



Financial Statements
for

**THE RALEIGH RESCUE MISSION,
INC.**

Years Ended August 31, 2023 and 2022
with Independent Auditor's Report

CONTENTS

| | <u>Pages</u> |
|--|--------------|
| Independent Auditor's Report..... | 1 - 2 |
| Financial Statements: | |
| Statements of Financial Position..... | 3 |
| Statements of Activities..... | 4 - 5 |
| Statements of Functional Expenses..... | 6 - 7 |
| Statements of Cash Flows..... | 8 |
| Notes to the Financial Statements..... | 9 - 16 |

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

Independent Auditor's Report

Qualified Opinion

We have audited the accompanying financial statements of The Raleigh Rescue Mission, Inc. (the Mission), which comprise the statements of financial position as of August 31, 2023 and 2022, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, except for the omission of the information described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Mission as of August 31, 2023 and 2022, or the changes in its net assets or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

The Raleigh Rescue Mission, Inc.'s financial statements presented do not disclose 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 a common board of directors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Mission, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the 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; 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 Mission's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 Mission'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 Mission'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.

Dean Dotson Allen Ford, PLLC

Raleigh, North Carolina
November 18, 2024

THE RALEIGH RESCUE MISSION, INC.

Statements of Financial Position

August 31, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|--|----------------------------|----------------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,369,414 | \$ 1,626,835 |
| Investments | 272,978 | 280,709 |
| Accounts receivable | 558,126 | 304,561 |
| Prepaid expenses | 118,791 | 112,961 |
| Accrued interest receivable | <u>876</u> | <u>597</u> |
| Total current assets | 2,320,185 | 2,325,663 |
| Property and equipment: | | |
| Buildings | 4,150,028 | 4,102,036 |
| Equipment, Furniture, and Fixtures | 469,781 | 461,822 |
| Vehicles | 110,755 | 110,755 |
| Land | <u>52,359</u> | <u>52,359</u> |
| Total | 4,782,923 | 4,726,972 |
| Less accumulated depreciation | <u>(3,176,091)</u> | <u>(3,050,767)</u> |
| Net property and equipment | 1,606,832 | 1,676,205 |
| Other assets: | | |
| Land held for investment | 1,293,665 | 1,293,665 |
| Cash surrender value of life insurance | <u>37,892</u> | <u>37,893</u> |
| Total other assets | <u>1,331,557</u> | <u>1,331,558</u> |
| Total assets | <u>\$ 5,258,574</u> | <u>\$ 5,333,426</u> |
| Liabilities and Net Assets | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | <u>\$ 337,820</u> | <u>\$ 376,486</u> |
| Total current liabilities | 337,820 | 376,486 |
| Net assets: | | |
| Without donor restrictions | 4,892,541 | 4,928,727 |
| With donor restrictions | <u>28,213</u> | <u>28,213</u> |
| Total net assets | <u>4,920,754</u> | <u>4,956,940</u> |
| Total liabilities and net assets | <u>\$ 5,258,574</u> | <u>\$ 5,333,426</u> |

See accompanying notes.

THE RALEIGH RESCUE MISSION, INC.

Statement of Activities

Year ended August 31, 2023

| | Without Donor Restrictions | With Donor Restrictions | Total |
|-------------------------------------|-------------------------------|----------------------------|--------------|
| Revenues and support: | | | |
| Cash contributions | \$ 3,666,650 | \$ - | \$ 3,666,650 |
| Noncash contributions | 66,336 | - | 66,336 |
| Special event | 121,996 | - | 121,996 |
| Grant income | 733,000 | - | 733,000 |
| Program fees | 50,088 | - | 50,088 |
| Investment income | 22,679 | - | 22,679 |
| Other income | 424 | - | 424 |
| Total revenues and support | 4,661,173 | - | 4,661,173 |
| Expenses: | | | |
| Program service: | | | |
| Men, women, and children ministries | 3,734,778 | - | 3,734,778 |
| Supporting services: | | | |
| Management and general | 389,801 | - | 389,801 |
| Fundraising | 572,780 | - | 572,780 |
| Total supporting services | 962,581 | - | 962,581 |
| Total expenses | 4,697,359 | - | 4,697,359 |
| Changes in net assets | (36,186) | - | (36,186) |
| Net assets, beginning of year | 4,928,727 | 28,213 | 4,956,940 |
| Net assets, end of year | \$ 4,892,541 | \$ 28,213 | \$ 4,920,754 |

See accompanying notes.

THE RALEIGH RESCUE MISSION, INC.

Statement of Activities, continued

Year ended August 31, 2022

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|--------------|
| Revenues and support: | | | |
| Cash contributions | \$ 3,869,191 | \$ - | \$ 3,869,191 |
| Noncash contributions | 121,290 | - | 121,290 |
| Special event | 250,685 | - | 250,685 |
| Grant income | 723,750 | - | 723,750 |
| Program fees | 91,363 | - | 91,363 |
| Increase in cash surrender value of life insurance | 1,004 | - | 1,004 |
| Investment income | 919 | - | 919 |
| Gain on sale of property and equipment | 7,536 | - | 7,536 |
| Other income | 3,386 | - | 3,386 |
| Total revenues and support | 5,069,124 | - | 5,069,124 |
| Expenses: | | | |
| Program service: | | | |
| Men, women, and children ministries | 4,625,511 | - | 4,625,511 |
| Supporting services: | | | |
| Management and general | 377,519 | - | 377,519 |
| Fundraising | 537,816 | - | 537,816 |
| Total supporting services | 915,335 | - | 915,335 |
| Total expenses | 5,540,846 | - | 5,540,846 |
| Changes in net assets | (471,722) | - | (471,722) |
| Net assets, beginning of year | 5,400,449 | 28,213 | 5,428,662 |
| Net assets, end of year | \$ 4,928,727 | \$ 28,213 | \$ 4,956,940 |

See accompanying notes.

THE RALEIGH RESCUE MISSION, INC.

Statement of Functional Expenses

Year ended August 31, 2023

| | <u>Men, Women, and Children Ministries</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Supporting Services Total</u> | <u>Total</u> |
|---|--|-----------------------------------|--------------------|--------------------------------------|---------------------|
| Salaries | \$ 1,806,255 | \$ 29,413 | \$ 78,334 | \$ 107,747 | \$ 1,914,002 |
| Payroll taxes and employee benefits | <u>471,416</u> | <u>9,915</u> | <u>51,735</u> | <u>61,650</u> | <u>533,066</u> |
| Total salaries and related expenses | 2,277,671 | 39,328 | 130,069 | 169,397 | 2,447,068 |
| Contract services | 427,533 | 92,439 | 52,895 | 145,334 | 572,867 |
| Media, communications, and development | 747 | 8,169 | 273,734 | 281,903 | 282,650 |
| Resident services | 235,476 | - | - | - | 235,476 |
| Professional services | - | 219,440 | - | 219,440 | 219,440 |
| Office expense | 68,958 | 23,470 | 56,062 | 79,532 | 148,490 |
| Repairs and maintenance | 119,452 | 412 | 1,543 | 1,955 | 121,407 |
| Food expense | 114,142 | - | 5 | 5 | 114,147 |
| Special events | 54,155 | 852 | 34,517 | 35,369 | 89,524 |
| Insurance | 73,171 | 780 | 3,892 | 4,672 | 77,843 |
| Utilities | 69,970 | 752 | 3,020 | 3,772 | 73,742 |
| In-kind program expense | 66,336 | - | - | - | 66,336 |
| Travel and vehicle expense | 63,078 | 337 | - | 337 | 63,415 |
| Lease expense | 21,494 | - | - | - | 21,494 |
| Telephone | 14,537 | 654 | 801 | 1,455 | 15,992 |
| Supplies-resident and medical | 12,073 | 20 | 99 | 119 | 12,192 |
| Printing and postage | <u>7,414</u> | <u>2,116</u> | <u>422</u> | <u>2,538</u> | <u>9,952</u> |
| Total expenses before depreciation | 3,626,207 | 388,769 | 557,059 | 945,828 | 4,572,035 |
| Depreciation | <u>108,571</u> | <u>1,032</u> | <u>15,721</u> | <u>16,753</u> | <u>125,324</u> |
| Total expenses | \$ <u>3,734,778</u> | \$ <u>389,801</u> | \$ <u>572,780</u> | \$ <u>962,581</u> | \$ <u>4,697,359</u> |

See accompanying notes.

THE RALEIGH RESCUE MISSION, INC.

Statement of Functional Expenses, continued

Year ended August 31, 2022

| | <u>Men, Women, and Children Ministries</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Supporting Services Total</u> | <u>Total</u> |
|--|--|-----------------------------------|--------------------|--------------------------------------|---------------------|
| Salaries | \$ 2,136,953 | \$ 48,361 | \$ 33,835 | \$ 82,196 | \$ 2,219,149 |
| Payroll taxes and employee benefits | <u>490,709</u> | <u>12,344</u> | <u>5,389</u> | <u>17,733</u> | <u>508,442</u> |
| Total salaries and related expenses | 2,627,662 | 60,705 | 39,224 | 99,929 | 2,727,591 |
| Contract services | 529,450 | 10,919 | 65,323 | 76,242 | 605,692 |
| Media, communications, and development | 5,371 | - | 339,874 | 339,874 | 345,245 |
| Resident services | 377,200 | - | - | - | 377,200 |
| Professional services | - | 219,219 | - | 219,219 | 219,219 |
| Office expense | 62,153 | 77,587 | 809 | 78,396 | 140,549 |
| Repairs and maintenance | 169,736 | 984 | 299 | 1,283 | 171,019 |
| Food expense | 119,722 | - | - | - | 119,722 |
| Special Events | - | - | 79,352 | 79,352 | 79,352 |
| Insurance | 78,492 | 2,451 | 817 | 3,268 | 81,760 |
| Utilities | 72,130 | 2,031 | 637 | 2,668 | 74,798 |
| In-kind program expense | 121,564 | - | - | - | 121,564 |
| Travel and vehicle expense | 243,707 | 324 | 201 | 525 | 244,232 |
| Lease expense | 24,249 | 20 | - | 20 | 24,269 |
| Telephone | 17,187 | 1,008 | 267 | 1,275 | 18,462 |
| Supplies-resident and medical | 56,791 | - | - | - | 56,791 |
| Printing and postage | <u>6,916</u> | <u>1,181</u> | <u>218</u> | <u>1,399</u> | <u>8,315</u> |
| Total expenses before depreciation | 4,512,330 | 376,429 | 527,021 | 903,450 | 5,415,780 |
| Depreciation | <u>113,181</u> | <u>1,090</u> | <u>10,795</u> | <u>11,885</u> | <u>125,066</u> |
| Total expenses | <u>\$ 4,625,511</u> | <u>\$ 377,519</u> | <u>\$ 537,816</u> | <u>\$ 915,335</u> | <u>\$ 5,540,846</u> |

See accompanying notes.

THE RALEIGH RESCUE MISSION, INC.

Statements of Cash Flows

Years ended August 31, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|---|----------------------------|----------------------------|
| Cash flows from operating activities: | | |
| Changes in net assets | \$ (36,186) | \$ (471,722) |
| Adjustments to reconcile net income to net cash used in operating activities: | | |
| Depreciation | 125,324 | 125,066 |
| Increase in cash surrender value of life insurance | - | (674) |
| Gain on sale of property and equipment | - | (7,536) |
| Unrealized loss on investments | 32,940 | 13,028 |
| Realized gain on sale of investments | (39,955) | (10,900) |
| Changes in assets and liabilities: | | |
| Accounts receivable | (253,564) | (110,972) |
| Prepaid expenses | (5,830) | (51,219) |
| Accrued interest receivable | (279) | (296) |
| Accounts payable and accrued expenses | <u>(38,666)</u> | <u>10,300</u> |
| Net cash used in operating activities | (216,216) | (504,925) |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (55,951) | (72,334) |
| Proceeds from sale of property and equipment | - | 42,605 |
| Purchase of investments | (88,667) | (168,595) |
| Proceeds from sale of investments | <u>103,413</u> | <u>95,891</u> |
| Net cash used in investing activities | <u>(41,205)</u> | <u>(102,433)</u> |
| Net decrease in cash and cash equivalents | (257,421) | (607,358) |
| Cash and cash equivalents, beginning of year | <u>1,626,835</u> | <u>2,234,193</u> |
| Cash and cash equivalents, end of year | \$ <u>1,369,414</u> | \$ <u>1,626,835</u> |

See accompanying notes.

THE RALEIGH RESCUE MISSION, INC.

Notes to the Financial Statements

1. Description of the 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.

2. Summary of Significant Accounting Policies

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) which require management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. The following is a summary of the significant accounting policies consistently followed by the Mission in the preparation of its financial statements.

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.

Investments

The 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.

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:

| | |
|--------------------------------|--------------|
| Building | 7 - 40 years |
| Equipment, Furniture, Fixtures | 3 - 10 years |
| Vehicles | 3 - 5 years |

Net Assets

The Mission follows standards for external financial reporting by not-for-profit organizations that requires its resources be classified for accounting and reporting purposes 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:

THE RALEIGH RESCUE MISSION, INC.

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Net Assets, continued

Net Assets Without Donor Restrictions - Net assets without donor restrictions are available for use at the discretion of the Board and/or management for general operating purposes. From time to time the Board may designate a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.

Net Assets With Donor Restrictions - Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions.

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.

Program Service

The Mission believes every individual has sacred value, and we equip people to impact the world for good through the love of Jesus Christ. We provide onsite transitional housing to clients (men, women, and children) enrolled in our New Life Program, which focuses on equipping them with the skills and services to get back to work and be stable, independent citizens. Some of the key services and resources we provide include food, clothing, medical services, mental health services, daycare (for children 0-5 years old), before and after school care (for children over 5 years old), life skills and job skills training, job placement assistance, vehicle purchase, housing placement, and substance recovery assistance.

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.

THE RALEIGH RESCUE MISSION, INC.

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

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. Directly identifiable expenses are charged to programs and supporting services. Costs related to more than one function are allocated on a departmental basis based on estimates made by the Mission's management. Expenses are allocated based on time and effort or square footage depending on the type of expense.

Income Tax 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.

Subsequent Events

Management of the Mission has evaluated subsequent events through November 18, 2024, which is the date the financial statements were available to be issued.

3. Revenue Recognition

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

Program Rental Fees

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

THE RALEIGH RESCUE MISSION, INC.

Notes to the Financial Statements, continued

3. Revenue Recognition, continued

Disaggregation of Revenue

In the following table, revenue recognized is disaggregated by major service line and timing of revenue recognition.

| | <u>2023</u> | <u>2022</u> |
|---|------------------|------------------|
| Major Services: | | |
| Program rental fees | \$ <u>50,088</u> | \$ <u>91,363</u> |
| Timing of Revenue Recognition: | | |
| Services transferred over time | \$ 50,088 | \$ 91,363 |
| Services transferred at a point in time | <u>-</u> | <u>-</u> |
| | <u>\$ 50,088</u> | <u>\$ 91,363</u> |

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.

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.

There were no contract receivables at September 1, 2021.

4. Cash Value of Life Insurance

As of August 31, 2023 and 2022, the Mission was the beneficiary and owner of one insurance policy.

5. Investments

The Mission held the following investments at August 31, 2023:

| | <u>Historical Cost</u> | <u>Market Value</u> |
|-------------------------|------------------------|---------------------|
| US Treasury note | \$ 64,677 | \$ 64,407 |
| Certificates of deposit | <u>218,000</u> | <u>208,571</u> |
| Total | <u>\$ 282,677</u> | <u>\$ 272,978</u> |

THE RALEIGH RESCUE MISSION, INC.

Notes to the Financial Statements, continued

5. Investments, continued

The Mission held the following investments at August 31, 2022:

| | <u>Historical Cost</u> | <u>Market Value</u> |
|-------------------------|------------------------|---------------------|
| US Treasury note | \$ 15,748 | \$ 14,625 |
| Equities | 10,158 | 10,158 |
| Certificates of deposit | 268,000 | 255,926 |
| Total | \$ 293,906 | \$ 280,709 |

Investment income consists of the following:

| | <u>2023</u> | <u>2022</u> |
|--------------------------------------|-------------|-------------|
| Interest | \$ 15,664 | \$ 3,047 |
| Realized gain on sale of investments | 39,955 | 10,900 |
| Unrealized loss on investments | (32,940) | (13,028) |
| Total | \$ 22,679 | \$ 919 |

6. Fair Value Measurements

The Mission classifies its investments measured at fair value based on a hierarchy consisting of: Level 1 (valued using quoted prices from active markets for identical assets), Level 2 (not traded on an active market but for which observable market inputs are readily available), and Level 3 (valued based on significant unobservable inputs). The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation technique maximize the use of observable inputs and minimize the use of unobservable inputs.

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, 2023 and 2022. There were no transfers or reclassifications between Level 2 or Level 3 during the years ended August 31, 2023 or 2022.

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.

U.S. treasury bills - Valued at the closing price reported on the active market on which the individual securities are traded.

Equity funds: Valued at the closing price reported on the active market on which the individual securities are traded.

THE RALEIGH RESCUE MISSION, INC.

Notes to the Financial Statements, continued

6. Fair Value Measurements, continued

Certificates of deposit - Valued at cost plus accrued interest.

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 Mission believes 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.

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, 2023:

| | Level 1 | Level 2 | Level 3 | Total |
|-------------------------|-------------------|---------|---------|-------------------|
| US Treasury note | \$ 64,407 | \$ - | \$ - | \$ 64,407 |
| Certificates of deposit | 208,571 | - | - | 208,571 |
| | \$ 272,978 | \$ - | \$ - | \$ 272,978 |

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, 2022:

| | Level 1 | Level 2 | Level 3 | Total |
|-------------------------|-------------------|---------|---------|-------------------|
| US Treasury note | \$ 14,625 | \$ - | \$ - | \$ 14,625 |
| Equities | 10,158 | - | - | 10,158 |
| Certificates of deposit | 255,926 | - | - | 255,926 |
| | \$ 280,709 | \$ - | \$ - | \$ 280,709 |

7. Concentrations

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, 2023 and 2022. The Mission's uninsured cash balances totaled \$835,510 and \$1,259,411 at August 31, 2023 and 2022, respectively.

The Mission had one grantor that accounted for 12% and 11% of total support and revenue for the years ended August 31, 2023 and 2022, respectively.

8. Lease Commitments

The Mission leased various pieces of equipment and parking spaces for staff on a month-to-month basis during 2023 and 2022. Lease expense totaled \$21,494 and \$24,269 for the years ended August 31, 2023 and 2022, respectively.

THE RALEIGH RESCUE MISSION, INC.

Notes to the Financial Statements, continued

9. Net Assets With Donor Restrictions

Net assets with donor restrictions at August 31, 2023 and 2022 were available for the following purposes or periods:

| | <u>2023</u> | <u>2022</u> |
|------------------|-------------|-------------|
| Capital Campaign | \$ 28,213 | \$ 28,213 |

10. 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. There were no net assets released from restrictions for the years ended August 31, 2023 and 2022.

11. 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, 2023 expected to be available within one year to meet cash needs for general expenditures comprise the following:

| | |
|--|---------------------|
| Cash and cash equivalents | \$ 1,369,414 |
| Investments | 272,978 |
| Accounts receivable | 558,126 |
| Accrued interest receivable | <u>876</u> |
| Financial assets, at year end | 2,201,394 |
| 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 |
| Board designated funds | <u>1,127,000</u> |
| Total | <u>\$ 1,046,181</u> |

12. Supplemental Disclosure of Noncash Investing Activities

The Mission received noncash donations for program support with estimated fair market values of \$66,336 and \$121,290 for the years ended August 31, 2023 and 2022, respectively.

THE RALEIGH RESCUE MISSION, INC.

Notes to the Financial Statements, continued

13. 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, 2023, the Mission accrued \$967 in contributions owed to the plan. As of August 31, 2022, the Mission did not accrue a contribution to the plan.

14. 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 \$1,127,000 and \$1,324,000 at August 31, 2023 and 2022, respectively.

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 \$72,444 and \$70,010 for the years ended August 31, 2023 and 2022, respectively. At August 31, 2023 and 2022, the Mission was due \$548,108 and \$292,128, respectively, from the Foundation.

Beginning in the year ended August 31, 2019, the Mission 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 \$178,187 and \$191,765 for the years ended August 31, 2023 and 2022, respectively.