

RESCUE MISSION OF MIDDLE GEORGIA, INC.

FINANCIAL STATEMENTS

For the Years Ended December 31, 2019 and 2018

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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, 2019 and 2018, 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 in the first paragraph present fairly, in all material respects, the financial position of Rescue Mission of Middle Georgia, Inc. as of December 31, 2019 and 2018, 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, 2018 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, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Howard, Moore & McQuinn, P.C.

Macon, Georgia
December 3, 2020

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

RESCUE MISSION OF MIDDLE GEORGIA, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2019 and 2018

	2019	2018
ASSETS		
Cash and cash equivalents - unrestricted	\$ 3,282,197	\$ 3,633,857
Cash and cash equivalents - restricted	28,644	67,530
Unconditional promises to give, net of discount (Note 6)	1,341,919	-
Note receivable (Note 5)	-	630,000
Accounts receivable	68,193	142,634
Inventories	33,464	33,519
Prepaid expenses	22,209	11,001
Property and equipment, net (Note 7)	9,151,892	2,103,195
Beneficial interest in perpetual trust	297,588	265,283
TOTAL ASSETS	\$ 14,226,106	\$ 6,887,019
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 43,575	\$ 21,393
Payroll and payroll taxes payable	35,620	23,551
Sales tax payable	4,787	4,423
Accrued interest	11,179	-
Rental deposits	5,540	-
Note payable (Note 8)	4,892,214	-
TOTAL LIABILITIES	4,992,915	49,367
NET ASSETS		
Without donor restrictions		
Undesignated	8,826,959	6,424,839
Designated by Board	80,000	80,000
	8,906,959	6,504,839
With donor restrictions		
Purpose restricted	28,644	67,530
Perpetual in nature	297,588	265,283
	326,232	332,813
TOTAL NET ASSETS	9,233,191	6,837,652
TOTAL LIABILITIES AND NET ASSETS	\$ 14,226,106	\$ 6,887,019

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, 2019 and 2018

	2019	2018
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES, GAINS AND OTHER SUPPORT		
Contributions		
Cash	\$ 829,889	\$ 772,941
Donated property and equipment	61,988	14,330
Donated food and supplies	386,802	424,743
Donated goods for sale	347,968	351,970
Donated services	67,081	41,987
Grants	18,500	12,750
Retail sales, net of donated goods	702,126	645,377
Distribution from perpetual trust	10,392	-
Interest income	25,120	4,227
Rental income	67,327	9,865
Gain (loss) on sale of assets	459	470,892
Miscellaneous	1,972	637
	<u>2,519,624</u>	<u>2,749,719</u>
Revenue from special events		
Golf tournament and auction	1,203,670	1,182,657
Less: direct costs	(254,246)	(253,523)
Less: bad (debts) recoveries	817	(42,450)
	<u>950,241</u>	<u>886,684</u>
Net revenue from special events		
	<u>950,241</u>	<u>886,684</u>
TOTAL REVENUES, GAINS AND OTHER SUPPORT	<u>3,469,865</u>	<u>3,636,403</u>
NET ASSETS RELEASED FROM RESTRICTIONS		
Restrictions satisfied by payments	<u>1,963,230</u>	<u>93,437</u>
TOTAL REVENUES, GAINS, OTHER SUPPORT AND RECLASSIFICATIONS WITHOUT DONOR RESTRICTIONS	<u>5,433,095</u>	<u>3,729,840</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, 2019 and 2018

	2019	2018
EXPENSES		
Program services		
Mission	\$ 1,319,303	\$ 975,438
Women's Division	323,953	391,128
Bargain Center	782,966	728,261
	<u>2,426,222</u>	<u>2,094,827</u>
Supporting services		
Management and general	278,976	188,036
Fundraising	325,776	324,573
	<u>604,752</u>	<u>512,609</u>
TOTAL EXPENSES	<u>3,030,974</u>	<u>2,607,436</u>
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>2,402,121</u>	<u>1,122,404</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions - capital campaign	1,801,385	-
Contributions - other	49,458	12,894
Grants	73,500	87,900
Increase (decrease) in beneficial interest in perpetual trust	32,305	(16,789)
Net assets released from restrictions by payment	(1,963,230)	(93,437)
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	<u>(6,582)</u>	<u>(9,432)</u>
INCREASE (DECREASE) IN NET ASSETS	2,395,539	1,112,972
NET ASSETS - BEGINNING	<u>6,837,652</u>	<u>5,724,680</u>
NET ASSETS - ENDING	<u>\$ 9,233,191</u>	<u>\$ 6,837,652</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, 2019, with Comparative Totals for 2018

	Program Services			Supporting Services		Total	Total
	Mission	Women's Division	Bargain Center	Management and General	Fund- Raising	2019	2018
Salaries	\$ 200,015	\$ 170,085	\$ 397,811	\$ 219,530	\$ 60,996	\$ 1,048,437	\$ 937,852
Payroll taxes	10,102	14,072	32,979	10,060	5,487	72,700	71,132
Employee benefits	29,077	23,715	64,145	22,043	2,623	141,603	123,625
Worker's compensation	2,949	2,858	6,831	3,213	1,489	17,340	23,830
Advertising and direct mail campaigns	89	-	2,456	-	137,110	139,655	163,235
Assistance to residents	41,757	4,620	22	-	-	46,399	61,286
Bank charges and merchant fees	12,937	-	14,472	-	-	27,409	24,191
Contract labor	11,943	90	46,227	-	-	58,260	35,161
Depreciation	115,972	12,751	40,411	-	-	169,134	152,296
Dues and subscriptions	17,303	-	3,423	-	-	20,726	15,646
Equipment rental	4,204	1,707	2,104	926	191	9,132	9,122
Meals, (\$310,271 and \$354,464 in-kind)	377,326	6,555	2,604	-	-	386,485	418,132
Insurance	44,230	18,961	16,152	-	-	79,343	48,358
Interest	205,274	-	-	-	-	205,274	-
Miscellaneous	13,752	452	3,062	-	210	17,476	25,330
Office supplies	9,498	43	803	-	-	10,344	10,217
Printing and publications	-	-	-	-	72,356	72,356	51,764
Professional fees	3,794	-	-	18,636	-	22,430	68,126
Postage and direct mail fees	6,176	3,563	641	1,817	45,007	57,204	60,371

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, 2019, with Comparative Totals for 2018

	Program Services			Supporting Services		Total	Total
	Mission	Women's Division	Bargain Center	Management and General	Fund- Raising	2019	2018
Repairs and maintenance	\$ 58,085	\$ 6,823	\$ 20,612	\$ 63	\$ 32	\$ 85,615	\$ 48,793
Supplies	30,403	1,742	25,054	-	-	57,199	51,251
Taxes and licenses	8,865	79	541	-	-	9,485	9,867
Travel	3	-	1,699	-	-	1,702	428
Utilities	98,889	51,689	60,814	2,688	275	214,355	151,358
Vehicle	16,660	4,148	40,103	-	-	60,911	46,065
Total Expenses, Year Ended December 31, 2019	<u>\$ 1,319,303</u>	<u>\$ 323,953</u>	<u>\$ 782,966</u>	<u>\$ 278,976</u>	<u>\$ 325,776</u>	<u>\$ 3,030,974</u>	
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>

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 2,395,539	\$ 1,112,972
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	169,134	152,296
Loss (gain) on sale of assets	286	(470,892)
Change in beneficial interest in perpetual trust	(32,305)	16,789
Donated capitalized property and equipment	(55,683)	(5,228)
Contributions restricted for acquisition of Zebulon Road location	(1,839,466)	-
Discount on unconditional promises to give	38,081	-
(Increase) decrease in:		
Accounts receivable	74,441	(39,489)
Inventories	55	(3,375)
Prepaid expenses	(11,208)	9,527
Increase (decrease) in:		
Accounts payable	22,182	(65,686)
Payroll and payroll taxes	12,069	(515)
Accrued interest	11,179	-
Sales tax payable	364	308
Rental deposits	5,540	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>790,208</u>	<u>706,707</u>
CASH FLOWS FROM (TO) INVESTING ACTIVITIES		
Cash payments for the purchase of property and equipment	(1,662,434)	(44,111)
Proceeds from note receivable	630,000	-
Proceeds on disposal of property and equipment	-	709,251
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(1,032,434)</u>	<u>665,140</u>

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

RESCUE MISSION OF MIDDLE GEORGIA, INC.

STATEMENTS OF CASH FLOWS (CONTINUED)

For the Years Ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM (TO) FINANCING ACTIVITIES		
Collection of contributions for long-term purposes	\$ 459,466	\$ 10,727
Principal payments on notes payable	(607,786)	-
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(148,320)	10,727
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(390,546)	1,382,574
BEGINNING CASH AND CASH EQUIVALENTS	3,701,387	2,318,813
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 3,310,841</u>	<u>\$ 3,701,387</u>
SUPPLEMENTAL DISCLOSURES		
Interest paid	<u>\$ 194,094</u>	<u>\$ -</u>
Land sale purchase money mortgage	<u>\$ -</u>	<u>\$ 630,000</u>
Zebulon Road purchase financed	<u>\$ 5,500,000</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 Rescue 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, 2018, 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. Management believes that the use of the direct write-off method approximates the results of an allowance for doubtful accounts method.

RESCUE MISSION OF MIDDLE GEORGIA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Securities, Property, Equipment, and Materials

Donated marketable securities, property, and equipment are recorded as contributions at their estimated fair market values at the date of the donation. 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.

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. Additionally, the Rescue Mission receives in-kind donations of food stamps from its residents.

Donated Inventory

The Rescue Mission sells donated goods in its retail store. 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 donated goods revenue and 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, 2019 and 2018, respectively. Inventory consisted of donated goods for resale valued at \$33,464 and \$33,519 as of December 31, 2019 and 2018, respectively.

Donated Services

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.

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.

RESCUE MISSION OF MIDDLE GEORGIA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2019 and 2018. 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.

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.

Advertising Costs

The Rescue Mission expenses advertising costs as incurred.

RESCUE MISSION OF MIDDLE GEORGIA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

RESCUE MISSION OF MIDDLE GEORGIA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncement

In June 2018, FASB issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Rescue Mission implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with our implementation of ASU 2018-08.

Subsequent Events

Subsequent events have been evaluated through December 3, 2020, which is the date the financial statements were available to be issued.

NOTE 3. RETAIL SALES

Retail sales totaled \$1,050,149 and \$993,973 for the years ended December 31, 2019 and 2018, respectively. Retail sales are presented in the Statement of Activities net of donated goods of \$348,023 and \$348,596 for the years ended December 31, 2019 and 2018, respectively. Donated goods 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 33.14% and 35.07% for the years ended December 31, 2019 and 2018, respectively.

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:

	2019	2018
Cash and cash equivalents	\$ 3,310,841	\$ 3,701,387
Note receivable	-	630,000
Accounts receivable	68,193	142,634
Short term unconditional promises to give	545,000	-
	3,924,034	4,474,021
Less cash with purpose restrictions	(28,644)	(67,530)
Total financial assets	\$ 3,895,390	\$ 4,406,491

RESCUE MISSION OF MIDDLE GEORGIA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4. AVAILABILITY AND LIQUIDITY OF FINANCIAL ASSETS (CONTINUED)

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 for an endowment. The amounts subject to board designations could be made available for operations if necessary.

NOTE 5. NOTE RECEIVABLE

The Rescue Mission had 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 and the entire note balance was paid off in April 2019. The note carried a 4 percent interest rate. The note was secured by the land located on Highway 96 in Warner Robins, Georgia.

NOTE 6. PROMISES TO GIVE

In 2019, the Rescue Mission began a capital campaign to raise money to acquire their new Zebulon Road location. All unconditional promises to give are restricted for this purpose until released by purchasing and placing the property into service. Promises to give receivable in more than one year are discounted at 2.40%.

Unconditional promises to give consists of the following as of December 31:

	2019
Receivable in less than one year	\$ 545,000
Receivable in one to five years	835,000
Total unconditional promises to give	1,380,000
Discount to net present value	(38,081)
Net unconditional promises to give	\$ 1,341,919

RESCUE MISSION OF MIDDLE GEORGIA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7. PROPERTY AND EQUIPMENT

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

	<u>2019</u>	<u>2018</u>
Land	\$ 1,810,497	\$ 399,442
Buildings and improvements	8,266,469	2,707,244
Machinery and equipment	402,879	320,444
Furniture and fixtures	283,698	194,944
Vehicles	<u>247,193</u>	<u>212,960</u>
	11,010,736	3,835,034
Accumulated depreciation	<u>(1,858,844)</u>	<u>(1,731,839)</u>
	<u>\$ 9,151,892</u>	<u>\$ 2,103,195</u>

NOTE 8. NOTE PAYABLE

Note payable consisted of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Note payable with Wells Fargo with an initial amount of \$5,500,000, payable in 119 monthly installments of 31,320, including principal and interest at 4.67% with the unpaid balance due March 15, 2029. The note is secured by real estate.	\$ 4,892,214	\$ -
	<u>\$ 4,892,214</u>	<u>\$ -</u>

Maturities of this debt are as follows:

<u>Year ending December 31</u>	
2020	\$ 149,666
2021	157,852
2022	165,384
2023	173,274
2024	180,983
Thereafter	<u>4,065,055</u>
	<u>\$ 4,892,214</u>

Interest expense for the loan totaled \$205,274 and \$0 for the years ended December 31, 2019 and 2018, respectively.

RESCUE MISSION OF MIDDLE GEORGIA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9. 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 \$2,732 and \$2,865 for the years ended December 31, 2019 and 2018, respectively.

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

Year ending December 31		
2020	\$	2,340
2021		780
	\$	<u>3,120</u>

The Rescue Mission leases apartment complexes to tenants under non-cancellable operating leases with terms of one year. The Rescue Mission also leases a gymnasium to a church under a non-cancellable operating lease with a term of five years. The following is a schedule by year of future minimum rentals expected to be received under these leases:

Year ending December 31		
2020	\$	87,900
2021		83,650
2022		66,000
2023		66,000
2024		66,000
Thereafter		33,000
	\$	<u>402,550</u>

NOTE 10. NET ASSETS WITHOUT DONOR RESTRICTIONS

As of December 31, 2019 and 2018, the Rescue Mission has \$80,000 designated from net assets without donor restrictions to build an endowment.

RESCUE MISSION OF MIDDLE GEORGIA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Capital campaign	\$ -	\$ 11,000
Supplies and support	20,237	1,635
Resident gifts and activities	2,981	1,940
Renovations and repairs	-	31,000
Resident dental and medical	5,426	21,955
	<u>28,644</u>	<u>67,530</u>
Not subject to spending policy or appropriation:		
Beneficial interest in perpetual trust held by others	<u>297,588</u>	<u>265,283</u>
Total net assets with donor restrictions	<u>\$ 326,232</u>	<u>\$ 332,813</u>

NOTE 12. RETIREMENT BENEFIT PLAN

The Rescue Mission began participating in a 401(k) retirement plan in 2015. 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, 2019. 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 \$24,593 and \$23,260 for the years ended December 31, 2019 and 2018, respectively.

NOTE 13. 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 \$875,983 and \$3,437,951 of cash deposits in banks in excess of federally insured limits as of December 31, 2019 and 2018, respectively. Cash on hand consisted of \$2,405 for the years ended December 31, 2019 and 2018.

RESCUE MISSION OF MIDDLE GEORGIA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 14. 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, 2019 and 2018.

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 Rescue Mission's interest in the trust.

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.

RESCUE MISSION OF MIDDLE GEORGIA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 14. FAIR VALUE MEASUREMENTS (CONTINUED)

Fair values of assets measured on a recurring basis at December 31, 2019 are as follows:

	Fair Value	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Inventory	\$ 33,464	\$ -	\$ -	\$ 33,464
Beneficial interest in perpetual trust	297,588	-	-	297,588
	<u>\$ 331,052</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 331,052</u>

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>

RESCUE MISSION OF MIDDLE GEORGIA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 14. 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, 2019:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Beneficial Interest in Perpetual		
	Inventory	Trust	Total
Balance, beginning of year	\$ 33,519	\$ 265,283	\$ 298,802
Unrealized gains (losses)	-	32,305	32,305
Purchases, sales, issuances, and settlements, net	(55)	-	(55)
Balance, end of year	<u>\$ 33,464</u>	<u>\$ 297,588</u>	<u>\$ 331,052</u>
The amount of total losses for the period attributable to the change in unrealized losses relating to assets still held at December 31, 2019	<u>\$</u>	<u>-</u>	<u>\$ 32,305</u>
		<u>\$</u>	<u>32,305</u>

NOTE 15. RELATED PARTY TRANSACTIONS

The Rescue Mission purchased a \$31,940 vehicle and \$29,500 of renovation services from the companies of two board members during the year ended December 31, 2019.

NOTE 16. SUBSEQUENT EVENTS

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which could negatively impact the Rescue Mission's change in net assets. Actual effects to date include the Bargain Center being closed for 28 days. Other financial impact could occur though such potential impact is unknown at this time.

On April 22, 2020, the Rescue Mission obtained a Small Business Administration loan of \$227,946 through a commercial lender under the agency's Paycheck Protection Program. This program provides for loan forgiveness of principal and interest if the funds are spent for qualifying costs such as payroll and meets other criteria related to staff and wage retention. As of the date of the financial statements, the Rescue Mission expects to but has not yet received notification of loan forgiveness from the bank. If the loan is not forgiven, it will be repaid over a term of 18 months after a 10 month deferral period at a rate of 1%.

RESCUE MISSION OF MIDDLE GEORGIA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 16. SUBSEQUENT EVENTS (CONTINUED)

On January 8, 2020, the Rescue Mission sold its former Hazel Street location for \$1,100,000. The cost basis in the property is \$1,525,204, resulting in a loss on sale of \$425,204.

On June 12, 2020, the Rescue Mission obtained a rate modification on their loan with Wells Fargo with a new interest rate of 3.99%.