

GRACEWORKS MINISTRIES, INC.

AUDITED FINANCIAL STATEMENTS

**Year Ended June 30, 2024
(With Comparative Totals for 2023)**

GRACEWORKS MINISTRIES, INC.

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GRACEWORKS MINISTRIES, INC.

Board of Directors

Alicia Bell
Rodney Chester
Alison Watts
Laura McWhorter
Chasity Fox
Tom Matyas
Sharmila Patel
Jamie Settles

Brian Shun
William Wright
Tim Cochran
Tony Dunning
Steve Hayes
Shandy Husmann
Courtney Keenan
Carol Lloyd
Lauren Strickland
Russell Wright

CEO
Chairman
Vice Chair/Treasurer
Secretary
Development Chair
Governance Chair
Strategy Chair
Investment/Relocation
Chair
Strategic Plan Chair
IT Chair
Director
Director
Director
Director
Director
Director
Director
Director



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of GraceWorks Ministries, Inc.

Opinion

We have audited the accompanying financial statements of GraceWorks Ministries, Inc. (the "Organization"), a nonprofit organization, which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization 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 Organization 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 financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying list of Board of Directors is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Organization's 2023 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated December 5, 2023. In our opinion, the summarized comparative information herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

The image shows a handwritten signature in black ink that reads "UHY LLP". The letters are stylized and cursive.

Nashville, Tennessee
December 6, 2024

GRACEWORKS MINISTRIES, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2024 (With Comparative Totals for 2023)

	June 30,	
	2024	2023
ASSETS		
CURRENT ASSETS		
Cash and restricted cash	\$ 2,728,963	\$ 4,063,826
Contributions receivable	14,308	16,488
Inventory	991,590	872,854
Prepaid expenses	8,449	27,645
Investments	2,121,444	128,197
Total current assets	<u>5,864,754</u>	<u>5,109,010</u>
OTHER ASSETS		
Property and equipment	244,722	262,993
Right-of-use assets	1,576,241	1,909,784
Endowment - restricted	558,749	558,749
Total other assets	<u>2,379,712</u>	<u>2,731,526</u>
TOTAL ASSETS	<u>\$ 8,244,466</u>	<u>\$ 7,840,536</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 129,458	\$ 60,217
Contract liabilities	17,080	43,165
Accrued expenses	76,807	78,135
Current portion of operating lease liabilities	396,499	358,288
Total current liabilities	<u>619,844</u>	<u>539,805</u>
LONG-TERM LIABILITIES		
Operating lease liabilities, net of current portion	<u>1,333,253</u>	<u>1,713,072</u>
Total liabilities	<u>1,953,097</u>	<u>2,252,877</u>
NET ASSETS		
Without donor restrictions	5,597,265	4,895,851
With donor restrictions	694,104	691,808
Total net assets	<u>6,291,369</u>	<u>5,587,659</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,244,466</u>	<u>\$ 7,840,536</u>

See notes to financial statements.

GRACEWORKS MINISTRIES, INC.**STATEMENT OF ACTIVITIES****Year ended June 30, 2024 (With Comparative Totals for 2023)**

	Without Donor Restrictions	With Donor Restrictions	Total 2024	Total 2023
Public Support and Revenue:				
Gross special event revenue	\$ 604,943	\$ 116,294	\$ 721,237	\$ 854,577
Less direct cost of special events	<u>(278,265)</u>	<u>-</u>	<u>(278,265)</u>	<u>(274,054)</u>
Net special events revenue	326,678	116,294	442,972	580,523
Public Support:				
Contributed nonfinancial assets	6,750,467	-	6,750,467	6,900,566
Grants	457,583	-	457,583	442,896
Individual contributions	2,576,881	-	2,576,881	1,504,759
Business donations	203,903	-	203,903	228,347
Church contributions	414,378	-	414,378	313,203
Net assets released from restriction	<u>113,998</u>	<u>(113,998)</u>	<u>-</u>	<u>-</u>
Total public support	<u>10,843,888</u>	<u>2,296</u>	<u>10,846,184</u>	<u>9,970,294</u>
Program and Other Revenue:				
Store income	1,666,670	-	1,666,670	1,526,448
Neighbor assistance payments	68,337	-	68,337	51,566
Investment income, net	<u>183,245</u>	<u>-</u>	<u>183,245</u>	<u>78,706</u>
Total program and other revenue	<u>1,918,252</u>	<u>-</u>	<u>1,918,252</u>	<u>1,656,720</u>
Total revenue	<u>12,762,140</u>	<u>2,296</u>	<u>12,764,436</u>	<u>11,627,014</u>
Expenses:				
Program services				
Food programs	7,539,262	-	7,539,262	7,633,650
Shelter programs	1,332,596	-	1,332,596	1,002,611
Support programs	<u>2,064,251</u>	<u>-</u>	<u>2,064,251</u>	<u>2,043,532</u>
Total program services	<u>10,936,109</u>	<u>-</u>	<u>10,936,109</u>	<u>10,679,793</u>
Supporting Services				
Management and general	455,794	-	455,794	426,431
Fundraising	<u>668,823</u>	<u>-</u>	<u>668,823</u>	<u>489,766</u>
Total supporting services	<u>1,124,617</u>	<u>-</u>	<u>1,124,617</u>	<u>916,197</u>
Total expenses	<u>12,060,726</u>	<u>-</u>	<u>12,060,726</u>	<u>11,595,990</u>
Change in net assets	701,414	2,296	703,710	31,024
Net assets - beginning of year	<u>4,895,851</u>	<u>691,808</u>	<u>5,587,659</u>	<u>5,556,635</u>
Net assets - end of year	<u>\$ 5,597,265</u>	<u>\$ 694,104</u>	<u>\$ 6,291,369</u>	<u>\$ 5,587,659</u>

See notes to financial statements.

GRACEWORKS MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2024 (With Comparative Totals for 2023)

	Program Services				Supporting Services		Total	Total
	Food	Shelter	Support	Total Program	Management and General	Fundraising	2024	2023
Salaries	\$ 1,155,693	\$ 221,640	\$ 205,808	\$ 1,583,141	\$ 253,431	\$ 406,672	\$ 2,243,244	\$ 1,779,770
Payroll taxes and benefits	209,433	40,165	37,296	286,894	64,652	52,530	404,076	399,511
Total payroll and related expenses	1,365,126	261,805	243,104	1,870,035	318,083	459,202	2,647,320	2,179,281
Advertising	19,621	3,763	3,494	26,878	2,461	19,879	49,218	16,811
Client services	567,185	-	826,832	1,394,017	-	-	1,394,017	1,347,738
Continuing education	2,295	440	409	3,144	3,239	3,144	9,527	12,710
Depreciation and amortization	57,574	11,041	10,253	78,868	9,858	9,858	98,584	94,981
Dues and subscriptions	842	161	150	1,153	577	577	2,307	3,473
Fundraising	-	-	-	-	-	278,265	278,265	274,054
General & IT repairs and maintenance	156,700	30,052	27,906	214,658	44,364	45,623	304,645	265,311
General administration expenses	55,437	10,632	9,873	75,942	15,900	29,051	120,893	60,620
In-kind expenses	4,827,553	925,832	859,701	6,613,086	25,532	34,253	6,672,871	6,904,800
Insurance	24,124	4,627	4,296	33,047	4,131	4,131	41,309	45,882
Licenses and fees	976	187	174	1,337	74	74	1,485	371
Merchant and bank fees	52,008	9,974	9,262	71,244	7,495	6,615	85,354	89,048
Mileage and expense reimbursement	4,150	908	853	5,911	1,629	2,669	10,209	11,987
Miscellaneous	855	164	152	1,171	1,210	1,172	3,553	251
Office supplies	8,348	1,601	1,486	11,435	4,292	4,431	20,158	22,505
Postage and freight	541	104	96	741	67	539	1,347	15,105
Printing	1,140	219	203	1,562	142	1,136	2,840	8,315
Professional services	23,276	4,464	4,145	31,885	3,543	35,428	70,856	61,924
Rent	313,346	60,094	55,801	429,241	7,200	7,200	443,641	50,157
Operating lease expense	-	-	-	-	-	-	-	318,477
Store supplies	24,128	-	-	24,128	-	-	24,128	29,190
Utilities	34,037	6,528	6,061	46,626	5,997	3,841	56,464	57,053
Total expenses by function	7,539,262	1,332,596	2,064,251	10,936,109	455,794	947,088	12,338,991	11,870,044
Less expense included with revenues on the statement of activities:								
Direct cost of special events	-	-	-	-	-	(278,265)	(278,265)	(274,054)
Total expenses included in the expense section on the statement of activities	<u>\$ 7,539,262</u>	<u>\$ 1,332,596</u>	<u>\$ 2,064,251</u>	<u>\$ 10,936,109</u>	<u>\$ 455,794</u>	<u>\$ 668,823</u>	<u>\$ 12,060,726</u>	<u>\$ 11,595,990</u>

See notes to financial statements.

GRACEWORKS MINISTRIES, INC.**STATEMENT OF CASH FLOWS****Year ended June 30, 2024 (With Comparative Totals for 2023)**

	2024	2023
Cash Flows From Operating Activities:		
Change in net assets	\$ 703,710	\$ 31,024
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	98,584	94,981
Unrealized gain on investments	(93,141)	(28,122)
Non-cash contributed financial assets	(410,195)	-
Noncash lease expense	333,543	161,576
Changes in:		
Contributions receivable	2,180	(4,831)
Inventory	(118,736)	1,257
Prepaid expenses	19,196	(9,743)
Accounts payable	69,241	29,105
Contract liabilities	(26,085)	(54,655)
Accrued expenses	(1,327)	6,098
Total adjustments	(126,740)	195,666
Net cash provided by operating activities	576,970	226,690
Cash Flows From Investing Activities:		
Purchase of property and equipment	(80,314)	(169,117)
Purchase of investments	(1,489,911)	(102,639)
Net cash used in investing activities	(1,570,225)	(271,756)
Cash Flows From Financing Activities:		
Payment of lease liabilities	(341,608)	-
Net cash used in financing activities	(341,608)	-
Change in cash	(1,334,863)	(45,066)
Cash and restricted cash - beginning of year	4,063,826	4,108,892
Cash and restricted cash - end of year	\$ 2,728,963	\$ 4,063,826
NONCASH SUPPLEMENTAL DISCLOSURES		
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ -	\$ 2,164,416

See notes to financial statements.

GRACEWORKS MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 (With Comparative Totals for 2023)

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities and Program Description

GraceWorks Ministries, Inc. (the "Organization") is a nonprofit organization devoted to fulfilling their mission statement: Neighbor serving Neighbor, by the power of God's grace. The Organization provides food, shelter, and support to their Neighbors in need.

GraceWorks Thrift Store

The Organization believes that everyone should have the ability to purchase high-quality used goods such as clothing, furniture and household items at affordable prices. The Organization's thrift stores are open to the public. All merchandise sold is donated, including many new items, and the sales help support its mission.

Program Services

The following program services are included in the accompanying financial statements:

Food – Providing food to families experiencing crisis or poverty through five access points: a food pantry, mobile food pantries, holiday food boxes, and student fuel bags and classroom snack boxes.

Shelter – Providing families access to temporary shelter through hotel payments and providing household items such as furniture, air conditioners, and heaters.

Support – Providing access to additional resources including financial coaching, tax assistance, Christmas gifts, medical supplies, newborn supplies, transportation, gas cards, counseling referrals, and access to our network of partners with additional resources.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with United States Generally Accepted Accounting Principles (U.S. GAAP). Net assets, support and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, our net assets and changes therein are classified and reported 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. These net assets may be used at the discretion of the Organization's management and the board of directors. Restrictions fulfilled in the same accounting period in which the contributions are received are reported in the Statement of Activities as unrestricted.

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, whereby the donor has stipulated the funds be maintained in perpetuity.

GRACEWORKS MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 (With Comparative Totals for 2023)

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, we consider all unrestricted cash and investment instruments purchased with an original maturity date of ninety days or less from the date of issuance to be a cash equivalent. At June 30, 2024, and 2023, we had no cash equivalents.

Inventory

The Organization tracks inventory for its thrift store and food pantry, which are items that are donated to or purchased by the organization. U.S. GAAP require that contributions be recognized as revenue when received.

Thrift Store Inventory: The Organization considers the value of contributed merchandise to be equal to the value of the annual thrift store revenue. Management estimates that all thrift store donations exit the store within two months' time, therefore the value of the thrift store inventory equals two months of subsequent sales.

Food Pantry Inventory: The organization considers the value of contributed food to be equal to the number of food carts and fuel bags distributed to community members (neighbors). Food cart value is based on the average weight of the food carts multiplied by \$1.93, which is a donated food value issued in the most recent RSM report from Feeding America. Fuel bag and snack bag values were determined by auditing the actual retail price of contents contained in each bag. Management estimates the Organization maintains a month and a half of food on premises, therefore the value of the food pantry inventory equals the value of the subsequent 1.5 months of food distributed to our neighbors.

Contributions Receivable

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Unconditional promises to give are recorded as temporarily restricted revenue in the year the promise is made and released from restriction in the year received.

Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts.

The Organization provides for an allowance for credit losses which is based on a review of outstanding receivables, historical collection information, and existing economic conditions. At June 30, 2024, the Organization did not have allowances for credit losses related to accounts receivable.

GRACEWORKS MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 (With Comparative Totals for 2023)

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are recorded at cost, or, if donated, at the estimated fair market value at the date of donation. If equipment is donated, the donor can stipulate how long the assets must be used, and the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. The Organization's capitalization policy is to capitalize any expenditure over \$1,000 for property and equipment. Depreciation is provided utilizing the straight-line method over the estimated useful lives of the respective assets. Expenditures for repairs and maintenance are charged to expense as incurred.

Leases

The Organization determines if an arrangement is a lease at inception by determining whether the agreement conveys the right to control the use of the identified asset for a period of time, whether the Organization has the right to obtain substantially all of the economic benefits from use of the identified asset, and the right to direct the use of the asset. Lease liabilities are recognized at the commencement date based upon the present value of the remaining future minimum lease payments over the lease term using the rate implicit in the lease or the risk-free rate. The risk-free rate is defined as the daily treasury par yield curve rate for a period of time that approximates the lease term. The Company's lease terms include options to renew or terminate the lease when it is reasonably certain that it will exercise the option.

The lease right-of-use assets are initially measured at the carrying amount of the lease liability and adjusted for any prepaid or accrued lease payments, remaining balance of lease incentives received, unamortized initial direct costs, or impairment charges relating to the right-of-use-asset. Certain leases contain escalation clauses, which are factored into the right-of-use asset where appropriate. Lease expense for minimum lease payments are recognized on straight-line basis over the lease term.

The Organization has lease agreements with lease and non-lease components. For all leases, these components are accounted for as a single lease component.

Public Support and Revenue

The Organization recognizes contributions as support when they are received or unconditionally pledged and records these contributions as with donor restrictions or without donor restrictions according to donor stipulations that limit the use of these assets due to either a time or purpose restriction. Contributions received with donor restrictions that are met in the year of receipt are recorded as revenues without donor restrictions. When a restriction expires or is met in a subsequent year, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. Conditional contributions or promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts on multi-year pledges is recorded as additional contribution support as either with or without donor restrictions based on any donor-imposed restrictions, if any, on the related contributions.

GRACEWORKS MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 (With Comparative Totals for 2023)

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Public Support and Revenue (Continued)

The Organization holds various charity events throughout the year. Fees and other amounts received before the event dates are recorded as contract liabilities until the date of the event, at which time the amounts are recognized as revenue.

The Organization operates a thrift store that sells donated clothes and furniture to raise funds for its programs that assist those in need. Customers will make payment and receive the product at the point of sale at the store, and all performance obligations are met at that time. Items must be picked up onsite and no shipping is conducted. There are no returns as all sales are final once payment is made.

Contributed Nonfinancial Assets

Contributions of donated services that create or enhance non-financial assets or that require specialized skills are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. We receive many contributed services for our outreach programs. These services meet the requirements for recognition in the financial statements and have been recorded or reflected in the accompanying financial statements.

Contributions of food pantry and thrift store goods are valued at the price sold and recognized as support and expense when sold.

Compensated Absences

Full time employees are defined as those working 30 hours or more per week. Paid time off is calculated based on each employee's regularly scheduled hours per week and is granted 90 days after hire date. An employee can carry over up to 40 hours of paid time off at the end of the fiscal year into the new year.

Contract Liabilities

Contract liabilities consist of amounts received for events that have not yet occurred. Contract liability balances at June 30, 2024, and 2023, were \$17,080 and \$41,165, respectively. The prior year balance of \$43,165 was recognized in full during the year ended June 30, 2024.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expense by function.

The financial statements report certain categories of expense that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied.

GRACEWORKS MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 (With Comparative Totals for 2023)

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses (Continued)

The majority of expenses are specifically identified and directly coded to program services or supporting services. Allocated expenses include payroll and related expenses, advertising, continuing education, depreciation and amortization, dues and subscriptions, general & IT repairs and maintenance, general administration expenses, in-kind expenses, insurance, merchant and bank fees, mileage and expense reimbursement, office supplies, postage and freight, printing, professional services, rent, and utilities. Allocated amounts are based on time spent, square footage, and percentages based on how resources are used.

Joint Costs

As stated in the Financial Accounting Standards Board's Accounting Standards Codification Topic 958 ("ASC 958"), Not for Profit Entities, costs included in conducting joint activities that are not identifiable with a particular component of the activity are allocated between fundraising and program services. Joint costs for the year ended June 30, 2024, are broken out on the statement of functional expenses.

Advertising

Advertising is expensed as incurred. Total advertising expense for the years ended June 30, 2024, and 2023, was \$49,218 and \$16,811, respectively.

Income Taxes

The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying financial statements. We do not believe there are any uncertain tax positions. Further, we do not believe that we have any unrelated business income, which would be subject to federal taxes.

Fair Values of Financial Instruments

The fair values of current assets, current liabilities, and restricted cash approximate the carrying values due to the short maturities of these instruments and they are all Level 1 in the fair value hierarchy.

The Organization uses a framework for measuring fair value and disclosing fair values. The Organization defines fair value at the price which would be received to sell an asset in an orderly transaction between market participants at the measurement date. The Organization uses this framework for all assets and liabilities measured and reported on a fair value basis and enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires each asset and liability carried at fair value be classified into one of the following categories:

GRACEWORKS MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 (With Comparative Totals for 2023)

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Values of Financial Instruments (Continued)

- Level 1 - Quoted market prices in active markets for identical assets or liabilities
- Level 2 - Observable market-based inputs or unobservable inputs corroborated by market data
- Level 3 - Unobservable inputs that are not corroborated by market data

The following table summarizes our financial assets measured at fair value on a recurring basis segregated by level of valuation inputs within the fair value hierarchy utilized to measure fair value as of:

	Level 1	Level 2	Level 3	Total
June 30, 2024				
Investments, NOTE 5	\$ 2,680,193	\$ -	\$ -	\$ 2,680,193

Fair value hierarchy of investments were as follows, as of:

	Level 1	Level 2	Level 3	Total
June 30, 2023				
Investments, NOTE 5	\$ 686,946	\$ -	\$ -	\$ 686,946

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Reclassifications

Certain prior year balances have been reclassified to confirm to the current year presentation.

Subsequent Events

The Organization has performed a review of events subsequent to the statement of financial position date through December 6, 2024, the date financial statements were available to be issued.

New Accounting Pronouncement

In June 2016, the Financial Accounting Standards Board issued accounting standards update (ASU) ASU 2016-13 Financial Instruments - Credit Losses (Topic 326): *Measurement of Credit Losses on Financial Instruments* (ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in FASB ASC 326 are contributions receivable.

GRACEWORKS MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 (With Comparative Totals for 2023)

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncement (Continued)

The Organization adopted the standard effective July 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new and enhanced disclosures only.

NOTE 2 — AVAILABILITY AND LIQUIDITY

Certain assets may be restricted but are restricted for current operating costs. Financial assets available for general expenditure within one year of the statement of financial position, consisted of the following at:

	June 30,	
	2024	2023
Cash	\$ 2,728,963	\$ 4,063,826
Contributions receivable	14,308	16,488
Inventory	991,590	872,854
Investments	<u>2,121,444</u>	<u>128,197</u>
	<u>\$ 5,856,305</u>	<u>\$ 5,081,365</u>

The Organization regularly monitors liquidity to meet its operating needs and other contractual commitments.

NOTE 3 — CONCENTRATIONS OF CREDIT RISKS

Financial instruments that potentially subject us to concentrations of credit risk consist of cash and cash equivalents, and various grant, contract and contributions receivable. Grant, contract and contributions receivable represent concentrations of credit risk to the extent they are receivable from concentrated sources.

The Organization maintains cash in bank accounts which, at times, may exceed federally insured limits. As of June 30, 2024, the Organization had \$3,018,452 in excess of FDIC insured balances. The Organization has not experienced any losses in such accounts and does not believe this exposes it to any significant credit risk on its cash.

GRACEWORKS MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 (With Comparative Totals for 2023)

NOTE 4 — LEASES

The Organization has operating leases for warehouse buildings and parking space which encompass third-party leases. The Organization's leases have remaining terms that mature through 2028.

The components of lease expenses were as follows:

Operating lease expense	\$ 437,734
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The weighted average remaining operating lease term was 5 years at June 30, 2023. The weighted average discount rate for operating leases was 4.04% at June 30, 2024.

Future minimum lease payments under operating leases are as follows:

Year Ending <u>June 30,</u>	
2025	\$ 457,572
2026	462,392
2027	469,572
2028	<u>482,112</u>
Total undiscounted cash flows	1,871,648
Less: present value discount	<u>(141,896)</u>
Total lease liabilities	<u>\$ 1,729,752</u>

Lease liabilities are shown on the balance sheet as follows:

Current operating lease liabilities	\$ 396,499
Long-term operating lease liabilities	<u>1,333,253</u>
	<u>\$ 1,729,752</u>

The Organization has also entered into the month-to-month lease agreement for administration building for a monthly cost of \$1,000.

Lease expense for the year ended June 30, 2023, totaled \$318,476.

GRACEWORKS MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 (With Comparative Totals for 2023)

NOTE 5 — INVESTMENTS

Investments consist of the following:

	June 30,	
	2024	2023
Cash and restricted cash	\$ 116,146	\$ 102,639
Certificate of deposit	1,424,414	-
Money market funds	220,118	18,344
Equities	149,851	51,808
Bond funds	242,048	239,885
Equity funds	43,449	87,691
Exchange traded funds	<u>484,167</u>	<u>186,579</u>
	<u>\$ 2,680,193</u>	<u>\$ 686,946</u>

Investment balances include the endowment (both permanent and unrestricted, see NOTE 8) and other investments as received or invested by the Organization.

NOTE 6 — PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	June 30,	
	2024	2023
Vehicles	\$ 414,977	\$ 394,627
Property and equipment	222,713	193,986
Leasehold improvements	<u>189,550</u>	<u>158,313</u>
	827,240	746,926
Less Accumulated Depreciation	<u>(582,518)</u>	<u>(483,933)</u>
Total property and equipment, net	<u>\$ 244,722</u>	<u>\$ 262,993</u>

The aggregate depreciation and amortization charged to operations for the years ended June 30, 2024, and 2023, was \$98,585 and \$94,981, respectively.

GRACEWORKS MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 (With Comparative Totals for 2023)

NOTE 7 — NET ASSETS

Net assets with donor restrictions consisted of the following at:

	June 30,	
	2024	2023
Specific purpose:		
Holiday Food Boxes	\$ 20,030	\$ 21,061
Heaters for Neighbors	3,374	3,374
Cash for Manger	111,361	82,398
Cash for Manger Bike	590	668
Other	-	25,558
Permanently restricted endowment:		
Investment endowment fund	<u>558,749</u>	<u>558,749</u>
	<u>\$ 694,104</u>	<u>\$ 691,808</u>

NOTE 8 — ENDOWMENT FUNDS

The Organization's endowment consists of funds established by donors to be held in perpetuity, including gifts requiring that the principal be invested, and the income or specific portions thereof be used for operations. Net assets with donor restricted endowment funds are based on the spending policies described below which follow the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and the State of Tennessee's State Uniform Prudent Management of Institutional Funds Act (SUPMIFA).

Financial accounting standards provide guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of UPMIFA. Financial accounting standards also require additional disclosures about endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not the Organization is subject to UPMIFA.

Interpretation of applicable law - The Board of Directors has interpreted UPMIFA as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, and (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as net assets with donor restrictions are classified as net assets without restrictions until those amounts are appropriated for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA.

Spending policy - the Organization has a policy of appropriating for distribution each year a maximum payout up to the total earnings from the funds in excess of the original corpus value. Withdrawal of funds cannot cause the account to fall below the original corpus. If market

GRACEWORKS MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 8 — ENDOWMENT FUNDS (Continued)

conditions cause the value of the account to fall below this limit, no withdrawal of funds can be made until the value exceeds this limit. Corpus balance will not be restored from general operating

funds of the Organization rather withdrawals will be prohibited until market growth restores balance. Withdrawn funds will only be used to enhance the Neighbor Service programs above and beyond the amounts typically spent or budgeted on such programs. Funds released for this purpose for the year ended June 30, 2024, and 2023, was \$0.

Investment return objective, risk parameters and strategies – the objective of our endowment portfolio is a balanced approach between equities and fixed income. The investment horizon is long-term and balances the need for income and growth. The portfolio allows up to 60% investment in equities and up to 40% investment in fixed income.

At June 30, 2024, and 2023, endowment funds were held in an investment account consisting of cash and investment funds, see NOTE 5.

The funds are shown on the statement of financial position as a restricted endowment of \$558,749 and \$224,468 included in investments as of June 30, 2024, and 2023, respectively.

The following is a schedule of changes in endowment net assets for the year ended June 30, 2024:

Endowment assets, June 30, 2023	\$ 686,946
Dividend and interest income	24,730
Administrative expenses	(4,943)
Unrealized appreciation	59,418
Amounts transferred in	<u>17,066</u>
Total endowment net assets, June 30, 2024	<u>\$ 783,217</u>

NOTE 9 — CONTRIBUTED NONFINANCIAL ASSETS

The Organization periodically receives donations of services, when donated services (a) create or enhance non-financial assets, or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The value of the donation is recorded as contribution revenue in the period received.

GRACEWORKS MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 9 — CONTRIBUTED NONFINANCIAL ASSETS (Continued)

The following donations are reflected as contributions of nonfinancial assets with no associated donor restriction in the accompanying statement of activities as follows:

Valuation Techniques and Inputs		Year Ended June 30,	
		2024	2023
Food pantry	Contributed goods at estimated fair value based on current rates for similar items	\$ 4,723,145	\$ 4,926,957
Thrift store	Contributed goods at estimated fair value based on current rates for similar items	1,681,492	1,501,597
Other	Contributed goods and services at estimated fair value based on current rates for similar items	<u>268,234</u>	<u>476,246</u>
		<u>\$ 6,672,871</u>	<u>\$ 6,904,800</u>

Contributions of nonfinancial assets and their use in programs and other activities are as follows:

				Year Ended June 30,	
	Program Services	General & Administrative	Fundraising	2024	2023
Food	\$ 4,723,145	\$ -	\$ -	\$ 4,723,145	\$ 4,926,957
Thrift store	1,681,492	-	-	1,681,492	1,501,597
Other	<u>208,450</u>	<u>25,531</u>	<u>34,253</u>	<u>268,234</u>	<u>476,246</u>
	<u>\$ 6,613,087</u>	<u>\$ 25,531</u>	<u>\$ 34,253</u>	<u>\$ 6,672,871</u>	<u>\$ 6,904,800</u>