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THE RALEIGH RESCUE MISSION, INC.

Financial Statements

August 31, 2021 and 2020

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

INDEPENDENT AUDITOR'S REPORT

Adverse Opinion

We have audited the accompanying financial statements of The Raleigh Rescue Mission, Inc. (a nonprofit organization), which comprise the statements of financial position as of August 31, 2021 and 2020, 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, except for the effects of the matter discussed in the Basis for Adverse Opinion section of our report, 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, 2021 and 2020, 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 Adverse 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.

We conducted our audits 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 The Raleigh Rescue Mission, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.

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 The Raleigh Rescue Mission, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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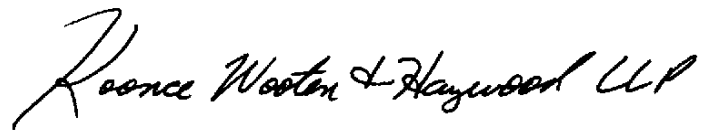
Auditor's Responsibilities for the Audit of the Financial Statements

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, including omissions, 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 The Raleigh Rescue Mission, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Raleigh Rescue Mission, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

A handwritten signature in black ink that reads "Rance Wooten & Haywood LLP". The signature is written in a cursive, flowing style.

Raleigh, North Carolina
February 23, 2022

THE RALEIGH RESCUE MISSION, INC.
 Statements of Financial Position
 August 31, 2021 and 2020

ASSETS

	<u>2021</u>	<u>2020</u>
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 2,234,193	\$ 1,654,560
Investments	210,133	146,486
Accounts Receivable	193,589	133,108
Prepaid Expenses	61,742	115,295
Inventory		97,181
Accrued Interest Receivable	301	324
Total Current Assets	<u>2,699,958</u>	<u>2,146,954</u>
PROPERTY AND EQUIPMENT:		
Buildings	4,081,127	4,025,725
Equipment, Furniture, and Fixtures	428,236	416,380
Vehicles	171,321	171,321
Land	52,359	52,359
Construction in Progress	32,604	
Leasehold Improvements		37,693
Total	<u>4,765,647</u>	<u>4,703,478</u>
Less Accumulated Depreciation	<u>3,001,641</u>	<u>2,992,589</u>
Net Property and Equipment	<u>1,764,006</u>	<u>1,710,889</u>
OTHER ASSETS:		
Land Held for Investment	1,293,665	1,293,665
Cash Surrender Value of Life Insurance	37,219	37,974
Total Other Assets	<u>1,330,884</u>	<u>1,331,639</u>
 Total Assets	 <u>\$ 5,794,848</u>	 <u>\$ 5,189,482</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts Payable and Accrued Expenses	\$ 366,186	\$ 328,864
SBA PPP Loan		532,900
Total Current Liabilities	<u>366,186</u>	<u>861,764</u>
NET ASSETS:		
Without Donor Restrictions	5,400,449	4,299,505
With Donor Restrictions	28,213	28,213
Total Net Assets	<u>5,428,662</u>	<u>4,327,718</u>
 Total Liabilities and Net Assets	 <u>\$ 5,794,848</u>	 <u>\$ 5,189,482</u>

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

STATEMENTS OF ACTIVITIES

THE RALEIGH RESCUE MISSION, INC.
 Statements of Activities
 For the Years Ended August 31, 2021 and 2020

	2021		Total
	Without Donor Restrictions	With Donor Restrictions	
CHANGES IN NET ASSETS:			
SUPPORT AND REVENUE:			
Public Support:			
Cash Contributions	\$ 4,031,120	\$	\$ 4,031,120
Bequests and Planned Giving			
Noncash Contributions	473,522		473,522
Grant Income	851,745		851,745
Total Public Support	<u>5,356,387</u>		<u>5,356,387</u>
Program Service Revenue:			
Thrift Store Sales	359,303		359,303
Program Fees	69,808		69,808
Total Program Service Revenue	<u>429,111</u>		<u>429,111</u>
Other Revenue:			
Increase (Decrease) in Cash Surrender Value of Life Insurance	(754)		(754)
Investment Income	2,811		2,811
Loss on Sale of Property and Equipment	(6,695)		(6,695)
Other Income	50,714		50,714
PPP Loan Forgiveness Income	532,900		532,900
Net Assets Released From Restrictions:			
Satisfaction of Restrictions			
Total Other Revenue	<u>578,976</u>		<u>578,976</u>
Total Support and Revenue	<u>6,364,474</u>		<u>6,364,474</u>
EXPENSES:			
Program Service:			
Men, Women, and Children Ministries	<u>4,428,922</u>		<u>4,428,922</u>
Supporting Services:			
Management and General	388,741		388,741
Fundraising	445,867		445,867
Total Supporting Services	<u>834,608</u>		<u>834,608</u>
Total Expenses	<u>5,263,530</u>		<u>5,263,530</u>
CHANGES IN NET ASSETS	1,100,944		1,100,944
NET ASSETS--Beginning of Year	<u>4,299,505</u>	<u>28,213</u>	<u>4,327,718</u>
NET ASSETS--End of Year	<u>\$ 5,400,449</u>	<u>\$ 28,213</u>	<u>\$ 5,428,662</u>

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

2020		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 3,726,891	\$	\$ 3,726,891
135,764		135,764
625,996		625,996
<u>756,740</u>		<u>756,740</u>
<u>5,245,391</u>		<u>5,245,391</u>
513,210		513,210
<u>32,115</u>		<u>32,115</u>
<u>545,325</u>		<u>545,325</u>
1,086		1,086
1,739		1,739
(1,065)		(1,065)
17,327		17,327
<u>5,250</u>	<u>(5,250)</u>	
<u>24,337</u>	<u>(5,250)</u>	<u>19,087</u>
<u>5,815,053</u>	<u>(5,250)</u>	<u>5,809,803</u>
<u>4,543,929</u>		<u>4,543,929</u>
362,618		362,618
<u>481,143</u>		<u>481,143</u>
<u>843,761</u>		<u>843,761</u>
<u>5,387,690</u>		<u>5,387,690</u>
427,363	(5,250)	422,113
<u>3,872,142</u>	<u>33,463</u>	<u>3,905,605</u>
<u>\$ 4,299,505</u>	<u>\$ 28,213</u>	<u>\$ 4,327,718</u>

THE RALEIGH RESCUE MISSION, INC.
Statement of Functional Expenses
For the Year Ended August 31, 2021

	Program Service	Supporting Services			Total Expenses
	Men, Women, and Children Ministries	Management and General	Fundraising	Supporting Services Total	
Salaries	\$ 1,883,867	\$ 59,975	\$ 20,005	\$ 79,980	\$ 1,963,847
Payroll Taxes and Employee Benefits	413,271	13,711	7,305	21,016	434,287
Total Salaries and Related Expenses	2,297,138	73,686	27,310	100,996	2,398,134
In-Kind Program Expense	570,703				570,703
Contract Services	362,736	22,111	56,535	78,646	441,382
Media, Communications and Development			355,231	355,231	355,231
Professional Services	10,419	203,316		203,316	213,735
Repairs and Maintenance	195,299	2,519	179	2,698	197,997
Rent	179,824				179,824
Resident Services	168,237				168,237
Office Expense	84,525	78,905	489	79,394	163,919
Travel and Vehicle Expense	112,041	546	100	646	112,687
Food Expense	93,981		40	40	94,021
Utilities	91,708	1,388	463	1,851	93,559
Insurance	78,259	2,436	812	3,248	81,507
Supplies--Resident and Medical	31,499				31,499
Telephone	28,237	1,159	353	1,512	29,749
Printing and Postage	6,339	1,160	1,494	2,654	8,993
Total Expenses Before Depreciation	4,310,945	387,226	443,006	830,232	5,141,177
Depreciation	117,977	1,515	2,861	4,376	122,353
Total Expenses	<u>\$ 4,428,922</u>	<u>\$ 388,741</u>	<u>\$ 445,867</u>	<u>\$ 834,608</u>	<u>\$ 5,263,530</u>

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, 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
Contract Services	373,116	1,586	83	1,669	374,785
Media, Communications and Development	6,035		441,365	441,365	447,400
Professional Services	1,951	202,426	170	202,596	204,547
Repairs and Maintenance	107,858	765	44	809	108,667
Rent	246,692	160		160	246,852
Resident Services	100,918				100,918
Office Expense	65,359	64,843	1,470	66,313	131,672
Travel and Vehicle Expense	50,501	799	369	1,168	51,669
Food Expense	82,441				82,441
Utilities	98,000	935	52	987	98,987
Insurance	80,497	2,513	838	3,351	83,848
Supplies--Resident and Medical	20,501				20,501
Telephone	31,428	1,338		1,338	32,766
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.
 Statements of Cash Flows
 For the Years Ended August 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in Net Assets	\$ 1,100,944	\$ 422,113
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	122,353	149,963
(Increase) Decrease in Cash Surrender Value of Life Insurance	754	(1,086)
Loss on Sale of Property and Equipment	6,695	1,065
Unrealized Loss on Investments	36,232	641
Realized Gain on Sale of Investments	(36,556)	(410)
Changes In:		
Accounts Receivable	(60,481)	(69,418)
Prepaid Expenses	53,553	(49,211)
Inventory	97,181	(47,777)
Accrued Interest Receivable	23	255
Grants Receivable		5,250
Accounts Payable and Accrued Expenses	37,322	130,278
Net Cash Provided by Operating Activities	1,358,020	541,663
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property and Equipment	(182,166)	(41,802)
Proceeds from Sale of Property of Equipment		1,000
Purchase of Investments	(183,982)	(143,038)
Proceeds from Sales of Investments	120,661	88,594
Net Cash Used by Investing Activities	(245,487)	(95,246)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Forgiveness of SBA PPP Loan	(532,900)	
Proceeds from SBA PPP Loan		532,900
Net Cash Provided (Used) by Operating Activities	(532,900)	532,900
NET INCREASE IN CASH	579,633	979,317
CASH AND CASH EQUIVALENTS--Beginning of Year	1,654,560	675,243
CASH AND CASH EQUIVALENTS--End of Year	\$ 2,234,193	\$ 1,654,560

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

THE RALEIGH RESCUE MISSION, INC.
Notes to Financial statements
August 31, 2021 and 2020

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 operated a thrift store until the spring of 2021. Net revenue generated by the thrift store was 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, 2021 and 2020

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.

THE RALEIGH RESCUE MISSION, INC.
Notes to Financial statements
August 31, 2021 and 2020

1. Summary of Significant Accounting Policies (Continued)

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

2. Revenue Recognition

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers, Accounting Standards Code Topic 606* (Topic 606). Topic 606 and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in GAAP. Topic 606 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle in the pronouncement is the recognition of revenue for contracts with customers in an amount that reflects the consideration that an entity expects to be entitled to in exchange for the provisions of goods or services.

The Mission derives revenues from thrift store sales and program rental fees. All of these revenues are recorded in the period in which the services are rendered in accordance with the terms of the contracts and the rental agreements.

The following is a summary of the principal forms of the Mission's services recognized in accordance with Topic 606 and how revenue is recognized for each.

Thrift Store Sales

The Mission operated a thrift store until the spring of 2021. Revenue is recognized as sales are made.

Program Rental Fees

The Mission collects rent from the New Life Plan participants. Revenue is recognized as the space is being rented.

Disaggregation of Revenue

In the following table, revenue recognized through Topic 606 is disaggregated by major services line and timing of revenue recognition.

	2021	2020
Major Services:		
Thrift Store Sales	\$ 359,303	\$ 513,210
Program Rental Fees	69,808	32,115
	\$ 429,111	\$ 545,325
Timing of Revenue Recognition:		
Services transferred over time	\$	\$
Services transferred at a point in time	429,111	545,325
	\$ 429,111	\$ 545,325

THE RALEIGH RESCUE MISSION, INC.
Notes to Financial statements
August 31, 2021 and 2020

2. Revenue Recognition (Continued)

The Mission assesses certain economic factors and the potential for significant changes in those economic factors and its impact on the nature, amount, timing, and uncertainty of revenue and cash flows. Common factors ordinarily impacting the Mission would be type of customers and geographical location of customers. These factors have been assessed and management feels they have limited impact on the performance of the Mission. Other factors such as the impact of the COVID-19 pandemic have been assessed and management feels is having a significant impact on the Mission's revenues.

Contract Balances

Contract assets are disclosed in the statements of financial position as accounts receivable and represent program income owed. As the contract payments are fixed per the contract agreement, management does not have any unbilled contract assets.

Significant Judgments When Applying the Guidance

The Mission assesses judgments and changes in judgments that significantly affect the determination and timing of revenue.

3. Cash Value of Life Insurance

As of August 31, 2021 and 2020, the Mission was the beneficiary and owner of one insurance policy.

4. Investments

The Mission held the following investments at August 31, 2021:

	Historical Cost	Market Value
US Treasury Note	\$ 15,748	\$ 15,673
Certificates of Deposit	194,650	194,460
Total	<u>\$ 210,398</u>	<u>\$ 210,133</u>

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

	Historical Cost	Market Value
Certificates of Deposit	\$ 145,317	\$ 146,486

Investment income consists of the following:

	2021	2020
Interest	\$ 2,486	\$ 1,969
Realized Gain (Loss) on Sale of Investments	36,556	411
Unrealized Gain (Loss) on Investments	<u>(36,231)</u>	<u>(641)</u>
Total	<u>\$ 2,811</u>	<u>\$ 1,739</u>

THE RALEIGH RESCUE MISSION, INC.
Notes to Financial statements
August 31, 2021 and 2020

5. 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, 2021 and 2020. There were no transfers or reclassifications between Level 2 or Level 3 during the years ended August 31, 2021 or 2020.

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, 2021 and 2020:

	<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, 2021</u>				
Investments:				
Certificates of Deposit	\$ <u>210,133</u>	\$ <u>210,133</u>	\$ _____	\$ _____
<u>August 31, 2020</u>				
Investments:				
Certificates of Deposit	\$ <u>146,486</u>	\$ <u>146,486</u>	\$ _____	\$ _____

THE RALEIGH RESCUE MISSION, INC.
Notes to Financial statements
August 31, 2021 and 2020

6. 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, 2021 and 2020. The Mission's uninsured cash balances totaled \$1,916,871 and \$1,296,693 at August 31, 2021 and 2020, respectively.

7. Lease Commitments

The Mission leases office equipment under non-cancelable operating lease agreements that expire at various times through 2023. The Mission rented a thrift store location until the spring of 2021. The Mission also rented various pieces of equipment and parking spaces for staff on a month-to-month basis during 2021 and 2020. Lease expense totaled \$179,824 and \$246,852 for the years ended August 31, 2021 and 2020, respectively.

Future minimum lease payments under non-cancelable leases at August 31, 2021 are as follows:

Year Ending <u>August 31</u>	
2022	\$ 1,663
2023	<u>139</u>
	<u>\$ 1,802</u>

8. Net Assets With Donor Restrictions

Net assets with donor restrictions at August 31, 2021 and 2020 were available for the following purposes or periods:

	<u>2021</u>	<u>2020</u>
Capital Campaign	<u>\$ 28,213</u>	<u>\$ 28,213</u>

9. 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, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Men, Women, and Children Ministries	<u>\$</u>	<u>\$ 5,250</u>

10. 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.

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10. Liquidity and Availability (Continued)

The Mission's financial assets as of August 31, 2021 and 2020 expected to be available within one year to meet cash needs for general expenditures comprise the following:

	2021	2020
Cash and Cash Equivalents	\$ 2,234,193	\$ 1,654,560
Investments	210,133	146,486
Accounts Receivable	193,589	133,108
Inventory		97,181
Accrued Interest Receivable	301	324
Financial assets, at year end	2,638,216	2,031,659
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	28,213
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,610,003	\$ 2,003,446

11. Supplemental Disclosure of Noncash Investing Activities

The Mission received noncash donations for program support with estimated fair market values of \$473,522 and \$625,996 for the years ended August 31, 2021 and 2020, respectively.

12. 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, 2021 and 2020, the Mission did not accrue a contribution to the plan.

13. 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 \$1,145,000 and \$1,165,000 at August 31, 2021 and 2020, respectively.

14. 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.

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15. Related Party Transactions

The Raleigh Rescue Mission Foundation, Inc. (the Foundation) provides financial support for the Mission. The Foundation's board of directors are approved by the Mission. The Foundation contributes its net earnings to the Mission each year. The net earnings were \$50,167 and \$60,215 for the years ended August 31, 2021 and 2020, respectively. At August 31, 2021 and 2020 the Mission was due \$177,204 and \$123,537 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 \$189,016 and \$184,526 for the years ended August 31, 2021 and 2020, respectively.

16. 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 received forgiveness for the PPP loan, income in the amount of \$532,900 has been recorded for the year ended August 31, 2021.

17. Subsequent Events

Subsequent events have been evaluated through February 23 2022, which is the date the financial statements were available to be issued.

18. Reclassifications

Certain reclassifications have been made to the 2020 financial statements to conform with the 2021 presentation. Such reclassifications had no effect on the changes in net assets or cash flows as previously reported.