

**MIRACLE HILL MINISTRIES, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2023**

**(With Independent Auditors' Report Thereon)**

**MIRACLE HILL MINISTRIES, INC.**  
**Consolidated Financial Statements**  
**June 30, 2023**

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**Miracle Hill**  
MINISTRIES

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August 31, 2023

### Management Responsibility

We are pleased to submit the annual Financial Report of Miracle Hill Ministries, Inc. for the fiscal year ended June 30, 2023. We are stewards of God's gifts from our donors and we take the responsibility of that stewardship very seriously. Management is responsible for the objectivity and integrity of the accompanying financial statements and notes, which have been prepared in conformance with accounting standards generally accepted in the United States of America, and include certain amounts that are based on management's best estimates and judgments.

Management is responsible for maintaining the Ministries' system of internal control that includes careful selection and development of staff, proper division of duties, and written policies and procedures. Although there are inherent limitations to the effectiveness of any system of accounting controls, management believes that the Ministries' system provides reasonable assurance that assets are safeguarded from unauthorized use or disposition and that the accounting records are sufficiently reliable to permit the preparation of financial statements that conform in all material respects with generally accepted accounting principles.

Our independent auditors, Martin Smith & Company, CPAs, provide an objective independent audit of the consolidated financial statement. Their resulting report of fiscal 2023 is included.

The Board of Directors, composed exclusively of independent, outside directors, meets annually with the independent auditors and through the audit committee meets regularly with the independent auditors to review accounting and internal control matters. Part of these meetings are conducted with no staff present. The audit committee also recommends to the Board the appointment of the independent auditors.

Respectfully submitted,

Ryan Duerk  
President/CEO

Richard Ingram  
Chief Financial Officer



# MARTIN · SMITH

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& COMPANY CPAs

## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Miracle Hill Ministries, Inc.

### **Opinion**

We have audited the accompanying consolidated statement of financial position of Miracle Hill Ministries, Inc. ("the Ministries") and its subsidiary as of June 30, 2023, and the related consolidated statements of activities, cash flows and functional expenses, as well as the related notes to the consolidated financial statements, for the year then ended.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Miracle Hill Ministries, Inc. and its subsidiary as of June 30, 2023, and the changes in their net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

### **Responsibilities of Management for the Financial Statements**

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

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

### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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1212 Haywood Road, Bldg. 100 • Greenville, South Carolina 29615 • (864) 232-1040

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 consolidated 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 consolidated 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 Ministries' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Ministries' 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.

*Martin Smith and Company CPAs PA*

Greenville, South Carolina  
August 23, 2023

**MIRACLE HILL MINISTRIES, INC.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**June 30, 2023**

**ASSETS**

Cash and cash equivalents	\$ 5,178,513
Receivables	374,362
Inventories	1,033,130
Prepaid expenses and other assets	227,793
Investments	6,543,094
Assets whose use is limited:	
Donor restricted cash and cash equivalents	1,721,399
Donor restricted investments	7,014,946
Donor restricted property	53,903
Property held for sale	36,500
Property and equipment, net	16,608,919
Right of Use Assets - Buildings	<u>1,527,697</u>
 Total assets	 <u><u>\$ 40,320,256</u></u>

**LIABILITIES AND NET ASSETS**

Accounts payable	\$ 574,836
Annuity liability	203,131
Accrued expenses	411,705
Lease liabilities	1,542,413
Notes payable	<u>5,656,606</u>
 Total liabilities	 <u>8,388,691</u>
 Net assets:	
Without donor restrictions	23,344,448
With donor restrictions:	
Restricted for endowment	\$ 830,857
Restricted for annuities	240,749
Restricted for capital projects	1,721,399
Restricted for permanent endowment	<u>5,794,112</u>
	<u>8,587,117</u>
 Total net assets	 <u>31,931,565</u>
 Total liabilities and net assets	 <u><u>\$ 40,320,256</u></u>

See accompanying notes to consolidated financial statements.

**MIRACLE HILL MINISTRIES, INC.**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2023**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenues and support:</b>			
Contributions	\$ 8,653,763	\$ 2,160,333	\$ 10,814,096
In-kind contributions of food and property	1,628,980	-	1,628,980
Room and board fees	649,005	-	649,005
Thrift store sales	10,752,187	-	10,752,187
In-kind contributions - thrift stores	10,128,747	-	10,128,747
Miscellaneous income	11,323	-	11,323
Investment income	381,290	32,363	413,653
Realized gain on sale of investments	56,312	6,301	62,613
Unrealized gain on investments	594,122	63,966	658,088
Net assets released from restrictions	1,102,034	(1,102,034)	-
	<u>33,957,763</u>	<u>1,160,929</u>	<u>35,118,692</u>
Employment and landscape services revenues	<u>3,265,295</u>	<u>-</u>	<u>3,265,295</u>
Total revenues and support	<u>37,223,058</u>	<u>1,160,929</u>	<u>38,383,987</u>
<b>Expenses:</b>			
Program services:			
Greenville Rescue Mission	1,348,341	-	1,348,341
Thrift Operations	18,035,180	-	18,035,180
Foster Care Community	320,068	-	320,068
Renewal Wade Hampton	146,942	-	146,942
Homes for Life	81,763	-	81,763
Foster Care	1,477,738	-	1,477,738
Shepherd's Gate	655,482	-	655,482
Renewal	844,096	-	844,096
Overcomers	1,564,850	-	1,564,850
Rescue Mission - Cherokee Co.	456,069	-	456,069
Rescue Mission - Spartanburg	1,034,189	-	1,034,189
Food Warehouse	1,286,851	-	1,286,851
Total program services	<u>27,251,569</u>	<u>-0-</u>	<u>27,251,569</u>
Supporting services:			
Administrative and general	2,631,714	-	2,631,714
Fundraising	1,682,664	-	1,682,664
Total supporting services	<u>4,314,378</u>	<u>-0-</u>	<u>4,314,378</u>
Employment and landscape services expenses	<u>3,241,275</u>	<u>-</u>	<u>3,241,275</u>
Total expenses	<u>34,807,222</u>	<u>-0-</u>	<u>34,807,222</u>
Changes in net assets	2,415,836	1,160,929	3,576,765
Net assets at beginning of year	<u>20,928,612</u>	<u>7,426,188</u>	<u>28,354,800</u>
Net assets at end of year	<u>\$ 23,344,448</u>	<u>\$ 8,587,117</u>	<u>\$ 31,931,565</u>

See accompanying notes to consolidated financial statements.

**MIRACLE HILL MINISTRIES, INC.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2023**

Cash flows from operating activities:	
Increase in net assets	\$ 3,576,765
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	1,635,235
Noncash inventory contributions, net	1,560
Unrealized gain on investments	(658,088)
Actuarial adjustment of annuity liability	29,100
Contributions restricted for long-term investments and debt reduction	(12,414)
(Increase) decrease in assets:	
Accounts receivable	152,408
Prepaid expenses	(78,141)
Increase (decrease) in liabilities:	
Accounts payable	94,852
Accrued expenses	294,927
Net cash provided by operating activities	<u>5,036,204</u>
Cash flows from investing activities:	
Purchases of investments, net	(2,628,997)
Purchases of property and equipment	<u>(1,500,225)</u>
Net cash used in investing activities	<u>(4,129,222)</u>
Cash flows from financing activities:	
Contributions restricted for long-term investments and debt reduction	12,414
Payments on notes payable	(793,965)
Payments on annuities payable	<u>(36,700)</u>
Net cash provided by financing activities	<u>(818,251)</u>
Net increase in cash and cash equivalents	88,731
Cash and cash equivalents at beginning of year	<u>5,874,162</u>
Cash and cash equivalents at end of year	<u>\$ 5,962,893</u>
Supplemental disclosure of cash flow information:	
Cash paid during the year for interest	<u>\$ 113,399</u>
Noncash investing and financing activities:	
None	

See accompanying notes to consolidated financial statements.



**MIRACLE HILL MINISTRIES, INC.**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2023**

	Program Services												Supporting Services			
	Greenville												Administrative		Employment and Landscape	
	Rescue Mission	Thrift Operations	Foster Care Community	Renewal Wade Hampton	Homes for Life	Foster Care	Shepherd's Gate	Renewal	Over-comers	Rescue Mission Cherokee	Rescue Mission Spartanburg	Food Warehouse	General	Fund Raising	Services	Total
Client care/assistance	\$ 190,812	\$ 19,044	\$ 1,799	\$ 28	\$ 784	\$ 95,592	\$ 37,633	\$ 102,182	\$ 254,153	\$ 351	\$ 83,910	\$ 805,428	\$ 51,075	\$ -	\$ -	\$ 1,642,791
Compensation	492,016	3,552,493	91,522	36,680	4,752	947,495	308,948	344,906	487,603	225,755	413,839	181,590	932,606	550,934	2,483,414	11,054,553
Retirement	4,371	49,140	-	-	-	24,307	6,099	5,053	11,197	5,000	6,233	4,287	67,264	15,793	-	198,744
Other employee benefits	53,784	489,096	3,565	6	7	156,787	35,745	40,540	69,224	27,420	43,795	58,287	297,653	92,971	90,487	1,459,367
Payroll taxes	29,625	245,391	-	-	-	58,112	18,306	22,420	28,675	10,519	23,108	13,035	136,285	43,652	221,095	850,223
Professional fees	-	751,958	6,532	-	-	-	-	55	38,362	-	183	16,381	114,042	49,893	14,744	992,150
Advertising	99	52,536	-	-	117	951	-	345	120	357	688	-	6,814	111,089	23,482	196,598
Office expenses	67,453	204,923	8,391	19,297	5,818	16,120	22,160	53,152	62,427	23,276	60,237	9,833	113,453	47,372	53,115	767,027
Information technology	35,562	72,195	-	1,868	27	44,792	26,579	30,354	37,033	23,705	29,386	5,125	114,148	103,981	9,954	534,709
Occupancy	248,278	1,254,222	124,352	54,325	42,843	22,200	116,906	108,211	178,461	75,737	207,032	64,954	146,296	24,547	12,635	2,680,999
Travel	32,296	162,551	3,305	2,243	5,373	44,550	9,328	15,377	61,441	16,576	35,614	47,408	37,185	12,570	3,470	489,287
Interest	-	50,765	-	-	-	-	-	-	-	-	-	-	62,397	-	237	113,399
Depreciation	182,452	263,915	79,077	32,202	21,947	36,695	67,157	107,103	320,655	44,044	120,695	68,824	245,225	30,169	15,074	1,635,234
Insurance	5,572	70,395	-	-	-	9,231	3,368	4,740	9,653	1,455	3,909	2,703	15,468	7,152	20,501	154,147
Fundraising	-	18	-	-	-	17	-	-	-	-	-	-	296	572,044	-	572,375
Training	2,852	4,435	175	-	-	-	1,021	3,207	-	667	2,084	1,383	29,847	6,921	-	52,592
Dues and subscriptions	480	4,089	-	-	-	3,059	329	586	793	765	300	150	11,429	11,896	-	33,876
Other expenses	2,689	11,172	1,350	293	95	17,830	1,903	5,865	5,053	442	3,176	7,463	250,231	1,680	269,165	578,407
Cost of goods sold	-	10,776,842	-	-	-	-	-	-	-	-	-	-	-	-	23,903	10,800,745
	\$ 1,348,341	\$ 18,035,180	\$ 320,068	\$ 146,942	\$ 81,763	\$ 1,477,738	\$ 655,482	\$ 844,096	\$ 1,564,850	\$ 456,069	\$ 1,034,189	\$ 1,286,851	\$ 2,631,714	\$ 1,682,664	\$ 3,241,275	\$ 34,807,222

See accompanying notes to consolidated financial statements.

**MIRACLE HILL MINISTRIES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2023**

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a) Nature of Organization**

Miracle Hill Ministries, Inc. ("the Ministries") is a non-profit organization incorporated under the Laws of South Carolina and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Ministries seeks to help individuals and families in Upstate South Carolina victimized by poverty, broken homes, or other problems through temporary and long-term physical and spiritual assistance.

**Operational Activities** - The following describes the operational activities of the Ministries:

***Greenville Rescue Mission*** – A program for homeless men which provides emergency housing, meals, and clothing; gospel services; personal counseling; and GED training.

***Thrift Operations*** – A program which operates thrift stores to support other programs of the Ministries, and which provides sheltered employment to train and equip mission clients to return to the job market.

***Foster Care Community*** – A program which provides a home environment to care for children of dysfunctional homes while seeking to reunite these families.

***Foster Care*** – A program which provides care for children and teens from fourteen Upstate South Carolina counties who are in need of a loving family environment.

***Shepherd's Gate*** – A program for homeless women and children which provides emergency housing, meals, and clothing; personal counseling; a personal growth program; GED training; and gospel services.

***Renewal*** – A seven-month program for women in need of a structured, long-term approach to dealing with addiction and other life-dominating problems.

***Overcomers*** – A seven-month residential program for men in need of a more structured, longer-term approach to dealing with life-dominating addictions.

***Rescue Mission – Cherokee Co.*** – A program for homeless men, women, and children in Cherokee County which provides emergency housing, meals, and clothing; personal counseling; gospel services; and GED training.

***Rescue Mission – Spartanburg Co.*** – A program for homeless men, women and children in Spartanburg County which provides emergency housing, meals, and clothing; personal counseling; gospel services; and GED training.

***Food Warehouse*** – A program providing food to all those who are hungry. The Food Warehouse provides food for all the Ministries' programs and serves as a community food pantry for those in need.

**b) Basis of Accounting**

The accompanying consolidated financial statements include the accounts of Miracle Hill Ministries, Inc. and its wholly owned subsidiary Miracle Hill Enterprises, Inc. ("MHE"). Entities in which the Ministries has a relationship that meets the consolidation criteria in applicable accounting literature are included in the accompanying consolidated financial statements. The accompanying consolidated financial statements of the Ministries have been prepared on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America. All significant intercompany balances and transactions have been eliminated in consolidation.

**MIRACLE HILL MINISTRIES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2023**

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**b) Basis of Accounting, Continued**

Miracle Hill Enterprises, Inc. is a for-profit organization incorporated in 2018 under the Laws of South Carolina, with the Ministries as its sole shareholder. MHE has organized BridgeWorks LLC, a limited liability company performing employment services as a traditional staffing and recruiting firm. MHE also owns Front Office LLC, a limited liability company providing staffing services and Creation Works LLC, a limited liability company providing landscaping services. These service companies seek to provide meaningful, long-term employment opportunities for participants in the Ministries' various programs.

**c) Financial Statement Presentation**

These consolidated financial statements have been prepared to focus on the Ministries as a whole and to present transactions according to the existence or absence of donor-imposed restrictions in conformity with recommendations of the Financial Accounting Standards Board ("FASB") in the *Accounting Standards Codification* ("ASC"). This guidance requires that unconditional promises to give be recorded as receivables and revenues and requires the Ministries to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. It establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into two net asset categories based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Ministries and changes therein are classified and reported as follows:

**Net assets without donor restrictions** - Net assets not subject to donor-imposed stipulations and currently available for operating purposes under the direction of the Board of Directors ("the Board"), designated by the Board for specific purposes, or invested in property and equipment.

**Net assets with donor restrictions** - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Ministries and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Consolidated Statement of Activities as net assets released from restrictions.

The net asset classification of donor-restricted endowment funds is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"). As a result, the investment return from donor-restricted endowment funds is classified as net assets with donor restrictions until appropriated for expenditure. Note 10 provides additional information about the Ministries' endowment.

The Board has designated estates and certain other funds to be used solely as endowment; however, under the requirements of the FASB ASC these amounts are included as net assets without donor restrictions, rather than net assets with donor restrictions, even though it is the intention of the Board that they be used for no other purpose.

**d) Contributions and Revenue**

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence of any donor restrictions. Contributions are recognized when received or when the donor makes an unconditional promise to give to the Ministries. Contributions which are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions upon the satisfaction of the time or purpose restrictions.

Noncash contributions are recorded as support at the estimated fair value of the donation. Such donations are reported as net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used are reported as net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Ministries reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

**MIRACLE HILL MINISTRIES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2023**

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**e) Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on hand, cash balances in depository institutions, and money market balances.

**f) Receivables**

Accounts receivables are stated at the amount management expects to collect from outstanding balances. The Ministries provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The Ministries' estimate is based on historical experience, current economic conditions, a review of the current status of trade accounts receivable, and management's assessment of the collectability of specific customer accounts. It is reasonably possible that the Ministries' estimate of the allowance for doubtful accounts will change. Receivables are presented net of an allowance for doubtful accounts of \$44,000 at June 30, 2023.

**g) Inventories**

Inventories consist of items donated for sale in the Ministries' thrift stores and food warehouse and are valued at estimated fair market value as determined by management using a calculation based on factors such as estimated sales and inventory turnover.

**h) Investments**

Investments comprise primarily equity, debt securities, and mutual funds. Investments are reported at fair value, using the three-level hierarchy established under the *Fair Value Measurement* topic of the FASB ASC. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Realized gains and losses are recognized at the date of disposition based on the difference between the net proceeds received and the purchased value of the investment sold, using the specific identification method. Unrealized gains and losses are recognized for the change in fair value between reporting periods. Net realized and unrealized gains and losses on investments generally are reported as increases and decreases in net assets without donor restrictions unless explicit donor stipulations restrict their use. Interest and dividend income are recognized when earned.

**i) Property Held for Sale**

From time to time, the Ministries receives gifts of property. In accordance with donor intent, the Ministries lists the property for sale.

**j) Property and Equipment**

Property and equipment are stated at cost, if purchased, or fair market value at the date of donation. Additions of assets valued over \$5,000 are capitalized and major items retired are removed from the accounts. Replacements, maintenance, and repairs, which do not improve or extend the life of the respective assets, are expensed currently. Straight-line depreciation is taken on the recorded value of the property and equipment at annual rates ranging from 2% to 20%. No depreciation is taken on land, land improvements, or construction in progress.

The Ministries reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment charge is recognized when the fair value of the asset is less than the carrying value.

**k) Annuity Liability**

The Ministries has been made aware of the receipt of certain unconditional promises to provide future contributions in the form of deferred giving arrangements including charitable remainder annuity trusts, charitable remainder unitrusts, and pooled income funds. The various deferred giving agreements stipulate the payment of stated annuity amounts as well as the requirements for the eventual use of the principal of the donated funds.

**l) Donated Services**

A number of individuals have donated a significant amount of time to the Ministries' programs; however, no amounts have been reflected for donated services.

**MIRACLE HILL MINISTRIES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2023**

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**m) Income Taxes**

The Ministries is exempt from Federal and State income taxes as an organization described in Section 501(c)(3) of the Internal Revenue Code. The Ministries has adopted the provisions of the *Accounting for Uncertainty in Income Taxes* topic of FASB ASC. This guidance addresses the accounting uncertainty in income taxes recognized in an organization's financial statements and prescribes a threshold of more-likely-than-not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. It also provides related guidance on measurement classification, interest and penalties, and disclosure. As a result of the implementation of this guidance, the Ministries has determined that it has no uncertain tax positions requiring accrual and disclosure.

The Ministries provides for income taxes for MHE according to the *Accounting for Income Taxes* topic of FASB ASC. This guidance requires an asset and liability approach in accounting for income taxes. Income tax expense includes federal and state taxes currently payable and any deferred taxes arising from temporary differences between income for financial reporting and income tax purposes. An income tax expense is included in employment and landscape services expenses in the Consolidated Statement of Activities.

**n) Food Costs**

The Ministries operates a food warehouse that receives food donations from the community. The value of these food donations has been recorded in the Consolidated Financial Statements at estimated fair market value as determined by management based on estimated value per pound of food items. For the year ended June 30, 2023, 77.7% of the food distributed from the food warehouse went to the Ministries' facilities. The remainder was distributed to other organizations that provide food relief. A total of \$363,814 was allocated from the food warehouse expenses, based on the number of boxes that went to the Ministries' facilities. In addition, the Ministries purchased supplemental food in the amount of \$12,430, which is included in the Consolidated Statement of Activities and the Consolidated Statement of Functional Expenses. For the year ended June 30, 2023, the total cost of food for the various facilities was \$668,009.

**o) Use of Estimates**

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

**p) Advertising**

The Ministries expenses advertising costs as incurred. For the year ended June 30, 2023, advertising expense was \$196,598.

**q) Functional Allocation of Expenses**

The costs of providing the various programs and activities have been summarized on a functional basis in the Consolidated Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**r) Consolidated Statement of Financial Position Presentation**

Assets and liabilities presented in the Consolidated Statement of Financial Position are recorded in order of liquidity or nearness to conversion to cash.

**2) CASH AND CASH EQUIVALENTS**

The Ministries maintains cash balances at several financial institutions located in South Carolina. Accounts at each institution are protected by depository insurance up to \$250,000 by the Federal Deposit Insurance Corporation ("FDIC") or the Securities Investor Protection Corporation ("SIPC"). At June 30, 2023, the Ministries had uninsured cash and cash equivalents balances of \$4,542,494.

Included in the Ministries' cash and cash equivalents balance is \$1,721,399 of cash with donor restrictions to be used for subsequent years' activities. Also included is \$1,025,000 of cash designated by the Board for operating and workers' compensation reserves.

**MIRACLE HILL MINISTRIES, INC.**  
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**3) RECEIVABLES**

Receivables consist of the following at June 30, 2023:

Trade receivables	\$ 147,726
Employment and landscape services receivables, net	<u>226,636</u>
	<u>\$ 374,362</u>

**4) INVESTMENTS**

The cost and fair market value of investments at June 30, 2023, are as follows:

	<u>Cost</u>	<u>Unrealized Gain</u>	<u>Fair Value</u>
Equities	\$ 6,489,487	\$ 890,647	\$ 7,380,134
Bonds	2,853,156	(90,602)	2,762,554
Mutual funds	<u>3,250,412</u>	<u>164,940</u>	<u>3,415,352</u>
Total investments	12,593,055	964,985	13,558,040
Cash and cash equivalents included in endowment funds	<u>876,907</u>	<u>-</u>	<u>876,907</u>
Total endowment funds	<u>\$ 13,469,962</u>	<u>\$ 964,985</u>	<u>\$ 14,434,947</u>

Investments with a fair value of \$1,274,737 as of June 30, 2023, are donor restricted to be used for subsequent years' activities. Investments with a fair value of \$5,794,112 as of June 30, 2023, are donor restricted for endowment.

**5) PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2023, are summarized as follows:

Furniture and fixtures	\$ 1,636,190
Equipment	2,311,165
Vehicles	1,384,557
Land	2,317,674
Buildings	31,623,813
Construction in progress	<u>661,775</u>
	39,935,174
Less accumulated depreciation	<u>(23,326,255)</u>
Total property and equipment, net	<u>\$ 16,608,919</u>

Depreciation expense for the year ended June 30, 2023, was \$1,635,234. Property with a net book value of \$53,903 as of June 30, 2023, is donor restricted to be used for subsequent years' activities.

**MIRACLE HILL MINISTRIES, INC.**  
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**6) NOTES PAYABLE**

Notes and mortgages payable as of June 30, 2023, consist of the following:

Note payable to banking institution, secured by real property, due in 120 monthly payments of principal and interest of \$34,690, with interest at 3.375% (rate reduced from 4.0% in April 2021), maturing in April 2030	\$ 2,650,731
Federal Home Loan Bank of Atlanta, secured by real property	1,000,000
Federal Home Loan Bank of Atlanta, secured by real property	1,000,000
Federal Home Loan Bank of Pittsburgh, secured by real property	750,000
Mortgage loan payable to SC Housing Authority, secured by real property	<u>255,875</u>
 Total notes and mortgages payable	 \$ <u>5,656,606</u>

Aggregate maturities of long-term debt are summarized as follows for the years ended June 30:

2024	\$ 296,732
2025	307,331
2026	318,014
2027	329,983
2028	340,343
Thereafter	<u>4,064,203</u>
	 \$ <u>5,656,606</u>

Interest expense totaled \$101,528 for the year ended June 30, 2023.

The Ministries has a \$2,000,000 line of credit with a banking institution. There was no activity with the line during the year ended June 30, 2023, and there was no balance due as of June 30, 2023. The line bears interest at the rate of prime less 1.00%, with interest payable monthly. The line is secured by accounts receivable, furniture and equipment, and inventory and matures in October 2023.

In a previous year, the Ministries entered into an Affordable Housing Program agreement with the Federal Home Loan Bank of Atlanta ("the FHLB") and received \$1,000,000 for renovations of its Greenville Rescue Mission. These funds are dedicated to the project as a grant, with no interest charged on the outstanding principal balance. These funds will be forgiven if the Ministries remains in compliance with the terms of the agreement with FHLB for its fifteen-year duration. The agreement expires in July 2028. Because the loan is due immediately upon the default of compliance with the loan agreements, this loan has been recorded as debt. Once the Ministries has satisfied the terms of the loan agreements, this amount will be recognized as grant revenue. The Ministries was in compliance with the terms of the agreement as of June 30, 2023.

In a previous year, the Ministries entered into an Affordable Housing Program agreement with the Federal Home Loan Bank of Atlanta ("the FHLB") and received \$1,000,000 for renovations of its Spartanburg Rescue Mission. These funds are dedicated to the project as a grant, with no interest charged on the outstanding principal balance. These funds will be forgiven if the Ministries remains in compliance with the terms of the agreement with FHLB for its fifteen-year duration. The agreement expires in January 2030. Because the loan is due immediately upon the default of compliance with the loan agreements, this loan has been recorded as debt. Once the Ministries has satisfied the terms of the loan agreements, this amount will be recognized as grant revenue. The Ministries was in compliance with the terms of the agreement as of June 30, 2023.

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**6) NOTES PAYABLE, Continued**

In a previous year, the Ministries assumed a mortgage loan agreement with the South Carolina Housing Authority (“the SCHHA”) with a remaining principal balance of \$255,875 and received property in which it operates its transitional housing program. These funds are dedicated to the project as a grant, with no interest charged on the outstanding principal balance. These funds will be forgiven if the Ministries remains in compliance with the terms of the agreement with the SCHHA. The agreement expires in 2027. Once the Ministries has satisfied the terms of the loan agreements, this amount will be recognized as grant revenue. The Ministries was in compliance with the terms of the agreement as of June 30, 2023.

During the year ended June 30, 2023, the Ministries entered into an Affordable Housing Program agreement with the Federal Home Loan Bank of Pittsburgh (“the FHLB”) and received \$750,000 for its Restoration Way project. These funds are dedicated to the project as a grant, with no interest charged on the outstanding principal balance. These funds will be forgiven if the Ministries remains in compliance with the terms of the agreement with FHLB for its fifteen-year duration. The agreement expires in March 2036. Because the loan is due immediately upon the default of compliance with the loan agreements, this loan has been recorded as debt. Once the Ministries has satisfied the terms of the loan agreements, this amount will be recognized as grant revenue. The Ministries was in compliance with the terms of the agreement as of June 30, 2023.

**7) NET ASSET BALANCES AND RESTRICTIONS**

Net assets which are donor restricted for endowment, annuities, and capital projects total \$2,793,005 as of June 30, 2023. Of these net assets, \$830,857 is restricted for endowment, \$240,749 is restricted for annuities, and \$1,721,399 is restricted for capital projects. Net assets which are donor restricted for permanent endowment of \$5,794,112 as of June 30, 2023, consist of endowment fund assets that must be held indefinitely. The income earned from these assets may be used for current year operations.

Releases from donor restrictions of \$1,102,034 for the year ended June 30, 2023, represent funds used for capital projects and ministry from prior years’ contributions.

The Board of the Ministries has designated \$1,025,000 of net assets for operating and workers’ compensation reserves.

**8) RETIREMENT PLAN**

The Ministries sponsors a defined contribution retirement savings plan (“the Plan”) in compliance with Section 401(k) of the Internal Revenue Code. The Plan covers all employees who work at least twenty hours per week and have been employed for at least one year. Participants may make contributions to the Plan, subject to IRS limitations. The Ministries may make a matching contribution, at its discretion. For the year ended June 30, 2023, the retirement plan expense for the Ministries totaled \$198,744.

**9) FAIR VALUES OF FINANCIAL INSTRUMENTS**

The Ministries has adopted the provisions of the *Fair Value Measurement and Disclosures* topic of FASB ASC. This guidance defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value. Level 1 inputs represent fair values obtained using quoted prices in active markets. Level 2 inputs represent fair values obtained from observable market data but not from quoted market prices. Level 3 inputs represent unobservable inputs that are supported by little or no market activity and are generally based on the entity’s own assumptions.

The following methods and assumptions are used to estimate the fair value of each financial instrument:

**Cash and cash equivalents, accounts payable, accrued expenses, prepaid expenses** - the carrying values approximate fair value due to their short maturities.

**Receivables** - the carrying values approximate fair value due to their short maturities.



**MIRACLE HILL MINISTRIES, INC.**  
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**9) FAIR VALUES OF FINANCIAL INSTRUMENTS, Continued**

**Investments** – the fair values are based on quoted market prices of the underlying investment securities. Investments are carried at fair value in the accompanying Consolidated Statement of Financial Position.

**Annuity liability** – the fair values are determined by discounting the future cash flows of each instrument at rates currently offered by the Ministries for similar instruments of comparable maturities. The carrying amount of annuity liabilities approximates fair value.

**Notes payable** – the fair values are determined by discounting the future cash flows of each debt instrument at rates currently offered to the Ministries for similar debt instruments of comparable maturities. The carrying amount of notes payable approximates fair value.

The following table sets forth, by level within the fair value hierarchy, the Ministries' investment assets at fair value, at June 30, 2023:

	<b>Total</b>				
	<b>Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Equities	\$ 7,380,134	\$ 7,380,134	\$ -	\$ -	
Bonds	2,762,554	2,762,554	-	-	
Mutual funds	3,415,352	3,415,352	-	-	
	<u>\$ 13,558,040</u>	<u>\$ 13,558,040</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	

**10) ENDOWMENT FUNDS**

The Ministries' endowment consists of donor-restricted funds and Board designated endowment funds. Effective July 1, 2007, the State of South Carolina adopted legislation that incorporates the provisions outlined in the Uniform Prudent Management of Institutional Funds Act. The *Endowments of Not-for-Profit Organizations* topic of FASB ASC provides guidance for organizations with endowment funds subject to the UPMIFA. The Ministries has adopted the provisions of this guidance.

The Ministries' management has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted funds absent explicit donor stipulation to the contrary. The Ministries classifies as donor restricted net assets for endowment (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted net assets is classified as donor restricted net assets until those amounts are expended in a manner consistent with the prudence prescribed by UPMIFA. In accordance with UPMIFA, the Ministries considers the following factors in making a determination to expend or accumulate donor restricted endowment funds:

1. The duration and preservation of the fund
2. The purpose of the Ministries and the donor restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Ministries
7. The investment policies of the Ministries

Board designated endowment net assets include gifts and other revenues that have been designated by the Board to function as endowment. These funds may be expended at the discretion of the Board. Also included are certain donor restricted net assets that have not been expended for their restricted purpose but are being invested and the earnings expended for the restricted purpose.

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**10) ENDOWMENT FUNDS, Continued**

The Ministries has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment while seeking to maintain the purchasing power of the endowment assets. To meet its long-term rate-of-return objectives, the Ministries relies on a total return strategy in which investment returns are achieved through capital appreciation (realized and unrealized) and current yield (interest and dividends). Under this policy, actual earnings, as well as a prudent portion of realized and unrealized gains may be distributed for operational needs or in accordance with donor restrictions. The Ministries expects its endowment funds, over time, to provide an average rate of return at least equal to its spending policy requirements plus the rate of inflation. Actual returns in any given year may vary from this amount.

The Ministries' endowment funds consist of the following at June 30, 2023:

Board designated endowment reserves	\$ 7,420,001
Restricted by donors for endowment	6,624,969
Annuity investments held in endowment	<u>389,977</u>
Total endowment funds	14,434,947
Annuity liability	<u>(203,131)</u>
Net endowment funds	<u>\$ 14,231,816</u>

Changes in endowment assets for the year ended June 30, 2023, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning	\$ 4,519,912	\$ 6,627,950	\$ 11,147,862
Investment earnings	289,230	32,363	321,593
Gains (losses) on investments	627,978	70,267	698,245
Contributions	2,177,388	410,925	2,588,313
Distributed earnings	<u>(194,507)</u>	<u>(126,559)</u>	<u>(321,066)</u>
Endowment net assets, ending	<u>\$ 7,420,001</u>	<u>\$ 7,014,946</u>	<u>\$ 14,434,947</u>

**11) LEASE OBLIGATIONS**

The Ministries is obligated under non-cancelable operating leases for four thrift facilities. Total lease expense under these leases recorded for the fiscal year ended June 30, 2023, was \$494,382, consisting of operating lease expense. The Ministries implemented the provisions of ASC *Leases* effective July 1, 2022, using the modified retrospective approach. The Ministries elected the optional practical expedient package which, among other things, includes the historical classification of leases. Operating leases are recorded as operating right of use assets and obligations under operating lease liabilities in the Statement of Financial Position. As a result of the implementation of this standard, the Ministries recognized Right of Use Assets – Buildings for \$1,944,580. The assets are being reduced over the remaining term of the leases and had a balance of \$1,527,697 as of June 30, 2023. The Ministries also recognized operating lease liabilities of \$1,944,580. The lease liabilities are being amortized over the remaining term of the leases and had a balance of \$1,542,413 as of June 30, 2023.

As of June 30, 2023, the weighted-average remaining term for all operating leases is 4.61 years. The weighted-average discount rate associated with operating leases as of June 30, 2023, is 4.5%.

**MIRACLE HILL MINISTRIES, INC.**  
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**11) LEASE OBLIGATIONS, Continued**

Future payments under operating leases are as follows as of June 30:

2024	\$	456,332
2025		311,197
2026		315,962
2027		320,531
2028		236,837
Thereafter		66,300
		<u>1,707,159</u>
Less present value discount		<u>(164,746)</u>
Total operating lease liability	\$	<u><u>1,542,413</u></u>

Supplemental cash flow information related to leases for the fiscal year ended June 30, 2023, was as follows:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ <u>479,666</u>
	\$ <u><u>479,666</u></u>

**12) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following table reflects the Ministries' financial assets as of June 30, 2023, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable because certain net assets are donor restricted (see Footnote 7). The Ministries has the following financial assets that could readily be made available within one year of the Consolidated Statement of Financial Position date to fund expenses without limitations:

Financial assets:	
Cash and cash equivalents	\$ 6,899,912
Receivables	374,362
Investments	<u>13,558,040</u>
Financial assets, at year-end	<u>20,832,314</u>
Less those unavailable for general expenditures within one year due to:	
Donor imposed restrictions:	
Restrictions by donor with purpose restrictions	(2,793,005)
Board designated net assets for endowment	<u>(5,794,112)</u>
	<u>(8,587,117)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u><u>12,245,197</u></u>

The Ministries has a policy to structure its financial assets to be available as its general expenses, liabilities, and other obligations come due. The Ministries monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash.

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**13) REVENUE RECOGNITION**

The Ministries has adopted the provisions of the *Revenue from Contracts with Customers* topic of FASB ASC. This guidance replaces most existing revenue recognition in U. S. GAAP and requires expanded disclosure relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The core principle is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services by applying five steps listed in the guidance.

The Ministries' revenue is recognized based on the terms of the respective contracts. Revenue recognized over time primarily consists of performance obligations that are satisfied within one year or less. In addition, the Ministries' revenue streams do not contain variable consideration, and contract modifications are generally minimal. For these reasons, there is not a significant impact as a result of electing these transition practical expedients.

The Ministries reports revenues under contracts with customers based on the following category: room and board fees. The Ministries has determined that this category can be used to meet the objective of the disaggregation disclosure requirements, which is to disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. The following table disaggregates the Ministries' revenue based on type and on the timing of satisfaction of performance obligations for the year ended June 30, 2023:

	<b>Room and Board Fees</b>
	<hr/>
Performance obligations satisfied at a point in time	\$ 649,088
Performance obligations satisfied over time	<hr/> -
Total	\$ <u>649,088</u>

Contract assets would include unbilled amounts resulting from sales under contracts when the percentage-of-completion cost-to-cost method of revenue recognition is utilized and revenue recognized exceeds the amount billed to the customer. Contract liabilities would include billings in excess of revenue recognized. Accordingly, contract assets, including accounts receivable, and contract liabilities were zero as of June 30, 2023.

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**14) IN-KIND CONTRIBUTIONS**

The Ministries' in-kind contributions consisted of the following for the year ended June 30, 2023:

Food and similar items for food warehouse	\$ 1,521,223
Other	<u>107,757</u>
	<u>1,628,980</u>
 Thrift store inventory items	 <u>10,128,747</u>
 Total in-kind contributions	 \$ <u>11,757,727</u>

Donated inventory items for the thrift stores and food items for the food warehouse are recorded at estimated fair market value as determined by management using a calculation based on factors such as estimated sales, inventory turnover, and estimated value per pound of food items. Donated thrift inventory items sold in the thrift stores are reflected in the cost of goods sold of thrift operations. As donated food items are used in various operations of the Ministries, they are reflected in the client care/assistance of that operation. Donated vehicles are valued based upon readily available market information and are used in the activities of the Ministries. Real property contributions are valued based upon appraisal and liquidated during the year, with the proceeds used, as restricted, in the activities of the Ministries.

**15) SUBSEQUENT EVENTS**

In preparing these consolidated financial statements, the Ministries has evaluated events and transactions for potential recognition or disclosure through August 23, 2023, the date the consolidated financial statements were available to be issued. There were no such events requiring recording for the year ended June 30, 2023.