	
Cash and cash equivalents (<i>operations</i>)	\$ 5,000,906
Cash and cash equivalents (<i>Expansion Funds</i>)	16,001,167
Accounts receivable	87,298
Inventory	127,472
Prepaid expenses	161,398
Deposits and other assets	371,713
Investments designated for replacement of land and buildings (<i>Expansion Funds</i>)	<u>1,419,758</u>
TOTAL CURRENT ASSETS	23,169,712
NONCURRENT ASSETS	
Property taxes receivable	95,062
Deferred prepaid expenses	75,946
Investments	137,652
NOTES RECEIVABLE	21,793,896
RIGHT-OF-USE ASSETS, Finance lease, net	30,898
PROPERTY AND EQUIPMENT, net	<u>43,283,584</u>
TOTAL ASSETS	<u>\$ 88,586,750</u>
<u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES	
Accounts payable and accrued expenses	\$ 795,910
Current portion of lease obligation-finance lease	6,393
Accrued compensated absences	<u>120,071</u>
TOTAL CURRENT LIABILITIES	922,374
LONG-TERM DEBT, net	28,432,436
RESTRICTED GRANT LIABILITY	1,000,000
LONG-TERM LEASE OBLIGATION-FINANCE LEASE	<u>24,188</u>
TOTAL LIABILITIES	<u>30,378,998</u>
NET ASSETS	
Without donor restrictions	55,232,987
With donor restrictions	<u>2,974,765</u>
TOTAL NET ASSETS	<u>58,207,752</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 88,586,750</u>

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

Fresno Rescue Mission & Affiliates
Consolidated Statement of Activities
For the year ended June 30, 2023

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE AND SUPPORT:			
Contributions	\$ 4,836,447	\$ 3,003,394	\$ 7,839,841
Contributions – in-kind & noncash:			
Clothing, furniture & other for resale	1,014,174	-	1,014,174
Vehicles for resale	58,450	-	58,450
Food	1,168,751	-	1,168,751
Thrift Store sales	2,157,261	-	2,157,261
Rent income & tenant reimbursements	1,449,630	-	1,449,630
Special events income	495,090	-	495,090
Program income	472,220	-	472,220
Investment income	174,400	-	174,400
Other income	342,616	-	342,616
Net assets released from restrictions:			
Satisfaction of restrictions	368,116	(368,116)	-
	12,537,155	2,635,278	15,172,433
TOTAL OPERATING REVENUE AND SUPPORT			
EXPENSES:			
<i>Program Services</i>	10,246,451	-	10,246,451
<i>Supporting Services:</i>			
Management and general	1,879,773	-	1,879,773
Fundraising expenses	1,372,951	-	1,372,951
	13,499,175	-	13,499,175
TOTAL EXPENSES			
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	(962,020)	2,635,278	1,673,258
NONOPERATING:			
Nonoperating investment income	94,438	-	94,438
	94,438	-	94,438
CHANGE IN NET ASSETS FROM NONOPERATING ACTIVITIES			
CHANGE IN NET ASSETS	(867,582)	2,635,278	1,767,696
NET ASSETS AT BEGINNING OF YEAR	56,100,569	339,487	56,440,056
NET ASSETS AT END OF YEAR	\$ 55,232,987	\$ 2,974,765	\$58,207,752

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

Fresno Rescue Mission & Affiliates
Consolidated Statement of Functional Expenses
For the year ended June 30, 2023

	2023			
	Supporting Services			Total
	Program	Management and General	Fundraising	
Salaries and wages	\$ 3,366,055	\$ 565,770	\$ 359,714	\$ 4,291,539
Payroll taxes	274,117	42,034	29,197	345,348
Fringe benefits	282,926	120,872	34,016	437,814
Cost of goods sold – autos	112,504	-	-	112,504
Cost of goods sold – clothing/other	994,589	-	-	994,589
Advertising and promotion	147,306	7,454	518,744	673,504
Bank and credit card fees	40,831	1,843	67,334	110,008
Consultants	-	21,665	42,825	64,490
Depreciation and amortization	1,478,895	-	-	1,478,895
Discipleship benevolence	11,506	-	-	11,506
Equipment - noncapital	132,328	4,375	76	136,779
Expansion expenses	267,679	-	-	267,679
Food and vending services	1,284,380	5,185	173	1,289,738
Fundraising expense – capital campaign	161,474	-	9,722	171,196
Insurance	23,492	163,513	-	187,005
Interest	159	318	-	477
Office and operational supplies	22,020	8,647	1,946	32,613
Other expense	22,309	12,501	31,141	65,951
Postage	47	7,793	11,980	19,820
Printing	28,144	515	11,073	39,732
Professional fees	121,878	329,871	1,738	453,487
Program supplies and expense	248,053	-	-	248,053
Rent – equipment	12,520	19,493	536	32,549
Rent – facilities	127,564	-	-	127,564
Repairs and maintenance	307,773	32,277	-	340,050
Security	76,731	-	-	76,731
Special events	10,474	-	242,147	252,621
Staff development	7,128	3,871	1,966	12,965
Taxes, licenses and permits	121,146	23,542	-	144,688
Telephone	78,393	63,475	69	141,937
Travel and seminars	10,232	17,946	7,473	35,651
Utilities	405,110	353,083	-	758,193
Vehicle expense	68,688	73,730	1,081	143,499
TOTAL EXPENSES	\$ 10,246,451	\$ 1,879,773	\$ 1,372,951	\$ 13,499,175

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

Fresno Rescue Mission & Affiliates
Consolidated Statement of Cash Flows
For the year ended June 30, 2023

	2023
CASH FLOWS FROM OPERATING ACTIVITIES	
Adjustment to reconcile change in net assets to net used in operating activities:	
Change in net assets	\$ 1,767,696
Depreciation and amortization	1,478,895
Unrealized losses on investments	47,946
Noncash deferred prepaid expense	46,243
Contributions restricted for long-term investment	(3,003,394)
Changes in operating assets and liabilities:	
Accounts receivable	(32,059)
Inventory	(18,656)
Prepaid expenses	(52,059)
Deposits	(3,391)
Property taxes receivable	(95,062)
Accounts payable, accrued expenses & capital leases	(1,085,624)
Accrued compensated absences	(719)
NET CASH USED IN OPERATING ACTIVITIES	(950,184)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(8,300,059)
Proceeds from investments liquidated	15,201,404
Investment income reinvested	(152,254)
Loan made in relation to NMTC financing	(11,181,396)
Loan origination fees paid	(586,034)
NET CASH USED IN INVESTING ACTIVITIES	(5,018,339)
CASH FLOWS FROM FINANCING ACTIVITIES	
Loan proceeds from NMTC financing	15,270,000
Principal paid on finance lease obligation	(1,382)
Contributions restricted for long-term investment	3,003,394
NET CASH PROVIDED BY FINANCING ACTIVITIES	18,272,012
NET INCREASE IN CASH AND CASH EQUIVALENTS	12,303,489
CASH EQUIVALENTS & RESTRICTED CASH, at beginning of year	8,698,584
CASH EQUIVALENTS & RESTRICTED CASH, at end of year	21,002,073
Supplemental disclosure of cash flow information and noncash financing and investing activity:	
Cash paid for interest	\$ 265,370
Noncash acquisition of ROU asset	\$ 31,963
Noncash finance lease obligation	\$ 31,963

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

Fresno Rescue Mission & Affiliates
Notes to Consolidated Financial Statements
For the year ended June 20, 2023

1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities and Description of Organization

Fresno Rescue Mission, Inc. (Mission) is a California faith-based nonprofit corporation formed in 1950 to provide rescue services in the greater Fresno County area. The purpose of the Mission is to provide practical material and spiritual assistance to homeless individuals and families and neglected and abused children through rehabilitation programs for alcoholic and drug addicted men and women. The Mission is supported primarily through contributions from individuals and businesses of Fresno County and its affiliates. The Mission and its affiliates conducts its operations at multiple locations for ministry purposes in Fresno, California including Downtown (G Street), City Center, Rescue The Children, and Thrift Shop locations.

Fresno Rescue Mission Foundation (Foundation) is a California nonprofit corporation (charitable support organization) dedicated to the promotion and support of Fresno Rescue Mission Inc. The Foundation acts as a trustee in receiving, investing, managing, administering, and distributing funds for the ministries of the Mission. The Foundation has invested funds in a commercial building and rents the facilities to other nonprofit organizations at favorable rental rates. The Foundation is supported primarily through net rental income and contributions from individuals and businesses of Fresno County.

Fresno Works, Inc. (Works) is a California nonprofit corporation with the sole purpose of operating a Thrift Store providing low cost items to the Fresno community. It also provides job-training opportunities for persons in the Mission programs and the community at large.

Fresno City Center Corporation (FCCC) is a California nonprofit corporation with the sole purpose of development and construction of program facilities at Clark Street and Dakota Avenue, Fresno, California using financing from the New Market Tax Credit program.

Fresno Mission Communities, Inc. (FMC) is a California nonprofit corporation with the sole purpose of developing property for program ministry purposes. There was no financial activity for the entity for the fiscal year ended June 30, 2023.

The accompanying consolidated financial statements include the Mission, Foundation, Works, FCCC and FMC. These entities are under common control and management and meet the requirements for consolidation under generally accepted accounting standards. All material intercompany profits, transactions and balances have been eliminated in the consolidated financial statements.

Basis of Presentation

These financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Fresno Rescue Mission & Affiliates
Notes to Consolidated Financial Statements
For the year ended June 30, 2023

1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

Basis of Presentation (cont)

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) *Audit and Accounting Guide for Not-for-Profit Organizations*, (the “Guide”). (ASC) 958-205 was effective for January 1, 2018. Professional accounting standards require that the organization report information regarding its financial position and activities according to two classes of net assets – net assets without donor restrictions and net assets with donor restrictions. Under these standards, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Accordingly, the net assets of the organization and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. The organization’s board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

The organization receives grants and contributions from government agencies, corporations, individuals, etc. Such grants and contributions are recorded when received or unconditionally promised and are considered to be available for the support of the organization’s operations, unless specifically restricted by the donor or agency.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). ASU 2016-02 was issued to increase transparency and comparability among entities. Lessees will need to recognize nearly all lease transactions (other than leases that meet the definition of a short-term lease) on the statement of financial position as a lease liability and a right-of-use asset (as defined). The organization adopted ASU No. 2016-02, *Leases* in the year ended June 30, 2023. The organization elected the short-term lease recognition exemption for all leases that qualify, meaning it does not recognize right-of-use assets (“ROU assets”) or lease liabilities for those leases. The organization also elected the practical expedient to not separate lease and non-lease components if applicable to any of its leases.

Additionally, the organization elected the package of three practical expedients which allows entities to not reassess initial direct costs, lease classification for existing or expired leases, and lease definition for existing or expired contracts as of the effective date of July 1, 2022.

Fresno Rescue Mission & Affiliates
Notes to Consolidated Financial Statements
For the year ended June 30, 2023

1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

Recent Accounting Pronouncements (cont)

The organization did not, however, elect the hindsight method practical expedient, which would have allowed it to reassess lease terms and impairment. The organization determined that it had one financing lease requiring recognition under ASC 842.

In September 2020, the FASB issued Accounting Standards Update 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The guidance requires that a Not-for-Profit (NFP): (1) presents contributed nonfinancial assets as a separate line item in the statement of activities apart from contributions of cash and other assets, and (2) disclose a disaggregation of the contributed nonfinancial assets by category with qualitative information about (a) whether the contributed nonfinancial assets were monetized or utilized during the reporting period, (b) the NFP's policy regarding monetization or utilization, (c) a description of any donor-imposed restrictions; (d) a description of valuation techniques and inputs used to arrive at fair value, and (e) the principal market used to arrive at fair value if it is a market in which the NFP is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets. The organization adopted this new guidance effective July 1, 2022.

Expansion of Properties

The organization is in the process of developing and expanding property, known as City Center, in Fresno, California and raising funds for that purpose. Through heartfelt collaboration, shared spaces, and the pooling of resources, City Center weaves a tapestry of specialized organizations, creating not just support, but a nurturing community. Each entity brings unique skills to the table, all united by the profound mission of transforming lives. City Center, a visionary 9-acre haven, is poised to redefine crisis intervention with its purpose-built facilities spanning over 180,000 square feet, serving as a unified gateway towards recovery. This groundbreaking initiative introduces a wealth of amenities, including multiple co-working office spaces accommodating more than 15 diverse organizations. Complementing this is a dedicated 73-room residential tower, offering shelter for up to 450 individuals, solidifying City Center as a holistic, all-encompassing haven for those seeking a helping hand. Overhead and other expenses incurred during development that do not meet the requirement to capitalize are reported as Expansion Expenses in the statement of functional expenses.

Cash and Cash Equivalents

The organization considers all highly liquid debt instruments purchased with maturity dates of three months or less to be cash and cash equivalents. The organization's cash and cash equivalents consist of accounts maintained in recognized financial institutions. Some of these accounts may have balances in excess of federally insured limits. Management continuously monitors its concentration of funds in financial institutions and reports the amounts to the Board of Directors regularly.

Accounts Receivable

Accounts receivable are primarily respite and adult services receivable on contracts plus employee receivables for used vehicles sold by Fresno Works, Inc. (Thrift Store). Accounts receivable that are expected to be collected within one year are recorded at net realizable value.

Fresno Rescue Mission & Affiliates
Notes to Consolidated Financial Statements
For the year ended June 30, 2023

1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

Accounts Receivable (cont)

All receivables are unsecured. It is the organization's policy to charge off uncollectible receivables when management determines the receivable will not be collected. Management believes all are fully collectible; therefore, no allowance for doubtful accounts has been included in the consolidated financial statements.

Prepaid Property Taxes

The organization has paid Fresno County property taxes and anticipates a refund after exemption documents are filed with the County. The organization has classified the receivable as a noncurrent asset because recovery is not expected until the latter part of 2024.

Investments

Investments are reported at fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for an asset or liability in an orderly transaction between market participants on the measurement date. Net appreciation (depreciation) in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation (depreciation) on those investments, is presented in the statement of activities in accordance with donor restrictions as investment income and included in the change in net assets. Investment income is presented net of investment fees. The average cost method is primarily used to determine the basis for computing realized gains or losses.

Property and Equipment and Depreciation

Property and equipment are carried at cost, if purchased, or fair value at the time of contribution, if donated. Depreciation, including amortization of capitalized leases, is computed using the straight-line method with lives for buildings of 30 and 39 years, leasehold improvements 10 years and other property and equipment from 3 to 7 years.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized. Acquisition of property and equipment in excess of \$5,000 are capitalized. Contributed equipment and vehicles are depreciated over their remaining useful lives. Contributed materials are charged to expense as they are consumed. Property and equipment are reviewed for impairment annually. The organization reports gifts of property as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. All depreciation relates to purchased assets.

Fresno Rescue Mission & Affiliates
Notes to Consolidated Financial Statements
For the year ended June 30, 2023

1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

Leases

The organization determines if a contract is a leasing arrangement and the classification of that lease, if applicable, at inception. Operating lease assets represent the right to control the use of an identified asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease assets and liabilities are recognized at the commencement date (except for leases recognized in the year the accounting principle was adopted) based on the present value of lease payments over the lease term. For operating leases, the organization uses the risk-free rate of return. The organization recognizes operating lease expense for operating leases on a straight-line basis over the lease term.

The organization leases equipment temporarily and under month-to-month operating leases. Leases with month-to-month terms and leases with an initial term of 12 months or less are not recorded on the balance sheet and are expensed on a straight-line basis. Lease and non-lease components are accounted for together as a single lease component for operating leases associated with premises and equipment leases.

Compensated Absences

The organization has a policy permitting employees to accumulate unused paid time off (PTO) benefits. The maximum that can be accrued by any one employee is 30 days per anniversary year. Upon termination or retirement, unused PTO benefits will be paid at the employee's regular payroll rate. The balance of unused PTO benefits at June 30, 2023 was \$120,071 and is included in accrued compensated absences in the accompanying consolidated statement of financial position.

Revenue Recognition

Contributions are recognized as revenue when received or unconditionally promised. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Unconditional contributions are recognized when pledged and recorded as donor restricted support if received with donor stipulations that limit the use of such contributions. When agency and donor restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without restrictions and reported in the accompanying consolidated statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets with donor restriction support. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation.

Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restriction upon acquisition of the assets and when the assets are placed in service. Conditional promises to give are not included as support until the conditions are substantially met. There were no conditional promises to give at June 30, 2023.

Fresno Rescue Mission & Affiliates
Notes to Consolidated Financial Statements
For the year ended June 30, 2023

1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

Functional Allocation of Expenses

The costs of providing the various program and supporting activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. Such allocations are determined by management on an equitable basis.

The significant expenses that are allocated and the method of allocation include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and benefits	Departmental assignment
Professional services	Budgetary shared allocation
Insurance	Square footage
Equipment rent	Budgetary shared allocation
Repairs and maintenance	Square footage
Taxes, licenses & permits	Square footage
Utilities	Square footage/Budgetary shared allocation

Advertising Costs

Advertising costs are expensed as incurred.

Concentrations

Financial instruments that potentially subject the organization to concentration of credit risk include cash and cash equivalents, mutual funds, certificates of deposit, and fixed income securities. For cash and cash equivalents and mutual funds, the carrying amounts represent a reasonable estimate of the fair values due to their short-term maturity. The fair values of investments are presented in Note 3 to the footnotes. The organization places its cash and investments with high credit quality financial institutions. At times, the account balances may exceed the institution's federally insured limits. Cash accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At June 30, 2023, the organization had cash and cash equivalents of approximately \$20.3 million in excess of the FDIC insured limit. A component of the above amount in excess of the FDIC insured limit include cash and cash equivalents in one institution totaling approximately \$16 million that was a required condition of the New Market Tax Credit lender. Management utilizes investment strategies and cash management procedures to minimize concentrations of cash to the extent permitted by daily cash flow needs in response to operations, City Center development, and contractual obligations of New Market Tax Credit agreements.

Investment accounts at each institution are insured by FDIC, Securities Investor Protection Corporation ("SIPC"), and/or the full faith and guarantee of the federal government for federal securities. At June 30, 2023, the organization had investments of approximately \$849,000 in excess of the FDIC, SIPC insured limits, and full faith and guarantee of the federal government for federal securities. The organization has not experienced any realized losses in such cash and investment accounts.

Fresno Rescue Mission & Affiliates
Notes to Consolidated Financial Statements
For the year ended June 30, 2023

1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Mission, Foundation, Works, FCCC, and FMC have been recognized by the Internal Revenue Service as tax-exempt organizations under Internal Revenue Code Section 501(c)(3) and have also been recognized by the California Franchise Tax Board as tax-exempt organizations under California Revenue and Taxation Code Section 23701 (d), and contributions to them are tax deductible within the limitations prescribed by the Code. All organizations have been classified as publicly supported organizations, which are not private foundations under Section 509(a) of the Code.

FASB ASC Topic 740, *Income Taxes*, related to accounting for uncertainty in income taxes, prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Standard requires that the entity account for and disclose in the consolidated financial statements the impact of a tax position if that position will more likely than not be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The organization has evaluated the financial statement impact of tax positions taken or expected to be taken and determined it has no uncertain tax positions that would require tax assets or liabilities to be recorded in accordance with accounting guidance. The organizations are relying on their exempt status and their adherence to all applicable laws and regulations to preserve that status.

Measure of Operations

The consolidated statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the organization's ongoing activities. Nonoperating activities are limited to Expansion Fund resources that generate a return from investments, sale of nonoperating property, and income and expenses recognized from nonoperating activities.

Fresno Rescue Mission & Affiliates
Notes to Consolidated Financial Statements
For the year ended June 30, 2023

2 - INVESTMENTS

Investments consist of the following:

	2023
Mutual funds:	
Investment grade bond funds	28,925
Domestic equity funds	73,931
International equity funds	12,833
Treasuries securities funds	597
Investment cash & equivalents	6,366
 Total mutual funds	 \$ 122,652
Annuity	15,000
	 \$ 137,652

Investments designated for replacement of land and buildings (Expansion Funds) consist of the following:

	2023
Investment cash & equivalents	\$ 1,419,758

Investment income, gains, and losses on the above investments are summarized as follows for the year ended June 30, 2023:

	2023
Operating	
Realized and unrealized gains (losses), net	\$ 5,846
Interest and dividend income, net	2,168
 Subtotal	 8,014
Interest income from note receivable	166,386
 Total operating investment income, net	 \$ 174,400
Nonoperating	
Realized and unrealized gains (losses), net	\$ (53,792)
Interest and dividend income, net	148,230
 Total nonoperating investment income (loss), net	 \$ 94,438

Fresno Rescue Mission & Affiliates
Notes to Consolidated Financial Statements
For the year ended June 30, 2023

3 - FAIR VALUES OF INVESTMENTS

(a). Fair Value Determination

The fair value of the organization's financial instruments represents management's best estimates of the amounts that would be received to sell those assets in an orderly transaction between market participants at the balance sheet date. Those fair value measurements maximize the use of observable inputs. However, in situations where there are little, if any, observable inputs, management's own judgments about the assumptions of market participants were used in pricing the assets. Those judgments are developed by management based on the best information available in the circumstances.

(b). Fair Value Hierarchy

The accounting standards describe three levels of inputs that may be used to measure fair value.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets that the entity has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table presents assets that are measured at fair value on a recurring basis at June 30, 2023:

	<u>Total</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Assets included in investments:				
Mutual funds:				
Investment grade bond funds	\$ 28,925	\$ 28,925	\$ -	\$ -
Domestic equity funds	73,931	73,931	-	-
International equity funds	12,833	12,833	-	-
Treasuries securities funds	<u>597</u>	<u>597</u>	<u>-</u>	<u>-</u>
	116,286	116,286	-	-
Investment cash & equiv.	6,366	6,366	-	-
Annuity	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>15,000</u>
Total assets included in Investments	<u>\$ 137,652</u>	<u>\$ 122,652</u>	<u>\$ -</u>	<u>\$ 15,000</u>

Fresno Rescue Mission & Affiliates
Notes to Consolidated Financial Statements
For the year ended June 30, 2023

3 - FAIR VALUES OF INVESTMENTS (cont)

The following table presents assets that are measured at fair value on a recurring basis at June 30, 2023:

	<u>Total</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Assets included in investments designated for replacement of land and buildings (Expansion Funds):				
Investment cash & equivalents	\$ <u>1,419,758</u>	\$ <u>1,419,758</u>	\$ _____ -	\$ _____ -
Total assets included in investments designated for replacement of land and buildings (Expansion Funds)	\$ <u>1,419,758</u>	\$ <u>1,419,758</u>	_____ -	_____ -

The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value:

Mutual Funds, CD's, Federal bonds, Treasury notes, Investment cash & equivalents, Investment grade corporate bonds, and Money market accounts – Investments in these assets are classified as Level 1, as they can be liquidated in the same day, representing the active and ready market for these assets.

Annuity – The annuity is held by an outside administrator designated by the donor. The organization has no control over the investment of these assets and cannot access them during the annuity period. The reported fair value is the face value of the annuity. As the organization does not have the ability to redeem its interest, the assets are classified as Level 3.

4 - NOTES RECEIVABLE

FRM Phase I Investment Fund, LLC

In relation to NMTC funding and pursuant to two promissory notes each dated March 11, 2022, the Mission loaned funds to the FRM Phase I Investment Fund, LLC in the combined amount of \$10,612,500. The terms of the agreement require interest only at 1.35% payable quarterly beginning June 15, 2022 through March 15, 2029. Beginning March 15, 2029 the terms of the agreement require principal plus interest at 1.35% payable quarterly for interest accruing from March 16, 2029 until loan is due and payable on March 11, 2055. The loan is secured by a Loan and Security Agreement (pledge agreement) dated March 11, 2022 by and between the Mission and PNC Bank. See also Note 7.

Fresno Rescue Mission & Affiliates
Notes to Consolidated Financial Statements
For the year ended June 30, 2023

4 - NOTES RECEIVABLE (cont)

FRM Phase II Investment Fund, LLC

In relation to NMTC funding and pursuant to four promissory notes dated May 2, 2023, the Mission loaned funds to the FRM Phase II Investment Fund, LLC in the combined amount of \$11,167,500. The terms of the agreement require interest only at 1.00% payable quarterly beginning June 15, 2023 through December 5, 2030. Beginning March 5, 2031 the terms of the agreement require principal plus interest at 1.00% payable quarterly for interest accruing from March 5, 2031 until loan is due and payable on December 31, 2057. The loan is secured by a Loan and Security Agreement (pledge agreement) dated May 2, 2023 by and between the Mission and New Markets Community Capital XXXVI, LLC. See also Note 7.

5 - PROPERTY AND EQUIPMENT

The following is a summary of the organization's land, buildings and equipment at June 30, 2023:

	2023
Land	\$ 13,211,085
Buildings and improvement	15,578,866
Machinery and equipment	3,426,365
Computer equipment	145,976
Furniture and fixtures	496,480
Vehicles	367,568
Construction in progress	17,977,946
	51,204,286
Less: Accumulated depreciation	(7,920,702)
	\$ 43,283,584

Depreciation charged to income was \$1,478,895 in 2023, including depreciation on ROU assets of \$1,065.

6 - LEASES

The organization determined it had no operating leases requiring capitalization on the consolidated statement of financial position under ASC 842 and it had one finance lease requiring capitalization. The organization determines if an arrangement is a lease at the inception of a contract (except for leases recognized in the year the accounting principle was adopted) and recognizes operating lease expense on a straight-line basis over the lease term.

Fresno Rescue Mission & Affiliates
Notes to Consolidated Financial Statements
For the year ended June 30, 2023

6 – LEASES (cont)

Leases with an initial term of twelve months or less are not recorded on the consolidated statement of financial position and are expensed on a straight-line basis. Finance lease right-of-use assets and lease liabilities as June 30, 2023 were as follows:

Finance leases	2023
Right-of-use Assets	
Finance lease assets, net	\$ <u>30,898</u>
Lease liabilities	
Current portion of lease obligation-finance lease	\$ 6,393
Long-term lease obligation-finance lease	<u>24,188</u>
Total finance lease liabilities	<u>\$ 30,581</u>

Operating expense for the leasing activity of the organization as lessee for the year ended June 30, 2023 are as follows:

Lease type	2023
Operating lease costs (non ROU)	\$ 127,564
Short-term lease costs	<u>32,549</u>
Total lease cost	<u>\$ 160,113</u>

Total rent expense was \$160,113 for the year ended June 30, 2023, and is included in Rent – equipment and Rent - facilities expense in the consolidated statement of functional expenses.

The aggregate future minimum lease payments below summarize the remaining future undiscounted cash flows for operating leases at June 30, 2023:

Year ended June 30	Total
2024	\$ 157,120
2025	187,198
2026	196,558
2027	206,386
2028	214,591
Thereafter	<u>1,299,687</u>
Future minimum lease payments	<u>\$ 2,261,540</u>

At June 30, 2023, management was involved in negotiations to secure the lease of a building that was used in its program operations. Included above are minimum lease payments for the building beyond the date the lease expires on December 31, 2023 and assumes a new lease will be negotiated on similar terms. It is expected the new lease will be subject to the lease standard under ASC 842.

Fresno Rescue Mission & Affiliates
Notes to Consolidated Financial Statements
For the year ended June 30, 2023

6 – LEASES (cont)

The following summarizes cash paid for finance lease liabilities and other non-cash information as of June 30, 2023:

	2023
Cash paid for amounts included in the measurement of finance lease liability	\$ <u>1,382</u>
Right-of-use assets obtained in exchange for finance lease obligations	\$ <u>31,963</u>

7 - LONG TERM DEBT

	2023
Note Payable to LCD New Markets Fund XXXV, LLC (Note A) by Fresno City Center Corporation ; payable interest only quarterly at 1.0% through June 15, 2029; thereafter, payable principal and interest annually at 1.0% to maturity on March 11, 2057; secured by real property (City Center property)	\$ 10,612,500
Note Payable to LCD New Markets Fund XXXV, LLC (Note B) by Fresno City Center Corporation ; payable interest only quarterly at 1.0% through June 15, 2029; thereafter, payable principal and interest annually at 1.0% to maturity on March 11, 2057; secured by real property (City Center property)	3,787,500
Note Payable to PNC CDE 155, LLC (Note A) by Fresno City Center Corporation ; payable interest only quarterly at 1.275% through March 5, 2031; thereafter, payable principal and interest annually at 1.275% to maturity on December 31, 2057; secured by real property (City Center property)	2,830,000
Note Payable to New Markets Community Capital XXXVI, LLC (Note A) by Fresno City Center Corporation ; payable interest only quarterly at 1.275% through March 5, 2031; thereafter, payable principal and interest annually at 1.275% to maturity on December 31, 2057; secured by real property (City Center property)	<u>8,337,500</u>
Subtotal	\$ <u>25,567,500</u>

Fresno Rescue Mission & Affiliates
Notes to Consolidated Financial Statements
For the year ended June 30, 2023

7 - LONG TERM DEBT (cont)

	<u>2023</u>
Subtotal carried forward	\$ 25,567,500
Note Payable to New Markets Community Capital XXXVI, LLC (Note B) by Fresno City Center Corporation ; payable interest only quarterly at 1.275% through March 5, 2031; thereafter, payable principal and interest annually at 1.275% to maturity on December 31, 2057; secured by real property (City Center property)	2,932,500
Note Payable to PNC CDE 155, LLC (Note B) by Fresno City Center Corporation ; payable interest only quarterly at 1.275% through March 5, 2031; thereafter, payable principal and interest annually at 1.275% to maturity on December 31, 2057; secured by real property (City Center property)	<u>1,170,000</u>
	29,670,000
Less: Unamortized loan origination costs	(1,237,564)
Less: Current maturities of long-term debt	<u>-</u>
 Total long-term debt	 <u>\$ 28,432,436</u>

Maturities of long term debt in each of the next five years are as follows:

<u>Year ended</u> <u>June 30</u>	<u>Total</u>
2024	\$ -
2025	-
2026	-
2027	-
2028	-
Thereafter	<u>29,670,000</u>
	<u>\$ 29,670,000</u>

FRM Phase I Investment Fund, LLC is owned by another entity; PNC New Markets Investment Partners, LLC. The Mission and the owner of this parent entity are parties to an Option Agreement (Put & Call Agreement) that provides an option for the Mission to purchase FRM Phase I Investment Fund, LLC for \$1,000 on or after April 1, 2029. Management anticipates that this option will be exercised, in which case the Mission will become the owner of the LLC referred to above. Subsequently, this entity will be dissolved, the debt principal of \$14,400,000 will be forgiven, and unamortized loan costs will be deducted from the debt forgiven.

Fresno Rescue Mission & Affiliates
Notes to Consolidated Financial Statements
For the year ended June 30, 2023

7 - LONG TERM DEBT (cont)

FRM Phase II Investment Fund, LLC is owned by another entity; PNC New Markets Investment Partners, LLC. The Mission and the owner of this parent entity are parties to an Option Agreement (Put & Call Agreement) that provides an option for the Mission to purchase FRM Phase II Investment Fund, LLC for \$1,000 on or after April 1, 2031. Management anticipates that this option will be exercised, in which case the Mission will become the owner of the LLC referred to above. Subsequently, this entity will be dissolved, the debt principal of \$15,270,000 will be forgiven, and unamortized loan costs will be deducted from the debt forgiven.

In accordance with ASC 835-20, interest expense of \$292,581, that was incurred on construction-related financing for the fiscal year, was capitalized as construction in progress in the consolidated statement of financial position.

8 - RESTRICTED GRANT LIABILITY

The Mission entered into an agreement with Premier Valley Bank for a loan funded under a grant provided by the Federal Home Loan Bank in 2012. The grant requires a promissory note and deed of trust on the project for which the funds were expended. The grant amount was \$1,000,000 and the funds were used for the remodel of the property purchased for the Rescue the Children (RTC) women’s and children program. The grant was awarded to the Mission for the sole purpose of preparing the property for the RTC program and requires that the property be used for this purpose for 15 years ending December 31, 2026.

No interest accrues on the note and the loan does not amortize as long as the property use meets the terms of the agreement. In the event of default, the principal becomes due and payable. If the terms of the agreement are maintained at the maturity date, the loan will be cancelled and recorded as grant revenue. The Mission intends to maintain the property for its intended use under the terms of the agreement to the maturity date.

9 - NET ASSETS WITH DONOR RESTRICTIONS

Donor restricted net assets consist of and for the following purposes at June 30, 2023:

	2023
Donor-restricted endowment funds - Investment in	
Perpetuity: Purpose for any activities of the organization	\$ 72,000
Donor-restricted funds: Purpose and/or time restrictions	2,902,765
Total net assets with donor restrictions	\$ 2,974,765

Fresno Rescue Mission & Affiliates
Notes to Consolidated Financial Statements
For the year ended June 30, 2023

9 - NET ASSETS WITH DONOR RESTRICTIONS (cont)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors for the year ended June 30, 2023 as follows:

	2023
<u>Satisfaction of program restrictions</u>	
Rescue the Children Program (Mission)	367,802
Other program expenses	314
Total restrictions released	\$ 368,116

10 - NET ASSETS WITHOUT DONOR RESTRICTIONS - BOARD DESIGNATED AND UNDESIGNATED NET ASSETS

The board designated and undesignated net assets are comprised of the following:

	2023
Without donor restrictions:	
Designated by the board for purchase of land and buildings (Expansion Funds)	\$ 1,419,758
Undesignated	53,813,229
	\$ 55,232,987

11 - NET ASSETS – ENDOWMENT FUNDS

The Mission’s endowment consists of one fund with an institutional investment company to provide financial support to the Mission and Affiliates. The endowment net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Mission is subject to the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are restricted and required to be maintained in perpetuity and the investment income is restricted until the Board of Directors appropriates such amounts for expenditure. The Mission’s Board of Directors has interpreted the UPMIFA as not requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Mission considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund, and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

Fresno Rescue Mission & Affiliates
Notes to Consolidated Financial Statements
For the year ended June 30, 2023

11 - NET ASSETS – ENDOWMENT FUNDS (cont)

Interpretation of Relevant Law (cont)

The Mission has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required by law. In accordance with UPMIFA, the Mission considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the endowment fund;
- (2) The purposes of the organization and the endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation or deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the organization; and
- (7) The investment policy of the organization.

Endowment net asset composition by type of fund consists of the following as of June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ <u> -</u>	\$ <u> 72,000</u>	\$ <u> 72,000</u>

Changes in endowment net assets for the year ended June 30, 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2022	\$ <u> -</u>	\$ <u> 72,000</u>	\$ <u> 72,000</u>
Investment return:			
Investment income	-	2,375	2,375
Net appreciation (realized and unrealized)	<u> -</u>	<u> 3,449</u>	<u> 3,449</u>
Total investment return	<u> -</u>	<u> 5,824</u>	<u> 5,824</u>
Contributions to endowment	-	-	-
Appropriations of endowment assets for expenditure	<u> -</u>	<u> (5,824)</u>	<u> (5,824)</u>
Endowment net assets, June 30, 2023	\$ <u> -</u>	\$ <u> 72,000</u>	\$ <u> 72,000</u>

Spending Policy, Investment Policy, Objectives, and Risk Tolerance

The organization uses a method based upon total return on assets to determine the amounts appropriated for expenditure for endowments under which the organization is the income beneficiary in conformity with UPMIFA. To satisfy its long-term rate-of-return objectives, the organization seeks investment returns through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Fresno Rescue Mission & Affiliates
Notes to Consolidated Financial Statements
For the year ended June 30, 2023

11 - NET ASSETS – ENDOWMENT FUNDS (cont)

Spending Policy, Investment Policy, Objectives, and Risk Tolerance (cont)

The organization targets a diversified asset allocation that includes equity and debt investments to achieve its long-term return objectives within prudent risk restraints.

The Mission Board of Directors has a spending policy on all endowments, such that distribution amounts will be determined prior to the new fiscal year based on the previous twelve quarters-end average market value, whenever possible. In any given year, the distribution of an individual endowment or endowments may be less than 5% if the total return is not enough to preserve the purchasing power of the fund.

Underwater Endowment Funds

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the organization to retain as a fund of perpetual duration. There are no funds that were underwater for the year ended June 30, 2023. The organization has a policy that permits spending underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations.

12 - CONTRIBUTED NONFINANCIAL ASSETS

The following are the contributed nonfinancial assets recognized within the consolidated statement of activities at June 30, 2023:

	2023
Clothing, furniture and other for resale	\$ 1,014,174
Vehicles for resale	58,450
Food	1,168,751
Total contributed nonfinancial assets	\$ 2,241,375

Contributed clothing, furniture, food and other donated items and supplies are valued using estimated US retail prices of identical or similar products considering the goods' condition and utility for use at the time of contribution and stated at net realizable value as determined by management. Vehicles are valued at a flat amount of \$350 each. Securities are valued using quoted prices (unadjusted) in active markets for identical assets that the entity has the ability to access at the measurement date. All gifts were recognized in accordance with donor restrictions, if applicable. There were no restrictions on the nonfinancial assets donated in 2023. Donated property and equipment is utilized by the organization to further support the donor purpose.

Fresno Rescue Mission & Affiliates
Notes to Consolidated Financial Statements
For the year ended June 30, 2023

13 - EXPANSION EXPENSES

Expansion expenses spent in the development and expansion of the City Center property and reported in the consolidated statement of functional expenses consists of the following:

Utilities	\$ 170,555
Security	55,061
Taxes & fees	12,138
Professional – Engineering	10,320
Information technology	10,000
Other	<u>9,605</u>
 Total Expansion Expenses	 <u>\$ 267,679</u>

14 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the organization’s financial assets as of the consolidated statement of financial position date, reduced by amounts not available for general use because of contractual, donor-imposed regulation, or Board designations within one year of the consolidated statement of financial position date. However, amounts already appropriated from the donor-restricted endowment for general expenditure within one year of the consolidated statement of financial position date have not been subtracted as unavailable:

	<u>2023</u>
Financial assets at year end:	
Cash & cash equivalents	\$ 21,002,073
Accounts receivable	87,298
Inventory	127,472
Investments (Expansion Funds)	1,419,758
Investments (other)	137,652
Less those unavailable for general expenditures within one year due to:	
Contractual or donor-imposed restrictions	(2,974,765)
Amounts contractually obligated by NMTC lender	(16,001,167)
Board-designated investments for replacement of land and buildings	<u>(1,419,758)</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 2,378,563</u>

The organization is substantially supported by unrestricted contributions and receives some restricted contributions. Because a donor’s restriction requires resources to be used in a particular manner or in a future period, the organization must maintain sufficient resources to meet those responsibilities to its donors. Thus financial assets may not be available for general expenditure within one year.

Fresno Rescue Mission & Affiliates
Notes to Consolidated Financial Statements
For the year ended June 30, 2023

14 - LIQUIDITY AND AVAILABILITY OF RESOURCES (cont)

As part of the organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. The organization invests cash in excess of daily requirements in short-term investments. In addition, the organization has Board-designated investments of \$1,419,758. Although the organization does not intend to spend from its Board-designated funds, amounts from its funds could be made available if necessary.

15 - COMMITMENTS AND CONTINGENCIES

(a) ***Contingencies***

Fresno City Center Corporation has entered into multiple loans in the form of notes payable with PNC Bank, PNC CDE 155, LLC, and New Markets Community Capital XXXVI, LLC in connection with New Markets Tax Credits Program (NMTCs). As a result, the lenders are eligible for federal income tax credits under the NMTCs under Internal Revenue Code 45D. Fresno City Center Corporation and the Mission has entered into an indemnification agreement with PNC Bank and PNC New Markets Investment Partners, LLC ("PNC NMIP") to pay the *NMTC Credit Reduction Amount* to the NMTC investor if the recapture event is the result of (i) Fresno City Center Corporation not being or ceasing to be a QALICB; (ii) the failure of any tenant or subtenant of the Project to constitute a Qualified Business; (iii) the redemption by FRM Phase I Investment Fund LLC and/or FRM Phase II Investment Fund LLC of any portion of the QEI in the Sub-CDE; (iv) any other matters or events solely within the control of the Indemnitors that cause a recapture or disallowance of all or a portion of the NMTC's under Section 45D of the Code and the Treasury Regulations thereunder. See also Note 7 regarding an option to purchase FRM Phase I Investment Fund, LLC and FRM Investment Phase II Investment Fund, LLC.

The organization is subject to certain loss contingencies, such as litigation, arising in the normal conduct of its activities. In the opinion of the organization's management, the liability, if any, for such contingencies will not have a material effect on the organization's financial position.

16 - RELATED PARTY TRANSACTIONS

The organization had certain transactions in the ordinary course of business with related parties. The Mission, Foundation, Works, FCCC, and FMC are under common control and management, which require elimination of intercompany profits, transactions and balances in the consolidated financial statements.

Fresno Rescue Mission & Affiliates
Notes to Consolidated Financial Statements
For the year ended June 30, 2023

16 - RELATED PARTY TRANSACTIONS (cont)

The following intercompany accounts and transactions, including transfers for administrative allocation of expenses and transfers to facilitate NMTC transaction requirements, were eliminated for the year ended June 30, 2023:

	<u>2023</u>
FCCC payments to affiliate (Mission)	\$ 18,338
Mission receivable from Foundation	\$ 2,721,547
Mission receivable from Fresno City Center Corp.	\$ 35,000
Mission receivable from Fresno Works, Inc.	\$ 71,089
FCCC rental receivable from Mission	\$ 165,548
FCCC rent income from affiliate (Mission)	\$ 165,548

In addition, food, supplies and equipment totaling \$392,683 were purchased in the ordinary course of business from a company owned by a member of the Board of Directors.

17 - FINANCIAL STATEMENTS OF FRESNO CITY CENTER CORPORATION

Following are the separate entity financial statements for Fresno City Center Corporation, excluding intercompany eliminations, presented in accordance with Section 15(b)(vi) of the QLICI loan agreement:

ASSETS

CURRENT ASSETS

Cash and cash equivalents (<i>Expansion Funds</i>)	\$ 16,001,167
Rent receivable from affiliate	<u>168,548</u>
TOTAL CURRENT ASSETS	16,169,715

PROPERTY AND EQUIPMENT, net

TOTAL ASSETS	<u>15,258,491</u>
	<u>\$ 31,428,206</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 365,077
Intercompany liability	<u>35,000</u>
TOTAL CURRENT LIABILITIES	400,077

LONG-TERM DEBT, net

TOTAL LIABILITIES	<u>28,483,556</u>
	<u>28,883,633</u>

NET ASSETS

Without donor restrictions	2,544,573
With donor restrictions	<u>-</u>
TOTAL NET ASSETS	<u>2,544,573</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 31,428,206</u>

Fresno Rescue Mission & Affiliates
Notes to Consolidated Financial Statements
For the year ended June 30, 2023

17 - FINANCIAL STATEMENTS OF FRESNO CITY CENTER CORPORATION (cont)

Unrestricted

OPERATING REVENUE AND SUPPORT:

Contributions	\$ -
Rent income from affiliate	168,548
Investment income (loss)	859
Other income	<u>47,345</u>
TOTAL OPERATING REVENUE AND SUPPORT	<u>216,752</u>

EXPENSES:

<i>Program Services</i>	103,258
<i>Supporting Services:</i>	
Management and general	-
Fundraising expenses	<u>-</u>
TOTAL EXPENSES	<u>103,258</u>

CHANGE IN NET ASSETS 113,494

NET ASSETS AT BEGINNING OF YEAR 2,431,079

NET ASSETS AT END OF YEAR **\$ 2,544,573**

In accordance with a net lease arrangement between the Mission and FCCC, the Mission collects rental income from tenants of the property owned by FCCC and the Mission will pay rent expense to FCCC. Payments and accruals under the lease began July 1, 2022. The intercompany receivables, payables, income, and expense under the lease are eliminated in the consolidated statement of financial position, statement of activities, and statement of cash flows.

18 - SUBSEQUENT EVENTS

The organization has evaluated subsequent events through May 6, 2024, the date on which the consolidated financial statements were available to be issued. Management has concluded the following subsequent event requires disclosure in the financial statements:

Building Lease

A new lease was secured for a building currently used by the organization in its program operations and commences January 1, 2024.