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THE RALEIGH RESCUE MISSION, INC.

Financial Statements

August 31, 2020 and 2019

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The Board of Directors  
 The Raleigh Rescue Mission, Inc.  
 Raleigh, North Carolina

**INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying financial statements of The Raleigh Rescue Mission, Inc. (a not-for-profit organization), which comprise the statements of financial position as of August 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial statements***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organizations' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organizations' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Basis for Qualified Opinion***

The Raleigh Rescue Mission's financial statements presented omit the financial activity of The Raleigh Rescue Mission Foundation, Inc. Accounting principles generally accepted in the United States of America require The Raleigh Rescue Mission Foundation to be combined with The Raleigh Rescue Mission since The Raleigh Rescue Mission Foundation promotes and supports The Raleigh Rescue Mission and has common board of directors.

***Qualified Opinion***

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of The Raleigh Rescue Mission, Inc. as of August 31, 2020 and 2019, 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.

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 March 29, 2021

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THE RALEIGH RESCUE MISSION, INC.  
Statements of Financial Position  
August 31, 2020 and 2019

ASSETS

	2020	2019
<b>CURRENT ASSETS:</b>		
Cash and Cash Equivalents	\$ 1,654,560	\$ 675,243
Investments	146,486	92,273
Accounts Receivable	133,108	63,690
Prepaid Expenses	115,295	66,084
Inventory	97,181	49,404
Accrued Interest Receivable	324	579
Grants Receivable		5,250
Total Current Assets	2,146,954	952,523
<b>PROPERTY AND EQUIPMENT:</b>		
Buildings	4,025,725	4,025,725
Equipment, Furniture, and Fixtures	416,380	376,678
Vehicles	171,321	171,321
Land	52,359	52,359
Leasehold Improvements	37,693	37,693
Total	4,703,478	4,663,776
Less Accumulated Depreciation	2,992,589	2,842,661
Net Property and Equipment	1,710,889	1,821,115
<b>OTHER ASSETS:</b>		
Land Held for Investment	1,293,665	1,293,665
Cash Surrender Value of Life Insurance	37,974	36,888
Total Other Assets	1,331,639	1,330,553
Total Assets	\$ 5,189,482	\$ 4,104,191

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES:</b>		
Accounts Payable and Accrued Expenses	\$ 328,864	\$ 198,586
SBA PPP Loan	532,900	
Total Current Liabilities	861,764	198,586
<b>NET ASSETS:</b>		
Without Donor Restrictions	4,299,505	3,872,142
With Donor Restrictions	28,213	33,463
Total Net Assets	4,327,718	3,905,605
Total Liabilities and Net Assets	\$ 5,189,482	\$ 4,104,191

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

THE RALEIGH RESCUE MISSION, INC.  
Statements of Activities  
For the Years Ended August 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>CHANGES IN NET ASSETS:</b>						
<b>SUPPORT AND REVENUE:</b>						
Public Support:						
Cash Contributions	\$ 3,726,891	\$	\$ 3,726,891	\$ 2,755,285	\$ 2,764	\$ 2,758,049
Bequests and Planned Giving	135,764		135,764	10,000		10,000
Noncash Contributions	625,996		625,996	1,216,964		1,216,964
Grant Income	756,740		756,740	722,993	7,000	729,993
Total Public Support	<u>5,245,391</u>		<u>5,245,391</u>	<u>4,705,242</u>	<u>9,764</u>	<u>4,715,006</u>
Program Service Revenue:						
Thrift Store Sales	513,210		513,210	692,652		692,652
Program Fees	32,115		32,115	1,314		1,314
Total Program Service Revenue	<u>545,325</u>		<u>545,325</u>	<u>693,966</u>		<u>693,966</u>
Other Revenue:						
Increase in Cash Surrender Value of Life Insurance	1,086		1,086	1,080		1,080
Investment Income	1,739		1,739	15,106		15,106
Loss on Sale of Property and Equipment	(1,065)		(1,065)			
Other Income	17,327		17,327	30,651		30,651
Net Assets Released From Restrictions:						
Satisfaction of Restrictions	5,250	(5,250)		7,000	(7,000)	
Total Other Revenue	<u>24,337</u>	<u>(5,250)</u>	<u>19,087</u>	<u>53,837</u>	<u>(7,000)</u>	<u>46,837</u>
Total Support and Revenue	<u>5,815,053</u>	<u>(5,250)</u>	<u>5,809,803</u>	<u>5,453,045</u>	<u>2,764</u>	<u>5,455,809</u>
<b>EXPENSES:</b>						
Program Service:						
Men, Women, and Children Ministries	4,543,929		4,543,929	5,324,223		5,324,223
Supporting Services:						
Management and General	362,618		362,618	454,943		454,943
Fundraising	481,143		481,143	345,562		345,562
Total Supporting Services	<u>843,761</u>		<u>843,761</u>	<u>800,505</u>		<u>800,505</u>
Total Expenses	<u>5,387,690</u>		<u>5,387,690</u>	<u>6,124,728</u>		<u>6,124,728</u>
CHANGES IN NET ASSETS	427,363	(5,250)	422,113	(671,683)	2,764	(668,919)
NET ASSETS--Beginning of Year	<u>3,872,142</u>	<u>33,463</u>	<u>3,905,605</u>	<u>4,543,825</u>	<u>30,699</u>	<u>4,574,524</u>
NET ASSETS--End of Year	<u>\$ 4,299,505</u>	<u>\$ 28,213</u>	<u>\$ 4,327,718</u>	<u>\$ 3,872,142</u>	<u>\$ 33,463</u>	<u>\$ 3,905,605</u>

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

THE RALEIGH RESCUE MISSION, INC.  
 Statements of Activities  
 For the Years Ended August 31, 2020 and 2019

	2020		Total
	Without Donor Restrictions	With Donor Restrictions	
<b>CHANGES IN NET ASSETS:</b>			
<b>SUPPORT AND REVENUE:</b>			
Public Support:			
Cash Contributions	\$ 3,726,891	\$	\$ 3,726,891
Bequests and Planned Giving	135,764		135,764
Noncash Contributions	625,996		625,996
Grant Income	<u>756,740</u>		<u>756,740</u>
Total Public Support	<u>5,245,391</u>		<u>5,245,391</u>
Program Service Revenue:			
Thrift Store Sales	513,210		513,210
Program Fees	<u>32,115</u>		<u>32,115</u>
Total Program Service Revenue	<u>545,325</u>		<u>545,325</u>
Other Revenue:			
Increase in Cash Surrender Value of Life Insurance	1,086		1,086
Investment Income	1,739		1,739
Loss on Sale of Property and Equipment	(1,065)		(1,065)
Other Income	17,327		17,327
Net Assets Released From Restrictions:			
Satisfaction of Restrictions	<u>5,250</u>	<u>(5,250)</u>	
Total Other Revenue	<u>24,337</u>	<u>(5,250)</u>	<u>19,087</u>
Total Support and Revenue	<u>5,815,053</u>	<u>(5,250)</u>	<u>5,809,803</u>
<b>EXPENSES:</b>			
Program Service:			
Men, Women, and Children Ministries	<u>4,543,929</u>		<u>4,543,929</u>
Supporting Services:			
Management and General	362,618		362,618
Fundraising	<u>481,143</u>		<u>481,143</u>
Total Supporting Services	<u>843,761</u>		<u>843,761</u>
Total Expenses	<u>5,387,690</u>		<u>5,387,690</u>
CHANGES IN NET ASSETS	427,363	(5,250)	422,113
NET ASSETS--Beginning of Year	<u>3,872,142</u>	<u>33,463</u>	<u>3,905,605</u>
NET ASSETS--End of Year	<u>\$ 4,299,505</u>	<u>\$ 28,213</u>	<u>\$ 4,327,718</u>

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

2019		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 2,755,285	\$ 2,764	\$ 2,758,049
10,000		10,000
1,216,964		1,216,964
<u>722,993</u>	<u>7,000</u>	<u>729,993</u>
<u>4,705,242</u>	<u>9,764</u>	<u>4,715,006</u>
692,652		692,652
<u>1,314</u>		<u>1,314</u>
<u>693,966</u>		<u>693,966</u>
1,080		1,080
15,106		15,106
30,651		30,651
<u>7,000</u>	<u>(7,000)</u>	
<u>53,837</u>	<u>(7,000)</u>	<u>46,837</u>
<u>5,453,045</u>	<u>2,764</u>	<u>5,455,809</u>
<u>5,324,223</u>		<u>5,324,223</u>
454,943		454,943
<u>345,562</u>		<u>345,562</u>
<u>800,505</u>		<u>800,505</u>
<u>6,124,728</u>		<u>6,124,728</u>
(671,683)	2,764	(668,919)
<u>4,543,825</u>	<u>30,699</u>	<u>4,574,524</u>
<u>\$ 3,872,142</u>	<u>\$ 33,463</u>	<u>\$ 3,905,605</u>

THE RALEIGH RESCUE MISSION, INC.  
Statement of Functional Expenses  
For the Year Ended August 31, 2020

	Program Service	Supporting Services			Total Expenses
	Men, Women, and Children Ministries	Management and General	Fundraising	Supporting Services Total	
Salaries	\$ 2,075,438	\$ 70,188	\$ 20,058	\$ 90,246	\$ 2,165,684
Payroll Taxes and Employee Benefits	472,493	13,718	13,646	27,364	499,857
Total Salaries and Related Expenses	2,547,931	83,906	33,704	117,610	2,665,541
In-Kind Program Expense	578,149	70		70	578,219
Media, Communications and Development	6,035		441,365	441,365	447,400
Contract Services	373,116	1,586	83	1,669	374,785
Rent	246,692	160		160	246,852
Professional Services	1,951	202,426	170	202,596	204,547
Office Expense	65,359	64,843	1,470	66,313	131,672
Repairs and Maintenance	107,858	765	44	809	108,667
Resident Services	100,918				100,918
Utilities	98,000	935	52	987	98,987
Insurance	80,497	2,513	838	3,351	83,848
Food Expense	82,441				82,441
Travel and Vehicle Expense	50,501	799	369	1,168	51,669
Telephone	31,428	1,338		1,338	32,766
Supplies--Resident and Medical	20,501				20,501
Printing and Postage	6,418	1,265	1,231	2,496	8,914
Total Expenses Before Depreciation	4,397,795	360,606	479,326	839,932	5,237,727
Depreciation	146,134	2,012	1,817	3,829	149,963
Total Expenses	\$ 4,543,929	\$ 362,618	\$ 481,143	\$ 843,761	\$ 5,387,690

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



THE RALEIGH RESCUE MISSION, INC.  
Statement of Functional Expenses  
For the Year Ended August 31, 2019

	Program Service	Supporting Services			Total Expenses
	Men, Women, and Children Ministries	Management and General	Fundraising	Supporting Services Total	
Salaries	\$ 2,072,201	\$ 265,982	\$ 16,397	\$ 282,379	\$ 2,354,580
Payroll Taxes and Employee Benefits	543,111	48,942	11,916	60,858	603,969
Total Salaries and Related Expenses	2,615,312	314,924	28,313	343,237	2,958,549
In-Kind Program Expense	1,222,838				1,222,838
Media, Communications and Development	56,998		225,879	225,879	282,877
Contract Services	425,386	19,336	924	20,260	445,646
Rent	241,896	7,475		7,475	249,371
Professional Services	3,663	33,816	1,294	35,110	38,773
Office Expense	57,022	51,696	951	52,647	109,669
Repairs and Maintenance	106,992	4,790	348	5,138	112,130
Resident Services	64,743				64,743
Utilities	101,819	3,332	225	3,557	105,376
Insurance	66,803	4,549	288	4,837	71,640
Food Expense	67,376				67,376
Travel and Vehicle Expense	32,607	12,230	884	13,114	45,721
Telephone	22,434	658		658	23,092
Supplies--Resident and Medical	16,676				16,676
Printing and Postage	688	522	85,158	85,680	86,368
Total Expenses Before Depreciation	5,103,253	453,328	344,264	797,592	5,900,845
Depreciation	220,970	1,615	1,298	2,913	223,883
Total Expenses	\$ 5,324,223	\$ 454,943	\$ 345,562	\$ 800,505	\$ 6,124,728

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

THE RALEIGH RESCUE MISSION, INC.  
 Statements of Cash Flows  
 For the Years Ended August 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in Net Assets	\$ 422,113	\$ (668,919)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	149,963	223,883
Increase in Cash Surrender Value of Life Insurance	(1,086)	(1,080)
Loss on Sale of Property and Equipment	1,065	
Unrealized (Gain) Loss on Investments	641	(6,750)
Realized (Gain) Loss on Sale of Investments	(410)	943
Changes In:		
Accounts Receivable	(69,418)	392,073
Prepaid Expenses	(49,211)	(8,647)
Inventory	(47,777)	5,874
Accrued Interest Receivable	255	1,633
Grants Receivable	5,250	
Accounts Payable and Accrued Expenses	130,278	(62,420)
Net Cash Provided (Used) by Operating Activities	541,663	(123,410)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property and Equipment	(41,802)	(9,132)
Purchase of Investments	(143,038)	(231,867)
Proceeds from Sale of Property of Equipment	1,000	
Proceeds from Sales of Investments	88,594	516,181
Net Cash Provided (Used) by Investing Activities	(95,246)	275,182
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from SBA PPP Loan	532,900	
Net Cash Provided by Operating Activities	532,900	
NET INCREASE IN CASH	979,317	151,772
CASH AND CASH EQUIVALENTS--Beginning of Year	675,243	523,471
CASH AND CASH EQUIVALENTS--End of Year	\$ 1,654,560	\$ 675,243

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

THE RALEIGH RESCUE MISSION, INC.  
Notes to Financial statements  
August 31, 2020 and 2019

1. Summary of Significant Accounting Policies

A. Organization:

The Raleigh Rescue Mission, Inc. ("The Mission") is a Christian-based not-for-profit agency in Raleigh, North Carolina serving homeless and "at risk" men, women, and children. The Mission was formed in September 1960 and works daily to break the cycle of homelessness in people's lives by ministering to their physical, emotional, and spiritual needs. The Mission receives its funding primarily through private donations.

B. Basis of Presentation:

Financial reporting standards require not-for-profit organizations to classify resources into two net asset categories according to externally-imposed restrictions. Accordingly, net assets of the Mission and changes therein may be classified and reported as follows:

Net Assets Without Donor Restrictions--Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions--Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Mission and/or the passage of time or are to be maintained permanently by the Mission.

C. Revenue Without and With Donor Restrictions:

Contributions of cash and other assets are recorded as increases in net assets without donor restrictions or net assets with donor restrictions, depending on the existence or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

D. Program Service:

The Mission works to provide solutions to the complex problems faced by men, women, and children who are homeless or at risk of becoming homeless. As an "open door" in the community, the Mission provides the basics of food, clothing, and Emergency Overnight Shelter to homeless women and children and Recovery and Rehabilitation Services for both men and women desiring a longer-term program of care. The Mission offers on-site programs such as a Medical Clinic, Adult Education Center with computer lab, Child Development Center, and Housing Locator Assistance designed to help people overcome issues related to homelessness, addiction, and poverty. The Mission operates a thrift store, which creates jobs for the community and offers opportunities for volunteers to become involved with the Mission. Net revenue generated by the thrift store is used to support the programs of the Mission.

E. Accounting Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

THE RALEIGH RESCUE MISSION, INC.  
Notes to Financial statements  
August 31, 2020 and 2019

1. Summary of Significant Accounting Policies (Continued)

F. Donated Materials and Services:

Clothing, household, and other items donated to the Mission for sale or use in rehabilitation programs and donated property and equipment put into service are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose.

No amounts have been reflected in the financial statements for volunteer hours since these services do not meet the requirements for recognition in the financial statements.

G. Tax-Exempt Status:

The Mission is exempt from federal and state income taxes under Section 501(a) of the Internal Revenue Code and is classified under Section 501(c)(3) as a public charity. The Mission has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions provided in Section 170(b)(1)(A)(vi).

It is the Mission's policy to evaluate all tax positions to identify those that may be considered uncertain. All identified material tax positions are assessed and measured by a "more-likely-than-not" threshold to determine if the benefit of any uncertain tax position should be recognized in the financial statements. Any changes in the amount of a tax position are recognized in the period the change occurs.

The Mission files its Form 990 series tax returns in the U.S. Federal jurisdiction. The Mission's returns are subject to examination by the Internal Revenue Service for a period of three years after the respective filing deadlines.

H. Functional Allocation of Expenses:

The costs of providing various programs and activities have been summarized on a functional basis in the Statements of Functional Expenses. The costs are allocated on a departmental basis based on estimates made by the Organizations' management.

I. Cash and Cash Equivalents:

The Mission considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

J. Investments:

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position. Gains and losses are determined using the specific identification method.

K. Inventory:

The Mission records inventory on hand at the thrift store based on the Internal Revenue Service's stated thrift shop values.

L. Property and Equipment:

Property and equipment are recorded at cost or estimated fair market value at date of donation. A capitalization threshold of \$1,000 is utilized. Depreciation is computed on a straight-line basis over estimated useful lives as follows:

Buildings	7 - 40 Years
Equipment, Furniture and Fixtures	3 - 10 Years
Vehicles	3 - 5 Years

THE RALEIGH RESCUE MISSION, INC.  
Notes to Financial statements  
August 31, 2020 and 2019

1. Summary of Significant Accounting Policies (Concluded)

M. Adoption of New Accounting Pronouncement:

For the year ended August 31, 2019, the Mission adopted the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. A key change required by ASU 2016-14 are the net asset classes used in these financial statements wherein amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions. This guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification. The changes required by the update have been applied retrospectively to all periods presented.

2. Cash Value of Life Insurance

As of August 31, 2020 and 2019, the Mission was the beneficiary and owner of one insurance policy.

3. Investments

The Mission held the following investments at August 31, 2020:

	Historical Cost	Market Value
Certificates of Deposit	\$ <u>145,317</u>	\$ <u>146,486</u>

The Mission held the following investments at August 31, 2019:

	Historical Cost	Market Value
Certificates of Deposit	\$ <u>91,570</u>	\$ <u>92,273</u>

Investment income consists of the following:

	2020	2019
Interest	\$ 1,969	\$ 9,299
Realized Gain (Loss) on Sale of Investments	411	(943)
Unrealized Gain (Loss) on Investments	<u>(641)</u>	<u>6,750</u>
Total	\$ <u>1,739</u>	\$ <u>15,106</u>

THE RALEIGH RESCUE MISSION, INC.  
Notes to Financial statements  
August 31, 2020 and 2019

4. Fair Value Measurements

The Mission follows Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, as amended, with respect to fair value measurements of their financial assets and financial liabilities. This standard defines fair value as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. The standard also establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

The hierarchy is broken down into three levels. Level 1 inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs (other than quoted prices) that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at August 31, 2020 and 2019. There were no transfers or reclassifications between Level 2 or Level 3 during the years ended August 31, 2020 or 2019.

Certificates of deposits are held in brokerage accounts and valued at readily available, quoted prices in principal active markets that are considered to be representative of fair value. The Mission classifies these investments within Level 1 of the valuation hierarchy.

The preceding method may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organizations believe their valuation method is 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.

In accordance with ASC 820, the table below includes the major categorization for debt and equity securities on the basis of the nature and risk of the investments at August 31, 2020 and 2019:

	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>August 31, 2020</u>				
Investments:				
Certificates of Deposit	\$ <u>146,486</u>	\$ <u>146,486</u>	\$ _____	\$ _____
<u>August 31, 2019</u>				
Investments:				
Certificates of Deposit	\$ <u>92,273</u>	\$ <u>92,273</u>	\$ _____	\$ _____

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5. Concentration of Credit Risk

The Mission maintains cash balances at several financial institutions located in Raleigh, North Carolina. The balances in the financial institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000 at August 31, 2020 and 2019. The Mission's uninsured cash balances totaled \$1,296,693 and \$307,599 at August 31, 2020 and 2019, respectively.

6. Lease Commitments

The Mission leases office equipment and the thrift shop location under non-cancelable operating lease agreements that expire at various times through 2023. The Mission also rented various pieces of equipment and parking spaces for staff on a month-to-month basis during 2020 and 2019. Lease expense totaled \$246,852 and \$249,371 for the years ended August 31, 2020 and 2019, respectively.

Future minimum lease payments under non-cancelable leases at August 31, 2019 are as follows:

Year Ending <u>August 31</u>	
2021	\$ 162,697
2022	1,663
2023	<u>139</u>
	<u>\$ 164,499</u>

7. Net Assets With Donor Restrictions

Net assets with donor restrictions at August 31, 2020 and 2019 were available for the following purposes or periods:

	<u>2020</u>	<u>2019</u>
Men, Women, and Children Ministries	\$	\$ 5,250
Capital Campaign	<u>28,213</u>	<u>25,449</u>
Total	<u>\$ 28,213</u>	<u>\$ 33,463</u>

8. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of passage of time or other events specified by donors. The net assets released from restrictions for the years ended August 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Men, Women, and Children Ministries	<u>\$ 5,250</u>	<u>\$ 7,000</u>

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9. Liquidity and Availability

The Mission manages its liquid resources by focusing on fundraising efforts to ensure the Mission has adequate contributions to cover the programs that are being conducted. The programs are supported by contributions with and without donor restrictions. Donors include individuals, corporations, and foundations. Donor's restrictions require resources to be used in a particular manner or in a future period, and therefore are not available for general expenditure. As part of the Mission's liquidity management, there are policies to structure their financial assets to be available as their general expenditures, liabilities, and other obligations come due.

The Mission's financial assets as of August 31, 2020 and 2019 expected to be available within one year to meet cash needs for general expenditures comprise the following:

	2020	2019
Cash and Cash Equivalents	\$ 1,654,560	\$ 675,243
Investments	146,486	92,273
Accounts Receivable	133,108	63,690
Inventory	97,181	49,404
Accrued Interest Receivable	324	579
Grants Receivable		5,250
Financial assets, at year end	2,031,659	886,439
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	28,213	33,463
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,003,446	\$ 852,976

10. Supplemental Disclosure of Noncash Investing Activities

The Mission received noncash donations for program support with estimated fair market values of \$625,996 and \$1,216,964 for the years ended August 31, 2020 and 2019, respectively.

11. Retirement Plan

The Mission has a defined contribution 401(k) plan available to all employees who have completed one year of service and are at least twenty-one years old. Employees may contribute to the plan, subject to IRS limitations. The Mission may, at its discretion, contribute a percentage of the employee's salary to the 401(k) plan on an annual basis. As of August 31, 2020 and 2019, the Mission did not accrue a contribution to the plan.



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12. Board Designated Funds

In October 2001, the Board of Directors set a policy to try and maintain cash and cash equivalents equal to at least three months of operating expenses. Three months of operating expenses were estimated to be \$1,165,000 and \$1,170,000 at August 31, 2020 and 2019, respectively.

13. Commitments and Contingencies

***Housing Program Agreement***

The Mission received \$300,000 from the Federal Home Loan Bank of Atlanta in 2006 as part of an affordable housing program agreement. The Mission must meet certain requirements of the program for fifteen years. If these requirements are not met, the Mission could be required to repay a portion or all of these funds. At the present time, the Mission has fulfilled the terms of the agreement.

14. Related Party Transactions

The Raleigh Rescue Mission Foundation, Inc. (the Foundation) provides financial support for the Mission and has common board of directors. The Foundation contributes its net earnings to the Mission each year. The net earnings were \$60,215 and \$59,622 for the years ended August 31, 2020 and 2019, respectively. At August 31, 2020 and 2019 the Mission was due \$123,537 and \$61,447 from the Foundation.

Beginning in the year ended August 31, 2019, the Organization contracted with the firm of a board member for accounting services. The board member works in a separate department from the accounting department. The total amount paid to the firm for contract accounting services was \$184,526 and \$22,540 for the years ended August 31, 2020 and 2019, respectively.

15. COVID-19

As a result of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively impact contribution, grant, program, and thrift store income going forward. The Mission received a \$532,900 Paycheck Protection Program (PPP) loan in April 2020. The Mission expects to apply for forgiveness on this PPP loan once final regulations are issued.

16. Subsequent Events

Subsequent events have been evaluated through March 29, 2021, which is the date the financial statements were available to be issued. The Mission has decided to close the Thrift Store when the lease expires in May 2021. The Mission's other programs and services will continue to operate as usual.

17. Reclassifications

Certain reclassifications have been made to the 2019 financial statements to conform with the 2020 presentation. Such reclassifications had no effect on the changes in net assets or cash flows as previously reported.