

Heart Ministry Center, Inc.

**Financial Statements and
Independent Auditors' Report**

June 30, 2024 and 2023



Heart Ministry Center, Inc.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Heart Ministry Center, Inc.
Omaha, Nebraska

Opinion

We have audited the financial statements of Heart Ministry Center, Inc. (the Organization), which comprise the statements of financial position as of June 30, 2024 and 2023, the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization 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). 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 Organization 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 Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 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, we:

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

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

Lutz & Company, P.C.

October 31, 2024

Heart Ministry Center, Inc.

Statements of Financial Position

June 30, 2024 and 2023

ASSETS		
	<u>2024</u>	<u>2023</u>
Cash and Cash Equivalents	\$ 1,490,159	\$ 152,227
Restricted Cash and Cash Equivalents	803,318	-
Investments	297,371	280,319
Certificates of Deposit	1,534,629	-
Contributions Receivable	420,000	130,000
Employee Retention Credit Receivable	-	222,899
Other Receivable	6,975	16,987
Prepaid Expenses and Other Assets	11,881	69,471
Property and Equipment, Net	6,437,613	6,615,583
TOTAL ASSETS	\$ 11,001,946	\$ 7,487,486
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 62,784	\$ 94,047
Accrued Compensation	182,582	219,086
Capitalized Lease Obligations	-	2,144
Deferred Revenue	121,850	83,350
Refundable Conditional Contribution	798,913	-
Total Liabilities	1,166,129	398,627
NET ASSETS		
Without Donor Restrictions	8,483,886	6,078,969
With Donor Restrictions	1,351,931	1,009,890
Total Net Assets	9,835,817	7,088,859
TOTAL LIABILITIES AND NET ASSETS	\$ 11,001,946	\$ 7,487,486

See Notes to Financial Statements.

Heart Ministry Center, Inc.

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 5,064,412	\$ 2,741,510	\$ 7,805,922
Fundraising Activities	687,689	-	687,689
Laundromat Services	115,722	-	115,722
Fresh Floral Sales, Net of Cost of Goods Sold of \$287,909	108,579	-	108,579
In-Kind Contributions	7,595,383	-	7,595,383
Other Income	5,147	-	5,147
Investment Gain, Net	100,094	-	100,094
Net Assets Released from Restrictions	2,399,469	(2,399,469)	-
Total Support and Revenue	16,076,495	342,041	16,418,536
EXPENSES			
Program Services	11,478,580	-	11,478,580
Management and General	1,805,320	-	1,805,320
Fundraising	387,678	-	387,678
Total Expenses	13,671,578	-	13,671,578
Change in Net Assets	2,404,917	342,041	2,746,958
NET ASSETS, BEGINNING OF YEAR	6,078,969	1,009,890	7,088,859
NET ASSETS, END OF YEAR	\$ 8,483,886	\$ 1,351,931	\$ 9,835,817

See Notes to Financial Statements.

Heart Ministry Center, Inc.

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 1,755,297	\$ 1,995,780	\$ 3,751,077
Fundraising Activities	488,618	-	488,618
Laundromat Services	103,600	-	103,600
Fresh Floral Sales, Net of Cost of Goods Sold of \$81,808	6,684	-	6,684
In-Kind Contributions	5,675,638	-	5,675,638
Contribution of Fresh Floral Shop	87,626	-	87,626
Employee Retention Credit	651,591	-	651,591
Other Income	19,087	-	19,087
Investment Gain, Net	7,943	-	7,943
Gain on Disposal of Property and Equipment	85	-	85
Net Assets Released from Restrictions	1,960,115	(1,960,115)	-
Total Support and Revenue	10,756,284	35,665	10,791,949
EXPENSES			
Program Services	9,193,122	-	9,193,122
Management and General	1,499,362	-	1,499,362
Fundraising	364,679	-	364,679
Total Expenses	11,057,163	-	11,057,163
Change in Net Assets	(300,879)	35,665	(265,214)
NET ASSETS, BEGINNING OF YEAR	6,379,848	974,225	7,354,073
NET ASSETS, END OF YEAR	\$ 6,078,969	\$ 1,009,890	\$ 7,088,859

See Notes to Financial Statements.

Heart Ministry Center, Inc.

Statement of Functional Expenses

Year Ended June 30, 2024

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Assistance				
Food	\$ 7,505,216	\$ -	\$ -	\$ 7,505,216
Fresh Start	288,918	-	-	288,918
Medical	115,994	-	-	115,994
Other	48,683	-	-	48,683
Financial Support	187,707	-	-	187,707
Auto	17,274	5,758	416	23,448
Bad Debt	-	25,000	-	25,000
Bank Fees	10,572	6,668	-	17,240
Building Maintenance	171,910	57,303	4,142	233,355
Contract Labor	142,803	47,176	35,500	225,479
Depreciation	285,564	95,188	6,880	387,632
Holy Smokes	-	-	111,777	111,777
In-Kind Medical and Dental Services	312,775	-	-	312,775
Insurance	324,806	108,269	7,825	440,900
Interest	13	5	-	18
Marketing and Advertising	36,881	12,294	889	50,064
Miscellaneous	3,035	-	-	3,035
Office Expenses	66,602	22,201	1,605	90,408
Outreach Events	93,302	-	-	93,302
Payroll Taxes	110,526	111,173	13,809	235,508
Professional Development	42,112	14,037	1,015	57,164
Professional Fees	692	80,539	499	81,730
Property Insurance	49,787	16,596	1,200	67,583
Rental Expense	29,964	-	-	29,964
Retirement Benefits	32,743	20,537	798	54,078
Salaries	1,519,453	1,130,390	200,106	2,849,949
Supplies	30,718	-	-	30,718
Technology	50,530	16,843	1,217	68,590
Workers Compensation	-	35,343	-	35,343
TOTAL EXPENSES	\$ 11,478,580	\$ 1,805,320	\$ 387,678	\$ 13,671,578

See Notes to Financial Statements.

Heart Ministry Center, Inc.

Statement of Functional Expenses

Year Ended June 30, 2023

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Assistance				
Food	\$ 5,638,884	\$ -	\$ -	\$ 5,638,884
Fresh Start	295,774	-	-	295,774
Medical	69,998	-	-	69,998
Other	227,297	-	-	227,297
Financial Support	3,271	-	-	3,271
Auto	60,719	20,240	1,463	82,422
Bank Fees	6,616	2,205	159	8,980
Building Maintenance	143,711	47,904	3,462	195,077
Contract Labor	65,862	46,420	8,730	121,012
Depreciation	266,808	88,936	6,428	362,172
Fresh Floral Shop Start-Up Costs	68,707	-	-	68,707
Holy Smokes	-	-	29,929	29,929
In-Kind Medical and Dental Services	274,082	-	-	274,082
Insurance	244,896	81,632	5,900	332,428
Interest	703	234	17	954
Marketing and Advertising	52,151	17,384	1,257	70,792
Miscellaneous	188	2,706	5	2,899
Office Expenses	71,226	23,742	1,716	96,684
Outreach Events	53,127	-	-	53,127
Payroll Taxes	93,098	121,767	17,953	232,818
Professional Development	55,736	18,579	1,343	75,658
Professional Fees	35,607	858	17,068	53,533
Property Insurance	35,467	11,822	855	48,144
Rental Expense	9,000	-	-	9,000
Retirement Benefits	12,241	36,722	885	49,848
Salaries	1,350,778	914,863	266,461	2,532,102
Supplies	13,673	-	-	13,673
Technology	43,502	14,501	1,048	59,051
Workers Compensation	-	48,847	-	48,847
TOTAL EXPENSES	\$ 9,193,122	\$ 1,499,362	\$ 364,679	\$ 11,057,163

See Notes to Financial Statements.

Heart Ministry Center, Inc.

Statements of Cash Flows

Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 2,746,958	\$ (265,214)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	387,632	362,172
Realized and Unrealized Gain on Investments	(5,510)	(7,026)
Gain on Disposal of Property and Equipment	-	(85)
Contribution of Fresh Floral Shop	-	(87,626)
Decrease (Increase) in Operating Assets:		
Contributions Receivable	(290,000)	50,000
Employee Retention Credit Receivable	222,899	(222,899)
Other Receivable	10,012	(15,874)
Prepaid Expenses and Other Current Assets	57,590	43,641
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses	(31,263)	14,057
Accrued Compensation	(36,504)	150,247
Deferred Revenue	38,500	73,350
Net Cash Provided by Operating Activities	3,100,314	94,743
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	-	45,875
Purchase of Investments	(11,542)	(46,182)
Purchase of Certificates of Deposit	(1,534,629)	-
Proceeds from Sale of Property and Equipment	-	3,000
Purchase of Property and Equipment	(209,662)	(634,001)
Net Cash Used in Investing Activities	(1,755,833)	(631,308)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of Capitalized Lease Obligations	(2,144)	(9,005)
Refundable Conditional Contribution	798,913	-
Net Cash provided by Financing Activities	796,769	(9,005)
Net Increase (Decrease) in Cash and Cash Equivalents and Restricted Cash and Cash Equivalents	2,141,250	(545,570)
Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning of Year	152,227	697,797
Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, End of Year	\$ 2,293,477	\$ 152,227

See Notes to Financial Statements.

Heart Ministry Center, Inc.

Statements of Cash Flows

Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	\$ 18	\$ 954
NONCASH ACTIVITIES		
<u>Contribution of Fresh Floral Shop</u>		
Prepaid Expenses and Other Current Assets	\$ -	\$ 67,089
Property and Equipment	-	20,537
Contribution	\$ -	\$ 87,626

See Notes to Financial Statements.

Heart Ministry Center, Inc.

Notes to Financial Statements

June 30, 2024 and 2023

1. Summary of Significant Accounting Policies

A summary of significant accounting policies consistently applied in the preparation of the accompanying financial statements is set forth below.

Nature of Organization

Heart Ministry Center, Inc.'s (the Organization) mission is providing food, healthcare and a way forward to people severely affected by poverty in the Omaha area.

The Organization evolved through the outreach ministries of the Sacred Heart Church, a cornerstone parish of the North Omaha community, to address the human needs concerns of the neighborhood and the homebound and elderly. In 1977, the Organization was opened as a separate organization focusing on serving families with children in school.

Programs and services have since expanded to accomplish the objectives and missions of the Organization. Such programs and services include:

Choice Food Distribution – A Grocery store like set-up empowering community members to choose from a variety of fresh and shelf stable items, Heart Ministry Center operates the largest food pantry in Nebraska.

Monen Healthcare Clinic – Offering free, quality medical, dental, vision and mental healthcare to families in need in partnership with Creighton University and other healthcare providers.

Fresh Start Job Placement – Fifteen to twenty weeks of intensive job training, personal development, financial literacy and job placement.

Willing Partner – Community members working together with the Organization's staff members to devise long-term solutions to move forward to self-sufficiency.

Fresh Start Laundromat – A social enterprise on the Organization's campus providing free and reduced laundry in a state-of-the-art facility that also creates jobs supported by its revenue.

Fresh Floral Shop – A social enterprise in Omaha, providing floral arrangements and services that also creates jobs supported by its revenue. The Organization was donated prepaid expenses and other current assets and property and equipment in February 2023 and began operations in June 2023.

Basis of Presentation

The Organization follows Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. Resources are reported for accounting purposes into separate classes of net assets based on the existence or absence of donor-imposed restrictions.

Heart Ministry Center, Inc.

Notes to Financial Statements

June 30, 2024 and 2023

The accompanying financial statements have been prepared on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and support, revenue, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by contract or by board designation.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. Net assets restricted by the actions of the Organization and/or the passage of time are temporary in nature. When a restriction expires, net assets with donor restrictions temporary in nature are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions. Other donor-imposed stipulations are permanent in nature and require that principal be maintained in perpetuity by the Organization. At June 30, 2024 and 2023, the Organization had no net assets with donor restrictions permanent in nature.

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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents and Restricted Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments, with an initial maturity of three months or less, to be cash and cash equivalents. Restricted cash and cash equivalents consist of refundable advances received from donors that will not be recognized as revenue until the conditions of the grant have been met. See Refundable Conditional Contribution section of Note 1 for additional information.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash and cash equivalents reported within the statements of financial position to the sum of the corresponding amounts within the statements of cash flows.

	<u>2024</u>	<u>2023</u>
Cash and Cash Equivalents	\$ 1,490,159	\$ 152,227
Restricted Cash and Cash Equivalents	803,318	-
Total	<u>\$ 2,293,477</u>	<u>\$ 152,227</u>

Heart Ministry Center, Inc.

Notes to Financial Statements

June 30, 2024 and 2023

Certificates of Deposit

Certificates of deposits are recorded at their cost plus accrued interest and bear interest at 4.75%. Certificates of deposit mature in one year or less.

Concentration of Credit Risk, Market Risk, and Major Funding Sources

The Organization maintains bank accounts at a specific bank in which the balances may exceed the Federal Deposit Insurance Corporation (FDIC) limit of \$250,000. At June 30, 2024 and 2023, there was approximately \$2,131,000 and \$72,000, respectively, at the bank in excess of FDIC limits.

Receivables also subject the Organization to credit risk.

The Organization is invested in a professionally managed portfolio that contains a variety of investments. Such investments are exposed to various risks such as credit and market. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

During the year ended June 30, 2024, the Organization received one contribution of \$2,521,810 from a major funding source making up approximately 32% of total contributions within the statements of financial position.

Investments

Investments are stated at fair value in the statements of financial position (see Note 3). Changes in net unrealized holding gains and losses, realized gains and losses, and interest and dividend income are recognized as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Interest and dividend income is recorded as earned. Realized gains and losses are determined by specifically identifying the investment sold.

Contributions Receivable

The Organization recognizes unconditional contributions receivable at the time of the promise. Unconditional contributions receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional contributions receivable that are expected to be collected in future years are recorded at fair value determined using the discounted present value of the estimated future cash flows. The resulting discount is amortized using the level-yield method and is reported as contribution revenue. At June 30, 2024 and 2023, the discount to present value was determined to be insignificant. Conditional contributions receivable are recognized when the conditions on which they depend are substantially met. All contributions receivable are deemed fully collectible by management; therefore, no allowance for uncollectible pledges receivable is recorded.

Heart Ministry Center, Inc.

Notes to Financial Statements

June 30, 2024 and 2023

Contributions receivable at June 30, are expected to be collected as follows:

	<u>2024</u>	<u>2023</u>
Year 1	\$ 320,000	\$ 75,000
Year 2	100,000	55,000
Total Contributions Receivable	<u>\$ 420,000</u>	<u>\$ 130,000</u>

Property and Equipment

Property and equipment are stated at cost or, in the case of donated assets, at estimated fair market value at the date of donation. Expenditures for additions and betterments are capitalized; expenditures for maintenance and repairs are charged to expense as incurred. The costs of assets disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses from property disposals are recognized in the year of disposal.

Property and equipment are depreciated using the straight-line method over their estimated useful lives, which are as follows:

	<u>Years</u>
Buildings and Improvements	7 - 50
Furniture and Equipment	3 - 10
Computer Software and Equipment	3
Vehicles	5

Construction in progress is recorded at cost and no depreciation is recorded until the assets are placed in service. Construction in progress at June 30, 2023 consisted of renovations for the Fresh Floral Shop which were placed in service in July 2023. Construction in progress at June 30, 2024 consisted of renovations for the Fresh Start Laundromat.

Long-Lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets when events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. Management does not believe any impairment existed for the years ended June 30, 2024 and 2023.

Employee Retention Credits

During 2023, the Organization claimed an employee retention credit of \$651,591, which is reflected in income and expense in the accompanying 2023 statement of activities and changes in net assets. At June 30, 2023, the Organization had a receivable related to this credit of \$222,899 which was received in July 2023.

Heart Ministry Center, Inc.

Notes to Financial Statements

June 30, 2024 and 2023

Right-of-Use Assets and Lease Liabilities

The Organization follows Accounting Standards Update 2016-02, *Leases* (Topic 842) (“ASU 2016-02”) which established a right-of-use model that requires a lessee to recognize a ROU asset and lease liability on the accompanying statements of financial position for all leases. The Organization has elected the short-term lease practical expedient to exclude leases with terms of 12 months or less from recognition on the accompanying statements of financial position. See Note 6 for the description of the Organization’s lease agreements.

Refundable Conditional Contribution

Refundable conditional contribution consist of grants received from donors that will not be recognized as revenue until the conditions of the grant have been met. At June 30, 2024, refundable conditional contribution consisted of \$798,913 of Department of Economic Development North and South Omaha Recovery funding that is conditioned upon the funds being used to create an additional social enterprise.

Revenue Recognition

The Organization follows Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* (Topic 606) (“ASU 2014-09”). The Organization’s policies for revenue recognition are described below.

Contributions

Contributions consisting of donations and grants that do not meet the definition of an exchange transaction in accordance with ASU 2014-09 are accounted for under the guidance in Accounting Standards Codification 958 “Not-for-Profit Entities.” Contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions regardless of whether the restrictions expire in the fiscal year in which the contributions are recognized.

Conditional contributions are recognized when the barriers for recognition in the agreement are fully overcome and there is no longer a right of return related to the contributed assets.

Contributions of donated non-cash assets and investment securities are recorded at estimated fair value when received. The Organization’s policy is to sell donated securities as soon as administratively feasible upon receipt of the securities.

Fresh Floral and Laundromat Sales

The Organization’s fresh floral and laundromat sales contain a single performance obligation, and revenue is recognized at a point in time when product transfers to the customer.

Heart Ministry Center, Inc.

Notes to Financial Statements

June 30, 2024 and 2023

In-Kind Contributions

The Organization follows Accounting Standards Update (ASU) 2020-07, Not-for-Profit Entities (Topic 958) – *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. In addition to receiving cash contributions, the Organization receives in-kind contributions of food and medical and dental services from third parties. Contributions of food are valued at fair value (which is the average price per pound donated as obtained from the donor based on their cost of food). Contributions of services that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated. Contributions of these specialized services are recorded at estimated fair value (using standard hourly rate metrics and updated annually based on service level) of the services provided when received.

The following is a summary of the recorded value of in-kind contributions recorded for the cost of food and medical and dental services received by the Organization during the year ended June 30, 2024:

	<u>Pounds</u>	<u>\$/Pound</u>	<u>Total</u>
Food Bank for the Heartland	2,818,851	\$ 2.00	\$ 5,627,614
Community Organizations	828,980	2.00	1,654,994
Total In-Kind Food Donations	<u>3,647,831</u>	<u>\$ 2.00</u>	<u>\$ 7,282,608</u>
	<u>Hours</u>	<u>\$/Hour</u>	<u>Total</u>
Medical Services			
General	1,115	\$ 79.27	\$ 88,385
Mental Health	346	50.00	17,300
Physical Therapy/Occupational Therapy	504	50.00	25,200
Vision	532	100.00	53,200
Hearing	8	100.00	800
Dental Services	2,940	43.50	127,890
Total In-Kind Medical/Dental Services	<u>5,445</u>	<u>\$ 57.44</u>	<u>\$ 312,775</u>

Heart Ministry Center, Inc.

Notes to Financial Statements

June 30, 2024 and 2023

The following is a summary of the recorded value of in-kind contributions recorded for the cost of food and medical and dental services received by the Organization during the year ended June 30, 2023:

	<u>Pounds</u>	<u>\$/Pound</u>	<u>Total</u>
Food Bank for the Heartland	2,136,077	\$ 1.87	\$ 4,002,736
Community Organizations	746,486	1.87	1,398,820
Total In-Kind Food Donations	<u>2,882,563</u>	<u>\$ 1.87</u>	<u>\$ 5,401,556</u>

	<u>Hours</u>	<u>\$/Hour</u>	<u>Total</u>
Medical Services			
General	726	\$ 86.60	\$ 62,874
Mental Health	675	34.95	23,593
Physical Therapy/Occupational Therapy	335	35.67	11,950
Vision	186	73.33	13,640
Dental Services	<u>2,798</u>	<u>57.91</u>	<u>162,025</u>
Total In-Kind Medical/Dental Services	<u>4,720</u>	<u>\$ 58.07</u>	<u>\$ 274,082</u>

The Organization's policy is to expense all food purchased or received in-kind upon receipt of the food. The expense is recorded in program services in the accompanying statements of activities and changes in net assets. The Organization utilizes these donations as part of the services provided in their programming in the food pantry and medical and dental clinic.

Fundraising Activities

Fundraising activities consists of sponsorships and ticket sales associated with the Organization's annual fundraiser, Holy Smokes. Revenue is recognized in the period the fundraiser occurs.

Contract Balances

Contract liabilities represent advance consideration received from donors and are recognized as fundraising activities over time as the related performance obligation is satisfied. As of June 30, 2024, 2023, and 2022, contract liabilities included deferred revenue, which totaled \$121,850, \$83,350 and \$10,000, respectively.

Functional Expense Allocation

The costs of providing the various programs and other activities of the Organization have been summarized on a functional basis in the statements of activities and changes in net assets. Costs are allocated to each functional expense category based on the specific departments benefitted by the expense. Certain categories of expenses are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The majority of the Organization's expenses are allocated on a square-footage basis. Certain other expenses, such as salaries and payroll taxes, are allocated on the basis of estimates of time and effort.

Heart Ministry Center, Inc.

Notes to Financial Statements

June 30, 2024 and 2023

Marketing and Advertising Costs

The cost of marketing and advertising is expensed as incurred. Marketing and advertising costs were \$50,064 and \$70,792 for the years ended June 30, 2024 and 2023, respectively.

Income Taxes

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is not considered a private foundation.

The Organization follows the provisions of the Financial Accounting Standards Board (FASB) Codification Topic 740-10 related to uncertain income tax positions. Management believes there are no uncertain income tax positions taken which would require the Organization to reflect a liability for unrecognized tax benefits on the accompanying statements of financial position.

The Organization is no longer subject to income tax examinations by federal, state, or local tax authorities for years before June 30, 2021.

Reclassifications

Certain reclassifications have been made to the 2023 financial statements to conform to the 2024 presentation.

Subsequent Events

Subsequent events are events or transactions that occur after the statement of financial position date, but before the financial statements are available to be issued and may require potential recognition or disclosure in the financial statements. Management has considered such events or transactions through October 31, 2024, noting no items requiring disclosure.

Heart Ministry Center, Inc.

Notes to Financial Statements

June 30, 2024 and 2023

2. Liquidity and Cash Management

The Organization's financial assets available to meet general expenditures within one year of June 30, are as follows:

	<u>2024</u>	<u>2023</u>
Cash and Cash Equivalents	\$ 1,490,159	\$ 152,227
Restricted Cash and Cash Equivalents	803,318	-
Investments	297,371	280,319
Certificates of Deposit	1,534,629	-
Current Portion of Contributions Receivable	320,000	75,000
Employee Retention Credit Receivable	-	222,899
Other Receivable	6,975	16,987
Total Financial Assets	4,452,452	747,432
Less: Amounts Not Available for General Expenditure due to Donor Restrictions	(1,351,931)	(1,009,890)
Less: Amounts Not Available for General Expenditure due to Donor Conditions	(798,913)	-
Plus: Donor Restrictions to be Released in One Year due to Implied Time Restrictions and Current Operations	519,780	375,000
Financial Assets Available to Meet Cash Needs for General Expenditure Within One Year	<u>\$ 2,821,388</u>	<u>\$ 112,542</u>

The Organization manages its liquid resources by structuring its financial assets to be available as its general expenditures, liabilities, and other obligations become due. Additionally, the Organization could draw upon its revolving bank line of credit if needed (see Note 5).

3. Fair Value Measurements

The Organization follows the provisions of FASB Codification Topic 820-10, which establishes a framework for measuring fair value. That framework 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 described below:

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

Heart Ministry Center, Inc.

Notes to Financial Statements

June 30, 2024 and 2023

If the asset or liability has a specified (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.

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 need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes to the valuation methodologies used at June 30, 2024 and 2023.

The following is a description of the valuation methodologies used for investments measured at fair value.

Money Market, Mutual and Exchange Traded Funds: Valued at the daily closing price as reported by the funds. The funds held by the Organization are open-end funds that are registered with the Securities and Exchange Commission. The funds held are deemed to be actively traded and Level 1 of the fair value hierarchy.

4. Property and Equipment

Property and equipment at June 30, consists of the following:

	<u>2024</u>	<u>2023</u>
Land	\$ 9,377	\$ 6,057
Buildings and Improvements	6,565,287	6,406,860
Furniture and Equipment	1,544,955	1,560,403
Computer Software and Equipment	29,339	11,495
Vehicles	96,873	96,873
Construction in Progress	13,683	78,634
Less Accumulated Depreciation	(1,821,901)	(1,544,739)
Net Book Value	<u>\$ 6,437,613</u>	<u>\$ 6,615,583</u>

5. Financing Arrangement

The Organization's financing arrangement consists of a \$1,000,000 revolving bank line of credit with interest payable monthly at the Prime Rate as published by the Wall Street Journal (the Prime Rate was 8.50% at June 30, 2024). All outstanding principal and interest is due January 2025. This line of credit is collateralized by deed of trust on certain property and equipment and all assets of the Organization. There were no balances outstanding against this line of credit at June 30, 2024 and 2023.

Heart Ministry Center, Inc.

Notes to Financial Statements

June 30, 2024 and 2023

6. Lease Obligations

The Organization has operating leases which consist of the land which the building was constructed on and various office equipment and space. The Organization had finance leases which consisted of various leases for equipment.

The Organization's building was constructed on land owned by Sacred Heart Church. The Organization has entered into a ground lease and parking lot lease through April 2045 whereby the Organization pays all taxes, insurance, and operating expenses during the lease term. Rent expense of \$1 per year was prepaid by the Organization in 2010. The Organization has entered into a building lease for the fresh floral shop office space through December 2028 which is not significant to the financial statements. The Organization also has various other office equipment of which the lease agreements expire in June 2027 and were not significant to the financial statements. No operating ROU assets or operating lease liabilities were included in the accompanying statements of financial position.

The Organization leased equipment under finance leases. The financing leases principally contained purchase options of \$1 at the expiration of the lease term or will be utilized for more than 75% of their useful life. There were no renewal options and the Organization did not exercise the purchase option. The Organization has elected the short-term lease practical expedient to exclude leases with terms of 12 months or less from recognition on the accompanying statement of financial position. These leases include building space and operating equipment operating leases and certain month to month building leases.

For the year ended June 30, 2024, total lease cost and other information included in the calculation of the right-of-use assets and lease liabilities consisted of the following:

<u>Lease Costs</u>	<u>2024</u>	<u>2023</u>
Finance Lease Costs:		
Amortization of Property and Equipment	\$ 2,143	\$ 9,632
Interest on Lease Liability	18	954
Total Lease Costs	<u>\$ 2,161</u>	<u>\$ 10,586</u>

The right-of-use asset is included in property and equipment, net of accumulated depreciation due to the insignificance of the impact to the financial statements. The cost of the capitalized leased equipment was \$28,896 at June 30, 2024 and 2023, which is being amortized over the lives of the leases. Accumulated depreciation on the equipment was \$28,896 and \$26,074 at June 30, 2024 and 2023, respectively. The lease was paid off in November 2023 with an imputed interest rate of 3.25%. Due to the insignificance on the financial statements, no discount rate was applied.

Heart Ministry Center, Inc.

Notes to Financial Statements

June 30, 2024 and 2023

7. Restrictions and Limitations on Net Asset Balances

Net assets with donor restrictions that are temporary in nature at June 30, consists of the following:

	<u>2024</u>	<u>2023</u>
Implied Time Restrictions	\$ 280,000	\$ 130,000
Fresh Floral Shop	140,000	279,890
Future Operations	199,780	300,000
Facility Maintenance	300,000	300,000
Food Pantry	25,000	-
Fresh Start	312,151	-
Omaha Public Schools Families	45,000	-
WCA Advocate and Clinic Costs	50,000	-
	<u>\$ 1,351,931</u>	<u>\$ 1,009,890</u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors during the years ended June 30, are as follows:

	<u>2024</u>	<u>2023</u>
Capital Campaign	\$ -	\$ 275,000
COVID Shelter Financial Assistance	-	36,000
Current Year Operations	530,900	85,000
Direct Aid to Individuals	-	60,000
Employees Healthcare and Retirement	-	79,475
Expiration of Implied Time Restrictions	230,000	50,000
Facility Maintenance and Construction	-	381,886
Food Pantry	-	48,750
Fresh Start	1,218,679	214,132
Fresh Floral Shop	139,890	112,427
Laundromat	-	150,000
Omaha Public Schools Families	30,000	75,000
Partner Forward	-	250,445
WCA Advocate and Clinic Costs	250,000	142,000
	<u>\$ 2,399,469</u>	<u>\$ 1,960,115</u>

8. Commitments and Contingencies

Legal Proceedings

The Organization is party to legal proceedings arising in the ordinary course of its business. In the opinion of management and its legal counsel, disposition of these matters will not materially affect the Organization's financial position or results of operations.

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