Lighthouse Mission Ministries

Financial Statements with
Independent Auditor's Report

Years Ended June 30, 2024 and 2023

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NONPROFIT
CPAs LLC

Lighthouse Mission Ministries

Contents

Independent Auditor's Report

To the Board of Directors
Lighthouse Mission Ministries
Bellingham, Washington

Opinion
I have audited the accompanying financial statements of Lighthouse Mission Ministries (a nonprofit organization), 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 my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lighthouse Mission Ministries (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
I conducted my audits in accordance with auditing standards generally accepted in the United States of America (GAAS). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Organization and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audits. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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, I:

- 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 my 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.

I am 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 I identified during the audit.

Bellingham, Washington
November 20, 2024

Lighthouse Mission Ministries

Statements of Financial Position

June 30, 2024 and 2023

	2024	2023
Assets		
Current assets		
Cash and cash equivalents	$ 2,044,722	$ 4,441,859
Certificates of deposit	576,351	162,252
Pledges receivable, current	344,230	1,399,460
Rent receivable, current	41,381	205,154
Property held for sale	1,995,000	1,850,000
Investments	-	6,873,178
Prepaids and other current assets	279,918	265,658
Total current assets	5,281,602	15,197,561
Pledges receivable, net of discount and current portion	526,006	921,517
Rent receivable, net of discount and current portion	-	17,235
Other assets	47,170	112,513
Property and equipment, net	26,129,578	5,871,283
Total assets	$ 31,984,356	$ 22,120,109
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 5,373,306	$ 854,488
Accrued payroll and related liabilities	327,769	277,878
Total current liabilities	5,701,075	1,132,366
Other accrued liabilities	38,461	85,253
Notes payable	-	463,599
Total liabilities	5,739,536	1,681,218
Net assets		
Without donor restrictions	2,396,667	1,904,470
With donor restrictions	23,848,153	18,534,421
Total net assets	26,244,820	20,438,891
Total liabilities and net assets	$ 31,984,356	$ 22,120,109

Lighthouse Mission Ministries

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**
Support and revenue						
Contributions	$ 3,915,728	$ 5,352,807	$ 9,268,535	$ 3,449,005	$ 6,721,862	$ 10,170,867
In-kind contributions						
Rent	24,146	-	24,146	12,896	166,016	178,912
Property	-	145,000	145,000	-	1,850,000	1,850,000
Note payable forgiveness	473,197	-	473,197	-	-	-
Other goods and services	306,482	-	306,482	237,334	50,000	287,334
Total in-kind contributions	803,825	145,000	948,825	250,230	2,066,016	2,316,246
Fundraising events, net of direct expenses	336,533	-	336,533	393,447	-	393,447
Net investment return (loss), net	176,232	-	176,232	206,403	-	206,403
Other income	85,450	2,266	87,716	97,354	1,963	99,317
Net assets released from restriction	186,341	(186,341)	-	219,553	(219,553)	-
Total support and revenue	5,504,109	5,313,732	10,817,841	4,615,992	8,570,288	13,186,280
Expenses						
Program services	3,296,513	-	3,296,513	4,334,772	-	4,334,772
Management and general	905,726	-	905,726	1,017,886	-	1,017,886
Fundraising	809,673	-	809,673	859,313	-	859,313
Total expenses	5,011,912	-	5,011,912	6,211,971	-	6,211,971
Changes in net assets	492,197	5,313,732	5,805,929	(1,595,979)	8,570,288	6,974,309
Net assets – beginning of year	1,904,470	18,534,421	20,438,891	3,500,449	9,964,133	13,464,582
Net assets – end of year	$ 2,396,667	$ 23,848,153	$ 26,244,820	$ 1,904,470	$ 18,534,421	$ 20,438,891

The accompanying notes are an integral part of these financial statements.

Lighthouse Mission Ministries

Statements of Functional Expenses

Years Ended June 30, 2024 and 2023

	2024				2023			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 1,557,968	$ 519,874	$ 386,573	$ 2,464,415	$ 2,068,009	$ 336,379	$ 279,474	$ 2,683,862
Employee benefits	176,865	68,587	56,115	301,567	237,706	38,032	31,676	307,414
Payroll taxes	133,615	23,521	14,523	171,659	170,404	27,647	22,560	220,611
Total payroll and related	1,868,448	611,982	457,211	2,937,641	2,476,119	402,058	333,710	3,211,887
Occupancy	495,940	64,125	25,905	585,970	511,631	105,070	24,509	641,210
Meals and assistance	410,944	-	-	410,944	380,887	-	-	380,887
Miscellaneous	159,676	128,109	44,943	332,728	60,608	272,992	27,227	360,827
Advancement services	2,725	24	271,063	273,812	-	-	471,588	471,588
Professional services	108,689	84,268	4,155	197,112	49,616	154,598	-	204,214
Depreciation	123,311	3,273	3,273	129,857	108,462	21,994	-	130,456
Supplies	77,516	11,315	2,122	90,953	80,473	7,037	1,442	88,952
Special events	-	-	90,112	90,112	-	-	112,275	112,275
Repairs and maintenance	49,264	2,630	1,001	52,895	47,956	23,770	837	72,563
Campus Building Fund capital expenses and losses	-	-	-	-	619,020	30,367	-	649,387
	3,296,513	905,726	899,785	5,102,024	4,334,772	1,017,886	971,588	6,324,246
Less: direct expenses of fundraising events	-	-	(90,112)	(90,112)	-	-	(112,275)	(112,275)
Total expenses	$ 3,296,513	$ 905,726	$ 809,673	$ 5,011,912	$ 4,334,772	$ 1,017,886	$ 859,313	$ 6,211,971

Lighthouse Mission Ministries

Statements of Cash Flows

Years Ended June 30, 2024 and 2023

	2024	2023
Cash flows from operating activities		
Changes in net assets	$ 5,805,929	$ 6,974,309
Adjustments to reconcile changes in net assets to		
net cash provided (used) by operating activities:		
Write-offs and change in receivables allowance and discount	(8,677)	118,301
Depreciation	129,857	130,456
Loss on disposal of property and equipment from demolition	-	324,017
Gain on sale of property and equipment	(4,566)	-
Realized and unrealized loss (gain) on investments	(29,769)	52,907
Contributions from donated stock	-	(14,493)
Gain on forgiveness of note payable to related party	(463,599)	-
Contributions restricted for capital projects	(5,343,482)	(6,465,327)
Noncash contributions of property restricted for capital projects	(145,000)	(1,850,000)
Noncash in-kind contributions	(291,015)	(466,246)
Noncash in-kind expenses	472,023	517,591
Noncash changes in other assets	(116,820)	(79,291)
(Increase) decrease in assets		
Other assets	99,923	(17,481)
Increase (decrease) in liabilities		
Accounts payable	21,056	793
Accrued payroll and related liabilities	49,891	(17,563)
Other accrued liabilities	(46,792)	85,253
Net cash provided (used) by operating activities	128,959	(706,774)
Cash flows from investing activities		
Net changes in certificates of deposit	(414,099)	(162,252)
Purchases of property and equipment, net of proceeds from sales	(15,817,844)	(2,633,629)
Proceeds from sales of investments, net of deposits	6,902,947	(235,305)
Net cash used by investing activities	(9,328,996)	(3,031,186)
Cash flows from financing activities		
Proceeds from contributions restricted for capital projects	6,802,900	6,175,413
Principal payments on note payable to related party	-	(25,757)
Net cash provided by financing activities	6,802,900	6,149,656
Net change in cash and cash equivalents	(2,397,137)	2,411,696
Cash and cash equivalents – beginning of year	4,441,859	2,030,163
Cash and cash equivalents – end of year	$ 2,044,722	$ 4,441,859
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest on note payable	$ -	$ 10,244
Non-cash investing and financing activities		
Property purchased through accounts payable	$ 5,264,665	$ 766,903
Forgiveness of note payable to related party	$ 463,599	$ -

The accompanying notes are an integral part of these financial statements.

Note 1 – Summary of Significant Accounting Policies

Nature of activities – Lighthouse Mission Ministries (the Organization) is a Washington State nonprofit corporation established in 1923 as a Christian-based charitable organization to conduct rescue mission work and be a consistent friend to people who are homeless. The Organization's programs serve the spiritual and human needs of people who are in need of food, shelter, and recovery services within the local community. This is done through three distinct programs: Agape Home, Ascent Program, and Base Camp (including Outreach), each of which comes alongside people, wherever they are at, to offer hope, give dignity, serve, and support as they undertake the difficult work of leaving homelessness behind.

Lighthouse Mission Ministries Foundation (the Foundation) is a related party, which exists to support the Organization. While the Organization has an economic interest in the Foundation, the Organization lacks the requisite level of control over the Foundation to require consolidation. Thus, the Foundation's financial statements are not consolidated within the Organization's financial statements at either June 30, 2024 or 2023. Transactions between the Organization and Foundation are described in Notes 8 and 12.

Basis of accounting – The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), which involves the application of accrual accounting. Accordingly, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of presentation – The Organization presents its financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958. Under this standard, the Organization is required to present its financial position and activities according to two classes of net assets:

> *Net assets without donor restrictions* – Net assets that are not subject to donor-imposed restrictions and over which the Board of Directors has discretionary control.
>
> *Net assets with donor restrictions* – Net assets subject to donor-imposed restrictions or time restrictions that will be met either through actions of the Organization or by passage of time, including contributions restricted by the donor to be invested in perpetuity, if any.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. In the period donor restrictions are met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as satisfaction of restrictions. When donor restrictions are met during the same period that the contribution is received, the contribution is recognized as without donor restrictions. Gifts restricted for the acquisition of long-lived assets may not be released from restrictions until the assets are completed and placed in service.

Cash and cash equivalents – The Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Organization maintains its cash in bank accounts that may exceed federally insured limits at times during the year. The Organization has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk. Cash equivalents held in the investment account are classified as investments as those resources are not used for daily operating needs.

Note 1 – Summary of Significant Accounting Policies – (Continued)

Certificates of deposit – Certificates of deposit are recorded at cost plus accrued interest.

Pledges receivable – Unconditional promises to give (pledges) that are expected to be collected within one year are recorded at net realizable value. Pledges expected to be collected in future years are recorded at the present value of estimated future cash flows using a discount rate commensurate with the risks involved. In subsequent years, amortization of the discount is included in contribution revenue in the statements of activities. Management determines the allowance for uncollectable pledges based on historical experience, an assessment of economic conditions, and a review of subsequent collections. The Organization considers all pledges receivable collectible as of June 30, 2024 and 2023; thus, no allowance has been established for uncollectible pledges. However, long-term promises to give have been discounted using rates ranging from 1%-5% based on a variety of factors, as disclosed further in Note 3.

Investments – The Organization records investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Investment securities, in general, are exposed to various risks, such as interest rate, market, and credit risk. It is reasonably possible, given the level of risk associated with the investment securities, that changes in the near term could materially affect the Organization's account balances and the amounts reported in the financial statements.

Property and equipment – The Organization capitalizes all property and equipment acquisitions in excess of $2,500. Property and equipment acquisitions are recorded at cost, if purchased, and fair value, if donated. Additions, improvements, or expenditures which add to productive capacity or extend the life of an asset are capitalized. Expenditures for repairs and maintenance are charged to operations as incurred. Depreciation is recorded using the straight-line method over estimated useful lives of the assets, which ranges from 3 to 40 years.

Sabbatical leave – During the year ended June 30, 2023, the Organization implemented a sabbatical leave program that requires all Chiefs and Program Directors to take a sabbatical of eight full, contiguous weeks for every seven years of service. Compensated time under this program is accrued over the requisite service period. At June 30, 2024 and 2023, the Organization had accrued $66,435 and $58,151, respectively, which is included in accrued payroll and other liabilities in the statements of financial position.

Contributions – Contribution revenue is recognized in the period received or when an unconditional promise to give is made, whichever is earlier. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Conditional promises to give from two grantors, restricted for the Campus Building Fund (Titan capital project), totaling $1,500,000 were outstanding as of June 30, 2024 and not recognized in the accompanying financial statements.

Donated goods, services, and rent – Donations of goods, services, and rent are recorded at their estimated fair values at the date of donation. The fair value of donated goods and services is determined by either the value of the good or service as stated on the receiving documents or based on similar goods and services available in the market. The fair value of free or discounted lease agreements is determined based on square footage in comparison to similar spaces in the geographic area.

Note 1 – Summary of Significant Accounting Policies – (Continued)

Donated goods, services, and rent (continued) – Donated services are recognized if services received (a) create or enhance nonfinancial assets or (b) require specialized skills, and are provided by individuals possessing those skills and would typically need to be purchased if not donated. Many volunteers have donated significant amounts of time to the Organization's activities. The services of these volunteers are not recorded in the accompanying financial statements as they do not meet the criteria for recognition.

In-kind contributions of rent under long-term lease agreements contain implicit time restrictions associated with the portion extending into future years (see Note 4). During the year ended June 30, 2023, the Organization received a donation of real property with a carrying value of $1,850,000, which is donor restricted to be sold and proceeds used toward the Campus Building Fund campaign (see Note 5). During the year ended June 30, 2024, the Organization recognized a gain in the fair market value of $145,000 and is considered donor restricted. During the year ended June 30, 2023, the Organization also received in-kind professional services totaling $50,000, which met the criteria for capitalizing as construction in progress and is considered donor-restricted until the facilities are completed and placed into service. There were no donor restricted in-kind professional services received during the year ended June 30, 2024. The remaining in-kind contributions are not donor restricted.

In general, the Organization uses all goods and services received in its operations and does not monetize any in-kind goods and services received. An exception to this generalization is the donated property described above and in-kind donations received for the annual auction. During the years ended June 30, 2024 and 2023, the Organization received in-kind auction items totaling $18,785 and $27,715, respectively.

Advertising – The Organization expenses advertising costs as they are incurred. Advertising expense totaled $95,358 and $185,262 for the years ended June 30, 2024 and 2023, respectively, and is included in advancement services in the accompanying statements of functional expenses.

Federal income taxes – The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is therefore exempt from federal income tax on income derived from activities related to its tax-exempt purposes. Accordingly, no provision for income tax is necessary. Under Section 6033(a)(3)(A)(i), the Organization is not required to file a federal income tax return as it meets the federal requirements for church status, and it operates as a church.

Functional allocation of expenses – The costs of providing various programs and other activities have been summarized on the functional basis in the accompanying statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited on a reasonable basis that is consistently applied. Expenses that can be identified with a specific program are allocated directly according to their natural expenditure classifications. Expenses that are not directly associated with a program are allocated as follows:

> **Time and effort:** Payroll and related expenses
> **Estimates of usage and direct allocation:** Occupancy, supplies, depreciation, repairs and maintenance, advancement services, professional services, and miscellaneous

Note 1 – Summary of Significant Accounting Policies – (Continued)

Use of estimates – The preparation of the financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications – Certain classifications have been made to the prior year's financial statements to conform to the current year's presentation. These reclassifications had no effect on the net assets or changes in n et assets as of and for the year ended June 30, 2023.

Subsequent events – In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 20, 2024, the date that the financial statements were available to be issued.

Note 2 – Liquidity and Availability

Financial assets available for general expenditure within one year consist of the following as of June 30:

	2024	2023
Cash and cash equivalents	$ 2,044,722	$ 4,441,859
Certificates of deposit	576,351	162,252
Pledges receivable, net	870,236	2,320,977
Property held for sale	1,995,000	1,850,000
Investments	-	6,873,178
Total financial assets	5,486,309	15,648,266
Less amounts not available for general expenditure		
Donor restricted	(5,335,649)	(14,729,725)
Financial assets available for general expenditure within one year	$ 150,660	$ 918,541

The Organization has certain donor-restricted net assets limited to use which are not available for general expenditures within one year in the normal course of operations. Accordingly, these net assets have been subtracted from the calculation above.

The Organization's goal is to maintain three months of cash to cover operating expenses. Cash amounts exceeding the three-month goal may be invested in short-term investments, including certificates of deposit. Amounts received that are donor restricted for long-term capital projects may be invested in marketable securities in accordance with the Organization's investment policy. In addition, the Lighthouse Mission Ministries Foundation exists to support the Organization (see Note 1) and, subject to approval by the Foundation's Board of Directors, may provide additional assistance to the Organization in times of need.

Note 3 – Pledges Receivable

During the year ended June 30, 2021, the Organization commenced a campaign to raise funds for a new campus in Bellingham, Washington. Funds contributed toward this campaign are considered restricted for Campus Building Fund. The goal of a new campus is to expand capacity and provide additional program offerings. The Organization has commenced construction of the new facilities (see Note 7 for additional details). The campaign remains in progress as the Organization seeks additional donors to help finance the project's remaining costs.

Pledges receivable consist of the following as of June 30:

	2024	2023
Receivable in less than one year	$ 344,230	$ 1,399,460
Receivable in one to five years	220,833	585,021
Receivable in greater than five years	720,000	760,000
Total pledges receivable, gross	1,285,063	2,744,481
Less discount to net present value at rates ranging from 1% to 5%	(414,827)	(423,504)
	$ 870,236	$ 2,320,977

One and two donors represent 71% and 53% of the total gross pledges receivable balance as of June 30, 2024 and 2023, respectively.

Note 4 – Rent Receivable

The Organization entered into a 3-year lease with the City of Bellingham in June 2020, with an option to extend in the 4th year, for property to house the Organization's Drop-in Center program. The Drop-in Center program is used to stabilize incoming guests, introduce them to a lifesaving relationship with Jesus Christ, offer homeless assessment, and provide a motivational environment that encourages life-change. The Organization is not required to make any rent payments under the terms of this lease for the first three years.

The Organization entered into a 26-month lease with PeaceHealth commencing February 2022, for the use of kitchen space in Bellingham, Washington with monthly payments of $1. The lease terminated in March 2024 and continues on a month to month basis.

In both instances, the Organization has recognized in-kind contribution revenue, rent expense, and rent receivable based on the estimated fair value of the benefit to be received by the Organization over the term of the leases. The unamortized discount is recognized as contribution support over the term of the leases.

Note 4 – Rent Receivable – (Continued)

Rent receivable related to these leases is expected to be collected through use of the properties as follows as of June 30:

	2024	2023
Within one year	$ 41,381	$ 205,154
In one to two years	-	31,563
Total rent receivable, gross	41,381	236,717
Less: discount to net present value at rates ranging from 4% to 6%	-	(14,328)
	$ 41,381	$ 222,389

In-kind rent expense related to these leases, as well as another month-to-month in-kind lease, totaled $205,154 and $230,258 during the years ended June 30, 2024 and 2023, respectively, and is included in occupancy expense in the statements of functional expenses.

Note 5 – Property Held for Sale

The Organization received a contribution of real property with an initial valuation of $2,350,000 during the year ended June 30, 2023. The donor placed a restriction on the contribution that the Organization sells the property and use its proceeds toward the Campus Building Fund campaign. At June 30, 2023, the Organization expected the property to sell within the next year, but at an amount less than its valuation. As such, the Organization had recorded the donated property at its estimated sale price, less costs of sale, totaling $1,850,000, as property held for sale in the accompanying statement of financial position as of June 30, 2023. During the year ended June 30, 2024, the Organization recognized a gain based on the fair market value of the property based on an updated selling price of the property. The Organization entered into a contingent purchase and sale agreement for the property in September 2024, the expected proceeds from which support the increased balance. The initial contribution made up 14% of total support and revenue for the year ended June 30, 2023.

Note 6 – Investments and Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures,* 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 under FASB ASC 820 are described as follows:

Level 1: Observable inputs to the valuation methodology that are quoted prices (unadjusted) for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Observable inputs to the valuation methodology other than quoted market prices (unadjusted) for identical assets or liabilities in active markets. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical assets in markets that are not active and inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Note 6 – Investments and Fair Value Measurements – (Continued)

Level 3: Inputs to the valuation methodology that are unobservable and significant to the fair value measurement.

The asset 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.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in methodologies used during the years ended June 30, 2024 and 2023.

Investments at fair value consisted of the following as of June 30, 2023:

	Level 1	Level 2	Level 3	Total
Investments fair value hierarchy				
Money market funds	$ 103,598	$ -	$ -	$ 103,598
Fixed income				
Municipal bonds	4,698,271	-	-	4,698,271
Equity funds				
Mutual funds	662,740	-	-	662,740
Stocks	1,003,804	-	-	1,003,804
Exchange traded funds	404,765	-	-	404,765
Total	$ 6,873,178	$ -	$ -	$ 6,873,178

The entirety of the investment balance was transferred to certificates of deposit and savings accounts during the year ended June 30, 2024 to be used toward the capital project.

To assess the appropriate classification of investments within the fair value hierarchy, the availability of market date is monitored. Changes in economic conditions or valuation techniques may require the transfer of investments from one fair value level to another.

The Organization evaluated the significance of transfers between levels based upon the nature of the investment and size of the transfer relative to total net assets available for benefits. For the years ended June 30, 2024 and 2023, there were no significant transfers in or out of Level 3.

Note 7 – Property and Equipment

Property and equipment consists of the following as of June 30:

	2024	2023
Land	$ 512,056	$ 512,056
Buildings and improvements	3,199,195	3,202,539
Vehicles	110,320	124,342
Machinery and equipment	148,582	93,482
Furnitures and fixtures	41,852	44,827
Other	19,641	27,820
Construction in progress	23,681,807	3,367,718
Property and equipment, gross	27,713,453	7,372,784
Less: accumulated depreciation	(1,583,875)	(1,501,501)
	$ 26,129,578	$ 5,871,283

Depreciation expense totaled $129,857 and $130,456 for the years ended June 30, 2024 and 2023, respectively.

As discussed in Note 3, the Organization is in the midst of a significant campus expansion project. During the year ended June 30, 2023, the Organization entered into a contract with a construction company with estimated total project costs, excluding sales tax, of $22.2 million. Demolition of existing facilities at the project site commenced in March 2023. Costs associated with the demolition, including loss on disposal of existing assets, have been expensed as incurred. Construction costs are capitalized as construction in progress. The estimated total remaining contract costs, excluding sales tax, are approximately $3.2 million as of June 30, 2024. The project was substantially completed and placed into service during October 2024.

Note 8 – Notes Payable

The Organization's note payable to the Foundation, a related party, was due in $4,500 principal and interest installments through the loan's maturity in September 2024, at which point a balloon payment became due. In February 2023, the Foundation agreed to defer all payments until the loan maturity date. The loan balance outstanding was $463,599 as of June 30, 2023. In October 2023, the Foundation's board of directors approved a restricted use grant to the Organization in the amount of the remaining balance owed on the note payable, including all accrued interest. This restricted use grant was a non-cash transaction and was used reduce the entire outstanding note payable debt owed by the Organization to the Foundation to zero as of June 30, 2024.

Effective December 2023, the Organization obtained a revolving note payable (the note) to Whatcom Educational Credit Union (WECU) with a maximum available balance of $9,549,100. The purpose of the note is to finance current liquidity needs to complete the Titan capital project. The note bears interest at 5.61% per annum and matures June 2025. The note is secured by a deed of trust on real property owned by the Organization located at 1312 F Street, Bellingham, WA 98225. The Organization had taken no draws and, therefore, the note payable balance was zero as of June 30, 2024. Subsequent to year-end, the Organization took multiple draws on the note resulting in an outstanding balance of $7,509,507 as of October 31, 2024.

Note 9 – Net Assets with Donor Restrictions

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

	2024	2023
Campus Building Fund - General Titan Project	$ 22,300,941	$ 17,631,194
Campus Building Fund - Crisis Family Micro Shelter	500,000	500,000
Campus Building Fund - solar panels	827,412	-
Campus Building Fund - restoration/recovery programming	100,000	100,000
Total Campus Building Fund	23,728,353	18,231,194
Time restricted - rent receivable	41,381	222,389
Other	78,419	80,838
	$ 23,848,153	$ 18,534,421

Campus Building Fund donor restricted net assets do not include costs the Organization has incurred as of June 30, 2024 or 2023, related to construction in progress, demolition costs, or other costs incurred toward the new campus building project. In accordance with GAAP, such incurred costs shall not be considered releases from restriction until the new facilities are complete and placed into service. All Campus Building Fund donor restricted net assets that have been expended as of June 30, 2024. As discussed in Note 7, subsequent to year-end, the related Titan capital project was substantially completed and placed into service during October 2024.

Note 10 – Tax-Sheltered Annuity Plan

The Organization maintains a qualified tax-sheltered annuity plan (the Plan) under 403(b) of the IRS Code available to all full-time employees. The Plan is non-discriminatory and the Organization contributes three percent of salary for participating employees annually. The Organization also matches up to two percent of each participating employee's tax deferred compensation withheld under the Plan. The amounts withheld from compensation and the Organization's contribution vest immediately with the employee. The amount of contributions to the Plan made by the Organization totaled $51,650 and $59,801 for the years ended June 30, 2024 and 2023, respectively.

Note 11 – Program Expenses

Total program expenses presented on the statements of functional expenses may be further broken down by program as follows as of June 30:

	2024	2023
Basecamp (including Outreach)	$ 2,180,818	$ 2,726,836
Ascent Program	556,228	961,080
Agape Home	542,122	644,246
Other	17,345	2,610
	$ 3,296,513	$ 4,334,772

Note 12 – Related Party Transactions

The Organization received loan forgiveness from the Foundation, recognized as an in-kind contribution, totaling $473,197 during the year ended June 30, 2024. There were no contributions from the Foundation recognized during the year ended June 30, 2023.

The Organization recognized contributions totaling approximately $62,000 and $187,000 from board members during the years ended June 30, 2024 and 2023, respectively. The Organization had outstanding pledges receivable totaling $0 and $12,488 from board members as of June 30, 2024 and 2023, respectively.