



GOOD NEWS RESCUE MISSION

**AUDITED FINANCIAL STATEMENTS
MAY 31, 2023**

GOOD NEWS RESCUE MISSION
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FOR THE YEAR ENDED MAY 31, 2023

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D. H. SCOTT & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
A LIMITED LIABILITY PARTNERSHIP

Partners

David H. Scott, APC, CPA
Keith F. Hunting, CPA
Paul J. Catanese, APC, CPA/MBA
Christine M. Link, APC, CPA/MSA
Christina M. Freilich, APC, CPA

Managers

Cheryl D. Hull, CPA
Ron S. Massey, CPA
Chris A. Estes, CPA
Deana M. McClenny, CPA
Donna L. Darwin, MSA
Rebecca R. Braxton, MAC
Daniel L. Badgley, CPA

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Good News Rescue Mission
Redding, California

Opinion

We have audited the accompanying financial statements of Good News Rescue Mission, which comprise the statement of financial position as of May 31, 2023, 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 Good News Rescue Mission as of May 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Good News Rescue Mission 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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Good News Rescue Mission's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibility 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Good News Rescue Mission'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 Good News Rescue Mission'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.

A handwritten signature in black ink that reads "D. H. Scott & Company LLP". The signature is written in a cursive, flowing style.

Redding, California
February 20, 2024

GOOD NEWS RESCUE MISSION
STATEMENT OF FINANCIAL POSITION
MAY 31, 2023

ASSETS

Current assets

Cash and cash equivalents	\$ 1,906,919
Certificates of deposit	371,520
Inventory	165,424
Prepaid expenses	25,060
Other receivables	<u>1,534</u>

Total current assets	2,470,457
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Property and equipment, net	5,202,102
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Construction in progress	<u>27,346</u>
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Total assets	\$ <u><u>7,699,905</u></u>
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LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable	\$ 57,043
Amounts held for others	82,587
Compensated absences	61,231
Notes payable, current portion	<u>1,000,000</u>

Total current liabilities	1,200,861
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Long-term liabilities

Notes payable, long-term portion	<u>1,500,000</u>
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Total liabilities	<u>2,700,861</u>
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Net assets

Without donor restrictions	4,776,959
With donor restrictions	<u>222,085</u>

Total net assets	<u>4,999,044</u>
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Total liabilities and net assets	\$ <u><u>7,699,905</u></u>
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See accompanying notes to financial statements.

GOOD NEWS RESCUE MISSION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Contributions	\$ 1,830,416	\$ 200,947	\$ 2,031,363
In-kind contributions	1,490,272	-	1,490,272
Grant income	-	176,357	176,357
Special events revenue, net	73,981	-	73,981
Other income	320	-	320
Interest income	32,169	-	32,169
Gain (loss) on disposal of assets	(1,480)	-	(1,480)
Total support	3,425,678	377,304	3,802,982
Net assets released from restrictions			
Satisfaction of purpose	300,256	(300,256)	-
Total support allocated	3,725,934	77,048	3,802,982
Expenses			
Program services			
Guest services	2,115,513	-	2,115,513
Men's new life recovery	582,631	-	582,631
Women's new life recovery	438,811	-	438,811
Total program services	3,136,955	-	3,136,955
Support services			
Management and general	351,587	-	351,587
Fundraising	634,740	-	634,740
Total support services	986,327	-	986,327
Total expenses	4,123,282	-	4,123,282
Change in net assets	(397,348)	77,048	(320,300)
Net assets, beginning of year	5,174,307	145,037	5,319,344
Net assets, end of year	\$ 4,776,959	\$ 222,085	\$ 4,999,044

See accompanying notes to financial statements.

GOOD NEWS RESCUE MISSION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2023

	Program Services				Support Services			Total
	Guest Services	Men's New Life Recovery	Women's New Life Recovery	Total Program Services	Management and General	Fundraising	Total Support Services	
Expenses								
Advertising	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,780	\$ 4,780	\$ 4,780
Benevolence	442	214	276	932	-	-	-	932
Building repair and maintenance	17,658	6,333	8,256	32,247	643	597	1,240	33,487
Depreciation	100,463	32,844	70,222	203,529	6,305	3,602	9,907	213,436
Equipment rental and maintenance	5,911	2,581	1,161	9,653	963	2,187	3,150	12,803
Food	1,001,014	186,812	101,556	1,289,382	41	-	41	1,289,423
Mailings	-	-	-	-	-	61,154	61,154	61,154
Miscellaneous	32,839	8,896	9,309	51,044	13,840	22,832	36,672	87,716
Professional fundraising	-	-	-	-	-	285,205	285,205	285,205
Professional services	2,913	3,176	949	7,038	58,709	-	58,709	65,747
Property taxes and insurance	39,259	20,369	19,128	78,756	14,223	4,699	18,922	97,678
Salaries and benefits	540,460	242,200	180,264	962,924	236,730	224,947	461,677	1,424,601
Supplies	240,523	21,545	16,012	278,080	3,832	2,963	6,795	284,875
Technology	12,311	7,249	4,545	24,105	8,693	14,369	23,062	47,167
Transportation	15,100	13,520	5,151	33,771	518	1,574	2,092	35,863
Utilities	106,620	36,892	21,982	165,494	7,090	5,831	12,921	178,415
Total functional expenses	\$ 2,115,513	\$ 582,631	\$ 438,811	\$ 3,136,955	\$ 351,587	\$ 634,740	\$ 986,327	\$ 4,123,282

See accompanying notes to financial statements.

GOOD NEWS RESCUE MISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MAY 31, 2023

Cash flows from operating activities

Cash received from support and revenue	\$ 3,139,603
Cash paid to suppliers, employees and missionaries	(2,376,966)
Interest received	<u>32,169</u>

Net cash provided by (used in) operating activities	<u><u>794,806</u></u>
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Cash flows from investing activities

Purchase of property and equipment	(242,324)
Proceeds from sale of assets	<u>200</u>

Net cash provided by (used in) investing activities	<u><u>(242,124)</u></u>
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Net increase (decrease) in cash	552,682
Cash and cash equivalents, beginning of year	<u>1,354,237</u>

Cash and cash equivalents, end of year	<u><u>\$ 1,906,919</u></u>
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Reconciliation of change in net assets to net cash provided by (used in) operating activities

Change in net assets	\$ <u>(320,300)</u>
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Adjustments to reconcile change in net assets
to net cash provided by (used in) operating activities

Depreciation	213,436
Loss on disposal of assets	1,480

Decrease (increase) in assets

Employee Retention Credit refund receivable	656,234
Inventory	207,315
Other accounts receivable	(1,593)
Prepaid expenses	1,117

Increase (decrease) in liabilities

Accounts payable	32,475
Amounts held for others	(9,932)
Compensated absences	<u>14,574</u>

Total adjustments	<u>1,115,106</u>
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Net cash provided by (used in) operating activities	<u><u>\$ 794,806</u></u>
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See accompanying notes to financial statements.

NOTE 1 – NATURE OF ACTIVITIES

Good News Rescue Mission (the Mission) is a nonprofit corporation whose mission is to bring good news to the poor, homeless, or needy of Shasta County by sharing the love of God exemplified by the life and ministry of Jesus Christ, providing emergency subsistence services (food, shelter, clothing), providing long term recovery services, and educating and equipping people of Shasta County to effectively minister to needy people. The Mission's principal programs are as follows:

Guest Services: The Mission provides daily emergency subsistence services of food, shelter, and clothing to meet the immediate needs of those who are homeless and/or living in poverty. Guest Services strives to break the cycle of poverty and homelessness through comprehensive case management services and programs geared to address common root factors of homelessness. The major factors leading to homelessness include job loss, poverty, mental health, and addiction. The Mission offers core programs to address these issues which include mental health referrals, a savings program that allows an individual to save money for permanent housing, and academic and work readiness programs that provide assistance in completion of college, obtaining employment, and sustainable living in mainstream society.

New Life Recovery: The Mission provides faith-based 18-month residential recovery programs for men and women. The programs focus on the root cause of addiction and strive to equip the students with tools to overcome their addiction, emerge as leaders in the community, and to live healthy fulfilling lives. Recovery, sober living, and discipleship are the three areas central to the program. Recovery activities include individual and group counseling, education, and life skills such as parenting. Women enrolled in the program are able to have their children remain with them throughout their stay at the Mission (boys must be under the age of 12).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New Accounting Pronouncement

Effective June 1, 2022, the Mission used the modified retrospective approach to adopt FASB ASC 842, Leases, which among other things, requires the recognition of right-of-use (ROU) lease assets and lease liabilities on the statement of financial position of lessees for operating leases, along with the disclosure of key information about leasing arrangements. A lessee is required to record ROU lease assets and lease liabilities for all leases with a term greater than 12 months. The Mission does not currently have any material lease agreements in place with terms longer than 12 months; and as such, the adoption of the new accounting standard did not result in any changes to the statement of financial position or the statement of activities as of and for the year ended May 31, 2023.

In September 2020, the Financial Accounting Standards Board issued ASC 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958), which is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present material contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. The Mission adopted and implemented this pronouncement on June 1, 2022.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. The Mission reports 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.

Net Assets Without Donor Restrictions	Net assets that are not subject to or are no longer subject to donor imposed stipulations.
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Net Assets With Donor Restrictions	Net assets whose use is limited by donor-imposed time/and or purpose restrictions.
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Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. The Mission reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long term assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how these long-lived assets must be maintained, the Mission reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Mission has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

Revenue Recognition

The Mission reports contributions as revenue when they are unconditionally pledged or when they are received. The Mission reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to the statement of activities as net assets released from restrictions.

A portion of the Mission's revenue is derived from cost-reimbursable grants which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts are recognized as revenue when the Mission has incurred expenses in compliance with specific grant provisions.

Special events revenue are reported net of costs of direct benefit to donors as follows:

Special events revenue	\$ 110,463
Less: Cost of direct benefit to donor	<u>(36,482)</u>
Special events revenue, net	<u>\$ 73,981</u>

Use of Estimates

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Mission considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

The Mission's financial instruments that are potentially exposed to concentration of credit risk consist primarily of cash and cash equivalents. The Mission places its cash and temporary cash investments with high quality credit institutions. At times, such investments may be in excess of the FDIC insurance limit, however, the Mission believes that the credit risk is nominal. The amount in excess of the FDIC limit at May 31, 2023 was \$1,195,431.

Certificates of Deposit

The Mission holds certificates of deposit with maturity dates of November 27, 2026 and November 28, 2027. Certificates of deposit are recorded at cost plus accrued interest which approximates fair market value.

Inventory

Inventories consist mainly of donated food, clothing, and household items received by the Mission's distribution center for use in the Food Services program and Resource Center. The contributions are reported as revenue valued at the lower of cost or market at the time of donation. Physical inventories are taken at least annually to determine inventory on hand.

Prepaid Expenses

Advance payments are reported as assets until the related expense is incurred.

Property and Equipment

Expenditures for maintenance and repairs are charged to expense as incurred. Major improvements are capitalized. Property and equipment are capitalized at cost when purchased or at fair market value when contributed. Depreciation is determined for related groups of assets under the straight-line method based upon their estimated useful lives of 3 to 39 years.

Amounts Held for Others

Amounts held for others consists of funds held for participants of the Guest Services and New Life Recovery programs on a voluntary basis.

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the Mission as the benefits are earned and vested.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include food preparation and distribution, clothing and household item distribution, academic center and job readiness, depreciation, operational expenses such as maintenance and repairs, and salaries and benefits.

Food preparation and distribution is allocated to programs based upon the number of meals served. Clothing and household items are allocated based upon an estimate of the percentage distributed to the population of each of the programs. Academic center and job readiness is allocated based upon the number of hours of class time for each program. Depreciation and operational expenses are allocated to buildings and other assets which are in turn allocated based upon the estimated usage of those assets. Salaries and benefits for food services, academic center and job readiness, and operations are allocated along with the other costs for those functions. Other salaries and benefits are allocated on the basis of estimates of time and effort.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Mission has received tax exempt status under Section 501(c)(3) of the Internal Revenue Code, and Section 23701(d) of the State of California Revenue and Taxation Code, and has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code. Since the Mission is exempt from federal and state income tax liability, no provision is made for current or deferred income taxes. The Mission uses the same accounting methods for tax and financial reporting.

Generally accepted accounting principles prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Management of the Mission has evaluated its uncertain tax positions and related income tax contingencies. Management does not believe that any material uncertain tax positions exist. The Mission's tax returns are subject to examination by Federal taxing authorities for a period of three years from the date they are filed and a period of four years for California taxing authorities.

NOTE 3 – PROPERTY AND EQUIPMENT

The Mission owns certain land and buildings that were acquired in full or in part through the Federal Home Loan Bank's (the FHLBank) Affordable Housing Program (AHP). These assets are pledged as collateral for the Mission's long-term debt. See additional information in Note 4 below.

Property and equipment is summarized as follows:

Building and improvements	\$ 6,632,500
Land	580,629
Furniture, fixtures and equipment	532,404
Vehicles	<u>161,342</u>
Total property and equipment	7,906,875
Less accumulated depreciation	<u>(2,704,773)</u>
Property and equipment, net	<u><u>\$ 5,202,102</u></u>

NOTE 4 – LONG-TERM DEBT

The Mission was approved for a grant under the FHLBank's Affordable Housing Program (AHP) in June 2014, in the original amount of \$1,500,000 for the Good News Houses project. The granted funds were disbursed to the Mission under a Subsidy Repayment Agreement with Umpqua Bank which is secured by real property with a carrying value at May 31, 2023 of \$1,719,992. It does not accrue interest, except in the event of default, and will not amortize. The entire principal balance matures the later of January 1, 2033 or fifteen years after project completion. If the Mission continues to use the property in accordance with the terms of the Agreement, the entire balance will be forgiven by the FHLBank upon maturity.

NOTE 4 – LONG-TERM DEBT (continued)

The Mission was approved for a grant under the FHLBank's Affordable Housing Program (AHP) in March 2006, in the original amount of \$1,000,000 to build the Bridge to New Life building and to remodel the men's shelter. The granted funds were disbursed to the Mission under a Subsidy Repayment Agreement with Umpqua Bank which is secured by real property with a carrying value at May 31, 2023 of \$1,338,566. It does not accrue interest, except in the event of default, and will not amortize. The entire principal balance matured in December 2023. Since the Mission used the property in accordance with the terms of the Agreement, the entire balance was forgiven on December 4, 2023 by the FHLBank. The forgiveness of this debt will be reported as income in the financial statements for the year ended May 31, 2024.

The Mission was not in default with the terms of the Subsidy Repayment Agreements at May 31, 2023.

NOTE 5 – DEFINED CONTRIBUTION PLAN

The Mission sponsors a defined contribution plan (the Plan) covering all eligible employees who agree to make contributions to the Plan. The Mission matches 50% of all participants' contributions to the Plan up to \$1,500 per year. Total contributions made by the Mission to the Plan for the year ended May 31, 2023, were \$6,855.

NOTE 6 – RELATED PARTY TRANSACTIONS

The Mission received contributions from board members in the amount of \$18,199 for the year ended May 31, 2023. Of this amount, \$400 was made with restrictions and \$17,799 was made without restrictions.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at May 31, 2023:

Women & Children Only	\$ 72,392
Guest Services	58,831
Grants	41,704
Women's New Life Recovery Program	19,336
General Maintenance	8,560
Food Services	4,370
Men's New Life Recovery Program	4,057
Operations	2,649
Academics	2,507
Fundraising	2,490
Solar Project	2,298
Victory House Playground Capital Project	1,500
Van Outreach 3	1,151
Administration	201
Distribution Center	39
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Total net assets with donor restrictions	\$ <u><u>222,085</u></u>

NOTE 8 – IN-KIND CONTRIBUTIONS

Non-cash contributions consist of the following for the year ended May 31, 2023:

Food	\$ 1,077,085
Clothing and household items	170,154
Capital assets	235,997
Professional services	<u>7,036</u>
Total non-cash contributions	<u>\$ 1,490,272</u>

The Mission receives contributed services from hundreds of unpaid volunteers who assist with a variety of services relating to program delivery, clerical, academic, basic health, and fundraising. Contributed services are recognized as contributions on the Statement of Activities in accordance with FASB ASC Subtopic 958-605-25-16, if the services (a) create or enhance a nonfinancial asset, or (b) require specialized skills, are provided by persons possessing those skills, and would need to be purchased if they were not donated. The volunteered dental services meet the above criteria and are valued at the usual and customary charges and are included as professional services in the table above. The remaining volunteered services provided to the Mission did not meet this criteria and, therefore, are not recognized in the accompanying financial statements. The Mission estimates the fair value of the contributed services not recognized in the Statement of Activities to be \$1,915,000 for the year ended May 31, 2023.

The Mission receives donated goods which consists of food, clothing, and household items and are reported as revenue at their estimated values at the date of receipt by using prices from local grocery stores and thrift stores. Capital assets are reported as revenue at their estimated values at the date of the receipt using similar benchmarked priced items.

NOTE 9 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Missions' financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consist of the following at May 31, 2023:

Financial assets available at year-end	
Cash and cash equivalents	\$ 1,906,919
Certificates of deposit	371,520
Other receivables	1,534

Less those unavailable for general expenditures within one year, due to:

Contractual or donor-imposed restrictions:	
Restricted by donor with purpose restrictions	(222,085)
Amounts held for others	<u>(82,587)</u>

Financial assets available to meet cash needs for general expenditures within one year \$ 1,975,301

The Mission has 3 and 4 year Certificates of Deposit that will mature after the end of the 2026 and 2027 fiscal years. The terms of the Certificates of Deposit call for a forfeiture of 6 months interest in the event of early withdrawal. The Mission considers these investments as available for cash flow. Funds in excess of budget are considered to be reserved by the board until designated or appropriated by a board vote. These funds are kept in liquid accounts, but are not available for general expenditures without board action. Financial assets that have been donated with restrictions on their use are not available for general expenditures.

NOTE 10 – EMPLOYEE RETENTION CREDITS

The Mission filed amended payroll tax returns for the years ended May 31, 2019 through May 31, 2021, in order to claim Employee Retention Credits for qualifying wages. The Company recorded Employee Retention Credit receivable of \$656,234 as of May 31, 2022, and received the full refund of \$656,234 during the year ended May 31, 2023.

NOTE 11 – SUBSEQUENT EVENTS

The Mission has evaluated subsequent events through February 20, 2024 which is the date the financial statements were available to be issued.