

**FRESNO RESCUE MISSION & AFFILIATES**  
**Fresno, California**

**CONSOLIDATED FINANCIAL STATEMENTS**  
**and**  
**INDEPENDENT AUDITOR'S REPORT**

**For the year ended June 30, 2024**

**Fresno Rescue Mission & Affiliates**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended June 30, 2024

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8441 N. Millbrook Ave., Suite 101 ♦ Fresno, California 93720 ♦ (559) 256-3601 ♦ FAX (559) 256-3603

**Kenneth W. Savage, CPA**

## **INDEPENDENT AUDITOR'S REPORT**

May 22, 2025

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, 2024, 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, 2024, 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 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 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, 2024

	<u><b>2024</b></u>
<b><u>ASSETS</u></b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents ( <i>operations</i> )	\$ 9,334,663
Cash and cash equivalents ( <i>Expansion Funds</i> )	5,708,515
Accounts receivable	215,276
Inventory	149,193
Prepaid expenses	133,577
Deposits and other assets	67,735
Investments designated for replacement of land and buildings ( <i>Expansion Funds</i> )	<u>1,341,257</u>
<b>TOTAL CURRENT ASSETS</b>	16,950,216
<b>NONCURRENT ASSETS</b>	
Property taxes receivable	552,100
Deferred prepaid expenses	29,703
Investments	153,496
<b>NOTES RECEIVABLE</b>	21,788,953
<b>RIGHT-OF-USE ASSETS, Finance lease, net</b>	24,399
<b>RIGHT-OF-USE ASSETS, Operating lease, net</b>	3,433,559
<b>PROPERTY AND EQUIPMENT, net</b>	<u>55,262,205</u>
<b>TOTAL ASSETS</b>	<u>\$ 98,194,631</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable and accrued expenses	\$ 2,271,858
Current portion of lease obligation-finance lease	6,088
Current portion of lease obligation-operating lease	39,491
Accrued compensated absences	<u>149,997</u>
<b>TOTAL CURRENT LIABILITIES</b>	2,467,434
<b>LONG-TERM DEBT, net</b>	28,467,698
<b>RESTRICTED GRANT LIABILITY</b>	1,000,000
<b>LONG-TERM LEASE OBLIGATION-FINANCE LEASE</b>	18,768
<b>LONG-TERM LEASE OBLIGATION-OPERATING LEASE</b>	<u>3,452,784</u>
<b>TOTAL LIABILITIES</b>	<u>35,406,684</u>
<b>NET ASSETS</b>	
Without donor restrictions	55,247,793
With donor restrictions	<u>7,540,154</u>
<b>TOTAL NET ASSETS</b>	<u>62,787,947</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 98,194,631</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, 2024

	<b>2024</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>OPERATING REVENUE AND SUPPORT:</b>			
Contributions	\$ 5,334,858	\$ 3,662,160	\$ 8,997,018
Grant contributions	-	3,005,879	3,005,879
Contributions – in-kind & noncash:			
Clothing, furniture & other for resale	1,203,167	-	1,203,167
Vehicles for resale	51,450	-	51,450
Food	988,545	-	988,545
Marketable securities	3,411	-	3,411
Thrift Store sales	2,409,980	-	2,409,980
Rent income & tenant reimbursements	652,859	-	652,859
Special events income	602,853	-	602,853
Program income	1,111,343	-	1,111,343
Investment income	451,081	-	451,081
Other income	154,333	-	154,333
Net assets released from restrictions:			
Satisfaction of restrictions	2,102,650	(2,102,650)	-
<b>TOTAL OPERATING REVENUE AND SUPPORT</b>	<b>15,066,530</b>	<b>4,565,389</b>	<b>19,631,919</b>
<b>EXPENSES:</b>			
<i>Program Services</i>	11,228,485	-	11,228,485
<i>Supporting Services:</i>			
Management and general	2,281,456	-	2,281,456
Fundraising expenses	1,563,410	-	1,563,410
<b>TOTAL EXPENSES</b>	<b>15,073,351</b>	<b>-</b>	<b>15,073,351</b>
<b>CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES</b>	<b>(6,821)</b>	<b>4,565,389</b>	<b>4,558,568</b>
<b>NONOPERATING:</b>			
Nonoperating investment income	21,627	-	21,627
<b>CHANGE IN NET ASSETS FROM NONOPERATING ACTIVITIES</b>	<b>21,627</b>	<b>-</b>	<b>21,627</b>
<b>CHANGE IN NET ASSETS</b>	<b>14,806</b>	<b>4,565,389</b>	<b>4,580,195</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>55,232,987</b>	<b>2,974,765</b>	<b>58,207,752</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 55,247,793</b>	<b>\$ 7,540,154</b>	<b>\$62,787,947</b>

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, 2024

	<b>2024</b>			
		<b>Supporting Services</b>		
	<b>Program</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries and wages	\$ 3,963,353	\$ 849,668	\$ 468,301	\$ 5,281,322
Payroll taxes	283,036	80,174	29,367	392,577
Fringe benefits	239,367	196,046	25,524	460,937
Cost of goods sold – autos	102,583	-	-	102,583
Cost of goods sold – clothing/other	1,181,191	-	-	1,181,191
Advertising and promotion	164,126	12,168	532,858	709,152
Bad debts	-	8,501	-	8,501
Bank and credit card fees	46,934	2,730	71,673	121,337
Consultants	26,490	18,120	53,100	97,710
Depreciation and amortization	1,347,712	-	-	1,347,712
Discipleship benevolence	33,971	-	-	33,971
Equipment - noncapital	111,806	1,353	-	113,159
Food and vending services	1,133,699	4,978	7,463	1,146,140
Fundraising expense – capital campaign	173,986	1,458	16,702	192,146
Insurance	133,227	191,310	-	324,537
Interest	-	1,552	-	1,552
Office and operational supplies	29,113	9,482	3,072	41,667
Other expense	86,324	8,969	41,050	136,343
Postage	100	6,915	6,928	13,943
Printing	2,148	-	42,258	44,406
Professional fees	210,701	436,196	25,248	672,145
Program supplies and expense	209,464	-	-	209,464
Rent – equipment	33,086	12,662	6,130	51,878
Rent – facilities	129,538	-	-	129,538
Repairs and maintenance	339,925	19,188	-	359,113
Security	182,822	-	-	182,822
Special events	10,616	2,136	224,975	237,727
Staff development	16,863	2,235	226	19,324
Taxes, licenses and permits	199,277	16,839	-	216,116
Telephone	30,775	41,426	906	73,107
Travel and seminars	19,524	27,796	5,963	53,283
Utilities	714,088	250,642	-	964,730
Vehicle expense	72,640	78,912	1,666	153,218
<b>TOTAL EXPENSES</b>	<b>\$ 11,228,485</b>	<b>\$ 2,281,456</b>	<b>\$ 1,563,410</b>	<b>\$ 15,073,351</b>

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, 2024

	<u><b>2024</b></u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 4,580,195
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	1,347,712
Amortization of loan origination costs	35,262
Unrealized net gain on investments	(11,207)
Noncash stock contribution	(3,411)
Noncash deferred prepaid expense	46,243
Noncash lease adjustments	(29,325)
Contributions restricted for long-term investment	(6,668,039)
Changes in operating assets and liabilities:	
Accounts receivable	(127,978)
Inventory	(21,721)
Prepaid expenses	27,821
Deposits	303,978
Property taxes receivable	(457,038)
Accounts payable and accrued expenses	1,475,948
Accrued compensated absences	<u>29,926</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>528,366</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of property and equipment	(13,231,793)
Proceeds from investments liquidated	107,727
Investment income reinvested	<u>(25,509)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(13,149,575)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Principal paid on finance lease obligation	(5,725)
Contributions restricted for long-term investment	<u>6,668,039</u>
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<u>6,662,314</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(5,958,895)
<b>CASH EQUIVALENTS &amp; RESTRICTED CASH, at beginning of year</b>	<u>21,002,073</u>
<b>CASH EQUIVALENTS &amp; RESTRICTED CASH, at end of year</b>	<u><u>15,043,178</u></u>
Supplemental disclosure of cash flow information and noncash financing and investing activity:	
Cash paid for interest	<u>\$ 411,921</u>
Noncash acquisition of ROU operating asset	<u>\$ 3,521,599</u>
Noncash operating lease obligation	<u>\$ 3,521,599</u>

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 30, 2024

## **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 is supported primarily through net rental income, contributions from individuals and businesses of Fresno County, and contributions from affiliates.

Fresno Works, Inc. (Works) is a California nonprofit corporation with the purpose of operating a Thrift Store providing low cost items and used vehicles to the Fresno community and social enterprises, such as catering, career pathways (temp. agency), and EZ47 coffee shop sales.. 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. FCCC rents the facilities to the Mission who, in turn, rents to other nonprofit organizations at favorable rental rates. FCCC is supported primarily through net rental income and contributions from affiliates.

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, 2024.

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, 2024

**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, 2024

**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.

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.

*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 are unsecured. Accounts receivable are stated at the amount management expects to collect from outstanding balances.

**Fresno Rescue Mission & Affiliates**  
Notes to Consolidated Financial Statements  
For the year ended June 30, 2024

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

*Accounts Receivable (cont)*

Management provides for probable uncollectible amounts through an allowance for credit losses based on historical experience, current economic conditions, and reasonable and supportable forecasts about future conditions. Balances are written off when determined to be uncollectible. Management believes all are fully collectible; therefore, no allowance for credit losses 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 within one year of the current year-end.

*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.

*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.

**Fresno Rescue Mission & Affiliates**  
Notes to Consolidated Financial Statements  
For the year ended June 30, 2024

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

*Leases (cont)*

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.

The organization leases commercial space to other local nonprofit organizations in several buildings at below-market rates for long and short-term (monthly) terms. Approximately 47,000 square feet is leased to six tenants for custom terms ranging from one to five-year terms with annual escalation and renewal options. Some lease agreements contain provisions to reimburse certain expenses, such as security or janitorial. Approximately 8,600 square feet is leased to eleven tenants on month-to-month terms. In addition, the organization leases a 30,000 square foot warehouse facility space to one tenant on a month-to-month lease. Lease income related to these leases are reported as Rent Income & Tenant Reimbursements in the consolidated statement of activities.

*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 200 hours 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, 2024 was \$149,997 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.

**Fresno Rescue Mission & Affiliates**  
Notes to Consolidated Financial Statements  
For the year ended June 30, 2024

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

*Revenue Recognition (cont)*

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, 2024.

*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

*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, 2024, the organization had cash and cash equivalents of approximately \$14.2 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 \$6 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.

**Fresno Rescue Mission & Affiliates**  
Notes to Consolidated Financial Statements  
For the year ended June 30, 2024

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

*Concentrations (cont)*

At June 30, 2024, the organization had investments of approximately \$863,000 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.

*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, 2024

**2 - INVESTMENTS**

Investments consist of the following:

	<u><b>2024</b></u>
Mutual funds:	
Investment grade bond funds	\$ 17,369
Domestic equity funds	93,615
International equity funds	13,384
Treasuries securities funds	597
Equities	3,865
Investment cash & equivalents	<u>12,322</u>
 Total mutual funds	 141,152
Annuity	<u>12,344</u>
	 <u><u>\$ 153,496</u></u>

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

	<u><b>2024</b></u>
Mutual funds: Investment grade bond funds	\$ 203,116
Investment cash & equivalents	<u>1,138,141</u>
	 <u><u>\$ 1,341,257</u></u>

Investment income, gains, and losses on the above investments are summarized as follows for the year ended June 30, 2024:

	<u><b>2024</b></u>
<b>Operating</b>	
Realized and unrealized gains (losses), net	\$ 12,165
Interest and dividend income, net	<u>2,949</u>
 Subtotal – investment income, gains and losses	 15,114
Interest income from cash accounts	181,023
Interest income from note receivable	<u>254,944</u>
 Total operating investment income, net	 <u><u>\$ 451,081</u></u>
 <b>Nonoperating</b>	
Realized and unrealized gains (losses), net	\$ (933)
Interest and dividend income, net	<u>22,560</u>
 Total nonoperating investment income (loss), net	 <u><u>\$ 21,627</u></u>



**Fresno Rescue Mission & Affiliates**  
Notes to Consolidated Financial Statements  
For the year ended June 30, 2024

### 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, 2024:

	<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>
<b>Assets included in investments:</b>				
Mutual funds:				
Investment grade bond funds	\$ 17,369	\$ 17,369	\$ -	\$ -
Domestic equity funds	93,615	93,615	-	-
International equity funds	13,384	13,384	-	-
Treasuries securities funds	<u>597</u>	<u>597</u>	<u>-</u>	<u>-</u>
	124,965	124,965	-	-
Equities	3,865	3,865	-	-
Investment cash & equiv.	12,322	12,322	-	-
Annuity	<u>12,344</u>	<u>-</u>	<u>-</u>	<u>12,344</u>
<b>Total assets included in Investments</b>	<u>\$ 153,496</u>	<u>\$ 141,152</u>	<u>\$ -</u>	<u>\$ 12,344</u>

**Fresno Rescue Mission & Affiliates**  
Notes to Consolidated Financial Statements  
For the year ended June 30, 2024

**3 - FAIR VALUES OF INVESTMENTS (cont)**

The following table presents assets that are measured at fair value on a recurring basis at June 30, 2024:

	<b>Quoted prices in active markets for identical assets (Level 1)</b>	<b>Significant other observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>
<b><u>Total</u></b>			
<b>Assets included in investments designated for replacement of land and buildings:</b>			
Mutual funds: Investment grade			
bond funds	\$ 203,116	\$ 203,116	\$ -
Investment cash & equivalents	<u>1,138,141</u>	<u>1,138,141</u>	<u>-</u>
<b>Total assets included in investments designated for replacement of land and buildings (Expansion Funds)</b>	<b><u>\$ 1,341,257</u></b>	<b><u>\$ 1,341,257</u></b>	<b><u>\$ -</u></b>

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  
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**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.

In addition, the organization is collecting principal and interest on a promissory note from a tenant relating to tenant improvements with a balance of \$8,953 at June 30, 2024.

**5 - PROPERTY AND EQUIPMENT**

The following is a summary of the organization's land, buildings and equipment at June 30, 2024:

	<u><b>2024</b></u>
Land	\$ 13,211,085
Buildings and improvement	16,075,637
Machinery and equipment	3,671,034
Computer equipment	145,976
Furniture and fixtures	545,620
Vehicles	367,568
Construction in progress	<u>30,419,159</u>
	64,436,079
Less: Accumulated depreciation	<u>(9,173,874)</u>
	<u><b>\$ 55,262,205</b></u>

Depreciation charged to income was \$1,259,672 in 2024, including depreciation on ROU assets of \$94,539.

**6 - LEASES**

The organization has lease arrangements for certain equipment and facilities, primarily the Thrift Store. The operating lease has an original term not exceeding 10 years and contains multiyear renewal options, at least one of which is reasonably certain of exercise.

**Fresno Rescue Mission & Affiliates**  
Notes to Consolidated Financial Statements  
For the year ended June 30, 2024

**6 - LEASES (cont)**

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. Payments under the organization's lease arrangements may be fixed or variable, and variable lease payments are based on annual escalation increases.

Lease costs associated with fixed payments on the organization's finance lease was \$7,436 for 2024. Lease costs associated with variable payments on the organization's operating lease was \$91,316.

Noncash activities involving right-of-use ("ROU") assets obtained in exchange for lease liabilities was \$3.5 million.

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. The following table shows ROU assets and lease liabilities as of June 30, 2024:

<u>Lease-Related Assets and Liabilities</u>	<u><b>2024</b></u>
<b>Right-of-use Assets</b>	
Finance lease assets, net	\$ 24,399
Operating lease assets, net	<u>3,433,559</u>
 Total Right-of-use assets	 <u>\$ 3,457,958</u>
 <b>Lease liabilities</b>	
Finance lease:	
Current portion of lease obligation-finance lease	\$ 6,088
Long-term lease obligation-finance lease	18,768
 Operating lease:	
Current portion of lease obligation-operating lease	39,491
Long-term lease obligation-operating lease	<u>3,452,784</u>
 Total lease liabilities	 <u>\$ 3,517,131</u>

Operating expense for the leasing activity of the organization as lessee for the year ended June 30, 2024 are as follows:

<u>Lease type</u>	<u><b>2024</b></u>
Operating lease costs (ROU)	\$ 52,902
Operating lease costs (non ROU)	76,636
Short-term lease costs	<u>51,878</u>
 Total lease cost	 <u>\$ 181,416</u>

**Fresno Rescue Mission & Affiliates**  
Notes to Consolidated Financial Statements  
For the year ended June 30, 2024

**6 – LEASES (cont)**

Total rent expense was \$181,416 for the year ended June 30, 2024, and is included in Rent – equipment and Rent - facilities expense in the consolidated statement of functional expenses.

Lease liability maturities as of June 30, 2024, are as follows:

Year ended <u>June 30</u>	Operating <u>Lease</u>	Finance <u>Lease</u>	<u>Total</u>
2025	\$ 187,198	\$ 7,436	\$ 194,634
2026	196,558	7,436	203,994
2027	206,386	7,436	213,822
2028	214,591	5,577	220,168
2029	221,028	-	221,028
Thereafter	<u>4,412,660</u>	<u>-</u>	<u>4,412,660</u>
Total undiscounted liabilities	5,438,421	27,885	5,466,306
Less: Imputed interest	<u>(1,946,146)</u>	<u>(3,029)</u>	<u>(1,949,175)</u>
Total lease liabilities	<u>\$ 3,492,275</u>	<u>\$ 24,856</u>	<u>\$ 3,517,131</u>

The weighted-average remaining lease term related to the organization's lease liabilities as of June 30, 2024 was 14 years. The discount rate related to the organization's lease liabilities as of June 30, 2024 was 6.1% and 4.25%. The discount rates related to the organization's lease liabilities are generally based on the risk-free rate of return.

**7 - LONG TERM DEBT**

	<u>2024</u>
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)	<u>3,787,500</u>
Subtotal	<u>\$ 14,400,000</u>

**Fresno Rescue Mission & Affiliates**  
Notes to Consolidated Financial Statements  
For the year ended June 30, 2024

**7 - LONG TERM DEBT (cont)**

	<u>2024</u>
Subtotal carried forward	\$ 14,400,000
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)	8,337,500
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	(1,202,302)
Less: Current maturities of long-term debt	<u>-</u>
Total long-term debt	<u>\$ 28,467,698</u>

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

Year ended <u>June 30</u>	<u>Total</u>
2025	\$ -
2026	-
2027	-
2028	-
2029	-
Thereafter	<u>29,670,000</u>
	<u>\$ 29,670,000</u>

**Fresno Rescue Mission & Affiliates**  
Notes to Consolidated Financial Statements  
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**7 - LONG TERM DEBT (cont)**

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.

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 \$410,369, 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.

**Fresno Rescue Mission & Affiliates**  
Notes to Consolidated Financial Statements  
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**9 - NET ASSETS WITH DONOR RESTRICTIONS**

Donor restricted net assets consist of and for the following purposes at June 30, 2024:

	<u>2024</u>
Donor-restricted endowment funds - Investment in	
Perpetuity: Purpose for any activities of the organization	\$ 72,000
Donor-restricted funds: Purpose and/or time restrictions	<u>7,468,154</u>
Total net assets with donor restrictions	<u>\$ 7,540,154</u>

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, 2024 as follows:

	<u>2024</u>
<u>Satisfaction of program restrictions</u>	
City Center construction	\$1,831,100
RTC	158,950
City Church	<u>112,600</u>
Total restrictions released	<u>\$2,102,650</u>

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

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

	<u>2024</u>
Without donor restrictions:	
Designated by the board for purchase of land	
and buildings (Expansion Funds)	\$ 1,341,257
Undesignated	<u>53,906,536</u>
	<u>\$ 55,247,793</u>

**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.



**Fresno Rescue Mission & Affiliates**  
Notes to Consolidated Financial Statements  
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**11 - NET ASSETS – ENDOWMENT FUNDS (cont)**

*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.

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, 2024:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 72,000	\$ 72,000

**Fresno Rescue Mission & Affiliates**  
Notes to Consolidated Financial Statements  
For the year ended June 30, 2024

**11 - NET ASSETS – ENDOWMENT FUNDS (cont)**

Changes in endowment net assets for the year ended June 30, 2024 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2023	\$ -	\$ 72,000	\$ 72,000
Investment return:			
Investment income	-	1,549	1,549
Net appreciation (realized and unrealized)	-	6,194	6,194
Total investment return	-	7,743	7,743
Contributions to endowment	-	-	-
Appropriations of endowment assets for expenditure	-	(7,743)	(7,743)
Endowment net assets, June 30, 2024	\$ -	\$ 72,000	\$ 72,000

*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). 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, 2024. 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 - GRANT CONTRIBUTIONS**

Grant contributions revenue includes grants received from foundations, businesses, and others that are restricted for a specific purpose (project) or time period. Generally, the terms of the grant is in writing and specify the restrictions. In 2024, the County of Fresno awarded and contributed ARPA grant funds totaling \$2,429,186.

**Fresno Rescue Mission & Affiliates**  
Notes to Consolidated Financial Statements  
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**13 - CONTRIBUTED NONFINANCIAL ASSETS**

The following are the contributed nonfinancial assets recognized within the consolidated statement of activities at June 30, 2024:

	<u><b>2024</b></u>
Clothing, furniture and other for resale	\$ 1,203,167
Vehicles for resale	51,450
Food	988,545
Marketable securities	<u>3,411</u>
 Total contributed nonfinancial assets	 \$ <u><u>2,246,573</u></u>

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 2024. Donated property and equipment is utilized by the organization to further support the donor purpose.

**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><b>2024</b></u>
<b>Financial assets at year end:</b>	
Cash & cash equivalents	\$ 15,043,178
Accounts receivable	215,276
Inventory	149,193
Investments (Expansion Funds)	1,341,257
Investments (other)	153,496
Less those unavailable for general expenditures within one year due to:	
Contractual or donor-imposed restrictions	(7,540,154)
Amounts contractually obligated by NMTC lender	(5,708,515)
Board-designated investments for replacement of land and buildings	<u>(1,341,257)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u><u>2,312,474</u></u>

**Fresno Rescue Mission & Affiliates**  
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**14 - LIQUIDITY AND AVAILABILITY OF RESOURCES (cont)**

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.

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 \$1,341,257. 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 CDE 155, LLC, New Markets Community Capital XXXVI, LLC and LCD New Markets Fund XXV, 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 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, 2024

**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, 2024:

	<u><b>2024</b></u>
FCCC rent receivable from Mission	\$ 333,548
Mission receivable from Foundation	\$ 2,921,172
Mission receivable from FCCC	\$ 1,846,059
FWI receivable from Mission	\$ 869,610
Mission payments to FCCC	\$ 144,000
FCCC rent income from Mission	\$ 165,000

In addition, food, supplies and equipment totaling \$197,852 were purchased from a company owned by a member of the Board of Directors and equipment totaling \$79,598 was purchased from a company owned by an officer of the organization. These purchases were made in the ordinary course of business.

**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> )	\$ 5,708,515
Rent receivable from affiliate	<u>333,548</u>
<b>TOTAL CURRENT ASSETS</b>	<b>6,042,063</b>

<b>PROPERTY AND EQUIPMENT, net</b>	<u>27,951,397</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 33,993,460</u></b>

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable and accrued expenses	\$ 858,328
Intercompany liability	<u>1,846,059</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>2,704,387</b>

<b>LONG-TERM DEBT, net</b>	<u>28,518,818</u>
<b>TOTAL LIABILITIES</b>	<b><u>31,223,205</u></b>

**NET ASSETS**

Without donor restrictions	2,770,255
With donor restrictions	<u>-</u>
<b>TOTAL NET ASSETS</b>	<b><u>2,770,255</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 33,993,460</u></b>

**Fresno Rescue Mission & Affiliates**  
Notes to Consolidated Financial Statements  
For the year ended June 30, 2024

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

**Unrestricted**

**OPERATING REVENUE AND SUPPORT:**

Contributions	\$ -
Contributions - affiliate	144,000
Rent income from affiliate	165,000
Investment income (loss)	2,851
Other income	<u>-</u>
<b>TOTAL OPERATING REVENUE AND SUPPORT</b>	<b><u>311,851</u></b>

**EXPENSES:**

<i>Program Services</i>	50,906
<i>Supporting Services:</i>	
Management and general	-
Fundraising expenses	<u>-</u>
<b>TOTAL EXPENSES</b>	<b><u>50,906</u></b>

**CHANGE IN NET ASSETS** 260,945

**NET ASSETS AT BEGINNING OF YEAR** 2,509,310

**NET ASSETS AT END OF YEAR** \$ 2,770,255

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 22, 2025, 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 second thrift store in Fresno after the year-end.

*Building Purchase*

A new warehouse was purchased after the year-end for food and Thrift store distribution. No debt was incurred in the purchase.

*Solar Project*

Four new solar projects were approved by the Board in December 2024.

**Fresno Rescue Mission & Affiliates**  
Notes to Consolidated Financial Statements  
For the year ended June 30, 2024

**18 - SUBSEQUENT EVENTS (cont)**

*Grant Funding*

The City of Fresno has approved an ARPA grant estimated at \$1.5 million to be received after the year-end.

*Home Key Project*

The City of Fresno has purchased a local hotel under the state Homekey program and began development/renovation of the property for the purpose of permanent housing for the homeless. The City plans to fully develop and renovate the property and then, after completion, transfer ownership to the organization. The estimated value of the project is \$16 million.

*Employee Retention Credits*

The organization filed amended payroll tax returns to apply for the refundable federal Employee Retention Credit totaling approximately \$1.4 million. After the year-end, the organization has received \$1.1 million of the credits including interest received of approximately \$140,000. The organization is expecting a final credit refund of approximately \$407,000.

*AHP Federal Home Loan Grant*

The organization was granted a loan funded under the Affordable Housing Program (AHP) by Federal Home Loan Bank in October 2024 for a total of \$1,070,000. The funds are earmarked for the new Family Center building construction. The terms are similar to an existing loan whereby the property use must meet the terms of the agreement in order for the loan to be forgiven.