

Water Street Ministries d/b/a Water Street Mission and Affiliate

Consolidated Financial Report

June 30, 2024



CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	2-4
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position	5-6
Consolidated Statements of Activities	7
Consolidated Statements of Functional Expenses	8
Consolidated Statements of Cash Flows	9
Notes to Consolidated Financial Statements	10-28

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Water Street Ministries d/b/a
Water Street Mission and Affiliate
Lancaster, Pennsylvania

Opinion

We have audited the accompanying consolidated financial statements of Water Street Ministries d/b/a Water Street Mission (a nonprofit organization) and Affiliate, which comprise the consolidated statements of financial position as of June 30, 2024 and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Water Street Ministries d/b/a Water Street Mission and Affiliate as of June 30, 2024, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Water Street Ministries d/b/a Water Street Mission and Affiliate 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 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 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 Water Street Ministries d/b/a Water Street Mission and Affiliate's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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.

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 Water Street Ministries d/b/a Water Street Mission and Affiliate'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 Water Street Ministries d/b/a Water Street Mission and Affiliate'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.

Report on Summarized Comparative Information

We have previously audited Water Street Ministries d/b/a Water Street Mission and Affiliate's 2023 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 17, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Simon Lever LLC
Simon Lever LLC
Lititz, PA

October 23, 2024

CONSOLIDATED FINANCIAL STATEMENTS

Water Street Ministries d/b/a Water Street Mission and Affiliate

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
	<u>\$</u>	<u>\$</u>
ASSETS		
Cash and cash equivalents	3,651,935	5,770,939
Receivables	183,413	380,619
Promises to give - Reframing Restoration	2,840,919	0
Inventory	416,432	493,337
Prepaid expenses	296,181	217,144
Investments	11,415,086	10,700,121
Property and equipment, net of accumulated depreciation of 2024-\$9,625,689; 2023-\$8,990,228	10,316,795	8,239,447
Operating lease right-of-use asset	28,305	41,943
Beneficial interest in split-interest agreements	130,071	130,146
Investments - with donor restrictions	646,010	624,885
Beneficial interest in assets held by others in perpetual trust	<u>4,663,683</u>	<u>4,333,023</u>
<u>TOTAL ASSETS</u>	<u>34,588,830</u>	<u>30,931,604</u>

See Notes to Financial Statements

Water Street Ministries d/b/a Water Street Mission and Affiliate

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
	<u>\$</u>	<u>\$</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	121,720	81,601
Accrued payroll and employee benefits	640,098	586,137
Accrued expenses	274,881	177,151
Operating lease liability	31,905	41,943
Annuity obligations	24,800	27,127
TOTAL LIABILITIES	<u>1,093,404</u>	<u>913,959</u>
NET ASSETS		
Without donor restrictions		
Designated by board	9,848,588	9,238,727
Allocated to property and equipment	10,316,795	8,239,447
Undesignated	4,724,709	7,368,694
Total without donor restrictions	<u>24,890,092</u>	<u>24,846,868</u>
With donor restrictions	<u>8,605,334</u>	<u>5,170,777</u>
TOTAL NET ASSETS	<u>33,495,426</u>	<u>30,017,645</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>34,588,830</u>	<u>30,931,604</u>

See Notes to Financial Statements

Water Street Ministries d/b/a Water Street Mission and Affiliate

CONSOLIDATED STATEMENTS OF ACTIVITIES
Years Ended June 30, 2024 and 2023

	Without Donor Restrictions	With Donor Restrictions	Comparative Totals	
			2024	2023
	\$	\$	\$	\$
REVENUES AND OTHER SUPPORT				
Contributions, net of direct special event expenses of 2024-\$202,446; 2023-\$173,465	12,101,073	3,094,396	15,195,469	12,983,121
Contributions - non-cash	1,870,337	0	1,870,337	1,736,198
Investment income, net of investment fees	334,892	0	334,892	233,169
Income from beneficial interests	214,070	0	214,070	214,981
Program fees	124,608	0	124,608	121,029
Other income	79,627	0	79,627	10,987
Net assets released from restrictions	11,549	(11,549)	0	0
Total Revenues and Other Support	14,736,156	3,082,847	17,819,003	15,299,485
EXPENSES				
Program				
Water Street Mission	9,706,681	0	9,706,681	8,850,586
Water Street Health Services	1,659,427	0	1,659,427	1,290,690
Management and general	1,409,882	0	1,409,882	1,125,086
Fundraising and development	2,703,976	0	2,703,976	2,514,264
Total Expenses	15,479,966	0	15,479,966	13,780,626
Change in Net Assets from Activities	(743,810)	3,082,847	2,339,037	1,518,859
OTHER CHANGES				
Net realized and unrealized gains on investments	816,259	21,125	837,384	871,927
Gain (loss) on disposal of capital assets	(20,350)	0	(20,350)	3,636
Adjustment to beneficial interest in split-interest agreements	0	(75)	(75)	44,857
Adjustment to beneficial interest in assets held by others in perpetual trust	0	330,660	330,660	189,894
Adjustment to annuity obligations	(1,675)	0	(1,675)	(3,276)
Loss on operating lease modification	(7,200)	0	(7,200)	0
Total Other Changes	787,034	351,710	1,138,744	1,107,038
CHANGES IN NET ASSETS	43,224	3,434,557	3,477,781	2,625,897
Net Assets at Beginning of Year	24,846,868	5,170,777	30,017,645	27,391,748
<u>Net Assets at End of Year</u>	<u>24,890,092</u>	<u>8,605,334</u>	<u>33,495,426</u>	<u>30,017,645</u>

See Notes to Financial Statements

Water Street Ministries d/b/a Water Street Mission and Affiliate

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2024 and 2023

	Program Services		Support Activities			Comparative Totals	
	WSM Program Services	Water Street Health Services	Management and General	Fundraising and Development	Total	2024	2023
	\$	\$	\$	\$	\$	\$	\$
Salaries and wages	4,318,461	803,850	882,980	843,243	1,726,223	6,848,534	6,165,838
Donated services	11,385	109,935	0	0	0	121,320	98,438
Employee health and retirement benefits	1,085,507	206,490	187,682	213,112	400,794	1,692,791	1,521,185
Payroll taxes and unemployment claims	334,795	62,214	49,282	62,616	111,898	508,907	435,504
Donated clothing and furniture	6,560	0	0	0	0	6,560	9,728
Donated food and supplies	1,550,147	0	0	0	0	1,550,147	1,327,708
Donated medical supplies	0	277,910	0	0	0	277,910	192,134
Food and supplies purchased	165,361	5,566	5,308	3,585	8,893	179,820	174,040
Occupancy	290,116	22,341	16,600	21,751	38,351	350,808	215,450
Security	42,396	491	49	82	131	43,018	35,741
Building repairs and maintenance	125,055	5,876	6,632	7,432	14,064	144,995	84,493
Equipment repairs, small equipment, and IT equipment	130,833	11,205	6,318	26,729	33,047	175,085	139,768
Vehicle fuel, repairs and maintenance	30,547	1,050	138	0	138	31,735	17,265
Promotional expenses	28,921	1,130	960	1,036,537	1,037,497	1,067,548	1,114,453
Insurance	159,744	19,818	29,803	14,453	44,256	223,818	184,556
Telephone	93,151	12,435	14,897	12,907	27,804	133,390	107,765
Professional fees	142,630	5,737	95,485	133,834	229,319	377,686	266,387
Scholarships	58,428	0	0	0	0	58,428	50,324
Conferences, seminars and travel	78,628	25,886	5,034	46,113	51,147	155,661	109,364
Licenses and fees	234,621	29,538	18,039	128,533	146,572	410,731	426,611
Special events	0	0	0	202,446	202,446	202,446	173,465
Program activities	99,567	14,041	115	101,135	101,250	214,858	238,890
Other expenses	41,360	37,067	58,332	41,171	99,503	177,930	175,344
Total Expenses Before Depreciation and Amortization	9,028,213	1,652,580	1,377,654	2,895,679	4,273,333	14,954,126	13,264,451
Depreciation and amortization	678,468	6,847	32,228	10,743	42,971	728,286	689,640
Less direct expenses related to special events	0	0	0	(202,446)	(202,446)	(202,446)	(173,465)
<u>Total Functional Expenses</u>	<u>9,706,681</u>	<u>1,659,427</u>	<u>1,409,882</u>	<u>2,703,976</u>	<u>4,113,858</u>	<u>15,479,966</u>	<u>13,780,626</u>

See Notes to Financial Statements

Water Street Ministries d/b/a Water Street Mission and Affiliate

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
	<u>\$</u>	<u>\$</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	3,477,781	2,625,897
Adjustments to reconcile changes in net assets to change in net cash from operating activities:		
Depreciation and amortization	728,286	689,640
Noncash operating lease expense	3,600	0
Donated investments	(276,286)	(84,530)
Change in value of annuity obligations	1,675	3,276
Realized gain on investments	(360,373)	(69,710)
Unrealized gain on investments	(477,011)	(802,217)
(Gain) loss on disposal of capital assets	20,350	(3,636)
Increase in discount on promises to give	199,081	0
Change in assets and liabilities:		
Receivables	197,206	609,871
Promises to give - Reframing Restoration	(3,040,000)	0
Inventory	76,905	(115,483)
Prepaid expenses	(79,037)	26,355
Beneficial interest in split-interest agreements	75	(44,857)
Beneficial interest in assets held by others in perpetual trust	(330,660)	(189,894)
Accounts payable	40,119	(70,026)
Accrued payroll and employee benefits	53,961	87,368
Accrued expenses	97,730	104,938
 Net Cash Provided by Operating Activities	 <u>333,402</u>	 <u>2,766,992</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(562,301)	(3,341,713)
Proceeds from sale of investments	939,881	3,552,661
Purchase of property and equipment	(2,827,084)	(870,948)
Proceeds from disposal of property and equipment	1,100	3,636
Proceeds from beneficial interest in split-interest agreements	0	139,000
 Net Cash Used in Investing Activities	 <u>(2,448,404)</u>	 <u>(517,364)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of annuity obligations	(4,002)	(4,352)
 Net Cash Used in Financing Activities	 <u>(4,002)</u>	 <u>(4,352)</u>
 Net Change in Cash and Cash Equivalents	 (2,119,004)	 2,245,276
Cash and Cash Equivalents:		
Beginning	<u>5,770,939</u>	<u>3,525,663</u>
<u>Ending</u>	<u>3,651,935</u>	<u>5,770,939</u>

See Notes to Financial Statements

Water Street Ministries d/b/a Water Street Mission and Affiliate

Notes to Consolidated Financial Statements

Note 1 – Summary of Significant Accounting Policies

Nature of Organization – Water Street Ministries d/b/a Water Street Mission and Affiliate, hereafter referred to as “Water Street,” are nonprofit organizations located in Lancaster, Pennsylvania. The purpose of Water Street is to advance the kingdom of God through the gospel of Jesus Christ and to do missionary, relief and rescue work of all kinds. Programs include providing food, shelter, clothing and furniture, medical and dental services, youth education, recovery and religious guidance to the poor and homeless men, women and children in south-central Pennsylvania.

Contributions from individuals, corporations and foundations in the form of cash, food, medications, medical supplies and services represent a significant portion of support to Water Street. Unpaid volunteers provide a significant amount of their time to perform services for Water Street programs, administration and fundraising activities.

Principles of Consolidation – The accompanying consolidated financial statements include the activities of Water Street Ministries d/b/a Water Street Mission and its affiliate, Water Street Health Services. Water Street Health Services, a non-profit organization, provides health services free of charge to the individuals of Lancaster County who fall within specific guidelines. Inter-entity activities between Water Street Mission and Water Street Health Services have been eliminated.

Comparative Financial Statement Presentation – The summarized comparative information for the year ended June 30, 2023 is not intended to be a complete presentation in accordance with accounting principles generally accepted in the United States of America and is presented for comparative purposes only.

Income Taxes – Water Street is exempt from federal income taxes under Sec. 501(c)(3) of the Internal Revenue Code and therefore, no provision for income taxes is included in the accompanying consolidated financial statements.

Water Street believes its exempt status will be sustained under audit and believes it does not have any significant uncertain tax positions. No required annual returns for organizations exempt from income tax are currently under examination by taxing jurisdictions.

Accounting Estimates – The preparation of consolidated financial statements in conformity with generally accepted accounting principles (GAAP) 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 reported period. Actual results could differ from those estimates.

Cash and Cash Equivalents – Highly liquid investments with an original maturity of three months or less are cash equivalents except for amounts held as long-term investments in Water Street’s investment portfolio.

Concentration of Credit Risk – During the year, Water Street’s deposit balances with financial institutions exceeded the FDIC insured limit. Management believes that credit risk related to these excess balances is minimal. As of June 30, 2024, deposits in excess of the FDIC limits totaled \$2,365,571.

Water Street Ministries d/b/a Water Street Mission and Affiliate

Notes to Consolidated Financial Statements

Note 1 – Summary of Significant Accounting Policies – Continued

Inventory – Inventories consist of food, medications, medical and dental supplies, and general supplies held for future consumption. Inventories are stated at wholesale value, and cost is determined on the first-in, first-out (FIFO) method. Inventory consists of both donated and purchased items.

Donations of clothing are received and inventoried for distribution to the local community. Although these items are of value, such values are not readily ascertainable. Therefore, inventories of clothing donated to Water Street's Outreach Ministries are not reported on the accompanying consolidated statements of financial position.

Investments – Investments consist of money market funds, certificates of deposit, fixed income and equity mutual funds, and marketable equity and fixed income securities. Certificates of deposit are stated at cost plus accrued interest and other investments are stated at market value on the accompanying statements of consolidated financial position. Investment income includes interest, dividends, and capital gain distributions, reduced by investment fees, and is included as income without donor restriction from activities on the accompanying consolidated statements of activities unless restricted by donor or law and the restriction was not met during the current year. Realized and unrealized gains and losses on investments are excluded from changes in net assets from activities but are included as other changes in net assets without donor restriction in the accompanying consolidated statement of activities unless restricted by donor or law and the restriction was not met during the current year.

Investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statement of financial position.

Property and Equipment – Property and equipment is stated at cost, except donated capital assets, which are stated at fair market value at the date of donation. Major improvements and betterments of existing building and fixtures are capitalized, while maintenance and repairs that do not improve or extend the life of the respective assets are expensed currently. Property and equipment with a useful life greater than one year is capitalized. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets as follows:

	<u>Years</u>
Computer equipment and software	3 - 5
Vehicles	5
Furniture and office equipment	10
Machinery and equipment	5 - 20
Buildings and building improvements	10 - 40

When properties are retired or otherwise disposed of, the asset and accumulated depreciation accounts are adjusted accordingly. Any resulting gain or loss arising from its disposal is excluded from income from activities but is included as other changes in net assets.

Water Street Ministries d/b/a Water Street Mission and Affiliate

Notes to Consolidated Financial Statements

Note 1 – Summary of Significant Accounting Policies – Continued

Net Assets – Water Street is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Under these provisions, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Water Street and changes therein consist of the following:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations. Net assets that have been designated by the board for specific purposes are included as net assets without donor restrictions.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that may or will be met either by actions of Water Street and/or passage of time. Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by Water Street.

Contributions – Contributions received are recorded as support without donor restrictions unless they are restricted by donor-imposed stipulations. Gifts of cash and other assets are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated restriction ends or a purpose restriction is accomplished, restricted net assets are reclassified to net assets without restrictions and reported in the consolidated statement of activities as net assets released from restrictions. For restricted contributions where the restrictions are satisfied in the same period as receipt of contributions, Water Street reports these contributions as support without donor restrictions.

Promises to give are recognized when the Organization is notified by the donor of their commitment to contribute. Management recognized an allowance for uncollectible amounts based on prior experience and analysis of specific promises made. Promises to give that are expected to be received within one year are recognized on the statements of financial position. Promises to give that are not expected to be received within one year are discounted and recognized on the statements of financial position. The promises to give were discounted using the applicable United States Department of the Treasury T-bill yield curve rates. The long-term portion of the promises to give are deemed fully collectible and will be received over the next three years.

Water Street reports gifts of property and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, Water Street reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. These contributions are recorded at their estimated values on the date of receipt.

Water Street Ministries d/b/a Water Street Mission and Affiliate

Notes to Consolidated Financial Statements

Note 1 – Summary of Significant Accounting Policies – Continued

Revenue Recognition from Contracts with Customers – Water Street recognizes revenues from contracts with customers in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606. This applies only to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. Water Street records the following exchange transaction revenue in its consolidated statements of activities for the years ended June 30, 2024 and 2023:

Program Fees – In exchange for admission to the residency program, Water Street collects a fee based on a percentage of guests' income. The associated revenue is recognized at a point in time when the guest receives their paycheck and pays their fee. There are no price concessions or applicable refunds, therefore no liability was considered necessary at June 30, 2024 and 2023. For the years ended June 30, 2024 and 2023, program fee income was \$85,137 and \$81,315, respectively.

Water Street also recognizes revenue for tuition received for Wonder Club, an early intervention Pre-K and Kindergarten program. The price of tuition is set with scholarships offered to families based on their income level. Tuition is charged monthly over the course of the school year and revenue is recognized evenly over that same time period. No price concessions or applicable refunds are offered other than the scholarships set at the beginning of the school year, therefore no liability was considered necessary at June 30, 2024 and 2023. For the years ended June 30, 2024 and 2023, Wonder Club tuition income was \$39,471 and \$39,714, respectively.

Special Events – Water Street conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event – the exchange component, and a portion represents a contribution to Water Street. Unless a verifiable objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to Water Street. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. The performance obligation of special events is delivery of the event. The event fees are set by Water Street and all revenue is recognized at a point in time when the event occurs. For the years ended June 30, 2024 and 2023 total special revenue amounted to \$490,001 and \$501,128, respectively, and was recognized in contributions on Water Street's consolidated statement of activities. For the years ended June 30, 2024 and 2023, of the total amounts received \$85,697 and \$78,733 were considered to be exchange transactions, respectively.

For the years ended June 30, 2024 and 2023, total revenue from contracts with customers recognized over time totaled \$39,471 and \$39,714, respectively, and revenue recognized at a point in time totaled \$575,138 and \$582,443, respectively.

Donated Assets and Services – Donated materials and services are stated at fair market value at the date of contribution to the Organization. Donated services are recognized as contributions in accordance with generally accepted accounting principles, if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would otherwise be purchased by the Organization. Contributed services for the years ended June 30, 2024 and 2023 were primarily from medical and dental services. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization.

Water Street Ministries d/b/a Water Street Mission and Affiliate

Notes to Consolidated Financial Statements

Note 1 – Summary of Significant Accounting Policies – Continued

Long-Lived Assets – Long-Lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be realizable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset and long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

Bequests – Bequests are gifts made through a will at the donor's death. These gifts may be with or without donor restrictions. Bequests are recorded at the time such proceeds are measurable. During the years ended June 30, 2024 and 2023, Water Street recognized \$1,426,531 and \$3,497,509, respectively, as contributions from bequests. Bequests receivable as of June 30, 2024 and 2023 were \$29,348 and \$308,610, respectively. Receivables for bequests are recognized when Water Street is notified of the bequest. Management recognizes an allowance for uncollectible amounts based on prior experience and analysis of specific promises made.

Allocation of Expenses – The cost of providing various programs and supporting activities of Water Street have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among program and supporting services based on management estimates.

Promotional and Advertising Costs – Promotional and advertising costs are charged to expense when incurred. These amounts are presented as promotional expense on the consolidated statements of functional expenses.

Health Insurance – Starting January 2023, Water Street has a self-funded health insurance plan to cover certain insurance risks under employee health insurance program. The Company also has a reinsurance agreement to limit specific individual losses to \$50,000 per year and claims in the aggregate are limited based on enrollment which was \$1,738,933 and \$1,589,809 as of June 30, 2024 and 2023, respectively. The plan runs on a calendar year end and accrued healthcare claims as of June 30, 2024 and 2023 were \$158,745 and \$94,442, respectively, which are recorded as an accrued expense on the consolidated statements of financial position.

Leases – Water Street has an operating lease for building space. Water Street determines if an arrangement is a lease at the inception of a contract. Leases with an initial term of twelve months or less are not recorded on the statements of financial position. For leases with a lease term greater than one year, Water Street records the lease in accordance with Topic 842.

Right of use asset represents Water Street's right to use an underlying asset during the lease term, and lease liabilities represent Water Street's obligation to make lease payments arising from the lease. The right of use asset and liabilities are recognized at the commencement date, based on the net present value of fixed lease payments over the lease term. Water Street's lease terms include options to extend or terminate the lease when it is reasonably certain that the option will be exercised.

Present value of future lease payments are determined by using the rate implicit in the lease if determinable, if the implicit rate is not readily determinable, the risk-free rate at the lease commencement date is used.

Water Street Ministries d/b/a Water Street Mission and Affiliate

Notes to Consolidated Financial Statements

Note 2 – New Accounting Standards

Adopted:

In June 2016, the FASB issued ASU No. 2016-13, “Financial Instruments—Credit losses (Topic 326).” The ASU introduces a new credit loss methodology, Current Expected Credit Losses (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. Since its original issuance in 2016, the FASB has issued several updates to the original ASU. The Organization adopted the new standard effective July 1, 2023, the first day of the year using the modified retrospective approach. The Organization did not record an allowance for credit losses for either year presented as there was no material impact on the financial statements.

Note 3 – Liquidity and Availability of Funds

As of June 30, 2024 and 2023, financial assets and liquidity resources available within one year for general expenditures, such as operating expenses, schedule principal payments on debt, and capital construction costs not financed with debt, were as follows:

	<u>2024</u>	<u>2023</u>
	<u>\$</u>	<u>\$</u>
Financial assets:		
Cash and cash equivalents	3,651,935	5,770,939
Receivables	183,413	380,619
Promises to give - Reframing Restoration	2,840,919	0
Investments	12,061,096	11,325,006
Beneficial interest in split-interest agreements	130,071	130,146
Beneficial interest in assets held by others in perpetual trust	<u>4,663,683</u>	<u>4,333,023</u>
Total financial assets available within one year	23,531,117	21,939,733
Less those unavailable for general expenditures within one year:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	(3,398,732)	(294,835)
Restricted by donor to maintain as an endowment or perpetual trust	(5,206,602)	(4,875,942)
Board designations:		
Amounts reserved for capital expenditures or general reserves	<u>(9,848,588)</u>	<u>(9,238,727)</u>
<u>Financial assets available to meet cash needs for general expenditures within one year</u>	<u><u>5,077,195</u></u>	<u><u>7,530,229</u></u>

As part of its liquidity management, Water Street has a policy to structure its financial assets to become available as general expenditures, liabilities, and other obligations become due. Water Street also invests its cash in excess of its daily needs in short-term investments. Should an unforeseen liquidity need arise, Water Street could liquidate these investments.

Water Street Ministries d/b/a Water Street Mission and Affiliate

Notes to Consolidated Financial Statements

Note 4 – Pledges Receivable

Water Street started a multi year Reframing Restoration campaign in 2024 to raise funds to support expanded program services in the future. It is anticipated that the campaign will have an impact on both expenses and revenues through the foreseeable future.

During the year ended June 30, 2024, the Organization received promises to give totaling \$5,066,896, all of which is for the Reframing Restoration campaign. These pledges are generally collectible in payments spread over an extended period up to three years. As of June 30, 2024, \$3,040,000 of pledges remain outstanding.

The pledge balances are as follows at June 30, 2024:

	<u>\$</u>
Pledge receivable	3,040,000
Less: discount for future payments	<u>(199,081)</u>
Pledges Receivable, net	2,840,919
Current pledges receivable	1,645,000
Long-term pledges receiveable, one to three years	<u>1,395,000</u>
<u>Total</u>	<u><u>3,040,000</u></u>

Note 5 – Inventory

Inventory at June 30, 2024 and 2023 is comprised of the following:

	<u>2024</u>	<u>2023</u>
	<u>\$</u>	<u>\$</u>
Food	195,409	258,477
General supplies	27,417	18,723
Medical supplies and medications	159,875	178,658
Dental supplies	<u>33,731</u>	<u>37,479</u>
<u>Total</u>	<u><u>416,432</u></u>	<u><u>493,337</u></u>

Water Street Ministries d/b/a Water Street Mission and Affiliate

Notes to Consolidated Financial Statements

Note 6 – Investments

Investments are stated at market value. Following is a summary of investments held at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
	<u>\$</u>	<u>\$</u>
Cash and cash equivalents	1,624,682	367,381
Bonds		
Short Term	747,567	1,439,268
Intermediate Term	1,576,066	1,109,825
Long Term	975,015	1,073,322
Equities		
Large Cap	4,940,210	4,796,154
Mid Cap	1,269,724	1,481,237
Small Cap	927,832	1,057,819
<u>Total</u>	<u>12,061,096</u>	<u>11,325,006</u>

Investment income and gains for cash and cash equivalents and investments are comprised of the following for the years ended June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
	<u>\$</u>	<u>\$</u>
Interest, dividend, and capital gain distribution income	386,629	282,618
Less: Investment fees	(51,737)	(49,449)
<u>Investment income, net of investment fees</u>	<u>334,892</u>	<u>233,169</u>
Other Changes:		
Realized gain of investments	360,373	69,710
Unrealized gain of investments	477,011	802,217
<u>Net realized and unrealized gain of investments</u>	<u>837,384</u>	<u>871,927</u>

Water Street Ministries d/b/a Water Street Mission and Affiliate

Notes to Consolidated Financial Statements

Note 7 – Property and Equipment

A summary of property and equipment at June 30, 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
	<u>\$</u>	<u>\$</u>
Computer equipment and software	697,719	683,564
Vehicles	458,977	443,853
Furniture and office equipment	465,290	429,220
Machinery and equipment	1,440,698	1,506,186
Buildings and building improvements	15,125,584	13,579,474
Land and land improvements	320,585	320,585
Construction in progress	1,433,631	266,793
Total	19,942,484	17,229,675
Less: Accumulated depreciation	<u>(9,625,689)</u>	<u>(8,990,228)</u>
<u>Property and Equipment, Net of</u> <u>Accumulated Depreciation</u>	<u>10,316,795</u>	<u>8,239,447</u>

Depreciation and amortization expense charged to current operations for the years ended June 30, 2024 and 2023 totaled \$728,286 and \$689,640, respectively.

Note 8 – Beneficial Interest in Split-Interest Agreements

Water Street is a named remainder beneficiary of several split-interest agreements. Under these agreements, Water Street has a beneficial interest in a portion of the underlying assets, which are controlled by a trustee or a third-party fiscal agent. The underlying assets are principally marketable securities. During the life of an agreement, distributions are made to income beneficiaries of the agreement. At the end of an agreement's life, the remaining assets are distributed to Water Street, and any other remainder beneficiaries. The present value of Water Street's beneficial interest in these agreements was recorded as contributions with donor restrictions when Water Street was notified of the agreement's existence and as a component of net assets with donor restriction in the accompanying consolidated statement of financial position. Subsequent changes in the fair value of the underlying assets are recorded in the accompanying consolidated statement of activities as an adjustment to beneficial interest in split-interest agreements. Management's estimated value of these agreements is based on the year-end fair market value of the agreement's assets multiplied by Water Street's beneficial interest and discounted for the agreement's estimated life.

The following schedule summarizes the income from beneficial interests in split-interest agreements at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
	<u>\$</u>	<u>\$</u>
Distributions received	15,138	4,379
Adjustment for change in value	<u>(75)</u>	<u>44,857</u>
<u>Total income in beneficial interest in split-interest</u>	<u>15,063</u>	<u>49,236</u>

Water Street Ministries d/b/a Water Street Mission and Affiliate

Notes to Consolidated Financial Statements

Note 9 – Beneficial Interest in Assets Held by Others in Perpetual Trust

Water Street is the beneficiary of several trusts where the corpus of the trusts is required to be invested in perpetuity and income is to be distributed to Water Street at least annually. Management's estimated value of the beneficial interest in assets held by others in perpetual trust is based on the fair market value of the trusts' assets. Water Street has no rights to the trusts' assets, only to a percentage of income of the trusts. Accordingly, they are reported as a component of net assets with donor restrictions in the accompanying consolidated statement of financial position. The following schedule summarizes the income from beneficial interests in assets held by others in perpetual trust as of June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
	<u>\$</u>	<u>\$</u>
Distributions received	198,932	210,602
Adjustment for change in value	330,660	189,894
<u>Total income from beneficial interest in assets</u>	<u>529,592</u>	<u>400,496</u>

Note 10 – Annuity Obligations

Water Street has entered into charitable gift annuity agreements with individuals to provide quarterly payments during the remainder of the individual's life in return for a charitable gift to Water Street. A portion of the amount received represents an obligation by Water Street to make the quarterly payments and the remainder represents a contribution. The obligation to make payments terminates only upon the donor's death.

Changes in the liability include annuity payments, annuity terminations and additional annuities issued and are recorded in the accompanying consolidated statements of activities as a change in value of annuity obligations. Water Street uses a 7% discount rate and the IRS life expectancy tables to value annuity obligations. As of June 30, 2024, Water Street's maximum future required annual payments to annuitants under existing agreements was \$4,002.

Note 11 – Net Assets without Donor Restrictions – Designated by Board

The Board of Water Street Mission has designated a portion of net assets without donor restriction for funding capital improvements and a reserve for general operations. At June 30, 2024 and 2023, the amount designated by the Board totaled \$9,848,588 and \$9,238,727, respectively.

Water Street Ministries d/b/a Water Street Mission and Affiliate

Notes to Consolidated Financial Statements

Note 12 – Net Assets with Donor Restrictions

As of June 30, 2024 and 2023, net assets with donor restrictions are subject to the following purpose or time restrictions:

	<u>2024</u>	<u>2023</u>
	<u>\$</u>	<u>\$</u>
Subject to purpose restrictions:		
Beneficial interest in split-interest agreements	130,071	130,146
Wolf Educational Endowment	103,091	81,966
Transitional Housing	56,201	56,201
Enrichment Center upgrade	14,973	18,403
7400 Remodel Common Areas	0	8,119
Reframing Restoration	3,094,396	0
	<u>3,398,732</u>	<u>294,835</u>
Not subject to appropriation or expenditure:		
Endowment funds:		
Operating	275,832	275,832
Educational	267,087	267,087
Perpetual trust	4,663,683	4,333,023
	<u>5,206,602</u>	<u>4,875,942</u>
<u>Total net assets with donor restrictions</u>	<u>8,605,334</u>	<u>5,170,777</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose of the restrictions specified by donors during the years ended June 30, 2024 and 2023 as follows:

	<u>2024</u>	<u>2023</u>
	<u>\$</u>	<u>\$</u>
Subject to purpose restrictions:		
Educational Improvement Grants	0	98,719
Wonder Academy	0	25,000
Beneficial interest in split-interest agreements	0	139,000
Enrichment Center upgrade	3,430	0
7400 Remodel Common Areas	8,119	0
<u>Total net assets released from restrictions</u>	<u>11,549</u>	<u>262,719</u>

Note 13 – Commitments

Water Street has guaranteed a loan between Community First Fund and Treasures Markets Benefit, LLC. At June 30, 2024, the maximum liability of Water Street under the guarantee with respect to the guaranteed obligations is \$500,000. In the event that the borrower would default on the obligation, Water Street would be expected to pay 100% of the outstanding balance of the obligation. No accrued liability amount has been recorded on the accompanying financial statements nor is a liability expected by management.

Water Street Ministries d/b/a Water Street Mission and Affiliate

Notes to Consolidated Financial Statements

Note 14 – Supplemental Disclosure of Cash Flow Information

Noncash investing and financing activities for the years ended June 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
	<u>\$</u>	<u>\$</u>
Gifts of investments received classified as operating	256,639	84,530

Note 15 – Retirement Plan

Water Street maintains a defined contribution retirement plan in compliance with Section 403(b) of the Internal Revenue Code for all employees meeting certain eligibility requirements. Water Street contributes a specified dollar amount for each eligible employee. The plan allows voluntary employee contributions. Water Street matches contributions up to a certain percent of compensation. Retirement plan expense for the years ended June 30, 2024 and 2023 was \$200,066 and \$187,910, respectively.

Note 16 – Endowment Funds

Water Street's endowment funds consist of funds not subject to appropriation or expenditure. Water Street's endowment funds have been pooled with Water Street's other marketable investments. See Note 1 for a description of the types of investments utilized for endowment funds.

Water Street's investments are invested in accordance with investment policies set out by a finance committee that has been appointed by the Board. Water Street's management is responsible for the day-to-day management of the portfolio including identifying, selecting and monitoring the external investment manager to implement the strategic asset allocation set forth by the finance committee. Water Street's investment portfolio may include marketable securities that it intends to hold for an indefinite period.

The Commonwealth of Pennsylvania has not adopted the Uniform Management of Institutional Funds Act (UMIFA) or the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Rather, the Pennsylvania Uniform Principal and Income Act (Pennsylvania Act) governs the investment use and management of Water Street's endowment funds.

The Pennsylvania Act does not require the preservation of the fair value of a donor's original gift as of the gift date of a donor-restricted endowment fund, absent explicit donor stipulations to the contrary. However, based on its interpretation of the Pennsylvania Act and relevant accounting literature, Water Street classifies as net assets with donor restriction for reporting purposes: (i) the original value of gifts donated to the endowment; (ii) the original value of subsequent gifts to the endowment; and (iii) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets not subject to appropriation or expenditure is classified as net assets subject to purpose restrictions until those amounts are appropriated for expenditure by Water Street.

Water Street Ministries d/b/a Water Street Mission and Affiliate

Notes to Consolidated Financial Statements

Note 16 – Endowment Funds – Continued

Water Street has elected to follow an investment policy seeking a total return for the investment held, whether the return is derived from appreciation of capital, earnings and distributions with respect to capital, or both. This policy is designed to take advantage of investment opportunities that provide a reasonable and dependable stream of income and continued growth of the funds, while not subjecting the principal of the endowment funds to undue risk of loss. For the years ended June 30, 2024 and 2023, Water Street’s spending policy allowed for annual distributions of 4% of the average of the trailing calendar quarter end balances for the previous three calendar years.

The components of endowment net assets at June 30, 2024 are as follows:

	Original Gift Value	Without Restriction	With Restriction	Total
	\$	\$	\$	\$
Operating	275,832	136,820	275,832	412,652
Restricted for Education	267,087	0	370,178	370,178
<u>Total</u>	<u>542,919</u>	<u>136,820</u>	<u>646,010</u>	<u>782,830</u>

Changes in endowment net assets for the year ended June 30, 2024 are as follows:

	Without Restriction		With Restriction		Total
	General	Education	General	Education	
	Operating		Operating		
	\$	\$	\$	\$	\$
Endowment net assets - July 1, 2023	111,960	81,966	275,832	267,087	736,845
Investment return:					
Investment income, net of investment fees	7,572	6,815	0	0	14,387
Net realized and unrealized gain	28,541	25,691	0	0	54,232
Total Investment Return	36,113	32,506	0	0	68,619
Amounts appropriated to current operations	(11,253)	(10,128)	0	0	(21,381)
Prior year appropriated amounts spent	0	(1,253)	0	0	(1,253)
<u>Endowment net assets - June 30, 2024</u>	<u>136,820</u>	<u>103,091</u>	<u>275,832</u>	<u>267,087</u>	<u>782,830</u>

Water Street Ministries d/b/a Water Street Mission and Affiliate

Notes to Consolidated Financial Statements

Note 16 – Endowment Funds – Continued

The components of endowment net assets at June 30, 2023 are as follows:

	Original Gift Value	Without Restriction	With Restriction	Total
	\$	\$	\$	\$
Operating	275,832	111,960	275,832	387,792
Restricted for Education	267,087	0	349,053	349,053
<u>Total</u>	<u>542,919</u>	<u>111,960</u>	<u>624,885</u>	<u>736,845</u>

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

	Without Restriction		With Restriction		Total
	General	Education	General	Education	
	Operating		Operating		
	\$	\$	\$	\$	\$
Endowment net assets - July 1, 2022	86,511	60,768	275,832	267,087	690,198
Investment return:					
Investment income, net of investment fees	6,140	5,555	0	0	11,695
Net realized and unrealized losses	29,867	27,025	0	0	56,892
Total Investment Return	36,007	32,580	0	0	68,587
Amounts appropriated to current operations	(10,558)	(9,554)	0	0	(20,112)
Prior year appropriated amounts spent	0	(1,828)	0	0	(1,828)
<u>Endowment net assets - June 30, 2023</u>	<u>111,960</u>	<u>81,966</u>	<u>275,832</u>	<u>267,087</u>	<u>736,845</u>

Water Street Ministries d/b/a Water Street Mission and Affiliate

Notes to Consolidated Financial Statements

Note 17 – Fair Value of Financial Instruments

Financial Instruments – The fair value of a financial instrument represents the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. Fair value estimates are made at a specific point in time, based on relevant market information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. The assumptions used have a significant effect on the estimated amounts reported.

Inputs and assumptions used in the valuation techniques described above are prioritized into a three-tier hierarchy as follows:

- Level 1 Observable inputs, such as quoted market prices in active markets for the identical asset or liability, that are accessible at the measurement date.
- Level 2 Inputs, other than quoted market prices included in Level 1, that are observable either directly or indirectly for the asset or liability.
- Level 3 Unobservable inputs that reflect the entity's own assumptions about the exit price of the asset or liability. Unobservable inputs may be used if there is little or no market data for the asset or liability at the measurement date.

The following methods and assumptions were used by Water Street in estimating its fair value for financial instruments:

- Cash and cash equivalents: Valued at cost which is equivalent to fair value.
- Investments: The fair value of investments are based on quoted market prices for those or similar investments.
- Beneficial interests in split-interest agreements: The fair value is based on quoted market prices for those or similar investments covered by the agreement multiplied by Water Street's beneficial interest discounted using IRS life expectancy tables and applying a discount rate of 7%. Management feels this approach reasonably estimates the fair value of its split-interest agreements.
- Beneficial interests in assets held by others in perpetual trust: This fair value is based on quoted market prices for those or similar investments held in trust multiplied by Water Street's beneficial interest. Management feels this approach reasonably estimates the fair value of its beneficial interest. Water Street's investments are composed approximately of 3% cash and cash equivalents, 23% fixed income, 67% equity, 7% alternatives.
- Annuity obligations: This fair value is based on the payment required for each annuity agreement, the annuitant's remaining life expectancy per IRS life expectancy tables and a discount rate of 7%. Management feels this approach reasonably estimates the fair value of its annuity agreements.

Water Street Ministries d/b/a Water Street Mission and Affiliate

Notes to Consolidated Financial Statements

Note 17 – Fair Value of Financial Instruments – Continued

The preceding valuation 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 Water Street 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.

The following table presents Water Street's fair value hierarchy for the instruments measured at fair value on a recurring basis:

	Level 1	Level 2	Level 3	Total
<u>June 30, 2024</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Assets:				
Cash and cash equivalents	1,624,682	0	0	1,624,682
Bonds				
Short Term	747,567	0	0	747,567
Intermediate Term	1,576,066	0	0	1,576,066
Long Term	975,015	0	0	975,015
Equities				
Large Cap	4,940,210	0	0	4,940,210
Mid Cap	1,269,724	0	0	1,269,724
Small Cap	927,832	0	0	927,832
Beneficial interest in split-interest agreements	0	0	130,071	130,071
Beneficial interest in assets held by others in perpetual trust	0	0	4,663,683	4,663,683
<u>Total Assets at Fair Value</u>	<u>12,061,096</u>	<u>0</u>	<u>4,793,754</u>	<u>16,854,850</u>
	Level 1	Level 2	Level 3	Total
<u>June 30, 2024</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Liabilities:				
Annuity obligations	0	0	24,800	24,800
<u>Total Liabilities at Fair Value</u>	<u>0</u>	<u>0</u>	<u>24,800</u>	<u>24,800</u>

Water Street Ministries d/b/a Water Street Mission and Affiliate

Notes to Consolidated Financial Statements

Note 17 – Fair Value of Financial Instruments – Continued

	Level 1	Level 2	Level 3	Total
<u>June 30, 2023</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Assets:				
Cash and cash equivalents	367,381	0	0	367,381
Bonds				
Short Term	1,439,268	0	0	1,439,268
Intermediate Term	1,109,825	0	0	1,109,825
Long Term	1,073,322	0	0	1,073,322
Equities				
Large Cap	4,796,154	0	0	4,796,154
Mid Cap	1,481,237	0	0	1,481,237
Small Cap	1,057,819	0	0	1,057,819
Beneficial interest in split-interest agreements	0	0	130,146	130,146
Beneficial interest in assets held by others in perpetual trust	0	0	4,333,023	4,333,023
<u>Total Assets at Fair Value</u>	<u>11,325,006</u>	<u>0</u>	<u>4,463,169</u>	<u>15,788,175</u>
	Level 1	Level 2	Level 3	Total
<u>June 30, 2023</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Liabilities:				
Annuity obligations	0	0	27,127	27,127
<u>Total Liabilities at Fair Value</u>	<u>0</u>	<u>0</u>	<u>27,127</u>	<u>27,127</u>

Financial instruments measured at fair value on a recurring basis using significant unobservable inputs include beneficial interest in split-interest agreements, beneficial interest in assets held by others in perpetual trust, and annuity obligations.

There were no contributions of split interest agreements for both years ended June 30, 2024 and 2023. Distributions from split interest agreements for the years ended June 30, 2024 and 2023 were \$15,138 and \$143,379, respectively.

Net reinvested earnings, including unrealized gains, of beneficial interest trusts for the years ended June 30, 2024 and 2023 were \$529,592 and \$400,496, respectively. There were no new beneficial interest trusts for the years ended June 30, 2024 and 2023. Distributions for beneficial interest trusts for the years ended June 30, 2024 and 2023 are \$198,932 and \$210,602, respectively.

There were no new annuity obligations issued in the years ended June 30, 2024 and 2023. Payments made for annuity obligations for the years ended June 30, 2024 and 2023 were \$4,002 and \$4,352, respectively.

Adjustments due to changes in the value of split-interest agreements and beneficial interest in assets held by others in perpetual trust are reported in the consolidated statements of activities as a component of other changes.

Water Street Ministries d/b/a Water Street Mission and Affiliate

Notes to Consolidated Financial Statements

Note 18 – Contributed Nonfinancial Assets

For the years ended June 30, contributed nonfinancial assets recognized within the statement of activities include:

	<u>2024</u>	<u>2023</u>
	<u>\$</u>	<u>\$</u>
Food	1,487,078	1,395,815
Medical and dental supplies	183,511	182,047
General supplies	6,560	9,727
Medications	71,868	50,171
Services	121,320	98,438
<u>Total</u>	<u>1,870,337</u>	<u>1,736,198</u>

Water Street recognized contributed nonfinancial assets within revenue, including contributed food, medication, medical and general supplies, and services. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Water Street weighs all contributions of food as it is received and the in-kind donation is recorded based on a standard rate per pound determined by industry leaders. All medical and general supplies are fair valued at the average price for each item donated. Medication donated to Water Street is valued at the current market value available at the time of donation. Logs of hours are maintained for donated services and they are valued at the average hourly rate identified for each specialized service provided.

Contributed food was utilized in the following programs: emergency shelter, residential program, and the community food bank. Contributed medications were used in the community health clinic. Contributed medical and general supplies were used in the community health clinic, emergency shelter, and the residential program.

Note 19 – Leases

Water Street has an operating lease for building space. The lease has an original lease term of 3 years, which includes one year renewals for the lease.

The right-of-use asset and corresponding liability associated with future lease payments at June 30, 2024 and 2023 are presented below:

	<u>2024</u>	<u>2023</u>
	<u>\$</u>	<u>\$</u>
Right-of-use asset:		
Operating lease asset	28,305	41,943
Lease liabilities:		
Short-term operating lease liability	31,905	20,673
Long-term operating lease liability	0	21,270
Total operating lease liabilities	<u>31,905</u>	<u>41,943</u>

Water Street Ministries d/b/a Water Street Mission and Affiliate

Notes to Consolidated Financial Statements

Note 19 – Leases – Continued

Cash paid for the Organization's lease liabilities for the year ended June 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
	\$	\$
Operating cash flows from operating lease	<u>32,400</u>	<u>21,600</u>
Total	<u>32,400</u>	<u>21,600</u>

Future lease payments for operating lease as of June 30, 2024 are as follows:

	<u>\$</u>
2025	32,400
Less: present value discount	<u>(495)</u>
Present value of lease payments	<u>31,905</u>

Average lease terms and discount rate at June 30, 2024 are as follows:

Weighted average remaining lease term (years):	
Operating lease	1.00
Weighted average discount rate:	
Operating lease	2.85%

The Organization has a short term lease with an unrelated party for building space. The lease has an initial term of years, but the Organization decided to terminate the lease after only one year. Monthly lease payments are \$4,520 and there is no future minimum lease payment.

Note 20 – Subsequent Events

The Organization purchased a property located in Lancaster, PA. The property will serve as a space for the Organization to further their mission and serve the members of the community. The purchase took place in July 2024 for \$2,450,000.

Note 21 – Reclassification

Certain reclassifications to the prior year amounts have been made to conform to the current year's presentation.