

**Detroit Rescue Mission Ministries
and Lakeview Farms Mission**

Financial Statements

September 30, 2022 and 2021

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Independent Auditors' Report

To the Board of Directors
Detroit Rescue Mission Ministries
and Lakeview Farms Mission
Detroit, MI

Opinion

We have audited the accompanying combined financial statements of Detroit Rescue Mission Ministries and Lakeview Farms Mission (collectively, the Organization) which comprise the combined statement of financial position as of September 30, 2022, and 2021, and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position Detroit Rescue Mission Ministries and Lakeview Farms Mission as of September 30, 2022, and 2021, and the changes in its net assets and its cash flows for the years 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 Detroit Rescue Mission Ministries and Lakeview Farms 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 combined 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 combined 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 Detroit Rescue Mission Ministries and Lakeview Farms Mission's ability to continue as a going concern within one year after the date that the combined financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, 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 combined 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 combined 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 combined 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 Detroit Rescue Mission Ministries and Lakeview Farms 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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Detroit Rescue Mission Ministries and Lakeview Farms 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2023, on our consideration of Detroit Rescue Mission Ministries and Lakeview Farms Mission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Detroit Rescue Mission Ministries and Lakeview Farms Mission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Detroit Rescue Mission Ministries and Lakeview Farms Mission's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Ann Arbor, MI
June 27, 2023

**Detroit Rescue Mission Ministries
and Lakeview Farms Mission
Combined Statement of Financial Position
September 30, 2022 and 2021**

	2022	2021
Assets		
Current assets		
Cash and cash equivalents	\$ 1,579,861	\$ 3,103,450
Investments	558,034	123,417
Accounts receivable		
Federal, state and other programs, net of allowance for doubtful accounts	1,624,570	1,828,719
Other receivables	855,899	18,898
Inventory	44,000	44,000
Prepaid expenses	141,728	75,264
Total current assets	4,804,092	5,193,748
Land, building and equipment - net	16,408,611	16,651,380
Other assets		
Cash surrender value of life insurance	323,990	320,605
Other assets	28,934	17,934
Total other assets	352,924	338,539
Total assets	\$ 21,565,627	\$ 22,183,667
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 855,807	\$ 775,145
Accrued payroll and employee benefits	339,845	270,863
Incurred but not reported health claims	97,933	62,230
Current portion of long-term debt	47,814	47,814
Total current liabilities	1,341,399	1,156,052
Long-term liabilities		
Notes payable - net of current portion	749,083	796,896
Total liabilities	2,090,482	1,952,948
Net assets		
Without donor restrictions		
Undesignated	3,863,431	4,374,049
Invested in land, building and equipment, net of related debt	15,611,714	15,806,670
Total without donor restrictions	19,475,145	20,180,719
With donor restrictions		
Time-restricted for future periods	-	50,000
Total net assets	19,475,145	20,230,719
Total liabilities and net assets	\$ 21,565,627	\$ 22,183,667

See Accompanying Notes to the Combined Financial Statements

**Detroit Rescue Mission Ministries
and Lakeview Farms Mission
Combined Statement of Activities
For the Years Ended September 30, 2022 and 2021**

	2022			2021		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
Support and Revenue						
Contributions	\$ 7,231,057	\$ -	\$ 7,231,057	\$ 7,782,864	\$ 50,000	\$ 7,832,864
Contributed nonfinancial assets	2,422,244	-	2,422,244	5,293,363	-	5,293,363
Federal, state and local program revenue	9,367,710	-	9,367,710	8,496,279	-	8,496,279
Rental income	64,577	-	64,577	29,785	-	29,785
PPP loan forgiveness	-	-	-	1,572,789	-	1,572,789
Other income	1,423,449	-	1,423,449	105,129	-	105,129
Gain on disposal of land, building and equipment	-	-	-	208,207	-	208,207
Interest income	5,801	-	5,801	7,067	-	7,067
Unrealized gain (loss) on investments	(67,839)	-	(67,839)	32,453	-	32,453
Net assets released from restrictions	50,000	(50,000)	-	-	-	-
Total support and revenue	20,496,999	(50,000)	20,446,999	23,527,936	50,000	23,577,936
Expenses						
Program services						
Housing	1,757,995	-	1,757,995	2,956,147	-	2,956,147
Shelter	6,867,356	-	6,867,356	6,432,509	-	6,432,509
Treatment	6,036,546	-	6,036,546	4,142,271	-	4,142,271
Spiritual life	426,348	-	426,348	61,475	-	61,475
Outreach	2,036,558	-	2,036,558	1,670,801	-	1,670,801
Total program services	17,124,803	-	17,124,803	15,263,203	-	15,263,203
Management and general	2,745,877	-	2,745,877	3,554,245	-	3,554,245
Fundraising	1,331,893	-	1,331,893	1,094,538	-	1,094,538
Total expenses	21,202,573	-	21,202,573	19,911,986	-	19,911,986
Change in net assets	(705,574)	(50,000)	(755,574)	3,615,950	50,000	3,665,950
Net assets - beginning of the year	20,180,719	50,000	20,230,719	16,564,769	-	16,564,769
Net assets - end of the year	\$ 19,475,145	\$ -	\$ 19,475,145	\$ 20,180,719	\$ 50,000	\$ 20,230,719

See Accompanying Notes to the Combined Financial Statements

**Detroit Rescue Mission Ministries
and Lakeview Farms Mission**
Combined Statement of Functional Expenses
For the Year Ended September 30, 2022

	Program Services					Supporting Activities			Total	
	Housing	Shelter	Treatment	Spiritual Life	Outreach	Program Services	Management and General	Fundraising		Supporting Activities
Salaries	\$ 605,171	\$ 2,777,036	\$ 2,585,825	\$ 62,428	\$ 1,097,826	\$ 7,128,286	\$ 1,115,767	\$ 111,235	\$ 1,227,002	\$ 8,355,288
Employee benefits	207,558	845,373	608,045	15,320	238,337	1,914,633	372,810	25,244	398,054	2,312,687
Operating expenses	32,340	304,020	706,327	338,462	115,653	1,496,802	405,282	1,184,143	1,589,425	3,086,227
Utilities	140,532	447,886	429,197	3,932	110,279	1,131,826	236,411	3,932	240,343	1,372,169
Depreciation	218,468	324,320	462,449	-	74,348	1,079,585	259,220	-	259,220	1,338,805
Food/kitchen	399,822	1,637,978	748,355	-	23,839	2,809,994	28,499	-	28,499	2,838,493
Repairs and maintenance	128,629	227,759	359,160	3,837	72,154	791,539	170,006	4,557	174,563	966,102
Bad debt	-	-	-	-	246,920	246,920	-	-	-	246,920
Insurance	19,426	57,107	53,629	787	36,501	167,450	58,021	1,217	59,238	226,688
Office expense	6,047	245,521	36,026	1,067	20,330	308,991	71,619	1,050	72,669	381,660
Interest expense	-	-	-	-	-	-	16,521	-	16,521	16,521
Miscellaneous	2	356	47,533	515	371	48,777	11,721	515	12,236	61,013
Total functional expenses	\$ 1,757,995	\$ 6,867,356	\$ 6,036,546	\$ 426,348	\$ 2,036,558	\$ 17,124,803	\$ 2,745,877	\$ 1,331,893	\$ 4,077,770	\$ 21,202,573

See Accompanying Notes to the Combined Financial Statements

**Detroit Rescue Mission Ministries
and Lakeview Farms Mission**
Combined Statement of Functional Expenses
For the Year Ended September 30, 2021

	Program Services					Supporting Activities			Total	
	Housing	Shelter	Treatment	Spiritual Life	Outreach	Total Program Services	Management and General	Fundraising		Supporting Activities
Salaries	\$ 669,805	\$ 1,815,487	\$ 1,895,779	\$ 7,077	\$ 996,977	\$ 5,385,125	\$ 1,518,070	\$ 57,998	\$ 1,576,068	\$ 6,961,193
Employee benefits	167,640	747,172	414,135	1,338	180,243	1,510,528	306,841	11,136	317,977	1,828,505
Operating expenses	57,057	220,386	302,165	41,919	129,839	751,366	644,543	1,014,926	1,659,469	2,410,835
Utilities	166,551	549,850	282,984	2,352	158,353	1,160,090	165,479	2,352	167,831	1,327,921
Depreciation	308,061	355,126	341,796	-	50,529	1,055,512	227,348	-	227,348	1,282,860
Food/kitchen	530,553	2,020,656	426,604	-	31,472	3,009,285	186,366	-	186,366	3,195,651
Repairs and maintenance	425,075	487,646	297,955	5,372	92,480	1,308,528	342,570	4,891	347,461	1,655,989
Bad debt	596,157	-	-	-	-	596,157	-	-	-	596,157
Insurance	21,249	54,656	43,185	1,220	12,942	133,252	56,428	2,058	58,486	191,738
Office expense	13,045	178,629	134,990	859	17,334	344,857	81,421	859	82,280	427,137
Interest expense	-	-	-	-	-	-	5,780	-	5,780	5,780
Miscellaneous	954	2,901	2,678	1,338	632	8,503	19,399	318	19,717	28,220
Total functional expenses	\$ 2,956,147	\$ 6,432,509	\$ 4,142,271	\$ 61,475	\$ 1,670,801	\$ 15,263,203	\$ 3,554,245	\$ 1,094,538	\$ 4,648,783	\$ 19,911,986

See Accompanying Notes to the Combined Financial Statements

**Detroit Rescue Mission Ministries
and Lakeview Farms Mission
Combined Statement of Cash Flows
For the Years Ended September 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (755,574)	\$ 3,665,950
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Change in cash surrender value of life insurance	(3,385)	(7,922)
Depreciation	1,338,805	1,282,860
Unrealized loss (gain) on investments	67,839	(32,453)
Gain on disposal of land, building and equipment	-	208,207
Bad debt expense	246,920	596,157
Forgiveness of debt - PPP loan	-	(1,572,789)
Contribution of building	-	(2,400,000)
Contribution of marketable securities	-	(10,419)
Increase (decrease) in		
Accounts receivable	(879,772)	18,724
Prepaid expenses	(66,464)	(47,879)
Other assets	(11,000)	(13,150)
Accounts payable	80,662	331,886
Accrued payroll and employee benefits	68,982	(175,964)
Cost settlement payable	-	(26,310)
Incurred but not reported health claims	35,703	402
	<u>122,716</u>	<u>1,817,300</u>
Net cash provided by operating activities		
Cash Flows from Investing Activities		
Purchase of land, building and equipment	(1,096,036)	(513,925)
Purchase of investments	(502,455)	(1,622)
	<u>(1,598,491)</u>	<u>(515,547)</u>
Net cash used by investing activities		
Cash Flows from Financing Activities		
Payments on notes payable	(47,814)	(47,814)
	<u>(47,814)</u>	<u>(47,814)</u>
Change in cash and cash equivalents	(1,523,589)	1,253,939
Cash and cash equivalents, beginning of year	3,103,450	1,849,511
Cash and cash equivalents, end of year	<u>\$ 1,579,861</u>	<u>\$ 3,103,450</u>
Supplemental Data		
Cash paid for interest	<u>\$ 16,521</u>	<u>\$ 5,780</u>

See Accompanying Notes to the Combined Financial Statements

**Detroit Rescue Mission Ministries
and Lakeview Farms Mission
Notes to the Combined Financial Statements
September 30, 2022 and 2021**

Note 1 - Summary of Significant Accounting Policies

Nature of Activities

Detroit Rescue Mission Ministries and Lakeview Farms Mission (collectively, the Organization) are non-profit organizations that provide food, shelter, and counseling to underprivileged individuals in the Detroit inner-city area. In addition to the traditional homeless shelter activities, the Organization also operates transitional housing facilities, drug and alcohol rehabilitation programs, and a camp. The Organization's revenue is derived principally from governmental grants and public contributions. The organizations comprising the Organization share a common Board of Directors.

Basis of Accounting

The combined financial statements of the Organization have been prepared using the accrual basis of accounting. The preparation of combined financial statements is in accordance with accounting principles generally accepted in the United States of America.

Principles of Combination

The combined financial statements include the operations of Detroit Rescue Mission Ministries and Lakeview Farms Mission. All significant intercompany balances and transactions have been eliminated.

Basis of Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

The Organization considers all cash on deposit and highly liquid investments purchased with an original maturity of three months or less as cash and cash equivalents. As of September 30, 2022, \$1,206,773 of the balance of cash and cash equivalents was in excess of the amount insured by the FDIC.

Investments

Investments are stated at fair value based on quoted prices in active markets. Realized gains and losses on sales of investments represent the difference between the net sales price and the cost of securities sold. Unrealized gains and losses on investments represent the net change for the reported year in unrealized appreciation between the balance at the beginning and the end of the year. Donated investments are reflected as contributions at their fair values at date of receipt.

**Detroit Rescue Mission Ministries
and Lakeview Farms Mission
Notes to the Combined Financial Statements
September 30, 2022 and 2021**

Accounts Receivable

The Organization's accounts receivable are related to various programs and grants and are due within one year. Management uses historical collection and aging of receivables to estimate allowances for doubtful accounts. The allowance for doubtful accounts for the years ended September 30, 2022 and 2021 was \$345,724 and \$98,804, respectively.

Management's policy for determining when receivables should be included in the allocation for doubtful accounts is on a case-by-case basis. Accounts are written-off when a funding agency indicates that funds are no longer available. Additionally, if an amount is deemed uncollectible due to the age of the receivable, it will be written-off at that time. Due to the nature of the receivables, balances are unsecured, interest is not charged, and accounts are not turned over to collection.

Inventory

Inventories are stated at the lower of net realizable value or cost determined by the first-in, first-out method. Contributions of inventory are reported at estimated net realizable value at the date of donation. Donated goods inventory consists primarily of nonperishable food, used furniture, clothing and other household goods.

Prepaid Expenses

Prepaid expenses are amounts paid in advance for future expenses. All amounts are expected to be utilized in one year.

Land, Building and Equipment

Land, buildings and equipment are reported at cost, or, if donated, at the estimated fair value at the date of the donation. Property and equipment purchases over \$5,000 are capitalized. Purchases less than \$5,000 are expensed as incurred. Depreciation of the buildings and equipment is reported using the straight-line method over the estimated useful lives of the assets, which range from five to thirty years. Certain assets purchased with federal funds may be restricted as to their use and may revert back to the funding agency upon dissolution of the Organization or the related program.

Gifts of land, buildings, equipment and other long-lived assets are also reported as revenue without donor restrictions and net assets, unless subject to time restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations or restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.

Cash Surrender Value of Life Insurance

The Organization is beneficiary of seven life insurance policies. The cash surrender value of these policies was \$323,990 and \$320,605 at September 30, 2022 and 2021. The sum all of all death benefits is approximately \$1,025,000.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees are deferred to the applicable period in which the performance obligations are met. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

**Detroit Rescue Mission Ministries
and Lakeview Farms Mission
Notes to the Combined Financial Statements
September 30, 2022 and 2021**

Donated Services and Goods

The Organization records the value of donated goods as contributions using estimated fair values at the date of receipt. The Organization's policy is to utilize, rather than monetize, donated services and goods.

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills and would typically need to be purchased if not provided by donation are recorded at their fair values in the period received.

Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the combined statement of activities. The combined statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Those expenses include primarily salaries and benefits, depreciation, occupancy and insurance. Salaries and benefits are allocated based on a time and cost study of where efforts are made, depreciation, occupancy and insurance are allocated based on a square footage basis.

Income Tax Status

The Organization is qualified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is classified as an organization other than a private foundation, as described in Section 509(a).

Use of Estimates

The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassification

The September 30, 2021, direct mail, radio, TV, and newspaper expenses of \$1,126,451 have been reclassified to operating expenses on the statement of functional expenses to conform to the September 30, 2022, presentation. Total expenses are unchanged as a result of this reclassification.

Date of Management's Review

Management has evaluated subsequent events through June 27, 2023, which is the date the combined financial statements were available to be issued.

Adoption of New Accounting Standard

The Organization adopted FASB Topic, *Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets*, as of the beginning of the year ended September 30, 2022. This was applied on a retrospective basis and did not result in a reclassification of revenue.

**Detroit Rescue Mission Ministries
and Lakeview Farms Mission
Notes to the Combined Financial Statements
September 30, 2022 and 2021**

Note 2 - Liquidity

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,579,861	\$ 3,103,450
Investments	558,034	123,417
Accounts receivable	<u>2,480,469</u>	<u>1,797,617</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 4,618,364</u>	 <u>\$ 5,024,484</u>

The Organization's goal is generally to maintain liquid cash of \$800,000.

Note 3 - Land, Building and Equipment

Major classes of assets and related accumulated depreciation thereon are summarized as follows:

	<u>2022</u>	<u>2021</u>
Land	\$ 1,028,042	\$ 1,027,710
Nondepreciable buildings	312,809	312,809
Land improvements	591,900	560,850
Buildings and building improvements	32,355,123	31,492,257
Furniture and equipment	3,429,217	3,230,429
Vehicles	324,572	324,572
Livestock	<u>6,300</u>	<u>3,300</u>
	38,047,963	36,951,927
Less accumulated depreciation	<u>(21,639,352)</u>	<u>(20,300,547)</u>
Net land, building and equipment	<u>\$ 16,408,611</u>	<u>\$ 16,651,380</u>

Depreciation expense for September 30, 2022 and 2021 was \$1,338,805 and \$1,282,860, respectively.

**Detroit Rescue Mission Ministries
and Lakeview Farms Mission**
Notes to the Combined Financial Statements
September 30, 2022 and 2021

Note 4 - Notes Payable

	2022	2021
Mortgage payable, secured by the equipment and fixtures, real property, inventory and accounts receivable, due in monthly installments of \$3,984, including interest at LIBOR plus 2.0% per year (effective LIBOR rate of 2.51% and 2.09% at September 30, 2022 and 2021, respectively), maturing May 15, 2029	\$ 796,897	\$ 844,710
Less current portion	(47,814)	(47,814)
	\$ 749,083	\$ 796,896

Interest expenses for 2022 and 2021, amounted to \$16,521 and \$5,780, respectively.

Annual note maturities for the years ended September 30 are scheduled as follows:

2023	\$ 47,814
2024	47,814
2025	47,814
2026	47,814
2027	47,814
Thereafter	557,827
	\$ 796,897

Note 5 - Retirement Plan

The Organization has a defined contribution plan (the Plan) as defined under Section 403(b) of the U.S. Internal Revenue Code covering all employees normally working 20 hours or more per week. Eligible employees are able to begin contributing on their first day of employment with the Organization. Employees may not receive matching contributions until they complete 1,000 hours of service during the plan year and are employed on the last day of the plan year. The Organization may contribute a discretionary matching contribution each year. The match percentage includes only elective deferrals up to 100% match up to \$250 per year of each employee's compensation. Employees are 100% vested in all accounts at all times. The total expense for the years ended September 30, 2022 and 2021 was approximately \$31,897 and \$29,943, respectively.

**Detroit Rescue Mission Ministries
and Lakeview Farms Mission
Notes to the Combined Financial Statements
September 30, 2022 and 2021**

Note 6 - Operating Leases

The Organization leases office equipment under an operating lease agreement that expires in 2024 and a vehicle under an operating lease agreement that expires in 2022. Future minimum lease payments consist of the following:

2023	\$	32,480
2024		27,067
Total	\$	<u>59,547</u>

Lease expense for 2022 and 2021 was \$213,260 and \$214,820, respectively.

Note 7 - Related Party Transactions

The Organization's president is one of ten board members of SAY Detroit. The purpose of SAY Detroit is to help the homeless population in Detroit and assist the agencies who take care of them, with the goal of protecting, feeding, and sheltering the homeless, and ultimately returning them to everyday society as independent and productive individuals.

The Organization provides for the operations of the SAY Detroit Clinic and these expenses are reimbursed by the SAY Detroit Foundation (Foundation). Total reimbursable operating expenses incurred by the Organization and billed to the Foundation for the years ended September 30, 2022 and 2021, were \$164,946 and \$381,810, respectively. Related receivables, net of allowance for doubtful accounts from SAY Detroit for the years ended September 30, 2022 and 2021, were \$0 and \$230,765, respectively.

Note 8 - Concentration

The Organization receives approximately half of its revenue from governmental entities, including federal, state, and local units. The majority of its services are provided to individuals located in the City of Detroit. Many of its programs are funded in part upon successful reaffirmation from its accreditation agency, Commission on Accreditation of Rehabilitation Facilities (CARF). In 2020, the Organization received a renewed reaffirmation for three years, which is the longest period of time allowed by CARF. Due to this substantial government funding, the Organization is subject to a risk that the program funds will be reduced or eliminated. A significant reduction in funding from these sources could have a materially adverse financial impact in the near term.

Note 9 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes and periods at September 30:

	<u>2022</u>	<u>2021</u>
Subject to the passage of time:		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	\$ -	\$ 50,000

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Note 10 - Conditional Promises to Give

During the fiscal year, the Organization received conditional promises to give related to local, state and federal grants. Payment of the grants is contingent upon spending the funds for the designated allowable purpose and various compliance requirements in accordance with 2 CFR 200. The conditional contributions consisted of the following as of September 30, 2022:

Condition/ Grant Purpose	Total Contract/Grant Amount	Spent to Date	Conditional Contribution
Mental health and outreach	\$ 2,365,000	\$ 847,187	\$ 1,517,813
Second chance prisoner reentry	990,990	744,530	246,460
Homelessness and shelter	<u>7,140,206</u>	<u>4,810,266</u>	<u>2,329,940</u>
	<u>\$ 10,496,196</u>	<u>\$ 6,401,983</u>	<u>\$ 4,094,213</u>

Note 11 - Revenue from Contracts with Customers

The following summarizes revenue by type for the years ended September 30:

	<u>2022</u>	<u>2021</u>
Revenue from contracts with customers	\$ 2,562,127	\$ 921,153
Contribution revenue	7,231,057	7,833,264
Contributions in-kind	2,422,244	5,293,363
Federal, state and local grants	8,154,788	7,575,126
PPP loan forgiveness	-	1,572,789
Rental income	64,577	29,385
Other income	74,244	105,129
Gain on disposal	-	208,207
Investment income (loss), net	<u>(62,038)</u>	<u>39,520</u>
Total revenue	<u>\$ 20,446,999</u>	<u>\$ 23,577,936</u>

Bad debt expense as a result of impairment loss on receivables and contract assets on contracts with customers was \$246,920 and \$596,157 for the years ended September 30, 2022 and 2021.

The revenue from contracts with customers for the years ended September 30 consists of:

	<u>2022</u>	<u>2021</u>
Revenue earned at a point in time	<u>\$ 2,562,127</u>	<u>\$ 921,153</u>

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Clinical services revenue is earned at a point in time and consists of medical and clinical care to patients. Generally, qualified practitioners will assist patients, at the Organization's facilities. The performance obligation is providing services. These services are performed on a need basis and revenue is then typically earned on the day or week of service provided. The transaction price is pre-determined using a set rate schedule and hours are based on resident needs.

There were no contract assets or liabilities for the presented years September 30, 2022, September 30, 2021, and October 1, 2021.

Note 12 - Contributed Nonfinancial Assets

Contributed nonfinancial assets for the year ended September 30, 2022 were:

Category	Revenue Recognized	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Household goods	\$ 26,591	Community shelters	No associated donor restrictions	Detroit Rescue Mission Ministries estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Food	2,373,813	Community shelters	No associated donor restrictions	Detroit Rescue Mission Ministries estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Clothing	21,840	Community shelters	No associated donor restrictions	In valuating clothing, Detroit Rescue Mission Ministries estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Volunteer services	-	Community shelters	No associated donor restrictions	Criteria for recording revenue are not met; approximately 1,000 man hours were donated
	<u>\$ 2,422,244</u>			

Contributed nonfinancial assets for the year ended September 30, 2021 were:

Category	Revenue Recognized	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Building	\$ 2,400,000	Community shelters	No associated donor restrictions	In valuating the contributed building, which is located in Livonia, Detroit Rescue Mission Ministries estimated the fair value on the basis of recent comparable sales prices in Livonia's real estate market.
Household goods	102,001	Community shelters	No associated donor restrictions	Detroit Rescue Mission Ministries estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Food	2,766,552	Community shelters	No associated donor restrictions	Detroit Rescue Mission Ministries estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Clothing	24,810	Community shelters	No associated donor restrictions	In valuating clothing, Detroit Rescue Mission Ministries estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Volunteer services	-	Community shelters	No associated donor restrictions	Criteria for recording revenue are not met; approximately 1,335 man hours were donated
	<u>\$ 5,293,363</u>			

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Note 13 - Commitments and Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time although the Organization expects such amounts, if any, to be immaterial.