

RESCUE MISSION OF MIDDLE GEORGIA, INC.

FINANCIAL STATEMENTS

For the Years Ended December 31, 2018 and 2017

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HOWARD, MOORE
& MCDUFFIE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Rescue Mission of Middle Georgia, Inc.

We have audited the accompanying financial statements of Rescue Mission of Middle Georgia, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, 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 audit 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 entity's 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 entity's 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rescue Mission of Middle Georgia, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Rescue Mission of Middle Georgia, Inc.'s December 31, 2017 financial statements, and our report dated September 18, 2018 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Howard, Moore & McQuigg, P.C.

Macon, Georgia
November 12, 2019

RESCUE MISSION OF MIDDLE GEORGIA, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets		
Cash and cash equivalents - unrestricted	\$ 3,633,857	\$ 2,258,640
Cash and cash equivalents - restricted	67,530	60,173
Promise to give	-	10,727
Miscellaneous receivables	1,934	2,195
Note receivable	630,000	-
Accounts receivable - golf tournament	140,700	100,950
Inventories	33,519	30,144
Prepaid expenses	11,001	20,528
Total Current Assets	<u>4,518,541</u>	<u>2,483,357</u>
Property and equipment, net	<u>2,103,195</u>	<u>3,074,511</u>
Beneficial interest in perpetual trust	<u>265,283</u>	<u>282,072</u>
TOTAL ASSETS	<u>\$ 6,887,019</u>	<u>\$ 5,839,940</u>

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

RESCUE MISSION OF MIDDLE GEORGIA, INC.

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 21,393	\$ 87,079
Payroll and payroll taxes	23,551	24,066
Sales tax payable	4,423	4,115
	<u>49,367</u>	<u>115,260</u>
Total Current Liabilities	<u>49,367</u>	<u>115,260</u>
TOTAL LIABILITIES	<u>49,367</u>	<u>115,260</u>
NET ASSETS		
Without donor restrictions		
Undesignated	6,424,839	5,302,435
Designated by Board	80,000	80,000
	<u>6,504,839</u>	<u>5,382,435</u>
With donor restrictions		
Purpose restricted	67,530	60,173
Perpetual in nature	265,283	282,072
	<u>332,813</u>	<u>342,245</u>
TOTAL NET ASSETS	<u>6,837,652</u>	<u>5,724,680</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,887,019</u>	<u>\$ 5,839,940</u>

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

RESCUE MISSION OF MIDDLE GEORGIA, INC.

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES, GAINS AND OTHER SUPPORT		
Contributions		
Cash	\$ 772,941	\$ 731,902
Donated vehicles	14,330	64,584
Donated food and supplies	424,743	452,573
Donated goods for sale	351,970	392,902
Donated services	41,987	40,500
Grants income	12,750	13,941
Retail sales, net of donated goods	645,377	609,364
Distribution from perpetual trust	-	5,627
Interest income	4,227	27
Rental income	9,865	13,015
Gain (loss) on sale of assets	470,892	5,336
Miscellaneous	637	1,216
	<u>2,749,719</u>	<u>2,330,987</u>
Revenue from special events		
Golf tournament and auction	1,182,657	1,251,412
Less: direct costs	(253,523)	(251,175)
Less: bad debts	(42,450)	(43,180)
	<u>886,684</u>	<u>957,057</u>
Net revenue from special events	<u>886,684</u>	<u>957,057</u>
TOTAL REVENUES, GAINS AND OTHER SUPPORT	<u>3,636,403</u>	<u>3,288,044</u>
NET ASSETS RELEASED FROM RESTRICTIONS		
Restrictions satisfied by payments	<u>93,437</u>	<u>121,612</u>
TOTAL REVENUES, GAINS, OTHER SUPPORT AND RECLASSIFICATIONS WITHOUT DONOR RESTRICTIONS	<u>3,729,840</u>	<u>3,409,656</u>

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

RESCUE MISSION OF MIDDLE GEORGIA, INC.

STATEMENTS OF ACTIVITIES (CONTINUED)

For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
EXPENSES AND LOSSES		
Program services		
Mission	\$ 975,438	\$ 896,346
Women's Division	391,128	406,513
Bargain Center	728,261	710,425
	<u>2,094,827</u>	<u>2,013,284</u>
Supporting services		
Management and general	188,036	245,257
Fundraising	324,573	319,785
	<u>512,609</u>	<u>565,042</u>
TOTAL EXPENSES AND LOSSES	<u>2,607,436</u>	<u>2,578,326</u>
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>1,122,404</u>	<u>831,330</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	12,894	99,465
Grants income	87,900	55,300
Increase (decrease) in beneficial interest in perpetual trust	(16,789)	21,167
Net assets released from restrictions by payment	(93,437)	(121,612)
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	<u>(9,432)</u>	<u>54,320</u>
INCREASE (DECREASE) IN NET ASSETS	1,112,972	885,650
NET ASSETS - BEGINNING	<u>5,724,680</u>	<u>4,839,030</u>
NET ASSETS - ENDING	<u>\$ 6,837,652</u>	<u>\$ 5,724,680</u>

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

RESCUE MISSION OF MIDDLE GEORGIA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2018, with Comparative Totals for 2017

	Program Services			Supporting Services		Total	Total
	Mission	Women's Division	Bargain Center	Management and General	Fund- Raising	2018	2017
Salaries	\$ 172,211	\$ 192,721	\$ 379,989	\$ 136,789	\$ 56,142	\$ 937,852	\$ 962,953
Payroll taxes	13,060	14,617	28,821	10,375	4,259	71,132	76,668
Employee benefits	19,764	24,371	58,645	19,063	1,782	123,625	116,111
Worker's compensation	7,125	4,206	8,395	2,971	1,133	23,830	14,931
Advertising and direct mail campaigns	206	-	1,474	-	161,555	163,235	170,546
Assistance to residents	52,752	8,531	3	-	-	61,286	64,463
Bank charges and merchant fees	11,456	-	12,735	-	-	24,191	30,882
Contract labor	105	-	35,056	-	-	35,161	34,136
Depreciation	63,475	50,770	38,051	-	-	152,296	150,872
Dues and subscriptions	13,152	-	2,494	-	-	15,646	19,111
Equipment rental	5,177	2,312	1,633	-	-	9,122	7,632
Meals, (\$354,464 and \$371,449 in-kind)	407,018	4,918	6,196	-	-	418,132	432,215
Insurance	21,569	14,669	12,120	-	-	48,358	38,093
Miscellaneous	18,890	182	5,798	-	460	25,330	27,159
Office supplies	9,215	135	867	-	-	10,217	15,333
Printing and publications	-	-	-	-	51,764	51,764	57,564
Professional fees	40,980	-	8,308	18,838	-	68,126	19,556
Postage and direct mail fees	7,596	5,297	-	-	47,478	60,371	30,011

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

RESCUE MISSION OF MIDDLE GEORGIA, INC.

STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)

For the Year Ended December 31, 2018, with Comparative Totals for 2017

	Program Services			Supporting Services		Total	Total
	Mission	Women's Division	Bargain Center	Management and General	Fund- Raising	2018	2017
Repairs and maintenance	\$ 19,955	\$ 7,813	\$ 21,025	\$ -	\$ -	\$ 48,793	\$ 55,004
Supplies	27,905	3,158	20,188	-	-	51,251	51,001
Taxes and licenses	8,658	81	1,128	-	-	9,867	8,979
Travel	178	-	250	-	-	428	1,915
Utilities	42,954	53,702	54,702	-	-	151,358	151,658
Vehicle	12,037	3,645	30,383	-	-	46,065	41,533
Total Expenses, Year Ended December 31, 2018	<u>\$ 975,438</u>	<u>\$ 391,128</u>	<u>\$ 728,261</u>	<u>\$ 188,036</u>	<u>\$ 324,573</u>	<u>\$ 2,607,436</u>	
Total Expenses, Year Ended December 31, 2017	<u>\$ 896,346</u>	<u>\$ 406,513</u>	<u>\$ 710,425</u>	<u>\$ 245,257</u>	<u>\$ 319,785</u>		<u>\$ 2,578,326</u>

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

RESCUE MISSION OF MIDDLE GEORGIA, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 1,112,972	\$ 885,650
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	152,296	150,872
Loss (gain) on sale of assets	(470,892)	241
Change in beneficial interest in perpetual trust	16,789	(21,166)
Donated property and equipment	(5,228)	(66,437)
(Increase) decrease in:		
Accounts receivable	(39,750)	30,705
Promises to give	10,727	(10,727)
Miscellaneous receivable	261	(1,555)
Inventories	(3,375)	(1,025)
Prepaid expenses	9,527	(8,632)
Increase (decrease) in:		
Accounts payable	(65,686)	18,163
Payroll and payroll taxes	(515)	2,746
Sales tax payable	308	(396)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>717,434</u>	<u>978,439</u>
CASH FLOWS TO INVESTING ACTIVITIES		
Cash payments for the purchase of property and equipment	(44,111)	(74,462)
Proceeds on disposal of property and equipment	709,251	-
Proceeds on disposal of property held for resale	-	81,000
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>665,140</u>	<u>6,538</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,382,574	984,977
BEGINNING CASH AND CASH EQUIVALENTS	<u>2,318,813</u>	<u>1,333,836</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 3,701,387</u>	<u>\$ 2,318,813</u>
SUPPLEMENTAL DISCLOSURES		
Land sale purchase money mortgage	<u>\$ 630,000</u>	<u>\$ -</u>

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

RESCUE MISSION OF MIDDLE GEORGIA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. NATURE OF THE ORGANIZATION

Rescue Mission of Middle Georgia, Inc. (the Rescue Mission) is a nonprofit organization formed in 1952 to provide assistance to the homeless, hungry, and abused. The Mission provides a long-term life recovery program for men; a refuge and long-term program for battered women and children; food boxes and meals to homeless transients; and assistance with food, clothing and expenses to various citizens of the community.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Rescue Mission prepares its financial statements in accordance with generally accepted accounting principles. The basis of accounting involves application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of Presentation

The Rescue Mission reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

The governing board has designated, from net assets without donor restrictions, net assets for an endowment.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Rescue Mission, the environment in which it operates, the purposes, specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

RESCUE MISSION OF MIDDLE GEORGIA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

The Rescue Mission's unspent contributions are reported in net assets with donor restrictions if the donor limited their use, or has promised contributions that are not yet due. Contributions of property and equipment or cash restricted for the acquisition of property and equipment are reported as net assets with donor restrictions if the donor has restricted the use of the property or equipment to a particular program. These restrictions expire when the assets are placed in service.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Comparative Financial Information

The Statement of Functional Expenses includes certain prior-year summarized comparative information in total but not by functional expense class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the Rescue Mission's financial statements for the year ended December 31, 2017, from which summarized information was derived.

Cash and Cash Equivalents

For the purposes of presenting and reporting cash flows, the Rescue Mission considers highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents designated for long-term purposes or received with donor-imposed restrictions limiting their use to long-term purposes are not considered cash and cash equivalents for the purpose of the statement of cash flows.

Accounts Receivable

The Rescue Mission considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

RESCUE MISSION OF MIDDLE GEORGIA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Property and Equipment

Donated property and equipment are recorded as contributions at their estimated fair market values 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. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Rescue Mission reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Rescue Mission reclassifies net assets with donor restrictions to net assets without donor restrictions. Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of the donation.

Donated Inventory

The Rescue Mission sells donated goods in its retail store. The value of donated goods revenue and inventory is determined using statistical computations. The valuation of donated inventory is considered to be that portion of retail sales value that exceeds the cost of preparing the goods for sale. All donated goods, prior to being offered for sale, are considered to have a value of zero because of the uncertainty of fair value before being offered for sale. The value of inventory on hand at the end of the year is computed statistically using an inventory turnover rate applied to total computed donated goods value. The inventory turnover rate is four weeks for the years ended December 31, 2018 and 2017, respectively. Inventory consisted of donated goods for resale valued at \$33,519 and \$30,144 as of December 31, 2018 and 2017, respectively.

Donated Services, Materials, and Equipment

The Rescue Mission recognizes donated services that create or enhance nonfinancial assets, require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated services consisted of counseling services and various other professional repair services and were valued at \$41,987 and \$40,500 for the years ended December 31, 2018 and 2017, respectively.

The Rescue Mission receives food from various suppliers and donors. The estimated value of donated food is based on the estimated cost of the contents of a food box if they were required to be purchased times the number of boxes given out and the estimated cost of a meal provided times the number of meals provided during the year. Donated food was valued at \$354,464 and \$371,449 for the years ended December 31, 2018 and 2017, respectively.

RESCUE MISSION OF MIDDLE GEORGIA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services, Materials, and Equipment (continued)

The Rescue Mission also received in-kind donation of food stamps from its residents totaling \$42,159 and \$44,621 and various supplies and equipment totaling \$0 and \$21,000 during the years ended December 31, 2018 and 2017, respectively.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Perpetual Trusts

The Rescue Mission is the beneficiary of a perpetual irrevocable trust held and administered by an independent trustee. Under the terms of the trust, the Rescue Mission has the irrevocable right to receive 25 percent of the income earned on trust assets in perpetuity. The fair value of the beneficial interest in a trust is recognized as an asset and as a contribution with donor restrictions at the date the trust is established. The Rescue Mission's estimate of fair value at each reporting date is based on fair value information about the trust's assets received from trustees. Trust assets consist of, but are not limited to, cash and cash equivalents, bonds, common stock, and other funds. These assets are not subject to control or direction by the Rescue Mission. Distributions of income from the trust are reported as trust fund distributions. Gains and losses, which are not distributed by the trust, are reflected as the change in value of perpetual trusts held by others in the statement of activities.

Income Tax Status

The Rescue Mission is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Rescue Mission's tax-exempt purpose is subject to taxation as unrelated business income. There was no unrelated business taxable income for the years ended December 31, 2018 and 2017. In addition, the Rescue Mission qualifies for the charitable contribution deduction under Section 170 (b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). The Rescue Mission believes that it has appropriate support for any tax positions it takes, and as such, does not have any uncertain tax positions that are material to the financial statements.

RESCUE MISSION OF MIDDLE GEORGIA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expense Allocation

Directly identifiable expenses are charged to program and supporting services. The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Rescue Mission. Occupancy costs are allocated based on square footage. Food expenses are allocated based on the average number of residents. Office expenses are allocated based on the number of employees serving each program. Salaries, health insurance, and workers compensation insurance are allocated based on estimated time spent. Vehicle insurance is allocated based on the number of vehicles and the programs that utilize them. Newsletter expenses are allocated based on the average utilization by program.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Property and Equipment

The Rescue Mission capitalizes all expenditures for property and equipment and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets. Property and equipment are carried at cost or, if donated, at the approximate fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the asset, ranging from 5 to 40 years.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to presentation in the current year financial statements.

Revenue Recognition

Revenue is recognized when earned. Program service fees received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction.

RESCUE MISSION OF MIDDLE GEORGIA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue With and Without Donor Restrictions

Contributions received are recorded as increases in net assets without donor restrictions and net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. 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 restriction.

New Accounting Pronouncement

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The Rescue Mission adopted the provisions of the new standard during the year ended December 31, 2018. The provisions under this new standard include changes in the terminology used to describe categories of net assets throughout the financial statements and new disclosures regarding liquidity and the availability of resources (Note 4).

Subsequent Events

Subsequent events have been evaluated through November 12, 2019, which is the date the financial statements were available to be issued.

NOTE 3. RETAIL SALES

Retail sales totaled \$993,973 and \$1,001,241 for the years ended December 31, 2018 and 2017, respectively. Retail sales are presented in the Statement of Activities net of donated goods of \$348,596 and \$391,877 for the years ended December 31, 2018 and 2017, respectively. Donated goods contributions are estimated to be the portion of retail sales that exceeds the cost of preparing the goods for placement in the retail store. This excess value was calculated to be 35.07% and 39.14% for the years ended December 31, 2018 and 2017, respectively.

RESCUE MISSION OF MIDDLE GEORGIA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4. AVAILABILITY AND LIQUIDITY OF FINANCIAL ASSETS

The Rescue Mission's financial assets that are available within one year of the statement of financial position date for general expenditure are as follows:

Cash and cash equivalents	\$ 3,701,387
Note receivable	630,000
Accounts receivable-golf tournament	140,700
Miscellaneous receivables	<u>1,934</u>
	4,474,021
Less cash with purpose restrictions	<u>(67,530)</u>
Total financial assets	<u>\$ 4,406,491</u>

As part of the Rescue Mission's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Rescue Mission has board designated net assets totaling \$80,000. Although the Academy intends to spend its designated net assets for designated purposes as part of its annual budget approval and appropriation process, the amounts subject to board designations could be made available for operations if necessary.

NOTE 5. ADVERTISING COSTS

The Rescue Mission expenses advertising costs as incurred. Expenses incurred were \$1,680 and \$2,218 for the years ended December 31, 2018 and 2017, respectively.

NOTE 6. PROMISE TO GIVE

The Rescue Mission received a promise to give for dental work for its residents. The promise is restricted for this purpose until released by expenditure and is expected to be received in less than one year. Unconditional promises to give as of December 31, 2018 and 2017 are \$0 and \$10,727, respectively.

NOTE 7. NOTE RECEIVABLE

The Rescue Mission has a note receivable from an unrelated party in the amount of \$630,000 that was entered into in September 2018 in relation to the sale of the Highway 96 land. Interest only payments began in November 2018 with the entire note balance due in April 2019. The note carries a 4 percent interest rate. The note is secured by the land located on Highway 96 in Warner Robins, Georgia.

RESCUE MISSION OF MIDDLE GEORGIA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8. PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31:

	2018	2017
Land	\$ 399,442	\$ 1,258,175
Buildings and improvements	2,707,244	2,677,405
Machinery and equipment	320,444	314,803
Furniture and fixtures	194,944	188,922
Vehicles	212,960	209,623
Construction in progress	-	5,660
	<u>3,835,034</u>	<u>4,654,588</u>
Accumulated depreciation	<u>(1,731,839)</u>	<u>(1,580,077)</u>
	<u>\$ 2,103,195</u>	<u>\$ 3,074,511</u>

NOTE 9. BENEFICIAL INTEREST IN PERPETUAL TRUST

The Rescue Mission is the beneficiary of a trust created by a donor, the assets of which are not in the possession of the Rescue Mission. The Rescue Mission has legally enforceable rights and claims to 25 percent of such assets, including the sole right to income therefrom.

The fair value of this beneficial interest was \$265,283 and \$282,072 for the years ended December 31, 2018 and 2017, respectively.

NOTE 10. OPERATING LEASES

The Rescue Mission has an operating lease for a copier with a base monthly rental in the amount of \$195. The term of this lease is 36 months beginning May 2018 and expiring in April 2021. Lease expense under this lease was \$2,865 and \$2,501 for the years ended December 31, 2018 and 2017, respectively.

The future minimum lease payments on this lease are as follows:

Year ending December 31	
2019	\$ 2,340
2020	2,340
2021	<u>780</u>
	<u>\$ 5,460</u>

RESCUE MISSION OF MIDDLE GEORGIA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11. NET ASSETS WITHOUT DONOR RESTRICTIONS

As of December 31, 2018 and 2017, the Rescue Mission has \$80,000 designated from net assets without donor restrictions to build an endowment.

NOTE 12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes:

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specified purpose:		
Capital campaign	\$ 11,000	\$ 11,000
Supplies and support	1,635	16,064
Resident gifts and activities	1,940	5,747
Renovations and repairs	31,000	-
Resident dental and medical	21,955	27,362
Not subject to spending policy or appropriation:		
Beneficial interest in perpetual trust held by others	<u>265,283</u>	<u>282,072</u>
Total net assets with donor restrictions	<u>\$ 332,813</u>	<u>\$ 342,245</u>

NOTE 13. RETIREMENT BENEFIT PLAN

On January 1, 2015, the Rescue Mission began participating in a 401(k) retirement plan. All employees age 21 and over are eligible to participate in this plan after 3 months of service with a minimum of 250 hours. The Rescue Mission contributes 2% of each eligible employee's salary to the plan regardless of whether the participant makes a voluntary employee contribution to the plan. The Rescue Mission also has a discretionary match on the voluntary employee contribution of \$0.10 per \$1.00 up to 6% of each eligible employee's salary for the year ended December 31, 2018. This discretionary match percentage is determined by the Board each year.

Participants are immediately 100% vested in the employee-derived contributions. Participants are 100% vested in the employer non-elective contributions after six years. Retirement plan contributions totaled \$23,260 and \$20,609 for the years ended December 31, 2018 and 2017, respectively.

RESCUE MISSION OF MIDDLE GEORGIA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 14. CONCENTRATION OF CREDIT RISK

The Rescue Mission maintains cash balances in two financial institutions located in Macon, Georgia. The balances at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Rescue Mission had \$3,437,951 and \$2,024,236 of cash deposits in banks in excess of federally insured limits as of December 31, 2018 and 2017, respectively. Cash on hand consisted of \$2,405 for the years ended December 31, 2018 and 2017.

NOTE 15. FAIR VALUE MEASUREMENTS

The Financial Accounting Standards Board Codification No. ASC 820, *Fair Value Measurements*, defines fair value, establishes a framework for measuring fair value, establishes a three-level valuation hierarchy for disclosure of fair value measurement and enhances disclosure requirements for fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets;

Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument; and

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's and 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 techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the methodologies used for measurement at fair value. There have been no changes in the methodologies used at December 31, 2018 and 2017.

Inventory is determined using statistical computations (see Note 2).

Beneficial interest in perpetual trust: Valued at the fair value of the individual underlying securities of the entire trust, including the closing price reported on the active markets on which the individual securities are traded and the net asset value (NAV) of shares held at year end, multiplied by the Mission's interest in the trust.

RESCUE MISSION OF MIDDLE GEORGIA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 15. FAIR VALUE MEASUREMENTS (CONTINUED)

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

Furthermore, although the Rescue Mission believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Fair values of assets measured on a recurring basis at December 31, 2018 are as follows:

	Fair Value	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Inventory	\$ 33,519	\$ -	\$ -	\$ 33,519
Beneficial interest in perpetual trust	265,283	-	-	265,283
	<u>\$ 298,802</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 298,802</u>

Fair values of assets measured on a recurring basis at December 31, 2017 are as follows:

	Fair Value	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Inventory	\$ 30,144	\$ -	\$ -	\$ 30,144
Beneficial interest in perpetual trust	282,072	-	-	282,072
	<u>\$ 312,216</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 312,216</u>

RESCUE MISSION OF MIDDLE GEORGIA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 15. FAIR VALUE MEASUREMENTS (CONTINUED)

The table below sets forth a summary of changes in the fair value of the Rescue Mission's Level 3 assets for the year ended December 31, 2018:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Inventory	Beneficial Interest in Perpetual Trust	Total
Balance, beginning of year	\$ 30,144	\$ 282,072	\$ 312,216
Unrealized gains (losses)	-	(16,789)	(16,789)
Purchases, sales, issuances, and settlements, net	3,375	-	3,375
Balance, end of year	\$ 33,519	\$ 265,283	\$ 298,802

The amount of total losses for the period attributable to the change in unrealized losses relating to assets still held at December 31, 2018

\$	-	\$ (16,789)	\$ (16,789)
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NOTE 16. SUBSEQUENT EVENTS

The Rescue Mission entered into a purchase agreement to purchase a location on Zebulon Road in Macon, GA on March 14, 2019 for \$6,500,000. The Rescue Mission made a down payment of \$1,050,150 and borrowed \$5,500,000 in connection with the purchase. The note is payable in 119 monthly installments of \$31,320, including principal and interest at 4.67%, with a final payment of \$4,062,939 due in March 2029. The Rescue Mission moved their operations to this new location in September 2019.

The Rescue Mission is under contract with a potential buyer to sell their old location on Hazel Street for \$1,100,000. The transaction is expected to close in the near future.

The Rescue Mission began a four year \$8,500,000 capital campaign to fund the purchase of the new location and has \$1,725,000 in promised support to date. The Rescue Mission has made improvements to the new property totaling \$550,000.

RESCUE MISSION OF MIDDLE GEORGIA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 16. SUBSEQUENT EVENTS (CONTINUED)

With the increased capacity at the new location, the Rescue Mission expects their operations to expand. The Rescue Mission is adding a new program that offers long-term care for women suffering from substance abuse. The Women's Program capacity will increase by 43 women to serve 50 women (and their children). The Men's Program will increase by 144 men to slowly expand to a full capacity of 180 men.