MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC
ACCOUNTANTS

GRAY, CALLISON & JONES CPA, PC
CERTIFIED PUBLIC ACCOUNTANTS

NORTH CAROLINA ASSOCIATION
OF CERTIFIED PUBLIC
ACCOUNTANTS

3813 FORRESTGATE DRIVE
WINSTON-SALEM, NORTH CAROLINA 27103
TELEPHONE (336) 760-3210 • FAX (336) 765-1049
www.graycallison.com

September 10, 2026

Communication with Those Charged with Governance

To the Board of Directors
Samaritan Ministries
414 E. Northwest Boulevard
Winston-Salem, NC 27105

We have audited the financial statements of Samaritan Ministries. for the year ended June 30, 2026, and have issued our report thereon dated September 10, 2026. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. Accordingly, we are providing you with the following information related to our audit.

<u>Our Responsibility under U.S. Generally Accepted Auditing Standards</u>

As stated in our engagement letter dated June 15, 2026, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

<u>Planned Scope and Timing of the Audit</u>

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter to you dated June 15, 2026.

<u>Significant Audit Matters</u>

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Samaritan Ministries are described in Note A to the financial statements. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were:

- Depreciable lives and estimated residual value of property and equipment
- Fair value of investments
- Management's estimate of the functional allocation of expenses is based on actual and allocated percentages of historical expenditure trends. We evaluated the key factors and assumptions used to develop the functional allocation of expenses in determining that it is reasonable in relation to the financial statements taken as a whole.
- Valuation of donated nonfinancial assets

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no unusually sensitive disclosures, as all of the financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

As discussed in Note N to the financial statements, the 2025 financial statements were restated to correct the omission of contributed nonfinancial assets and the related program expenses. The restatement increased previously reported support and revenue and program expenses by $271,922 and had no effect on the previously reported change in net assets or total net assets.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 10, 2026.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of Samaritan Ministries and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Gray, Callison & Jones CPA, PC

SAMARITAN MINISTRIES

Financial Statements
Years Ended June 30, 2026 and 2025

TABLE OF CONTENTS

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC
ACCOUNTANTS

GRAY, CALLISON & JONES CPA, PC
CERTIFIED PUBLIC ACCOUNTANTS

NORTH CAROLINA ASSOCIATION
OF CERTIFIED PUBLIC
ACCOUNTANTS

3813 FORRESTGATE DRIVE
WINSTON-SALEM, NORTH CAROLINA 27103
TELEPHONE (336) 760-3210 • FAX (336) 765-1049
www.graycallison.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Samaritan Ministries
Winston-Salem, North Carolina

Opinion

We have audited the accompanying financial statements of Samaritan Ministries (a nonprofit organization), which comprise the statement of financial position as of June 30, 2026 and 2025 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Samaritan Ministries as of June 30, 2026 and 2025, 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 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 Samaritan Ministries 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.

Emphasis of Matter – Restatement of 2025 Financial Statements

As discussed in Note N to the financial statements, the 2025 financial statements have been restated to correct an omission related to the recognition of contributed nonfinancial assets and the related program expenses. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Samaritan Ministries' ability to continue as a going concern within one year after the date that the 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 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 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Samaritan 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Samaritan 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.

Gray, Callison + Jones CPA, PC

Winston-Salem, NC
September 10, 2026

SAMARITAN MINISTRIES
STATEMENTS OF FINANCIAL POSITION
June 30, 2026 and 2025

	2026	2025
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,089,569	$ 1,124,742
Restricted cash and cash equivalents - NCHFA	93,991	84,130
Refundable sales tax	8,936	8,042
Prepaid expenses	5,462	5,262
TOTAL CURRENT ASSETS	1,197,958	1,222,176
NONCURRENT ASSETS		
Property and equipment, net	2,701,753	2,692,831
Investments	4,852,373	3,734,378
Beneficial interest in assets held by others	1,480,789	1,289,668
TOTAL NONCURRENT ASSETS	9,034,915	7,716,877
TOTAL ASSETS	$ 10,232,873	$ 8,939,053
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 31,130	$ 24,381
Accrued payroll and pension	64,435	49,865
Deferred revenue	18,800	5,000
TOTAL CURRENT LIABILITIES	114,365	79,246
NON-CURRENT LIABILITIES		
Notes payable	845,722	845,722
TOTAL LIABILITIES	960,087	924,968
NET ASSETS		
Without donor restrictions:		
Net assets invested in property and equipment	1,856,031	1,847,109
Undesignated	6,308,205	5,166,419
With donor restrictions	1,108,550	1,000,557
	9,272,786	8,014,085
TOTAL LIABILITIES AND NET ASSETS	$ 10,232,873	$ 8,939,053

SAMARITAN MINISTRIES
STATEMENTS OF ACTIVITY
For the Years Ended June 30, 2026 and 2025

	2026			2025 (as restated)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
NET ASSETS WITHOUT DONOR RESTRICTIONS						
SUPPORT AND REVENUE						
Churches and individuals	$ 1,542,171	$ -	$ 1,542,171	$ 1,205,487	$ -	$ 1,205,487
Contributed non-financial assets	238,740	-	238,740	271,922	-	271,922
Government grants	48,567	-	48,567	90,989	-	90,989
Businesses, foundations and other	339,466	-	339,466	261,851	-	261,851
Estate bequests	96,709	-	96,709	2,000	-	2,000
Fundraisers	510,116	-	510,116	426,611	-	426,611
Interest income	33,338	-	33,338	31,380	-	31,380
Myrtie Davis Endowment	-	1,000	1,000	-	600	600
Kurosky Cornerstone endowment	-	26,550	26,550	-	400,300	400,300
	2,809,107	27,550	2,836,657	2,290,240	400,900	2,691,140
Net assets released from restrictions	46,050	(46,050)	-	107,484	(107,484)	-
TOTAL SUPPORT AND REVENUE	2,855,157	(18,500)	2,836,657	2,397,724	293,416	2,691,140
EXPENSES						
Program:						
Shelter	1,339,750	-	1,339,750	1,312,999	-	1,312,999
Soup Kitchen	650,963	-	650,963	586,446	-	586,446
Project Cornerstone	159,081	-	159,081	104,752	-	104,752
TOTAL PROGRAM EXPENSES	2,149,794	-	2,149,794	2,004,197	-	2,004,197
Supporting services:						
Management and general	46,468	-	46,468	55,875	-	55,875
Fundraising	291,793	-	291,793	290,735	-	290,735
TOTAL EXPENSES	2,488,055	-	2,488,055	2,350,807	-	2,350,807
CHANGE FROM OPERATIONS	367,102	(18,500)	348,602	46,917	293,416	340,333
OTHER INCOME (EXPENSE)						
Investment income	783,821	126,493	910,314	434,422	56,082	490,504
Loss on disposal of fixed assets	(215)	-	(215)	-	-	-
TOTAL OTHER INCOME (EXPENSE)	783,606	126,493	910,099	434,422	56,082	490,504
INCREASE IN NET ASSETS	1,150,708	107,993	1,258,701	481,339	349,498	830,837
NET ASSETS AT BEGINNING OF YEAR	7,013,528	1,000,557	8,014,085	6,532,189	651,059	7,183,248
NET ASSETS AT END OF YEAR	$ 8,164,236	$ 1,108,550	$ 9,272,786	$ 7,013,528	$ 1,000,557	$ 8,014,085

See Independent Auditors' Report and Notes to the Financial Statements.

SAMARITAN MINISTRIES
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2026

	Program Services						
	Shelter	Soup Kitchen	Project Cornerstone	Total Programs	Management and General	Fundraising	Total
Salaries, wages and benefits	$ 840,658	$ 353,612	$ 123,270	$ 1,317,540	$ 37,896	$ 179,226	$ 1,534,662
Donated food	105,119	122,295	11,326	238,740	-	-	238,740
Food, supplies, linen, laundry and client services	66,380	27,922	9,734	104,036	2,992	14,152	121,180
Services and professional fees	43,847	18,444	6,430	68,721	1,977	9,348	80,046
Office, printing and postage	19,819	8,336	2,906	31,061	893	4,225	36,179
Occupancy	150,467	69,104	2,160	221,731	1,064	1,064	223,859
Depreciation	91,260	41,912	-	133,172	645	645	134,462
Fundraising	-	-	-	-	-	78,400	78,400
Miscellaneous	22,200	9,338	3,255	34,793	1,001	4,733	40,527
	$ 1,339,750	$ 650,963	$ 159,081	$ 2,149,794	$ 46,468	$ 291,793	$ 2,488,055

See Independent Auditors' Report and Notes to the Financial Statements.

SAMARITAN MINISTRIES
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2025

	Program Services						
	Shelter	Soup Kitchen	Project Cornerstone	Total Programs	Management and General	Fundraising	Total
Salaries, wages and benefits	$ 829,948	$ 291,936	$ 81,892	$ 1,203,776	$ 46,683	$ 188,674	$ 1,439,133
Donated food	121,213	142,833	7,876	271,922	-	-	271,922
Food, supplies, linen, laundry and client services	70,564	24,821	6,963	102,348	3,969	16,041	122,358
Services and professional fees	39,805	14,002	3,928	57,735	2,239	9,049	69,023
Office, printing and postage	19,807	6,967	1,954	28,728	1,114	4,503	34,345
Occupancy	141,278	64,883	1,673	207,834	999	999	209,832
Depreciation	85,666	39,343	-	125,009	606	606	126,221
Fundraising	-	-	-	-	-	69,790	69,790
Miscellaneous	4,718	1,661	466	6,845	265	1,073	8,183
	$ 1,312,999	$ 586,446	$ 104,752	$ 2,004,197	$ 55,875	$ 290,735	$ 2,350,807

See Independent Auditors’ Report and Notes to the Financial Statements.

SAMARITAN MINISTRIES
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2026 and 2025

	2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	$ 1,258,701	$ 830,837
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	134,462	126,221
Loss on disposal of fixed assets	215	-
Realized gain on sale of investments	(49,090)	(398)
Unrealized gain on investments	(688,340)	(345,572)
Changes in:		
Accounts receivable	-	4,427
Sales tax receivable	(894)	755
Prepaid expenses	(200)	(640)
Accounts payable	6,749	(160)
Accrued payroll and pension	14,570	5,917
Deferred income	13,800	(5,500)
NET CASH PROVIDED BY OPERATING ACTIVITIES	689,973	615,887
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(143,599)	(145,667)
Purchase of investments	(639,550)	(406,600)
Proceeds from sales of investments	86,836	25,196
Grants received from beneficial interest in assets held by others	23,546	121,532
Decrease in beneficial interest in assets held by others	(42,518)	(30,202)
NET CASH USED BY INVESTING ACTIVITIES	(715,285)	(435,741)
CHANGE IN CASH	(25,312)	180,146
CASH, BEGINNING OF YEAR	1,208,872	1,028,726
CASH, END OF YEAR	$ 1,183,560	$ 1,208,872
Cash and cash equivalents without restrictions	$ 1,089,569	$ 1,124,742
Cash and cash equivalents with restrictions	93,991	84,130
Total cash and cash equivalents	$ 1,183,560	$ 1,208,872

See Independent Auditors' Report and Notes to the Financial Statements.

NOTE A: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Samaritan Ministries (the "Organization") is a not-for-profit charitable organization established to provide physical nourishment, temporary shelter, and other basic necessities to the poor, and to increase public awareness of the needs of the poor. The Organization maintains a soup kitchen and a homeless shelter in Winston-Salem, North Carolina. The Organization is supported primarily by contributions from individuals, churches, businesses, foundations and government grants.

The programs of the Organization include:

Soup Kitchen provides anyone in need with free, nutritionally-balanced lunches, seven days a week.

Shelter provides homeless men with a safe, supportive environment to rest 24 hours a day, seven days and nights a week.

Project Cornerstone provides a long-term recovery program for homeless men.

A summary of Samaritan Ministries' significant accounting policies are as follows:

Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements in accordance with U.S. generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates that were used.

Financial Statement Presentation

The Organization reports financial information regarding its financial position and activities according to the following two classes of net assets:

Net assets without donor restrictions are not restricted by donors, or the donor-imposed restrictions have expired

Net assets with donor restrictions contain donor-imposed restrictions as follows:

- Contain donor-imposed restrictions that permit the Organization to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by actions of the Organization.

- Contain donor-imposed restrictions that stipulate the resources be maintained permanently, but permit the Organization to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.

Cash and Cash Equivalents

For the purpose of reporting cash flows, the Organization considers all cash investments with a purchased maturity of three months or less to be cash equivalents.

NOTE A: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments consist of publicly traded marketable securities and three agency endowment funds administered by the Winston-Salem Foundation. The Organization carries investments with readily determinable fair values at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Investment securities, in general, are subject to various risks such as interest rate, credit and overall market volatility. It is reasonably possible that changes in the value of investments will occur in the near term which could materially affect the amounts reported in the financial statements. The Organization attempts to limit risk through diversification of its investments.

Property and Equipment

The Organization capitalizes expenditures for property and equipment greater than $500. Property and equipment are recorded at cost if purchased or, if donated, at the estimated fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 40 years. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as support with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Revenue Recognition and Contributions

The Organization recognizes contributions when cash, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is limited by donor-imposed restrictions. Contributions with donor-imposed restrictions are reported as increases in net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, the related net assets are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Donor-restricted contributions whose restrictions are met in the same reporting period in which the contributions are recognized are reported as contributions without donor restrictions.

Conditional contributions are not recognized as revenue until the conditions on which they depend have been substantially met or explicitly waived by the donor. Amounts received in advance of satisfying donor-imposed conditions are reported as refundable advances or deferred revenue until the applicable conditions have been substantially met. As of June 30, 2026 and 2025, the Organization reported deferred revenue of $18,800 and $5,000, respectively, related to conditional amounts received in advance of future activities.

Contributed Nonfinancial Assets

Contributions of nonfinancial assets, including food, supplies, and equipment, are recognized as contribution revenue at their estimated fair value on the date of receipt. Contributed nonfinancial assets are presented separately from contributions of cash and other financial assets in the accompanying statements of activities. Donated food and supplies utilized in the Organization's programs are recognized as program expenses when used. Additional information regarding contributed nonfinancial assets, including their valuation and use, is included in Note I.

NOTE A: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Services

Contributed services are recognized as contribution revenue at their estimated fair value if the services create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated. The Organization benefits from the services of numerous volunteers; however, volunteer services that do not meet the criteria for recognition are not reflected in the accompanying financial statements.
During the years ended June 30, 2026 and 2025, volunteers contributed approximately 29,451 hours and 29,324 hours, respectively, in support of the Organization's programs and operations.

Functional Allocation of Expenses

The costs of providing programs have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are allocated based on management estimates of time and usage of personnel resources devoted to the functional activities of the Organization. Donated food expense is directly allocated to the program activities in which the donated food is utilized. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Income Taxes

Samaritan Ministries is an exempt organization under Section 501(c)(3) of the United States Internal Revenue Code. Management has evaluated its tax positions and believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Organization’s Forms 990, Return of Organization Exempt from Income Tax, for the years ended June 30, 2021 through 2025 remain subject to examination by the IRS.

Concentrations of Credit Risk

The Organization has concentrated its credit risk for cash by maintaining certain deposits in First Horizon Bank. At June 30, 2026, the excess of deposit liabilities reported by First Horizon Bank over the amounts that would have been covered by federal deposit insurance totaled $970,102. The federal deposit insurance coverage is $250,000 per institution.

NOTE B: LIQUIDITY

The Organization regularly monitors liquidity to meet operating needs and general expenditures within one year. The Organization has various sources of liquid resources at its disposal, which includes cash and cash equivalents and investments.

The Organization’s financial assets available within one year of the date of the statement of financial position for general expenditures are as follows for the year ended June 30:

	2026	2025
Total assets at year end	$ 10,232,873	$ 8,939,053
Less:		
Prepaid expenses	(5,462)	(5,262)
Property and equipment, net	(2,701,753)	(2,692,831)
Donor restricted net assets	(1,108,550)	(1,000,557)
Financial assets available at year end for general expenditures	$ 6,417,108	$ 5,240,403

NOTE B: LIQUIDITY (CONTINUED)

As part of its liquidity management plan, the Organization maintains an internally designated liquidity reserve, governed by the Finance Committee and managed by the Executive Director and Finance Manager. As of June 30, 2026, the liquidity reserve totals $940,689 and is comprised of a maintenance reserve and an operating reserve equal to three months of operating expenses.

The liquidity reserve is recalculated annually based on the Organization's approved budget, and the maintenance reserve component is updated every three years to reflect long-term facility and equipment needs. The Finance Committee reviews and approves the maintenance reserve calculation at least once every three years.

The reserve is intended to provide for monthly cash flow fluctuations, maintenance expenditures above budget, negative variances from budgeted income and expenses, and short-term emergencies. The operating reserve is allocated to ongoing operations, while the maintenance reserve is allocated to the maintenance and functionality of critical physical plant operations. At least 50% of the reserve is maintained in assets fully accessible within five business days, with cash comprising no less than 25% of the reserve.

Access to the liquidity reserve requires approval from the Finance Committee, and use of the reserve is limited to the purposes outlined above. The reserve is not subject to donor restrictions and is available to meet general expenditures and operational needs within one year of the statement of financial position date.

Cash in excess of daily requirements is invested in short-term investments. Management monitors cash flows monthly and maintains regular communication with donors and grantors to support operational continuity.

NOTE C: CASH AND CASH EQUIVALENTS

The NCHFA savings account is restricted as a replacement reserve based on square footage of the facility with a 4% increase each year to assure the availability of funds for extraordinary repairs and replacement of capital equipment and structural systems used at Samaritan Ministries' shelter.

NOTE D: INVESTMENTS AND BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

Investments and beneficial interest in assets held by others are stated at fair value and consist of the following at June 30:

	2026	2025
Cost of securities	$ 5,410,034	$ 4,655,362
Unrealized gain	923,128	368,684
Fair value	$ 6,333,162	$ 5,024,046

The fair value is stated on the balance sheet as follows for the years ending June 30:

	2026	2025
Investments	$ 4,852,373	$ 3,734,378
Beneficial interest in assets held by others	1,480,789	1,289,668
Fair value	$ 6,333,162	$ 5,024,046

NOTE D: INVESTMENTS AND BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS (CONTINUED)

Investment return is summarized as follows:

	2026		
	Not Donor Restricted	Donor Restricted	Total
INVESTMENTS			
Investment income	$ 116,855	$ -	$ 116,855
Investment fees	(30,770)	-	(30,770)
Realized gains	49,091	-	49,091
Net unrealized gains	542,740	-	542,740
	$ 677,916	$ -	$ 677,916
BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS			
Investment income	$ 18,144	$ 37,885	$ 56,029
Investment fees	(4,385)	(9,126)	(13,511)
Net unrealized gains	47,865	97,734	145,599
	$ 61,624	$ 126,493	$ 188,117
COMBINED			
Investment income	$ 134,999	$ 37,885	$ 172,884
Investment fees	(35,155)	(9,126)	(44,281)
Realized gains	49,091	-	49,091
Net unrealized gains	590,605	97,734	688,339
	$ 739,540	$ 126,493	$ 866,033

NOTE D: INVESTMENTS AND BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS (CONTINUED)

	2025		
	Not Donor Restricted	Donor Restricted	Total
INVESTMENTS			
Investment income	$ 103,746	$ -	$ 103,746
Investment fees	(27,779)	-	(27,779)
Realized gains	398	-	398
Net unrealized gains	282,748	-	282,748
	$ 359,113	$ -	$ 359,113
BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS			
Investment income	$ 14,302	$ 26,486	$ 40,788
Investment fees	(4,091)	(6,796)	(10,887)
Net unrealized gains	26,432	36,392	62,824
	$ 36,643	$ 56,082	$ 92,725
COMBINED			
Investment income	$ 118,048	$ 26,486	$ 144,534
Investment fees	(31,870)	(6,796)	(38,666)
Realized gains	398	-	398
Net unrealized gains	309,180	36,392	345,572
	$ 395,756	$ 56,082	$ 451,838

NOTE E: FAIR VALUE MEASUREMENTS

The Organization's investments, reported at fair value, have been categorized based upon a fair value hierarchy as described below.

FASB ASC 820, Fair Value Measurements and Disclosures, defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity.

The fair value of financial assets and liabilities is measured according to the Fair Value Measurements and Disclosures topic of the FASB Accounting Standards Codification. Fair value is required to be evaluated and adjusted according to the following valuation techniques.

Level 1 – Fair value is determined using quoted market prices in active markets for identical assets and liabilities.

Level 2 – Fair value is determined using quoted market prices in active markets for similar assets and liabilities.

Level 3 – Fair value is determined using unobservable market prices in a market that is typically inactive.

NOTE E: FAIR VALUE MEASUREMENTS (CONTINUED)

Fair value assets measured on a recurring basis at June 30, 2026 were as follows:

	Fair Value	Markets for Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
INVESTMENTS				
Exchange traded funds	$ 3,833,438	$ 3,833,438	$ -	$ -
Mutual funds	1,018,935	1,018,935	-	-
Beneficial interest in assets held by others	1,480,789	-	-	1,480,789
	$ 6,333,162	$ 4,852,373	$ -	$ 1,480,789

Fair value assets measured on a recurring basis at June 30, 2025 were as follows:

	Fair Value	Markets for Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
INVESTMENTS				
Exchange traded funds	$ 3,076,570	$ 3,076,570	$ -	$ -
Mutual funds	657,808	657,808	-	-
Beneficial interest in assets held by others	1,289,668	-	-	1,289,668
	$ 5,024,046	$ 3,734,378	$ -	$ 1,289,668

The following table sets forth a summary of the changes in the fair value of the Organization's Level 3 assets for the years ended June 30, 2026 and 2025:

	2026	2025
Beneficial Interest in Assets Held by Others		
Balance, beginning of year	$ 1,289,668	$ 917,574
Contributions	27,550	400,900
Investment return earned by trustee	200,628	103,613
Distribution to Organization	(23,546)	(121,532)
Administrative fee	(13,511)	(10,887)
	$ 1,480,789	$ 1,289,668

NOTE F: PROPERTY AND EQUIPMENT

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

	2026	2025
Land	$ 101,459	$ 101,459
Building	3,465,721	3,375,859
Office furniture and equipment	646,070	632,582
Automobile	24,315	24,315
	4,237,565	4,134,215
Accumulated depreciation	(1,535,812)	(1,441,384)
	$ 2,701,753	$ 2,692,831

Depreciation expense for the periods ended June 30, 2026 and 2025, were $134,462 and $126,221, respectively.

NOTE G: BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Winston-Salem Foundation holds and manages funds under an unrestricted trust agreement for the benefit of the Organization. The transfer is reflected as a beneficial interest in assets held by others. The Foundation provides the Organization, in December of each year, the amount of income that will be available based upon the spending policy. If the Organization does not use the entire amount, the remaining balance shall be reinvested as principal. The principal of this trust may not be granted, loaned or distributed except pursuant to the provisions of the Master Trust of the Foundation; provided, however, that upon written request by the Organization, any part of the principal may be distributed to the Organization. Investment policies for the fund are determined by the Foundation.

The Winston-Salem Foundation also manages funds under a restricted trust agreement for the Organization's benefit. The Kurosky Cornerstone Endowment is a permanent fund, with income used to support Project Cornerstone, a long-term care recovery program for former substance abusers. If Project Cornerstone ceases or if the income is needed for other programs or operations, the Board of Directors may allocate the income. The principal is maintained in perpetuity and cannot be distributed except under the Master Trust provisions.

The Myrtie Davis Endowment is also a permanent fund, with income supporting general operations of the Organization. The principal is maintained in perpetuity and may only be distributed with approval from The Winston-Salem Foundation Committee.

The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the Organization classifies as net assets with donor restrictions (permanent) (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the donor.

The Organization's spending policy is to appropriate for expenditure each year a portion of endowment investment income as determined by the Winston-Salem Foundation's spending rate. The Organization's spending policy currently allows for annual distributions up to 5% of the fund's average market value over the preceding three years. The objective of the endowment is to maintain the purchasing power of the funds while providing a predictable stream of funding to support current operations. There were no underwater endowments at June 30, 2026 and 2025.

NOTE G: BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS (CONTINUED)

Changes in endowment net assets for the years ended June 30, 2026 and 2025 are as follows:

	2026		
	Not Donor Restricted	Donor Restricted	Donor Restricted
Beginning Balance	$ 317,568	$ 972,100	$ 1,289,668
Contributions	-	27,550	27,550
Investment return, net of fees	60,585	126,532	187,117
Appropriation for expenditure / distributions	(5,914)	(17,632)	(23,546)
Total Endowment Funds	$ 372,239	$ 1,108,550	$ 1,480,789

	2025		
	Not Donor Restricted	Donor Restricted	Donor Restricted
Beginning Balance	$ 298,053	$ 619,521	$ 917,574
Contributions	-	400,900	400,900
Investment return, net of fees	36,683	56,043	92,726
Appropriation for expenditure / distributions	(17,168)	(104,364)	(121,532)
Total Endowment Funds	$ 317,568	$ 972,100	$ 1,289,668

NOTE H: INTEREST FREE DEFERRED LOANS

During the year ended June 30, 2015, the Organization obtained a non-amortizing, deferred, interest-free loan from the City of Winston-Salem for $249,000 for use in the construction of its new facility. At the end of the twenty-year term, the loan will be forgiven as long as the Organization maintains its ministry and non-profit status. The loan is secured by a deed of trust on the Organization’s property.

In November of 2015, $596,722 was received from another government agency in the form of a non-amortizing deferred, interest-free loan. The proceeds of this loan were used to pay off bank lines of credit obtained for the construction of the current operations facility. This loan has a term of thirty years at which time the unpaid principal shall be due in one balloon payment. The loan is secured by a deed of trust on the Organization’s property.

As of June 30, 2026 and 2025, the Organization had an outstanding balance of $845,722 in notes payable.

NOTE I: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes and periods as of June 30:

	2026	2025
Kurosky Cornerstone Endowment – Principal maintained in perpetuity; investment income supports Cornerstone Project	$ 1,006,162	$ 870,751
Myrtie Davis Endowment – Principal maintained in perpetuity; investment income supports general operations	102,388	101,388
Donor-restricted grant for certain capital improvements	-	28,418
Total net assets with donor restrictions	$ 1,108,550	$ 1,000,557

NOTE J: CONTRIBUTED NON-FINANCIAL ASSETS

The Organization receives contributions of nonfinancial assets, primarily consisting of donated food used in its program activities. Contributed nonfinancial assets are recognized as contribution revenue at their estimated fair value on the date of receipt. The Organization does not sell or otherwise monetize donated food and utilizes these contributions in furtherance of its mission, primarily through its Shelter and Soup Kitchen programs.

Contributed nonfinancial assets recognized during the years ended June 30, 2026 and 2025 consisted of the following:

	2026	2025
Donated Food	$ 238,740	$ 271,922
Total contributed nonfinancial assets	$ 238,740	$ 271,922

The Organization determines the estimated fair value of donated food using valuation methods based on the source and nature of the food received.

Food received through USDA programs is assigned a value through the applicable USDA food distribution program. The Organization receives quarterly reports identifying the value of USDA food distributed to the Organization. The quarterly assigned values are accumulated for the fiscal year and used to determine the fair value of USDA donated food recognized as contribution revenue.

Food received from food banks, grocery stores, and similar sources is tracked by weight at the time the food is received. Because specific values are not assigned to these individual donations, the Organization estimates fair value by applying a nationally recognized estimated average wholesale value per pound of donated food to the total documented pounds received during the fiscal year. The estimated value per pound is based on an annual study of donated food products and wholesale pricing information.

The Organization believes these valuation methods provide reasonable estimates of fair value based on the information available for each source of donated food. There were no donor-imposed restrictions associated with contributed nonfinancial assets recognized during the years ended June 30, 2026 and 2025.

NOTE K: PENSION PLAN

Effective March 1, 2010, the Organization adopted a 403(b) plan to provide retirement benefits to its employees. Under the 403(b) plan, qualified employees may contribute a percentage of their salaries up to $17,000. In addition, the Organization may make discretionary contributions. Pension expense totaled $26,465 and $28,720 for the years ended June 30, 2026 and 2025, respectively.

NOTE L: CONTINGENCIES

Certain grantors reserve the right to review expenditures and request refunds of amounts determined to be disallowed under the grant agreement. These financial statements do not reflect a liability for amounts which may be determined to be refundable, as such amounts, if any, are not readily determinable. The Organization has no material legal or lease commitments as of year-end.

NOTE M: RELATED PARTY TRANSACTIONS

During the years ended June 30, 2026 and 2025, the Organization had no related party transactions requiring disclosure under accounting principles generally accepted in the United States of America. No members of management or the Board of Directors received compensation, loans, or other benefits outside of their normal roles, and there were no business transactions with related parties during the reporting periods.

NOTE N: RESTATEMENT OF PRIOR-YEAR FINANCIAL STATEMENTS

During the year ended June 30, 2026, the Organization determined that contributed food received and utilized in its programs had not been recognized in the previously issued financial statements for the year ended June 30, 2025. Contributions of nonfinancial assets are required to be recognized at their estimated fair value at the date of contribution.

Accordingly, the 2025 financial statements have been restated to recognize contributed nonfinancial asset revenue and the related program expenses. The correction increased previously reported contribution revenue and program expenses by $271,922. The correction had no effect on the previously reported change in net assets or total net assets as of or for the year ended June 30, 2025.

The effects of the restatement on the previously reported 2025 financial statements are summarized below:

	As Previously Reported	Adjustment	As Restated
Total support and revenue	$ 2,419,218	$ 271,922	$ 2,691,140
Total expenses	$ 2,078,885	$ 271,922	$ 2,350,807
Change in net assets	$ 830,837	$ -	$ 830,837
Total net assets	$ 8,014,085	$ -	$ 8,014,085

The adjustment to program expenses has also been reflected in the 2025 comparative statement of functional expenses.

NOTE O: SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 10, 2026, the date these financial statements were available to be issued, and determined that no material events occurred requiring adjustment to or disclosure in the financial statements.