STREETS MINISTRIES, INC.

CONSOLIDATED FINANCIAL STATEMENTS

JULY 31, 2023 AND 2022

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Independent Auditor's Report

Board of Directors
Streets Ministries, Inc.
Memphis, Tennessee

Opinion

We have audited the consolidated financial statements of Streets Ministries, Inc. (a nonprofit organization), which comprise the consolidated statements of financial position as of July 31, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Streets Ministries, Inc. as of July 31, 2023 and 2022, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Streets Ministries, Inc. 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidate 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 Streets Ministries, Inc.'s ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditor's Responsibilities for the Audit of the Consolidated 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 consolidated 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 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 Streets Ministries, Inc.'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 consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Streets Ministries, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Frazee Dry Davis PLC

Memphis, Tennessee
February 8, 2024

ASSETS

	2023	2022
Cash and cash equivalents	**$ 2,161,688**	$ 2,027,293
Contributions receivable	**42,601**	46,890
Property and equipment, net	**6,172,988**	6,434,845
Right-of-use asset	**3,434,990**	-
Total assets	**$11,812,267**	$ 8,509,028

LIABILITIES AND NET ASSETS

	2023	2022
Liabilities		
Accounts payable and accrued expenses	**$ 30,159**	$ 58,698
Lease liability	**3,513,611**	-
Deferred revenue	**50,000**	62,000
Total liabilities	**3,593,770**	120,698
Net assets		
Without donor restrictions		
Property and equipment	**6,172,988**	6,434,845
Other	**2,045,509**	1,953,485
Total net assets	**8,218,497**	8,388,330
Total liabilities and net assets	**$11,812,267**	$ 8,509,028

Consolidated Statements of Activities — ***For the years ended July 31, 2023 and 2022***

	2023	2022
Support and other revenues		
Contributions		
Individuals	**$ 594,378**	$ 605,995
Churches	**46,967**	60,526
Public and private foundations	**943,018**	961,608
Paycheck Protection Program grant	**-**	162,890
Fundraising	**70,652**	62,234
Rental and other income	**49,503**	44,852
Total support and other revenues	**1,704,518**	1,898,105
Expenses		
Program services	**1,501,977**	1,318,548
Supporting services	**372,374**	367,200
	1,874,351	1,685,748
Change in net assets	**(169,833)**	212,357
Net assets without donor restrictions, beginning of year	**8,388,330**	8,175,973
Net assets without donor restrictions, end of year	**$ 8,218,497**	$ 8,388,330

Consolidated Statements of Functional Expenses — **For the year ended July 31, 2023**

	Program Services				Supporting Services			
	Ministry Activities	Education	SOUL	Subtotal	General and Administrative	Fundraising	Subtotal	Total
Salaries and related expenses								
Salaries	$ 285,284	$ 95,095	$ 123,600	$ 503,979	$ 143,994	$ 71,997	$ 215,991	$ 719,970
Employee insurance	37,379	12,460	17,872	67,711	19,344	9,673	29,017	96,728
Payroll taxes	26,179	8,726	9,784	44,689	12,768	6,384	19,152	63,841
Retirement	128	41	1,000	1,169	335	169	504	1,673
Total salaries and related expenses	348,970	116,322	152,256	617,548	176,441	88,223	264,664	882,212
Other expenses								
Rent	95,250	31,750	7,900	134,900	4,216	1,405	5,621	140,521
Specific program expenditures	-	113,250	2,281	115,531	-	24,525	24,525	140,056
Repairs and maintenance	78,545	26,171	-	104,716	3,273	1,091	4,364	109,080
Utilities	78,717	15,743	-	94,460	2,952	984	3,936	98,396
Office supplies and expense	30,377	10,126	1,027	41,530	13,849	13,836	27,685	69,215
General insurance	43,156	9,605	-	52,761	909	471	1,380	54,141
Accounting and administrative fees	18,655	6,218	600	25,473	11,862	5,120	16,982	42,455
Summer camp expenditures	24,849	-	-	24,849	-	-	-	24,849
Telephone and internet	7,480	2,493	1,416	11,389	3,797	3,797	7,594	18,983
Training	3,362	3,362	240	6,964	2,344	2,298	4,642	11,606
Transportation services	4,072	4,071	52	8,195	-	-	-	8,195
Promotion and printing	-	-	100	100	-	-	-	100
Total other expenses	384,463	222,789	13,616	620,868	43,202	53,527	96,729	717,597
Depreciation	219,634	43,927	-	263,561	8,236	2,745	10,981	274,542
Total expenses	$ 953,067	$ 383,038	$ 165,872	$ 1,501,977	$ 227,879	$ 144,495	$ 372,374	$ 1,874,351

	Program Services				Supporting Services			
	Ministry Activities	Education	SOUL	Subtotal	General and Administrative	Fundraising	Subtotal	Total
Salaries and related expenses								
Salaries	$ 262,694	$ 85,121	$ 123,600	$ 471,415	$ 132,595	$ 66,298	$ 198,893	$ 670,308
Employee insurance	38,986	12,996	24,631	76,613	21,890	10,945	32,835	109,448
Payroll taxes	16,233	7,855	9,784	33,872	11,772	5,886	17,658	51,530
Retirement	-	-	853	853	244	122	366	1,219
Total salaries and related expenses	317,913	105,972	158,868	582,753	166,501	83,251	249,752	832,505
Other expenses								
Utilities	83,666	16,733	-	100,399	3,138	1,046	4,184	104,583
Specific program expenditures	-	62,095	3,310	65,405	-	34,804	34,804	100,209
Repairs and maintenance	66,786	22,256	2,564	91,606	2,862	955	3,817	95,423
Office supplies and expense	27,433	9,145	7,276	43,854	14,620	14,610	29,230	73,084
Rent	38,679	12,893	6,700	58,272	1,821	607	2,428	60,700
General insurance	39,772	8,851	-	48,623	838	434	1,272	49,895
Accounting and administrative fees	21,732	7,244	601	29,577	13,767	5,945	19,712	49,289
Summer camp expenditures	19,163	-	-	19,163	-	-	-	19,163
Telephone and internet	5,071	1,690	1,407	8,168	2,722	2,722	5,444	13,612
Promotion and printing	-	-	3,802	3,802	4,675	-	4,675	8,477
Transportation services	2,776	2,775	278	5,829	-	-	-	5,829
Training	765	765	75	1,605	540	530	1,070	2,675
Total other expenses	305,843	144,447	26,013	476,303	44,983	61,653	106,636	582,939
Depreciation	216,243	43,249	-	259,492	8,109	2,703	10,812	270,304
Total expenses	$ 839,999	$ 293,668	$ 184,881	$ 1,318,548	$ 219,593	$ 147,607	$ 367,200	$ 1,685,748

	2023	2022
Cash flows from operating activities		
Change in net assets	**$ (169,833)**	$ 212,357
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	**274,542**	270,304
Amortization of deferred rent payments	**(12,000)**	(12,000)
Lease expense	**78,621**	-
Forgiveness of Paycheck Protection Program loan	**-**	(162,890)
Change in operating assets and liabilities		
Contributions receivable	**4,289**	(112)
Accounts payable and accrued expenses	**(28,539)**	31,398
Net cash provided by operating activities	**147,080**	339,057
Cash flows from investing activities		
Purchase of property and equipment	**(12,685)**	(39,547)
Net cash used in investing activities	**(12,685)**	(39,547)
Change in cash and cash equivalents	**134,395**	299,510
Cash and cash equivalents, beginning of year	**2,027,293**	1,727,783
Cash and cash equivalents, end of year	**$ 2,161,688**	$ 2,027,293

Note 1 – Organization and Activities

Streets Ministries, Inc. was founded in 1987 and incorporated under the laws of the State of Tennessee on December 1, 1998. These statements present the consolidated financial information of Streets Ministries, Inc., its wholly-owned subsidiaries Streets Ministries Management, LLC; Streets Ministries Downtown, LLC; Streets Ministries Graham Heights, LLC; Streets Ministries; SOUL for the City, LLC; and Streets Ministries Real Estate, LLC (collectively "the Organization"). All intercompany balances and intercompany transactions have been eliminated in consolidation.

The Organization is a Christian ministry dedicated to serving the core needs of young people ages 8-20, who generally live in under-resourced neighborhoods in the Downtown and Graham Heights areas of Memphis, with an array of educational, athletic, and mentor-based programming. The Organization, through the love of Jesus Christ, encourages and equips young people to achieve potential by realizing their God-given purpose.

The Organization conducts program and ministry activities from its facilities at 430 Vance for its inner-city ministries ("Downtown") and at 1304 N. Graham for its Kingsbury School District ministries ("Graham Heights"). The Organization leases employees from a third-party professional employee organization.

The following is a synopsis of the Organization's major programs and their emphases:

Ministry Activities

Streets seeks to ignite a flame of hope in every child every day through the love of Jesus Christ, and intentional relationship building. This is achieved through weekly outreach meetings, small group bible studies and mentoring sessions.

Outreach

The vision of the Organization has always been to create a safe and encouraging place for students. In 2012, a second campus in Graham Heights was opened. The Organization now serves two of Memphis' most underserved communities, bringing after-school programs to children that would otherwise lack access to these opportunities. Each year the Organization serves around 800 children on these two campuses. While addressing our students' basic needs for safety, emotional support, snacks, and meals, we strive to create an atmosphere of learning in all things through mentoring sessions pairing middle and high school students with an adult mentor for one academic school year.

Recreation

Recreational options include music, basketball teams, soccer, board games, weightlifting, and other seasonal sports.

Education

Educational growth is offered through ACT prep, literacy classes, college tours, homework lab activities, mentoring, tutoring, STEM and financial literacy.

Sending Out Urban Leaders ("SOUL")

The mission of SOUL is to recruit, train, and resource potential leaders in order to impact the youth of our city with the Gospel of Jesus Christ.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

The accompanying consolidated financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this basis of accounting, support and revenue are recognized when earned and expenses are recognized when incurred.

Consolidated Financial Statement Presentation

Under accounting standards for not-for-profit organizations, the Organization is required to report information regarding its consolidated financial position and activities according to two classes of net assets:

Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets with Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be met in perpetuity.

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

Cash Equivalents

The Organization considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents.

Contributions Receivable

Contributions are recognized when a donor makes a promise to give to the Organization that is, in substance, unconditional. Unconditional promises to give due in subsequent years are recorded at present value of their net realizable value, using discount rates applicable to the years in which the promises are received. All contributions receivable as of July 31, 2023 and 2022, are expected to be collected within one year; therefore, no time value discount or allowance for doubtful contributions has been recorded as of July 31, 2023 and 2022.

Property, Equipment, and Depreciation

Property and equipment is recorded at fair value at the date of contribution, if contributed, or at acquisition cost, if purchased. Major renewals and betterments that extend the useful lives of assets are also recorded at cost. Expenditures for normal repairs and maintenance are expensed as they occur. Depreciation is determined using the straight-line method over estimated useful lives of five to thirty-nine years.

Note 2 – Summary of Significant Accounting Policies (continued)

In-kind Contributions and Donated Services

Donated materials are recorded as contributions at their estimated fair values at the date of donation. Contributions of services are recognized in the consolidated financial statements if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donations of property and equipment are recorded as unrestricted contributions at the date of donation unless the donor has temporarily or permanently restricted the donated asset to a specific purpose.

Revenue Recognition

The Organization receives support and revenue from a variety of sources including private contributions. Contributions received are recorded as support with or without donor restrictions depending upon the existence and/or nature of any donor restrictions. Revenue collected for future periods are reflected as deferred revenues in the statements of financial position.

Restricted contributions and investment income that is limited to specific uses by donor-imposed restriction are reported as being received without donor restrictions when the restrictions are met within the same reporting period. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Expense Allocation

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

Type of Expense	Method of Allocation
Depreciation	Square footage
Office and occupancy	Square footage
Salaries	Time and effort

Income Taxes

The Organization is exempt from federal income taxes under Sections 501(c)(3) of the U.S. Internal Revenue Code and has been determined to be an organization that is not a private foundation under Sections 509(a)(1) and 170(b)(1)(A)(vi).

Note 2 – Summary of Significant Accounting Policies (continued)

Leasing Arrangements

The Organization has elected the short-term lease recognition exemption. For those leases that qualify, the Organization will not recognize right-of-use assets or lease liabilities. The Organization also elected the practical expedient to not separate lease and non-lease components for all leases, where non-lease components are applicable. For calculating the lease liability (present value of future lease payments), the Organization has elected to first use the rate implicit in the lease, when available; second, the Organization's incremental borrowing rate; or lastly, a risk-free rate determined as the relevant applicable federal rate.

Recently Adopted Accounting Standards

In February 2016, the FASB issued Accounting Standards Update 2016-02, *Leases (Topic 842)* ("ASU 2016-02"). The new standard requires lessees to record assets and liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The Organization has elected to use the modified retrospective approach to implementing this guidance. In doing so, the Organization elected to evaluate its leases as of August 1, 2022.

Effective August 1, 2022, the Organization adopted the new lease accounting guidance in ASU 2016-02. The Organization has selected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Organization accounted for its existing operating lease as an operating lease under the new guidance and its existing capital lease as a finance lease under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the lease would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs, if any, would have met the definition of initial direct costs in ASC Topic 842 at lease commencement.

For the Organization's operating lease, as a result of the adoption of the new lease accounting guidance, the Organization recognized on August 1, 2022 (a) a lease liability of $3,492,072, which represents the present value of the remaining lease payments of $10,802,358, discounted using the federal risk-free rates of 2.60% and 3.00%, and (b) a right-of-use asset of $3,492,072, which represents the lease liability as there are no adjustments needed for lease incentives or unamortized initial direct costs.

Note 3 – Concentrations of Risk

The Organization maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk for cash and cash equivalents.

For the years ended July 31, 2023 and 2022, the Organization derived approximately 40% and 38%, respectively, of its revenues and support from one contributor.

Note 4 – Receivables, Contract Assets, and Contract Liabilities

	August 1, 2021	July 31, 2022	**July 31, 2023**
Accounts receivable			
Contributions receivable	$ 46,778	$ 46,890	**$ 42,601**
Total contributions receivable	46,778	46,890	**42,601**
Contract liabilities			
Deferred revenue, Su Casa	74,000	62,000	**50,000**
Total contract liabilities	$ 74,000	$ 62,000	**$ 50,000**

A portion ($12,000) of deferred revenues as of July 31, 2022 and August 1, 2021 were recognized as revenue in the consolidated statement of activities for the years ended July 31, 2023 and 2022.

Note 5 – Property and Equipment

As of July 31, 2023 and 2022, property and equipment consisted of the following:

Description	**2023**	2022
Downtown		
Land	**$ 4,000**	$ 4,000
Buildings	**4,616,476**	4,616,476
Furniture and equipment	**308,444**	295,759
Vehicles	**73,007**	73,007
Subtotal	**5,001,927**	4,989,242
Graham Heights		
Land	**189,232**	189,232
Buildings	**4,899,592**	4,899,592
Furniture and equipment	**290,521**	290,521
Subtotal	**5,379,345**	5,379,345
Total property and equipment	**10,381,272**	10,368,587
Accumulated depreciation	**(4,208,284)**	(3,933,742)
Property and equipment, net	**$ 6,172,988**	$ 6,434,845
Depreciation expense for the year	**$ 274,542**	$ 270,304

Note 6 – Deferred Revenue

As of July 31, 2023 and 2022, deferred revenue consisted of the following:

Description	2023	2022
Su Casa rent	**$ 50,000**	$ 62,000
Total deferred revenue	**$ 50,000**	$ 62,000

Note 7 – Fundraising Activity

For the years ended July 31, 2023 and 2022, fund raising activities from special events were as follows:

Description	2023	2022
Revenues	**$ 70,652**	$ 62,234
Direct expenses	**(24,525)**	(34,804)
Net proceeds	**$ 46,127**	$ 27,430

Note 8 – Income Taxes

The Organization files information tax returns in the United States federal jurisdiction. The Organization is no longer subject to examination by federal authorities for years prior to 2019.

Based on the evaluation of the Organization's tax positions, management believes all positions taken would more likely than not be upheld under examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for the years ended July 31, 2023 and 2022.

Note 9 – Lease Commitments

The Organization has an operating lease agreement for the land on which it operates which expires April 2104 and requires monthly payments of $4,500. The lease liability for this lease was calculated using the ten-year treasury rate at July 2023 of 2.60%.

The Organization has an operating lease agreement for the facilities in which it operates which expires June 2024 and requires monthly payments of $750. The lease liability for this lease was calculated using the two-year treasury rate at August 2022 of 3.00%.

As of July 31, 2023, future minimum lease payments required under the Organization's leasing arrangements are as follows:

For the year ended July 31:	Lease
2023	$ 65,250
2024	64,800
2025	64,800
2026	64,800
2027	64,800
Thereafter	10,416,008
Total	10,740,458
Present value discount	(7,226,847)
Lease liabilitty	$ 3,513,611

For the year ended July 31, 2023, weighted-average lease term and discount rates were as follows:

	(years)
Weighted-average remaining lease term - operating leases	80.56
Weighted-average discount rate - operating leases	2.60%

Note 10 – Retirement Plan

The Organization participates in a third-party professional employee organization's defined contribution retirement plan (the "Plan") covering certain eligible employees. Participating employees may elect to defer a portion of their compensation and contribute it to the Plan in an amount not to exceed the annual statutory limits of the Internal Revenue Code. For the years ended July 31, 2023 and 2022, the Organization contributed to the Plan by matching dollar for dollar the first 6% of compensation that a participant deferred and contributed to the Plan. The cost to the Organization for the administration of and contributions to the Plan for the years ended July 31, 2023 and 2022, was $1,672 and $1,219, respectively.

Note 11 – Availability of Resources and Liquidity

As part of its ongoing liquidity management, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As of July 31, 2023 and 2022, the Organization has $2,204,289 and $2,074,183 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash and cash equivalents of $2,161,688 and $2,027,293 and contributions receivable of $42,601 and $46,890, respectively. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date.

Note 12 – Subsequent Events

General

Management has evaluated subsequent events through February 8, 2024, the date the financial statements were available to be issued.