

**Phoenix Gospel Mission, Inc. dba  
Phoenix Rescue Mission**

Financial Statements and  
Supplementary Information

June 30, 2024 and 2023

# Phoenix Gospel Mission, Inc. dba Phoenix Rescue Mission

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## Independent Auditors' Report

To the Board of Directors of  
Phoenix Gospel Mission, Inc. dba Phoenix Rescue Mission

### Report on the Audit of the Financial Statements

#### ***Opinion***

We have audited the financial statements of Phoenix Gospel Mission, Inc. dba Phoenix Rescue Mission (the Mission), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Mission as of June 30, 2024 and 2023, 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 the Mission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 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' 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 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 GAAS and *Government 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.

In performing an audit in accordance with GAAS and *Government 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 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 the 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.

### ***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2024 on our consideration of the 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 the 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 the Mission's internal control over financial reporting and compliance.

*Baker Tilly US, LLP*

Tempe, Arizona  
November 13, 2024

# Phoenix Gospel Mission, Inc. dba Phoenix Rescue Mission

Statements of Financial Position

June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 685,431	\$ 907,486
Accounts receivable, net	3,877	-
Grants receivable	848,114	736,691
Promises to give, current portion, net allowance	-	11,903
Inventory	180,996	209,204
Prepaid expenses and other assets	<u>212,410</u>	<u>551,575</u>
Total current assets	<u>1,930,828</u>	<u>2,416,859</u>
Promises to Give, Net of Current Portion and Discount	<u>-</u>	<u>5,034</u>
Investments	<u>8,721,894</u>	<u>8,068,053</u>
Endowments		
Investments	15,227,032	11,587,743
Estate receivable	<u>4,000</u>	<u>1,455,666</u>
	<u>15,231,032</u>	<u>13,043,409</u>
Deferred Compensation Plan Investments	302,209	214,772
Operating Lease Right-of-Use Assets	594,174	759,790
Finance Lease Right-of-Use Assets	60,918	57,360
Assets Held Under Split Interest Agreements	263,914	245,116
Property and Equipment, Net	24,074,621	24,786,942
Other Assets	<u>11,138</u>	<u>29,138</u>
Total assets	<u>\$ 51,190,728</u>	<u>\$ 49,626,473</u>

See notes to financial statements

# Phoenix Gospel Mission, Inc. dba Phoenix Rescue Mission

Statements of Financial Position

June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 736,300	\$ 633,218
Accrued expenses and other liabilities	948,895	529,955
Current portion of deferred conditional contributions	1,161,189	11,064
Current portion of annuities payable due under split-interest agreements	10,710	13,559
Current portion of operating lease liabilities	169,074	162,915
Current portion of finance leases payable	47,689	47,904
	<u>3,073,857</u>	<u>1,398,615</u>
Total current liabilities		
	<u>3,073,857</u>	<u>1,398,615</u>
<b>Annuities Payable Due Under Split-Interest Agreements, Net of Current Portion</b>	51,972	78,242
<b>Operating Lease Liabilities, Net of Current Portion</b>	453,032	621,544
<b>Finance Leases Payable, Net of Current Portion</b>	14,043	10,522
<b>Deferred Conditional Contributions, Net of Current Portion</b>	5,000,000	5,000,000
<b>Deferred Compensation Payable</b>	302,209	214,772
	<u>8,895,113</u>	<u>7,323,695</u>
Total liabilities		
	<u>8,895,113</u>	<u>7,323,695</u>
<b>Net Assets</b>		
Without donor restrictions:		
Board-designated operating reserves	-	3,087,916
Board-designated endowment fund	14,554,652	12,486,301
Undesignated	26,897,337	25,309,979
	<u>41,451,989</u>	<u>40,884,196</u>
With donor restrictions	843,626	1,418,582
	<u>42,295,615</u>	<u>42,302,778</u>
Total net assets		
	<u>42,295,615</u>	<u>42,302,778</u>
Total liabilities and net assets	<u>\$ 51,190,728</u>	<u>\$ 49,626,473</u>

See notes to financial statements

## Phoenix Gospel Mission, Inc. dba Phoenix Rescue Mission

### Statements of Activities

Years Ended June 30, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, Support and Other Income</b>						
Contributions	\$ 15,214,531	\$ 208,628	\$ 15,423,159	\$ 16,142,686	\$ 825,430	\$ 16,968,116
Grants	1,258,855	-	1,258,855	371,228	-	371,228
In-kind donations	11,118,574	-	11,118,574	11,400,059	-	11,400,059
Program contracts	2,876,662	-	2,876,662	2,320,829	-	2,320,829
Program service fees	827,888	-	827,888	838,173	-	838,173
Other income (loss)	(19,907)	-	(19,907)	13,018	-	13,018
Release from time and purpose restrictions	808,101	(808,101)	-	293,749	(293,749)	-
Total revenues, support and other income	<u>32,084,704</u>	<u>(599,473)</u>	<u>31,485,231</u>	<u>31,379,742</u>	<u>531,681</u>	<u>31,911,423</u>
<b>Operating Expenses</b>						
Program services	25,762,325	-	25,762,325	23,610,784	-	23,610,784
Management and general	3,019,842	-	3,019,842	2,470,215	-	2,470,215
Fundraising	4,974,227	-	4,974,227	4,657,738	-	4,657,738
Total operating expenses	<u>33,756,394</u>	<u>-</u>	<u>33,756,394</u>	<u>30,738,737</u>	<u>-</u>	<u>30,738,737</u>
Change in net assets before nonoperating income	<u>(1,671,690)</u>	<u>(599,473)</u>	<u>(2,271,163)</u>	<u>641,005</u>	<u>531,681</u>	<u>1,172,686</u>
<b>Nonoperating Activities</b>						
Investment return	2,239,483	24,517	2,264,000	1,522,102	67,137	1,589,239
Total nonoperating income	<u>2,239,483</u>	<u>24,517</u>	<u>2,264,000</u>	<u>1,522,102</u>	<u>67,137</u>	<u>1,589,239</u>
Change in net assets	567,793	(574,956)	(7,163)	2,163,107	598,818	2,761,925
<b>Net Assets, Beginning</b>	<u>40,884,196</u>	<u>1,418,582</u>	<u>42,302,778</u>	<u>38,721,089</u>	<u>819,764</u>	<u>39,540,853</u>
<b>Net Assets, Ending</b>	<u>\$ 41,451,989</u>	<u>\$ 843,626</u>	<u>\$ 42,295,615</u>	<u>\$ 40,884,196</u>	<u>\$ 1,418,582</u>	<u>\$ 42,302,778</u>

See notes to financial statements



**Phoenix Gospel Mission, Inc. dba Phoenix Rescue Mission**

Statement of Functional Expenses

Year Ended June 30, 2024

	Program Services					Supporting Services			
	Food Distribution	Changing Lives Center	Transforming Lives Center	Homeless Outreach	Other Programs	Total Program Services	Management and General	Fundraising Activities	Total Expenses
Salaries and wages	\$ 366,762	\$ 1,907,838	\$ 1,750,820	\$ 1,507,854	\$ 1,228,877	\$ 6,762,151	\$ 1,766,998	\$ 1,217,202	\$ 9,746,351
Payroll taxes and benefits	54,170	137,563	175,139	112,842	100,839	580,553	131,059	93,103	804,715
Employee benefits	83,206	323,424	336,842	259,366	276,812	1,279,650	302,565	267,788	1,850,003
Total personnel expenses	504,138	2,368,825	2,262,801	1,880,062	1,606,528	8,622,354	2,200,622	1,578,093	12,401,069
Fundraising and public relations	4,466	-	-	4,701	91,607	100,774	97,279	2,679,061	2,877,114
Direct program supplies and other	318,190	523,233	783,447	849,306	156,605	2,630,781	15,421	319,162	2,965,364
Building expenses	217,949	353,765	364,357	14,550	102,951	1,053,572	42,291	35,597	1,131,460
Dues and subscriptions	-	3,505	765	400	523	5,193	40,721	21,277	67,191
Office and supplies expense	1,054	10,519	9,191	5,832	4,951	31,547	21,808	16,171	69,526
Information technology expense	16,880	80,519	74,456	74,326	127,560	373,741	158,786	128,540	661,067
Insurance expense	29,766	37,306	80,712	17,816	17,232	182,832	135,204	12,380	330,416
Professional fees	15,686	-	534	5,434	55,552	77,206	220,447	156,441	454,094
Travel expense	16,245	23,558	41,010	103,108	4,158	188,079	31,848	17,515	237,442
Depreciation	30,687	554,139	664,273	101,425	32,993	1,383,517	55,415	9,990	1,448,922
	1,155,061	3,955,369	4,281,546	3,056,960	2,200,660	14,649,596	3,019,842	4,974,227	22,643,665
Donated food and supplies	11,112,729	-	-	-	-	11,112,729	-	-	11,112,729
Total expenses	<u>\$ 12,267,790</u>	<u>\$ 3,955,369</u>	<u>\$ 4,281,546</u>	<u>\$ 3,056,960</u>	<u>\$ 2,200,660</u>	<u>\$ 25,762,325</u>	<u>\$ 3,019,842</u>	<u>\$ 4,974,227</u>	<u>\$ 33,756,394</u>

See notes to financial statements

**Phoenix Gospel Mission, Inc. dba Phoenix Rescue Mission**

Statement of Functional Expenses

Year Ended June 30, 2023

	Program Services					Supporting Services			
	Food Distribution	Changing Lives Center	Transforming Lives Center	Homeless Outreach	Other Programs	Total Program Services	Management and General	Fundraising Activities	Total Expenses
Salaries and wages	\$ 303,159	\$ 1,879,379	\$ 1,364,389	\$ 1,076,952	\$ 871,210	\$ 5,495,089	\$ 1,322,933	\$ 1,165,105	\$ 7,983,127
Payroll taxes and benefits	26,837	140,245	103,525	97,688	68,302	436,597	93,439	93,929	623,965
Employee benefits	79,175	277,221	251,968	204,095	204,810	1,017,269	339,399	217,728	1,574,396
Total personnel expenses	409,171	2,296,845	1,719,882	1,378,735	1,144,322	6,948,955	1,755,771	1,476,762	10,181,488
Fundraising and public relations	-	230	148	6,493	105,765	112,636	121,217	2,553,410	2,787,263
Direct program supplies and other	301,666	532,637	641,144	599,588	171,517	2,246,552	16,458	465	2,263,475
Building expenses	203,326	434,211	268,053	35,873	6,285	947,748	73,904	48,635	1,070,287
Dues and subscriptions	31	1,916	1,741	1,334	2,625	7,647	12,753	170,150	190,550
Office and supplies expense	517	7,869	3,494	3,955	2,699	18,534	13,968	9,864	42,366
Information technology expense	18,433	83,442	54,035	48,629	39,785	244,324	190,212	176,025	610,561
Insurance expense	30,081	95,568	96,156	7,523	6,329	235,657	45,310	4,925	285,892
Professional fees	46	39	657	-	57,154	57,896	138,244	11,916	208,056
Travel expense	33,739	23,217	48,489	162,802	4,586	272,833	14,979	19,896	307,708
Depreciation	32,111	495,569	626,121	89,569	5,626	1,248,996	87,399	18,867	1,355,262
	1,029,121	3,971,543	3,459,920	2,334,501	1,546,693	12,341,778	2,470,215	4,490,915	19,302,908
Donated food and supplies	11,269,006	-	-	-	-	11,269,006	-	166,823	11,435,829
Total expenses	<u>\$ 12,298,127</u>	<u>\$ 3,971,543</u>	<u>\$ 3,459,920</u>	<u>\$ 2,334,501</u>	<u>\$ 1,546,693</u>	<u>\$ 23,610,784</u>	<u>\$ 2,470,215</u>	<u>\$ 4,657,738</u>	<u>\$ 30,738,737</u>

See notes to financial statements

## Phoenix Gospel Mission, Inc. dba Phoenix Rescue Mission

### Statements of Cash Flows

Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ (7,163)	\$ 2,761,925
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	1,448,922	1,355,262
Amortization of right-of-use assets	165,616	152,824
Loss (gain) on disposal of property and equipment	19,931	(14,006)
Realized/unrealized gain on investments	(1,878,718)	(1,214,094)
Change in discount on promises to give	(23,966)	(10,718)
Change in allowance on promise to give	-	(15,000)
Provision for credit losses	1,910	-
Donation of property and equipment	(34,050)	
Donation of marketable securities	(247,928)	(228,374)
Change in value of split-interest agreements	(18,409)	5,335
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(5,787)	-
Grants receivable	(111,423)	(316,039)
Promises to give, net	40,903	72,733
Inventories	28,208	50,235
Prepaid expenses and other current assets	339,165	(178,529)
Estate receivable	1,451,666	282,920
Other assets	18,000	(11,138)
Increase (decrease) in:		
Accounts payable	103,082	(263,554)
Accrued expenses and other liabilities	418,940	31,839
Deferred conditional contributions	1,150,125	(54,167)
Deferred compensation payable	42,804	36,968
Operating lease liabilities	(162,353)	(128,155)
Annuities payable due under split-interest agreements	(10,710)	(13,600)
Net cash from operating activities	<u>2,728,765</u>	<u>2,302,667</u>
<b>Cash Flows From Investing Activities</b>		
Purchases of property and equipment	(666,177)	(544,477)
Proceeds from the disposal of property and equipment	-	15,587
Purchases of investments	(16,172,147)	(15,501,146)
Proceeds from sales of investments	<u>13,944,061</u>	<u>13,172,334</u>
Net cash from investing activities	<u>(2,894,263)</u>	<u>(2,857,702)</u>
<b>Cash Flows From Financing Activities</b>		
Payments on finance lease payable	<u>(56,557)</u>	<u>(34,137)</u>
Net cash from financing activities	<u>(56,557)</u>	<u>(34,137)</u>
Net change in cash and cash equivalents	(222,055)	(589,172)
<b>Cash and Cash Equivalents, Beginning</b>	<u>907,486</u>	<u>1,496,658</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 685,431</u>	<u>\$ 907,486</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid for interest	<u>\$ 25,675</u>	<u>\$ 8,962</u>
Employee contributions made to deferred compensation plan	<u>\$ 42,893</u>	<u>\$ 37,086</u>
Change in value of deferred compensation	<u>\$ 1,740</u>	<u>\$ 18,486</u>

See notes to financial statements

# Phoenix Gospel Mission, Inc. dba Phoenix Rescue Mission

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Notes to Financial Statements

June 30, 2024 and 2023

## 1. Nature of Operations and Summary of Significant Accounting Policies

Phoenix Gospel Mission, Inc. dba Phoenix Rescue Mission (the Mission) is an Arizona not-for-profit corporation started in 1952 and incorporated in May 1954. The Mission provides Christ-centered, life-transforming solutions to persons facing hunger, homelessness, addiction and trauma in the Valley of the Sun. The Mission also provides physical care, mental support, and spiritual guidance to men, women, and children who are destitute, homeless or at risk of becoming homeless. Services include family and community outreach, vocational development, addiction recovery programs and programs for other life controlling issues.

The Mission offers long-term recovery programs for men, women, and mothers with children which focus on the healing of the total person with two residential centers offering a blend of discipleship, counseling, relapse prevention, group therapy, and vocational and educational services to up to 530 clients at a time.

The Mission provides several programs to further its mission, including but not limited to the following:

### Food Distribution

The Mission Sharing program has a variety of services that distribute food, clothing, water, hygiene items, and household goods to individuals and families throughout the Phoenix Metro area. The Hope for Hunger food bank and Mobile Pantries distribute food to households facing food insecurity. Community Events are large outreach events designed to provide basic goods to low-income families. Case Managers work with Mission Sharing participants to achieve short and long-term goals by connecting them to other services in the community and enrolling them in the Mission's Vocational Development program. This program serves approximately 1,400 households with food each month.

### Changing Lives Center for Women and Children

The Changing Lives Center serves up to 100 adult women and 50 children with crisis residential placement, behavioral health, and addiction recovery services, and childcare. The programs offered at the center aim to rescue people from crisis situations into a safe, supportive environment and place them on a path to achieving sustainable goals. Clients battling substance abuse, mental health conditions, and other life-controlling problems participate in a 12-month program that provides rehabilitation and life skills classes, individual counseling, workforce development and job placement, case management, childcare and Christian discipleship.

### Transforming Lives Center for Men

The Transforming Lives Center serves up to 360 adult men with crisis residential placement, behavioral health, and addiction recovery services. The programs offered at the center aim to rescue people from crisis situations into a safe, supportive environment and place them on a path to achieving sustainable goals. Clients battling substance abuse, mental health conditions, and other life-controlling problems participate in a 12-month program that provides rehabilitation and life skills classes, individual counseling, workforce development and job placement, case management, and Christian discipleship.

### Homeless Outreach

Homeless Outreach is a mobile outreach program that provides services to people experiencing homelessness across the Valley. Nearly every day of the year, Hope Coach vehicles travel the streets, offering water, hygiene kits, socks and other items to men, women, and families living in places not meant for human habitation. Outreach case managers set case plans with participants, connect them to resources, and follow up consistently to keep them on track to reach their goals. The program helps about 75 people each month get off the streets and into a safe residential setting.

## Phoenix Gospel Mission, Inc. dba Phoenix Rescue Mission

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Notes to Financial Statements

June 30, 2024 and 2023

### Other Programs

Vocational Development is a comprehensive program that provides clients with the opportunity to master basic academic and employment skills and move from financial instability to economic security. The program supports clients with academic advancement, financial literacy, job preparation and job placement. Clients are offered opportunities to use grant funds from the Workforce Innovation and Opportunity Act (WIOA) to take advantage of vocational certification opportunities. PRM's Vocational Development department maintains relationships with a host of employers in several sectors who have an employment pipeline for qualified Mission graduates.

The Clinical Supervision Program provides oversight of all counseling staff, interns coming from various colleges and universities. Clinical Supervisors are able to sign off on practicum and internship hours completed by supervisors and are responsible for ensuring that junior clinicians follow a development plan and have access to the training they need to grow in the profession.

### Basis of Presentation

The financial statements of the Mission have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and accordingly reflect all significant receivables, payables and other liabilities.

### Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Mission considers all highly liquid debt instruments with an original maturity of ninety days or less at date of acquisition to be cash equivalents. Cash held in accounts with stock brokerage firms are reported as investments as they represent accounts used for the purchases and sales of investments and are excluded from this definition. Cash and highly liquid financial instruments restricted to endowments that are perpetual in nature, or other long-term purposes are also excluded from this definition.

### Promises to Give and Grants Receivable

Unconditional promises to give and certain grants receivable are recognized as revenues in the period the promise or grant is received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Unconditional promises to give that are to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates as determined by management applicable to the years in which the promises are received. Amortization of the discounts is included in contributions. In circumstances where it is aware of a specific amount where there may be an inability to meet the financial obligation, the Mission records a specific reserve to reduce the amounts recorded to what it believes will be collected. Additionally, the Mission reserves a portion of all promises based upon historical uncollectible rates. Promises are charged off against the allowance when they are deemed to be uncollectible. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Grants receivable at June 30, 2024 and 2023 are considered to be fully collectible by management and, accordingly, an allowance for doubtful accounts is not deemed necessary.

## Phoenix Gospel Mission, Inc. dba Phoenix Rescue Mission

Notes to Financial Statements

June 30, 2024 and 2023

### Inventory

Inventory consists of donated food and goods and are stated at the estimated fair value per pound as determined by a study performed by Feeding America during the 2024 and 2023 calendar year ends. Donated items per pound are valued at the following as of June 30:

	<u>2024</u>	<u>2023</u>
Food	\$ 1.74	\$ 1.57
Water and beverages	0.78	1.04
Household goods	2.55	1.94
Health and beauty	16.09	10.86
Clothing	10.90	15.12

### Fair Value Measurements

A framework for measuring fair value has been established by the Accounting Standards Codification (ASC) and provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Mission has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets.
- quoted prices for identical or similar assets or liabilities in inactive markets.
- inputs other than quoted prices that are observable for the asset or liability.
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified term (contractual term), the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement, and usually reflect the Mission's own assumptions about the assumptions that market participants would use in pricing the assets (i.e. real estate valuations, broker quotes).

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

### Investments

Investments are recorded at fair value or net asset value in the statements of financial position. Investment return or loss is included in the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external investment expenses.

## Phoenix Gospel Mission, Inc. dba Phoenix Rescue Mission

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Notes to Financial Statements

June 30, 2024 and 2023

### **Risk and Uncertainty**

The Mission invests in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes, could materially affect the amount reported in the statements of financial position.

### **Split-Interest Agreements**

Under charitable gift annuity contracts, the Mission receives immediate and unrestricted title to contributed assets and agrees to make fixed recurring payments over the stipulated period. Contributed assets are recorded at fair value on the date of receipt. The related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the liability. The excess of contributed assets over the annuity liability is recorded as contributions without donor restrictions. In subsequent years, the liability for future annuity payments is reduced by payments made to the specified beneficiaries and is adjusted to reflect amortization of the discount and changes in assumptions at the end of the year. Upon termination of the annuity contract, the remaining liability is removed and recognized as income.

### **Property and Equipment**

Acquisitions of property and equipment in excess of \$5,000 are capitalized. Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation of buildings and equipment is calculated using the straight-line method over the estimated useful lives of the respective assets.

Major additions and improvements are capitalized. Maintenance and repairs are expensed as incurred. When assets are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and gains and losses are included in operations.

### **Impairment of Long-Lived Assets**

The Mission reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

### **Endowment Funds**

The Mission's endowment fund consists of one donor established fund to provide funding for specific activities of the Mission. The endowment fund also includes certain net assets without donor restrictions designated by the Board to function as an endowment. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Mission follows Arizona's Management of Charitable Funds Act (MCFA) and its own governing documents. MCFA requires the preservation of endowment funds. When a donor's intent is not expressed, MCFA directs the Mission to spend an amount that is prudent, consistent with the purposes of the fund, relevant economic factors and the donor's intent that the fund continue in perpetuity.

## Phoenix Gospel Mission, Inc. dba Phoenix Rescue Mission

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Notes to Financial Statements

June 30, 2024 and 2023

The Mission classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) 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 donor-restricted endowment fund also includes accumulated earnings in the fund that are also classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Mission in a manner consistent with the standard of prudence prescribed by MCFA.

In accordance with MCFA, the Mission considers the following factors in making a determination to appropriate or accumulate Board-designated and donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the Board-designated and donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) the Mission's other resources, and (7) the Mission's investment policies.

The Board had designated certain net assets without donor restrictions as general endowment funds to support the mission of the Mission. Since these amounts resulted from an internal designation and are not donor-restricted, they are classified and reported as Board-designated net assets without donor restrictions. The Mission's policy is to maintain the Board-designated net assets without restrictions balance at the investment account balance until the Board approves spending from the funds.

### **Investment Return Objectives, Risk Parameters and Strategies**

The Mission has adopted investment and spending policies, approved by the Board, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution while growing the funds if possible.

Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

### **Spending Policy**

The Mission's policy is to appropriate a certain amount for distribution each year once the donor-restricted endowment fund reaches \$500,000. Distributions up to 6% of the fund may be distributed each year; however, the distribution is limited to the portfolio's total investment return. Distributions, if any, will be based on a percentage of the aggregate portfolio value of the endowment account on the last day of June. In establishing this policy, the Mission considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, and the possible effects of inflation. In addition, the Mission's endowment policy requires that if the total fund market value falls below the amount of original contributions, any spending from the fund may be reduced or suspended.



# Phoenix Gospel Mission, Inc. dba Phoenix Rescue Mission

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Notes to Financial Statements

June 30, 2024 and 2023

## Net Assets

The Mission reports information regarding its financial position and activities according to two classes of net assets as follows:

**Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor or grantor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and a Board-designated endowment.

**Net Assets With Donor Restrictions** - Net assets whose use is limited by donor-imposed time and/or purpose restrictions. Gifts of long-lived assets and gifts of cash restricted for acquisition of long-lived assets are recognized as revenue when the assets are placed in service.

## Revenue Recognition

The majority of the Mission's earned revenue arrangements generally consist of a single performance obligation to transfer promised services.

Program service fees and contract revenue where performance obligations are satisfied at a point in time consist primarily of shelter services, food distribution, case management, workforce development and childcare services. The Mission recognizes revenue at a point in time, in the period the services are provided. Amounts are billed in the month the service is provided and each performance obligation is completed. Amounts billed for these services are considered past due 30 days after invoices are submitted.

## Contributions

Contributions and grants are received and recorded as income and net assets without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor-imposed restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. It is the Mission's policy to classify donor-restricted contributions as support without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

The Mission has several cost reimbursement contracts with federal and state agencies. The Mission has determined that these contracts are conditional contributions and therefore revenue is recognized when the condition is met, which is as allowable costs are incurred. Conditional contributions and grants with donor restrictions are recorded as increases in net assets without donor restrictions when the conditions and restrictions are met simultaneously. As of June 30, 2024 and 2023, these grants included conditional promises to give in the amount of approximately \$2,896,000 and \$1,675,000, respectively, which represents unspent amounts included in their grant agreement and are expected to be spent over the remaining term of the agreement.

## In-Kind Donations

Donated services are recorded at their estimated fair value if they enhance the Mission's nonfinancial assets or require specialized skills that the Mission would normally purchase if not provided by donation. No amounts have been reflected in the financial statements for certain donated volunteer services because they did not qualify for recording under the generally accepted accounting principles guidelines. Donated materials and other noncash assets are recorded at fair value in the period received. Donated use of facilities is recorded at the estimated fair value.

# Phoenix Gospel Mission, Inc. dba Phoenix Rescue Mission

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Notes to Financial Statements

June 30, 2024 and 2023

## Functional Allocation of Expenses

The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among program services and supporting services benefited. Personnel costs are allocated based on actual employee activities based on time and effort, and indirect expenses are allocated based on the percentage of personnel costs in a particular program or area compared to total personnel costs for the Mission. Occupancy, insurance, office expenses and depreciation expenses are allocated based on square footage utilized by the function and information technology expenses are allocated based on computers used in each cost center by function.

## Income Tax Status

Phoenix Gospel Mission, Inc. dba Phoenix Rescue Mission qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC), and accordingly, there is no provision for corporate income taxes in the accompanying financial statements. In addition, the Mission qualifies for the charitable contribution deduction under Section 170 of the IRC and has been classified as an organization that is not a private foundation. Income determined to be unrelated business taxable income (UBTI) would be taxable.

The Mission recognizes uncertain tax positions in the financial statements when it is more likely than not that the positions will not be sustained upon examination by the tax authorities. As of June 30, 2024 and 2023, the Mission had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

The Mission recognizes interest and penalties associated with income tax in operating expenses. During the years ended June 30, 2024 and 2023, the Mission did not have any income tax related interest and penalty expense.

## Advertising

Advertising costs are expenses as incurred. Advertising expense for the years ended June 30, 2024 and 2023 was \$979,845 and \$730,160, respectively.

## Measure of Operations

The Mission' measure of operations is its changes in net assets from operating activities excluding investment return.

## Management's Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from these estimates.

## Leasing Activities

The Mission recognizes the assets and liabilities that arise from leases on the statements of financial position. At lease inception, leases are classified as either finance leases or operating leases with the associated right-of-use asset and lease liability measured at the net present value of future lease payments. Operating lease right-of-use assets are expensed on a straight-line basis as lease expense over the noncancelable lease term. The Mission does not separate lease and nonlease components for all asset classes when determining the measurement of the right-of-use assets and lease liabilities.

# Phoenix Gospel Mission, Inc. dba Phoenix Rescue Mission

Notes to Financial Statements

June 30, 2024 and 2023

When the rate implicit in the lease is not determinable, rather than use the Mission's incremental borrowing rate, the Mission uses a risk-free discount rate for the initial and subsequent measurement of lease liabilities for all asset classes. In addition, the Mission does not apply the recognition requirements to any leases with an original term of 12 months or less, for which the Mission is not likely to exercise a renewal option or purchase the asset at the end of the lease; rather short-term leases are recorded on a straight-line basis over the lease term.

## Adoption of New Accounting Standard

In June 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-13, *Measurement of Financial Instruments—Credit Losses (Topic 326)*. The ASU introduces a new credit loss methodology, Current Expected Credit Losses (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. Since its original issuance in 2016, the FASB has issued several updates to the original ASU. For financial instruments included in the scope, the CECL methodology utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses.

The methodology replaces the multiple existing impairment methods in current accounting principles generally accepted in the United States of America, which generally require that a loss be incurred before it is recognized. On July 1, 2023, the Mission adopted the ASU using the modified retrospective approach. The adoption of ASU 2016-13 had no impact on the financial statements for the year ended June 30, 2024.

## Date of Management's Review

In preparing these financial statements, the Mission has evaluated events and transactions for potential recognition or disclosure through November 13, 2024, the date the financial statements were available to be issued.

## 2. Liquidity and Availability

The Mission strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in certificates of deposit, money market funds and other short-term investments.

The following table reflects the Mission's financial assets as of June 30, 2024 and 2023 reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal Board designations.

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, are comprised of the following:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 685,431	\$ 907,486
Accounts receivable, net	3,877	-
Grants receivable	848,114	736,691
Current portion of promises to give	-	11,903
Investments (nonendowed)	<u>8,721,894</u>	<u>8,068,053</u>
	10,259,316	9,724,133
Board-designated reserves	<u>-</u>	<u>(3,087,916)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 10,259,316</u>	<u>\$ 6,636,217</u>

## Phoenix Gospel Mission, Inc. dba Phoenix Rescue Mission

Notes to Financial Statements

June 30, 2024 and 2023

### 3. Concentrations of Credit Risk and Concentrations of Income Sources

Financial instruments that subject the Mission to potential concentrations of credit risk consist principally of cash and cash equivalents. The Mission maintains its cash in bank accounts with financial institutions, which at times may exceed federally insured limits. The Mission has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash balances.

Gross grants receivable includes amounts from two grantor sources that make up approximately 74% of total grants receivable as of June 30, 2024. Concentrations of credit risk with respect to receivables are limited due to the collection history and relationships with these grantors. Contributions include amounts from one donor that make up approximately 31% of total revenue, support and other income at June 30, 2024.

Gross promises to give include amounts from one donor which make up approximately 99% of total promises to give at June 30, 2023. Gross grants receivable includes amounts from three grantor sources that make up approximately 65% of total grants receivable as of June 30, 2023. Concentrations of credit risk with respect to receivables are limited due to the collection history and relationships with these grantors. Contributions include amounts from one donor that make up approximately 32% of total revenue, support and other income at June 30, 2023.

### 4. Promises to Give

Unconditional promises consist of the following at June 30:

	<u>2024</u>	<u>2023</u>
Within one year	\$ -	\$ 10,903
In one to five years	-	29,000
	-	39,903
Less allowance for uncollectible promises to give	-	-
Less discount to net present value at 0% and 6.4%	-	(23,966)
Promises to give, net	<u>\$ -</u>	<u>\$ 15,937</u>

Amounts are presented on the accompanying statements of financial position as follows:

	<u>2024</u>	<u>2023</u>
Current portion of promises to give	\$ -	\$ 10,903
Promises to give, less current portion	-	5,034
Total	<u>\$ -</u>	<u>\$ 15,937</u>

### 5. Split-Interest Agreements

The Mission is the beneficiary of five charitable gift annuities, which are held by the Mission. The Mission maintains the original donated amounts in an investment account and are carried at fair value. Contribution revenues are recognized at the date the annuities are established after recording liabilities for the present value of the estimated future payments to be made to the donors and/or other beneficiaries. The Mission has recorded liabilities in an amount equal to the present value of the estimated future obligations to beneficiaries. Management uses discount rates equivalent to the 10-year Treasury rate effective at the date of the original gift over the donor's estimated life expectancy. The liabilities are adjusted annually for the accretion of the discount, changes in rates, and other changes in the estimates of the future benefits.

## Phoenix Gospel Mission, Inc. dba Phoenix Rescue Mission

Notes to Financial Statements

June 30, 2024 and 2023

### 6. Investments

Investments consist of the following at June 30:

	<u>2024</u>	<u>2023</u>
Operating investments	\$ 8,721,894	\$ 8,068,053
Endowment investments	15,227,032	11,587,743
Assets held under split-interest agreements	263,914	245,116
Deferred compensation plan	302,209	214,772
Total	<u>\$ 24,515,049</u>	<u>\$ 20,115,684</u>

Investment return is summarized as follows for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Interest and dividends	\$ 492,818	\$ 467,102
Unrealized investment gain	1,854,310	397,888
Realized investment gain	24,408	816,206
Investment fees	(107,536)	(91,957)
Total	<u>\$ 2,264,000</u>	<u>\$ 1,589,239</u>

### 7. Fair Value Measurement

Investments with readily determinable fair values are measured at fair value in the statement of financial position as determined by quoted market prices in active markets (Level 1). Fixed income investments are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market-rate assumptions, and are classified within Level 2.

The following table presents assets measured at fair value on a recurring basis by classification within the fair value hierarchy as of June 30, 2024 and 2023:

	<u>2024</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and money market	\$ 682,659	\$ -	\$ -	\$ 682,659
Equities	4,930,857	-	-	4,930,857
Fixed income	-	11,492,713	-	11,492,713
Exchange traded funds	2,685,660	-	-	2,685,660
Mutual funds	4,723,160	-	-	4,723,160
Total	<u>\$ 13,022,336</u>	<u>\$ 11,492,713</u>	<u>\$ -</u>	<u>\$ 24,515,049</u>
	<u>2023</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and money market	\$ 245,244	\$ -	\$ -	\$ 245,244
Equities	3,762,259	-	-	3,762,259
Fixed income	-	10,853,645	-	10,853,645
Exchange traded funds	639,605	-	-	639,605
Mutual funds	4,614,931	-	-	4,614,931
Total	<u>\$ 9,262,039</u>	<u>\$ 10,853,645</u>	<u>\$ -</u>	<u>\$ 20,115,684</u>

## Phoenix Gospel Mission, Inc. dba Phoenix Rescue Mission

Notes to Financial Statements

June 30, 2024 and 2023

### 8. Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2024</u>	<u>2023</u>
Land	\$ 1,333,744	\$ 1,333,744
Buildings and improvements	29,088,034	29,711,629
Furniture and equipment	1,994,000	1,740,062
Vehicles	1,154,783	868,984
	<u>33,570,561</u>	<u>33,654,419</u>
Less accumulated depreciation	<u>(9,528,579)</u>	<u>(9,279,398)</u>
	24,041,982	24,375,021
Construction in process	<u>32,639</u>	<u>411,921</u>
	<u>\$ 24,074,621</u>	<u>\$ 24,786,942</u>

The Mission has entered into construction contracts for the construction of a building and certain improvements totaling approximately \$11,059,000 of which approximately \$412,000 was included in construction in process as of June 30, 2023. There is no remaining commitment on these contracts as of June 30, 2024.

Depreciation expense was \$1,448,922 and \$1,355,262 for the years ended June 30, 2024 and 2023, respectively.

### 9. Endowment Funds

Endowment net asset composition by type of fund as of June 30, 2024 and 2023 is as follows:

	<u>2024</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 14,554,652	\$ -	\$ 14,554,652
Donor-restricted endowment funds:			
Original donor-restricted amount	-	648,666	648,666
Accumulated investment earnings	-	27,714	27,714
	<u>\$ 14,554,652</u>	<u>\$ 676,380</u>	<u>\$ 15,231,032</u>
Total			
	<u>\$ 14,554,652</u>	<u>\$ 676,380</u>	<u>\$ 15,231,032</u>
	<u>2023</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 12,486,301	\$ -	\$ 12,486,301
Donor-restricted endowment funds:			
Original donor-restricted amount	-	553,910	553,910
Accumulated investment earnings	-	3,198	3,198
	<u>\$ 12,486,301</u>	<u>\$ 557,108</u>	<u>\$ 13,043,409</u>
Total			
	<u>\$ 12,486,301</u>	<u>\$ 557,108</u>	<u>\$ 13,043,409</u>

## Phoenix Gospel Mission, Inc. dba Phoenix Rescue Mission

Notes to Financial Statements

June 30, 2024 and 2023

Changes in endowment funds for the years ended June 30, 2024 and 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Funds
Balance, June 30, 2022	\$ 10,860,212	\$ 436,061	\$ 11,296,273
Contributions and designations	217,369	53,910	271,279
Interest and dividends	332,375	15,730	348,105
Unrealized investment gain	1,420,824	73,077	1,493,901
Realized investment loss	(284,407)	(18,791)	(303,198)
Investment fees	(60,072)	(2,879)	(62,951)
Balance, June 30, 2023	12,486,301	557,108	13,043,409
Contributions and designations	291,487	94,756	386,243
Interest and dividends	278,115	4,096	282,211
Unrealized investment gain	1,628,170	81,443	1,709,613
Realized investment loss	(53,545)	(8,582)	(62,127)
Investment fees	(75,876)	(3,610)	(79,486)
Amounts appropriated for expenditure	-	(48,831)	(48,831)
Balance, June 30, 2024	<u>\$ 14,554,652</u>	<u>\$ 676,380</u>	<u>\$ 15,231,032</u>

### 10. Leasing Activities

The Mission leases office equipment, vehicles, and buildings under operating lease agreements that expire at various dates through January 2028. The agreements require monthly payments ranging from approximately \$500 to \$10,800.

The Mission also leases vehicles under various finance lease agreements requiring monthly installments ranging from approximately \$1,100 to \$1,600, including interest, through May 2026, with imputed interest rates between 8.74% and 2.53%. The finance leases are recorded at the inception of the lease at the lesser of the fair market value of the leased asset or the present value of the minimum lease payments. Assets held under finance leases are depreciated using the straight-line method over the life of the lease.

Right-of-use assets represent the Mission's right to use an underlying asset for the lease term, while lease liabilities represent the Mission's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date of a lease based on the net present value of lease payments over the lease term.

Certain of the Mission's leases include options to renew or terminate the lease. The exercise of lease renewal or early termination options is at the Mission's sole discretion. The Mission regularly evaluates the renewal and early termination options and when they are reasonably certain of exercise, the Mission includes such options in the lease term. Additionally, upon adoption of the new standard, the Mission made judgments regarding lease terms for certain of its real property leases that contained auto-renewal clauses. The Mission estimated a lease end date based on the required length of usage of the property and calculated a right-of-use asset and lease liability with the resulting estimated lease term.

In determining the discount rate used to measure the right-of-use assets and lease liabilities, the Mission uses the rate implicit in the lease, or if not readily available, the Mission uses a risk-free rate based on U.S. Treasury note or bond rates for a similar term.

## Phoenix Gospel Mission, Inc. dba Phoenix Rescue Mission

Notes to Financial Statements

June 30, 2024 and 2023

Right-of-use assets are assessed for impairment in accordance with the Mission's long-lived asset policy. The Mission reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with Topic 842.

The Mission made significant assumptions and judgments in applying the requirements of Topic 842. In particular, the Mission:

- Evaluated whether a contract contains a lease, by considering factors such as whether the Mission obtained substantially all rights to control an identifiable underlying asset and whether the lessor has substantive substitution rights.
- Determined whether contracts contain embedded leases.

The Mission does not have any material leasing transactions with any related parties.

The following table summarizes the operating lease right-of-use assets and operating lease liabilities as of June 30:

	<b>2024</b>	<b>2023</b>
Operating leases:		
Operating lease right-of-use assets	\$ 594,174	\$ 759,790
Current operating lease liabilities	\$ 169,074	162,915
Long-term operating lease liabilities	453,032	621,544
Total operating lease liabilities	\$ 622,106	\$ 784,459

The following table summarizes the finance lease right-of-use assets and finance lease liabilities as of June 30:

	<b>2024</b>	<b>2023</b>
Finance leases:		
Vehicles	\$ 147,816	\$ 87,953
Less accumulated depreciation	(86,898)	(30,593)
	\$ 60,918	\$ 57,360
Current finance leases payable	\$ 47,689	\$ 47,904
Long-term finance leases payable	14,043	10,522
Total lease liabilities	\$ 61,732	\$ 58,426

Below is a summary of expenses incurred pertaining to operating leases during the year ended June 30:

	<b>2024</b>	<b>2023</b>
Operating lease expense	\$ 193,437	\$ 177,282
Short-term lease expense	-	14,698
Total operating lease liabilities	\$ 193,437	\$ 191,980



## Phoenix Gospel Mission, Inc. dba Phoenix Rescue Mission

Notes to Financial Statements

June 30, 2024 and 2023

Below is a summary of expenses incurred pertaining to finance leases during the years ended June 30:

	<u>2024</u>	<u>2023</u>
Finance lease expense:		
Amortization of lease assets included in depreciation expense	\$ 56,306	\$ 44,780
Interest on lease liabilities included in interest expense	5,434	4,217
Total	<u>\$ 61,740</u>	<u>\$ 48,997</u>

The following table summarizes the weighted average remaining lease term and discount rate as of June 30, 2024:

Weighted average remaining lease term (years):	
Operating leases	3.37
Finance leases	1.40
Weighted average discount rate:	
Operating leases	3.07 %
Finance leases	8.82 %

The table below summarizing the Mission's scheduled future minimum lease payments for years ending after June 30, 2024:

	<u>Operating Leases</u>	<u>Finance Leases</u>
Years ending June 30:		
2025	\$ 185,035	\$ 47,689
2026	190,398	19,402
2027	195,099	-
2028	86,378	-
Total lease payments	656,910	67,091
Less present value discount	<u>(34,804)</u>	<u>(5,359)</u>
Total lease liabilities	622,106	61,732
Less current portion	<u>(169,074)</u>	<u>(47,689)</u>
Long-term lease liabilities	<u>\$ 453,032</u>	<u>\$ 14,043</u>

The following table includes supplemental cash flow and noncash information related to the leases for the year ended June 30:

	<u>2024</u>	<u>2023</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 180,311	\$ 170,006
Financing cash flows from finance leases	56,557	46,783
Right-of-use assets obtained in exchange for lease liabilities:		
Operating leases	\$ -	\$ 165,323
Finance leases	59,863	87,953

## Phoenix Gospel Mission, Inc. dba Phoenix Rescue Mission

Notes to Financial Statements

June 30, 2024 and 2023

During the asset purchase of the Hope for Hunger Corporation in August 2017, the Mission assumed the lease agreement with the City of Glendale, Arizona for a building to be used as the food distribution center. The lease is set to expire in January 2027. The lease is \$1 per year. The Mission records in-kind lease expense for the fair market value each year. The fair value of the lease expense was \$54,025 and \$53,033, respectively, for the years ended June 30, 2024 and 2023. Total lease expense, including in-kind lease expense, for the years ended June 30, 2024 and 2023 was approximately \$240,000 and \$244,000, respectively.

### 11. Deferred Conditional Contributions

In 2020, the Mission entered into an Affordable Housing Program Agreement for a Rental Project with the Federal Home Loan Bank of San Francisco. The Mission recorded the award as a conditional contribution and will recognize the revenue when there is no longer a right of return of the award or measurable performance or barrier to overcome. The total award amount of \$2,000,000 is to be used for a community solutions center that is expected to have an occupancy of 120 people. The agreement is collateralized by a deed of trust and will become payable if the Mission does not continue to operate the facility to provide housing to the specific population through June 2036.

In 2017, the Mission entered into a State Housing Trust Fund Financing Award - Phoenix Rescue Mission Recovery Project with the Arizona Department of Housing. The Mission recorded the award as a conditional contribution in 2022 when expenses for the project were incurred per the agreement and will recognize the revenue when there is no longer a right of return of the award or measurable performance or barrier to overcome. The total award amount of \$3,000,000 is to be used for a community solutions center that is expected to have an occupancy of 120 people. The agreement is collateralized by a deed of trust and will become payable if the Mission does not continue to operate the facility to provide housing to the specific population through January 2038.

The Mission has also entered into various agreements with donors that are considered conditional contributions, in which funding has been received in advance of services provided. These grants will be recognized as services are provided over the remaining term of the agreements.

Deferred conditional contributions consist of the following as of June 30:

	<u>2024</u>	<u>2023</u>
Federal Home Loan Bank	\$ 2,000,000	\$ 2,000,000
State of Arizona Department of Housing	3,000,000	3,000,000
Quick Trip Homeless Outreach	1,155,850	-
Other	5,339	11,064
	<u>6,161,189</u>	<u>5,011,064</u>
Less current portion	<u>(1,161,189)</u>	<u>(11,064)</u>
Deferred conditional contributions, net of current portion	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>

## Phoenix Gospel Mission, Inc. dba Phoenix Rescue Mission

Notes to Financial Statements

June 30, 2024 and 2023

### 12. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following at June 30:

	<u>2024</u>	<u>2023</u>
Endowments:		
Portion of perpetual endowment funds that are required to be permanently retained	\$ 648,666	\$ 553,910
Investment return on perpetual endowment funds subject to a time restriction under MCFA	27,714	3,198
	<u>676,380</u>	<u>557,108</u>
Subject to purpose restrictions:		
Changing Lives Center	99,989	179,160
Food security	20,000	-
Health services	33,239	5,000
Homeless Outreach	-	440,238
Hope for Hunger	10,223	58,117
Transforming Lives Center	-	95,000
Other	3,795	83,959
	<u>3,795</u>	<u>83,959</u>
Total	<u>\$ 843,626</u>	<u>\$ 1,418,582</u>

The following net assets were released from restrictions during the years ended June 30:

	<u>2024</u>	<u>2023</u>
Satisfaction of purpose restrictions:		
Changing Lives Center	\$ 118,327	\$ 130,172
COVID-19	-	1,584
Food security	-	67,149
Health services	-	19,679
Homeless outreach	440,238	-
Hope for Hunger	58,117	17,724
School support	5,000	3,864
Transforming Lives Center	95,000	-
Other	91,419	53,577
	<u>91,419</u>	<u>53,577</u>
Total	<u>\$ 808,101</u>	<u>\$ 293,749</u>

## Phoenix Gospel Mission, Inc. dba Phoenix Rescue Mission

Notes to Financial Statements

June 30, 2024 and 2023

### 13. In-Kind Donations

Donated food, supplies and services were recognized as follows for the year ended June 30:

	<u>Revenue Recognized as of June 30, 2024</u>	<u>Revenue Recognized as of June 30, 2023</u>	<u>Utilization in Program/Activities</u>	<u>Donor Restrictions</u>	<u>Valuation Technique and Inputs</u>
Water/Beverages	\$ 615,014	\$ 1,276,466	Hope for Hunger	X	Estimated based on weight of items and use of the annual Feeding America Survey to determine the pound value.
Clothing	937,326	784,842	Hope for Hunger	X	Estimated based on weight of items and use of the annual Feeding America Survey to determine the pound value.
Food	9,107,566	8,479,591	Hope for Hunger	X	Estimated based on weight of items and use of the annual Feeding America Survey to determine the pound value.
Building lease	54,025	55,033	Hope for Hunger	X	Estimated using the fair value monthly rental price from lessor for rental space in the Mission's service area.
Household goods	117,078	73,877	Hope for Hunger	X	Estimated based on weight of items and use of the annual Feeding America Survey to determine the pound value.
Hygiene products	<u>287,565</u>	<u>730,250</u>	Hope for Hunger	X	Estimated based on weight of items and use of the annual Feeding America Survey to determine the pound value.
Total	<u>\$ 11,118,574</u>	<u>\$ 11,400,059</u>			

### 14. Commitments and Contingencies

#### Legal Proceedings

The Mission is involved in legal disputes that may arrive from time to time under the normal course of business. In the opinion of management, the resolution of such matters will not have a material adverse impact on the Mission's financial position, results of operations or cash flows.

#### Government Funding

The Mission is a recipient of federal, state, and local funds. These funds may be subject to audit and final acceptance by the grantors. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this time.

### 15. Retirement Plans

#### Employee Benefit Plan

The Mission has a 401(k) plan that covers substantially all employees. The plan provides that all full-time employees who have completed three months of service and non-full-time employees who have completed one year of service may voluntarily contribute any amount up to the maximum allowable amount under the IRS. The Mission matches 100% of the employee's contribution limited to 4% of their total compensation. During the years ended June 30, 2024 and 2023, the Mission matched employee voluntary contributions, resulting in contributions to the plan of approximately \$230,000 and \$232,000, respectively.

## Phoenix Gospel Mission, Inc. dba Phoenix Rescue Mission

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Notes to Financial Statements

June 30, 2024 and 2023

### Deferred Compensation Plan

The Mission offers an unqualified deferred compensation plan (the Plan) for certain management under Section 457(b), eligible deferred compensation. Under this arrangement, participants can defer the payment of federal and state income taxes on their contributions to the Plan. In accordance with the Plan, eligible participants' deferrals are matched by the Mission at 100% of the deferral up to 6% of the participant's Form W-2 compensation. As of June 30, 2024 and 2023, the Mission's liability for this deferred compensation plan was approximately \$302,000 and \$215,000, respectively. Contributions by the Mission for the years ended June 30, 2024 and 2023 totaled approximately \$43,000 and \$37,000, respectively.

### 16. Related-Party Transactions

During the years ended June 30, 2024 and 2023, the Mission received total contributions from Board members, ambassadors and employees of approximately \$130,000 and \$145,000, respectively.

### 17. Employee Retention Tax Credit

On March 27, 2020, in response to the COVID-19 pandemic, the U.S. Congress enacted the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which among other things, includes the Employee Retention Tax Credit (ERTC). The ERTC allows, based on certain eligibility rules, for a credit against certain payroll taxes based on a percentage of wages paid to each employee commencing on March 13, 2020 and through September 30, 2021. Eligibility and the amount of credit is determined on a quarter-by-quarter basis throughout 2020 and through the third quarter of 2021 based on various factors, including the number of full-time employees employed during 2019, whether there was a partial shutdown of the business due to government orders and/or whether a certain percentage decline of gross receipts occurred during each quarter in 2020 or 2021 versus the same quarter in 2019.

During the year ended June 30, 2024, the Mission applied for tax credits relating to quarters two through four in the 2020 calendar year and quarters one through three in the 2021 calendar year in the approximate amount of \$2,710,000. Due to the uncertainty of receiving this tax credit, the Mission has not recorded income for this during the year ended June 30, 2024. Laws and regulations concerning government programs, including the ERTC established by the CARES Act, are complex and subject to varying interpretations. The Mission is subject to possible audit or investigation by the IRS to determine the Mission met the eligibility requirements under the CARES Act.

**Report on Internal Control  
Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance  
With *Government Auditing Standards***

Independent Auditors' Report

To the Board of Directors of  
Phoenix Gospel Mission, Inc. dba Phoenix Rescue Mission

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Phoenix Gospel Mission, Inc. dba Phoenix Rescue Mission (the Mission), which comprise the Mission's 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, and have issued our report thereon dated .

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Mission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Mission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Mission's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Mission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Baker Tilly US, LLP*

Tempe, Arizona  
November 13, 2024

**Report on Compliance  
for the Major Federal Program and  
Report on Internal Control Over Compliance  
Required by the Uniform Guidance**

Independent Auditors' Report

To the Board of Directors of  
Phoenix Gospel Mission, Inc. dba Phoenix Rescue Mission

**Report on Compliance for the Major Federal Program**

***Opinion on the Major Federal Program***

We have audited Phoenix Gospel Mission, Inc. dba Phoenix Rescue Mission's (the Mission) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Mission's major federal program for the year ended June 30, 2024. The Mission's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Mission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2024.

***Basis for Opinion on the Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Mission and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Mission's compliance with the compliance requirements referred to above.



## **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Mission's federal programs.

## **Auditors' Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Mission's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Mission's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Mission's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Mission's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Mission's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Baker Tilly US, LLP*

Tempe, Arizona  
November 13, 2024

**Phoenix Gospel Mission, Inc. dba Phoenix Rescue Mission**

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor / Program	Federal Assistance Listing Number	Pass-Through Agency Grant Number	Federal Expenditures
<b>U.S. Department of Agriculture</b>			
Passed through Arizona Department of Economic Security:			
Supplemental Nutrition Assistance Program Cluster:			
Supplemental Nutrition Assistance Program	10.551	CTR061893	\$ 172,668
Total Supplemental Nutrition Assistance Program Cluster			<u>172,668</u>
Passed through St. Mary's Food Bank:			
Food Distribution Cluster:			
Commodity Supplemental Food Program	10.565	14-456-9365	6,630,140 *
Emergency Food Assistance Program (Food Commodities)	10.569	14-456-9365	<u>2,608,476 *</u>
Total Food Distribution Cluster			<u>9,238,616</u>
Total U.S. Department of Agriculture			<u>9,411,284</u>
<b>U.S. Department of Housing and Urban Development</b>			
CDBG - Entitlement/Special Purpose Grants Cluster:			
Passed through City of Glendale:			
Community Development Block Grants/Entitlement Grants	14.218	C24-0371	9,198
Community Development Block Grants/Entitlement Grants	14.218	C22-0853	202,220
Passed through City of Peoria:			
Community Development Block Grants/Entitlement Grants	14.218	ACON - 30223	<u>40,002</u>
Total CDBG - Entitlement Grants Cluster			<u>251,420</u>
Passed through City of Glendale:			
Home Investment Partnerships Program	14.239	C24-0518	<u>168,501</u>
Total U.S. Department of Housing and Urban Development			<u>419,921</u>
<b>U.S. Department of the Treasury</b>			
Passed through El Mirage:			
COVID 19 - Coronavirus Relief Fund	21.019	ACON46519	9,269
Passed through City of Peoria:			
COVID 19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	ACON15923	12,359
Passed through Town of Guadalupe:			
COVID 19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	C2023-32	34,741
Passed through City of Avondale:			
COVID 19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	23-429c	43,266
Passed through City of Glendale:			
COVID 19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	C23-0385	78,019
Passed through City of Phoenix:			
COVID 19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	156830-0	<u>550,745</u>
Total U.S. Department of the Treasury			<u>728,399</u>
<b>U.S. Department of Health and Human Services</b>			
Passed through Arizona Department of Economic Security:			
Child Care and Development Fund Cluster:			
Child Care and Development Block Grant	93.575	CTR049451	192,000
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	Unknown	35,000
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	SX221273	<u>407,216</u>
Total Child Care and Development Fund Cluster			<u>634,216</u>
Total U.S. Department of Health and Human Services			<u>634,216</u>
Total expenditures of federal awards			<u>\$ 11,193,820</u>

\*Denotes major program

See notes to schedule of expenditures of federal awards

# Phoenix Gospel Mission, Inc. dba Phoenix Rescue Mission

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Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2024

## 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Phoenix Gospel Mission, Inc. dba Phoenix Rescue Mission (the Mission) under programs of the federal government for the year ended June 30, 2024. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule of Expenditures of Federal Awards presents only a portion of the operations of the Mission it is not intended to and does not present the financial position, results of operations and cash flows of the Mission.

## 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Mission has not elected to use the 10% *de minimis* indirect cost rate as allowed under the Uniform Guidance.

## 3. Noncash Assistance

Nonmonetary assistance includes all amounts expended under the Food Distribution Cluster on the Schedule and is reported at the fair market value of the commodities received and disbursed.

# Phoenix Gospel Mission, Inc. dba Phoenix Rescue Mission

Schedule of Finding and Questioned Costs  
Year Ended June 30, 2024

## Section I - Summary of Auditors' Results

### Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ yes        X   no

Significant deficiency(ies) identified?

\_\_\_\_\_ yes        X   none reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ yes        X   no

### Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

\_\_\_\_\_ yes        X   no

Significant deficiency(ies) identified?

\_\_\_\_\_ yes        X   none reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a) of the Uniform Guidance?

\_\_\_\_\_ yes        X   no

Auditee qualified as low-risk auditee?

  X   yes      \_\_\_\_\_ no

Dollar threshold used to distinguish between Type A and Type B programs:

  \$750,000  

Identification of major federal programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.565, 10.569	Food Distribution Cluster

**Phoenix Gospel Mission, Inc. dba Phoenix Rescue Mission**

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Schedule of Finding and Questioned Costs  
Year Ended June 30, 2024

**Section II - Financial Statement Findings**

None.

**Section III - Federal Award Findings and Questioned Costs**

None.

**Summary of Prior Year Findings**

None.