

HEARTS WITH A MISSION

AUDIT REPORT

For the Year Ended

June 30, 2025

RWB & Co.



**CERTIFIED PUBLIC ACCOUNTANTS
MEDFORD**

HEARTS WITH A MISSION
For the Year Ended June 30, 2025

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-15

INDEPENDENT AUDITOR'S REPORT

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of
Hearts With A Mission
Medford, Oregon 97501

Opinion

We have audited the accompanying financial statements of Hearts With A Mission (a not-for-profit organization), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hearts With A Mission as of June 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hearts With A Mission and to meet other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

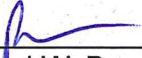
Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



Richard W. Brewster
Certified Public Accountant
September 23, 2025

FINANCIAL STATEMENTS

HEARTS WITH A MISSION
Statement of Financial Position
June 30, 2025

	<u>2025</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 271,660
Cash and cash equivalents temporarily restricted	291,503
Investments	1,653,060
Prepaid expense	52,823
Governmental contracts receivable	<u>247,401</u>
Total current assets	<u>2,516,447</u>
Land, buildings, and equipment	2,950,553
Less accumulated depreciation	<u>(698,939)</u>
Net buildings and equipment	<u>2,251,614</u>
Other assets	
Software (net of accumulated amortization of \$32,940)	49,412
City Life, LLC - partnership	<u>340,199</u>
Total other assets	<u>389,611</u>
TOTAL ASSETS	<u><u>\$ 5,157,672</u></u>
LIABILITIES AND NET ASSETS	
Current liabilities	
Accounts payable	\$ 64,454
Accrued payroll	123,726
Vacation payable	47,752
Deferred revenue	287,503
Current portion of long-term debt	<u>43,454</u>
Total current liabilities	566,889
Long-term debt	<u>363,070</u>
TOTAL LIABILITIES	<u>929,959</u>
NET ASSETS	
Without donor restrictions	4,223,713
With donor restrictions	<u>4,000</u>
TOTAL NET ASSETS	<u>4,227,713</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 5,157,672</u></u>

See notes to financial statements.

HEARTS WITH A MISSION
Statement of Activities
For the Year Ended June 30, 2025

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2025 Total</u>
REVENUES AND SUPPORT			
Direct public support			
Fundraising events	\$ 270,510	\$ -	\$ 270,510
Individual contributions	549,169	267,159	816,328
Business contributions	18,867	70,379	89,246
Grants	88,262	268,595	356,857
Government contracts	705,750	1,844,324	2,550,074
In-kind contributions	15,365	22,946	38,311
Interest income	96,737	-	96,737
Service revenue and reimbursements	12,024	-	12,024
Net assets released from restrictions			
Satisfaction of program restrictions	2,469,403	(2,469,403)	-
Total direct public support	4,226,087	4,000	4,230,087
Total revenue and support	4,226,087	4,000	4,230,087
EXPENSES			
Program expense	3,311,809	-	3,311,809
Administrative expenses	336,608	-	336,608
Fundraising expenses	237,301	-	237,301
TOTAL EXPENSES	3,885,718	-	3,885,718
CHANGE IN NET ASSETS	340,369	4,000	344,369
NET ASSETS BEGINNING OF YEAR	3,883,344	-	3,883,344
NET ASSETS END OF YEAR	<u>\$ 4,223,713</u>	<u>\$ 4,000</u>	<u>\$ 4,227,713</u>

See notes to the financial statements.

HEARTS WITH A MISSION
Statement of Functional Expenses
For the Year Ended June 30, 2025

	Jackson County Youth Program	Josephine County Youth Program	Lincoln County Safe Families	Klamath County Safe Families
Salaries	\$ 1,380,567	\$ 340,888	\$ 142,798	\$ 182,087
Payroll taxes	101,625	22,205	10,559	13,262
Employee benefits	171,223	39,925	18,368	33,476
Other payroll related expenses	21,670	4,915	1,998	2,600
Total payroll and payroll taxes	1,675,085	407,933	173,723	231,425
Professional fees	-	-	-	-
Bank charges	9,652	1,864	215	374
Outside services	2,833	1,889	944	944
Advertising and outreach	4,470	1,740	1,356	2,034
Occupancy and office	24,356	8,565	8,984	1,257
Records management	11,508	4,364	112	112
Volunteer background checks	1,993	238	77	57
Shelter operations	28,307	8,187	-	-
Uncollectible accounts	-	-	-	-
Utilities	32,072	15,526	2,096	1,519
Training, travel, meetings	10,260	2,901	4,411	2,830
Insurance	52,197	13,722	1,742	1,522
Fundraising events	-	-	-	-
Client related expenses	69,890	11,266	31,535	25,279
Maintenance and janitorial	13,325	2,280	-	-
Postage	43	-	279	284
Copier service fees	1,768	842	-	-
License and fees	1,426	868	848	850
Interest expense	11,534	2,083	-	-
Depreciation & amortization	63,262	35,660	-	-
Total functional expenses	\$ 2,013,981	\$ 519,928	\$ 226,322	\$ 268,487
Percentage of total	51.8%	13.4%	5.8%	6.9%

See notes to the financial statements.

Douglas County Safe Families	Coos County Safe Families	Total Program Expenses	Administrative Expenses	Fundraising Expenses	2025 Total
\$ 92,085	\$ 108,375	\$ 2,246,800	\$ 193,842	\$ 126,605	\$ 2,567,247
6,947	8,167	162,765	31,333	687	194,785
10,597	23,530	297,119	19,611	5,977	322,707
1,688	1,890	34,761	7,132	169	42,062
111,317	141,962	2,741,445	251,918	133,438	3,126,801
-	-	-	16,486	-	16,486
47	400	12,552	440	-	12,992
944	944	8,498	1,204	-	9,702
865	908	11,373	8,519	-	19,892
448	882	44,492	7,259	-	51,751
112	112	16,320	150	-	16,470
-	-	2,365	-	-	2,365
-	-	36,494	14,397	-	50,891
-	-	-	11,900	-	11,900
860	974	53,047	2,717	4,828	60,592
1,403	1,399	23,204	2,405	279	25,888
1,486	1,504	72,173	2,381	-	74,554
-	-	-	-	91,658	91,658
9,875	4,588	152,433	5,530	-	157,963
-	-	15,605	8,617	1,387	25,609
251	29	886	1,099	-	1,985
-	91	2,701	560	-	3,261
845	845	5,682	1,026	-	6,708
-	-	13,617	-	-	13,617
-	-	98,922	-	5,711	104,633
<u>\$ 128,453</u>	<u>\$ 154,638</u>	<u>\$ 3,311,809</u>	<u>\$ 336,608</u>	<u>\$ 237,301</u>	<u>\$ 3,885,718</u>
<u>3.3%</u>	<u>4.3%</u>	<u>85.2%</u>	<u>8.7%</u>	<u>6.1%</u>	<u>100.0%</u>

HEARTS WITH A MISSION
Statement of Cash Flows
For the Year Ended June 30, 2025

	<u>2025</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 344,369
Adjustments to reconcile change in net assets to net cash from operating activities	
Noncash donated meals and services	38,311
Noncash operating expense	(38,311)
Depreciation and amortization	104,633
(Increase) decrease in receivables	(37,177)
(Increase) decrease in prepaid expense	(18,834)
Increase (decrease) in accounts payable - trade	15,735
Increase (decrease) in accrued expenses	(31,394)
Increase (decrease) in deferred revenue	<u>(110,106)</u>
Total adjustments	<u>(77,143)</u>
Net Cash Provided (Used) By Operating Activities	<u>267,226</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of improvements and equipment	(452,048)
Purchase of investments	(1,050,000)
Proceeds from investments sold	749,862
City Life, LLC - partnership	<u>9,397</u>
Net Cash Provided (Used) By Investing Activities	<u>(742,789)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on long-term debt	<u>(52,233)</u>
Net Cash Provided (Used) By Investing Activities	<u>(52,233)</u>
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(527,796)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	
BEGINNING OF YEAR	<u>1,090,959</u>
END OF YEAR	<u><u>\$ 563,163</u></u>
Supplemental Disclosures	
Interest paid	<u><u>\$ 13,617</u></u>
Non-cash transactions (in-kind contributions)	<u><u>\$ 15,365</u></u>

See notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS

HEARTS WITH A MISSION
Notes to Financial Statements
For the Year Ended June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PURPOSE OF THE ORGANIZATION

Hearts With A Mission (the Organization) is a not-for-profit organization, established under the laws of the State of Oregon to serve homeless and at-risk youth in Jackson and Josephine Counties in Oregon by providing temporary emergency shelter, transitional housing, furthering education, mentoring and transition planning through a faith-based approach. The Organization currently has three shelter locations with 30 beds available for use nightly. In addition, the Organization offers Host homes as an implementer of Safe Families for Children in Jackson, Josephine, Klamath, Douglas, Coos, and Lincoln Counties. They are also in a contract with the state to provide skills training for 80 foster care youth in Jackson and Josephine counties under the Child Welfare Independent Living Program. The Organization served 559 youth during the fiscal year ending June 30, 2025.

This summary of significant programs and accounting policies of Hearts With A Mission is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who is responsible for their integrity and objectivity.

Emergency Youth Shelter – providing an emergency shelter for youth ages 10-17. The shelter can be extended for up to 120 days with parental or guardian consent. The shelters are open and staffed by trained Life Coaches and a Case Management team 365 days a year, 24/7 – walk-ins and calls are accepted at all hours.

Transitional Living Program – this program supports young adults ages 18-21 and focuses on the four core outcomes to end homelessness: stable housing, permanent connections, social/emotional wellbeing, and education/employment.

Safe Families for Children – helping families in crisis get back on their feet and keep their families intact. Safe Families for Children surrounds families in crisis with caring, compassionate communities.

Independent Living Program – providing youth and young adults ages 14-24 from Josephine and Jackson counties in Oregon, who have been in foster care help transitioning into adulthood by building relationships with the youth while teaching essential life skills that prepare the youth to live on their own, with their own community support.

Hearts for Seniors – providing companion care and support to seniors with their everyday tasks, all while building and fostering relationships. The program offers concrete support and travel accommodations to ensure seniors receive care needed.

BASIS OF ACCOUNTING AND PRESENTATION

The financial statements of Hearts With A Mission have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

HEARTS WITH A MISSION
Notes to Financial Statements
For the Year Ended June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Measure of operations – the Statement of Activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing programmatic mission. Non-operating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or non-recurring nature, if any.

CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

The Organization cash consists of cash on deposit with banks and credit unions. All cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents.

BUILDINGS AND EQUIPMENT

The Organization capitalizes all expenditures for buildings and equipment if they are considered to benefit future periods. Purchased buildings and equipment are carried at cost. Donated buildings and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

ADVERTISING

Advertising costs are expensed as incurred. Advertising expense for the year ended June 30, 2025, totaled \$19,892.

REVENUE RECOGNITION

The Organization recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The Organization records the following exchange transaction revenue in its Statement of Activities and changes in net assets for the year ending June 30, 2025:

HEARTS WITH A MISSION
Notes to Financial Statements
For the Year Ended June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

REVENUE RECOGNITION (Continued)

Government contracts – The Organization provides services to children, youth, and their families based on local and state contracts. The performance obligation is met when services are rendered. Revenues for these services are recorded and considered earned when billed after completion of the services. Contracts with the state and local government do not require an allowance for doubtful accounts based on payment history.

Fundraising events - The Organization conducts special events in which a portion of the proceeds received by participants represents a direct cost of the benefits received by the participant. The exchange component and portion represent a contribution. The fair value of meals and entertainment provided at special events is measured at actual cost to the Organization. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. The direct costs of the special events ultimately benefit the donor not the Organization. The performance obligation is met upon completion of the event.

Other Revenue – consists primarily of rent revenue and miscellaneous reimbursements. These revenues are recognized on a monthly basis as earned.

CONTRIBUTIONS

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restriction upon acquisition of the assets and the assets are in place.

Non-cash donations are recorded as contributions at their fair market value at their date of donation. Donated services that do not require specialized skill or enhance nonfinancial assets are not recorded in the accompanying financial statements because no objective basis is available to measure the value of such services. A substantial number of volunteers have donated significant amounts of their time to the Organization's program services and fundraising events, the value of which is not recorded in the accompanying financial statements.

HEARTS WITH A MISSION
Notes to Financial Statements
For the Year Ended June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FUNDRAISING EVENTS

Fundraising events are conducted in which a portion of the gross proceeds paid by a participant represents payment for the direct cost of the benefits received by the participant at the event. Unless a verifiable objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Organization. The contribution is the excess of the gross proceeds over the fair value of the direct donor benefit. The direct costs of the special events, which ultimately benefit the donor rather than the Organization, are recorded as costs of direct donor benefits in the Statement of Activities and changes in net assets. The performance obligation is delivery of the event. Special event fees collected by the Organization in advance of its delivery are initially recognized as liabilities (deferred revenue) and recognized as special event revenue after delivery of the event.

COMPENSATED ABSENCES

Accumulated vested vacation pay is accrued as it is earned. The Organization provides its full-time employees with vacation pay based on their years of service. Vacation earned by employees is two to five weeks annually.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

INCOME TAXES

The Organization is a Not-For-Profit Organization that is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170 (b)(1)(A)(iii). The Organization is subject to tax on income unrelated to its exempt purpose. The Organization has no unrelated business income and accordingly has not made provision for income taxes in these financial statements.

2. LIQUIDITY AND AVAILABILITY OF FUNDS

The Organization's financial assets available within one year of the balance sheet date for general expenditure are as follows:

Cash and cash equivalents	\$ 271,660
Receivables	247,401
Investments	1,653,060
Total financial assets available to meet expenditures within the next 12 months	<u>\$ 2,172,121</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures and other obligations come due.

HEARTS WITH A MISSION
Notes to Financial Statements
For the Year Ended June 30, 2025

3. BUILDINGS AND EQUIPMENT

The following is a summary of land, buildings, and equipment stated at cost less accumulated depreciation. Renewals and betterments are charged to the asset accounts, while maintenance and repairs, which do not improve or extend the lives of the respective assets, are expensed in the current period. Depreciation of property and equipment is provided on the straight-line basis over the assets estimated useful life as follows: furnishings, equipment, and vehicles – 5 to 15 years, buildings – 40 years.

	<u>2025</u>
Land	\$ 577,407
Buildings and improvements	1,959,254
Furnishings and equipment	208,029
Vehicles	<u>205,863</u>
Total land, buildings, and equipment	2,950,553
Less accumulated depreciation	<u>(698,939)</u>
Net land, buildings, and equipment	<u><u>\$ 2,251,614</u></u>

Depreciation expense for the year ended June 30, 2025, was \$96,398. In addition, the Organization recorded \$8,235 in amortization expense.

4. FAIR VALUE MEASUREMENTS

The Organization has adopted ASC 820-10 which establishes a framework for measuring fair value and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable.

ASC 820-10 defines fair value as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, i.e., an exit price. To estimate an exit price, a three-tier hierarchy is used to prioritize the inputs:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spreads, credit risk, etc.).

Level 3: Significant unobservable inputs (including the Organization's own assumptions in determining the fair value of investments).

The Organization's level three assets are held in a shared investment with another nonprofit organization. Both organizations share ownership of the administrative building in which the conduct operations. Both organizations are able to save on operating costs based on this arrangement.

HEARTS WITH A MISSION
Notes to Financial Statements
For the Year Ended June 30, 2025

4. FAIR VALUE MEASUREMENTS (Continued)

The Organization's one partnership (City Life, LLC) and investment property is based upon its own market assumptions and is therefore considered Level 3 as of June 30, 2025.

The following table sets forth, by level within the fair value hierarchy, the Organization's investments measured at fair value as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Description				
Certificates of deposits	\$ 1,653,060	\$ -	\$ -	\$ 1,653,060
City Life, LLC	-	-	340,199	340,199
Total investments	<u>\$ 1,653,060</u>	<u>\$ -</u>	<u>\$ 340,199</u>	<u>\$ 1,993,259</u>

The Organization's certificates of deposit have various maturity dates and rates of return. The six certificates are held at D.A. Davidson with maturity dates range from July 2025, through January 2027, with varying rates of return ranging from 3.90% to 5.00%. In addition, the Organization has a certificate of deposit held at Rogue Credit Union earning 3.74% interest as of June 30, 2025.

5. LONG-TERM DEBT

Long-term liabilities of the Organization consist of the following:

	<u>2025</u>
Mortgage with Rogue Credit Union. Note is a 20 year mortgage with monthly payments of \$1,689 for 240 months at 5.625% interest. This was after a loan modification. The prior note required payments of 2,005 including interest of 3.5% with a scheduled balloon payment of \$283,146 due on November 10, 2029. Real property is pledged as collateral.	\$ 237,854
Mortgage with First Community Credit Union. Note is a fixed 15 year mortgage with annual payments of \$37,866.58. These payments include interest at 1%. This note is set to mature on March 10, 2031. Real property is pledged as collateral.	<u>168,670</u>
Total	406,524
Less current portion	<u>(43,454)</u>
Total long-term debt	<u>\$ 363,070</u>

Maturities of long-term debt as of June 30, 2025, are as follows:

June 30, 2026	\$ 43,454
June 30, 2027	44,359
June 30, 2028	45,160
June 30, 2029	45,960
June 30, 2030	29,242
Thereafter	<u>198,349</u>
Total	<u>\$ 406,524</u>

HEARTS WITH A MISSION
Notes to Financial Statements (continued)
For the Year Ended June 30, 2025

6. CONCENTRATION OF RISK

At times, the Organization's balances in cash accounts may be in excess of FDIC insurance limits. The Organization's total bank balance at June 30, 2025, did not exceed the FDIC insurance limit.

7. GRANTS

The Organization received the following grants for operating expenses during the year ended June 30, 2025:

Carrico Family Foundation	\$ 40,000
Advanced Health CHIP	10,000
Reed & Carolee Walker Fund	30,000
Joseph E. Watson Public Foundation	19,000
American Red Cross	14,053
Spirit Mountain Community Foundation	25,000
Ford Family Foundation	121,524
Arthur Dubs Foundation	17,500
Cow Creek Band of Umpqua Band	10,000
JTMF Foundation	38,863
Key Bank Foundation	10,000
Miscellaneous grants	20,917
Total	<u><u>\$ 356,857</u></u>

8. DEFERRED REVENUE

The Organization received multiple grants prior to the end of the fiscal year which are often intended for specific programs and purposes. These grant funds are recorded as a deferred revenue until earned the requirements of the grant agreement have been fulfilled. The amount recorded as deferred will be earned by the Organization in the fiscal year ending June 30, 2026.

9. IN-KIND DONATIONS

The Organization received non-cash donations of fixed assets and materials during the year. Some of the items included rent, clothes, supplies, and meals for the youth who reside at the facility. The meals provided are simply valued at \$50 per meal on the financial statements. Total noncash donations received were valued at \$38,311 during the fiscal year ended June 30, 2025.

Rent	\$ 6,000
Wine	8,865
Equipment	20,724
Supplies	1,695
Meals	1,027
Total	<u><u>\$ 38,311</u></u>

HEARTS WITH A MISSION
Notes to Financial Statements (continued)
For the Year Ended June 30, 2025

10. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of running the shelter and supporting services have been summarized on a functional basis in the Statement of Functional Expense. Most expenses can be directly attributed to the program or supporting functions. Certain categories of expenses are attributed to more than one program or supporting function. Accordingly, these costs have been allocated on a basis that is consistently applied among the shelter, administrative and fundraising categories. The expenses in this category include salaries and benefits, occupancy, outside services, advertising, and insurance. Joint cost allocations are based upon payroll time studies completed every three years.

11. RETIREMENT PLAN

The Organization offered a 401(k) retirement plan for all eligible employees, beginning July 1, 2020. To participate in the Plan, an employee must be at least 21 years of age and have worked a minimum of 230 hours in the first 90 days or if this is not met, then the employee must complete one year of service with the Organization. For the participating employees, the Organization made matching contributions equal to 100% of what the employee contributed, up to 4% of the employee's gross wages. Matching contributions for the Organization for the fiscal year ending June 30, 2025, were \$57,427.

12. COMMITMENTS

The Organization is the State Coordinator/Advisor for the Safe Families Program. The Ford Family Foundation provided \$350,000 in November 2022, \$300,000 in November 2023, and an additional \$300,000 in November 2024 to the Organization as the trustee to disburse to the county programs as expenses or grants are approved. The portion of the funds that have remained unspent as of June 30, 2025, are presented as a liability on the Statement of Net Assets. The amount not yet spent on reimbursements or approved funding as of June 30, 2025, was \$135,200.

The deferred revenue recorded at fiscal year end is from unspent grant revenue with donor-imposed restrictions. Due to the restrictions, the cash associated with the grant funds are also considered restricted. Total restricted cash on June 30, 2025, was \$291,503.

13. CONTINGENT LIABILITY

The Organization elected to reimburse the Oregon State Employment Department for unemployment claims in lieu of paying state unemployment taxes. As outlined in ORS 657.505, a nonprofit employer that elects the reimbursing method must reimburse the State Employment Fund an amount equivalent to 100% of regular and additional benefits and 50% of extended benefits paid a claimant. The unemployment claims paid during 2025 totaled \$23,041. The Organization did contribute \$20,000 towards funding and fees. The future amount or range of the possible future claims cannot be estimated. The Organization is a participant in the 501(C)(3) Agencies Trust, which maintains balances in trust for its participants and contracts for claims administration services and stop loss insurance for the trust in aggregate and for its participants. The 501(C)(3) Agencies Trust balance on June 30, 2025, was \$30,974.

HEARTS WITH A MISSION
Notes to Financial Statements (continued)
For the Year Ended June 30, 2025

14. CONTRACTS AND CONTINGENCIES

The Organization entered into a sub-grantee agreement with ACCESS, a private nonprofit corporation providing services in accordance with the State Homeless Assistance. The remaining amounts reported under government contracts are from DHS, City of Medford, City of Grants Pass, Department of Education, and other agencies.

15. SPECIAL EVENTS

Gross receipts from special fundraising events recorded by the Organization consist of exchange transactions revenue and contribution revenue. The Organization is required to separately report components of this revenue to include the direct benefit received by the donors totaling \$8,220 based on the cost of meals and entertainment.

	<u>2025</u>
Special event revenue	\$ 270,510
Direct expense	<u>(91,659)</u>
Net special event income	<u><u>\$ 178,851</u></u>

16. RELATED PARTY TRANSACTIONS

The Organization formed a jointly owned limited liability company (LLC), City Life, LLC, in partnership with Youth 71Five Ministries. City Life, LLC constructed a building on adjacent property intended for shared use by both organizations. Ownership of City Life, LLC is allocated as follows: Youth 71Five Ministries holds a 63.92% interest, and the Organization holds a 36.08% interest. Notably, the Organization retained the mortgage on the land after contributing the property to City Life, LLC.

Three employees are family members related to members of management. Based on their W-2's these individuals received \$22,193, \$11,247, and \$2,619 in compensation for the calendar year ending December 31, 2024.

17. DONOR RESTRICTIONS

As of June 30, 2025, the Organization held donor-restricted funds intended to establish an endowment fund. The Organization is currently evaluating applicable legal considerations and potential investment opportunities related to the management and use of this endowment.

18. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through September 23, 2025, which is the date of the Audit Report. The report was available to be issued on September 30, 2025.