

RESCUE MISSION OF MIDDLE GEORGIA, INC.

FINANCIAL STATEMENTS

For the Years Ended December 31, 2022 and 2021

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Rescue Mission of Middle Georgia, Inc.

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, 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, 2022 and 2021, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Rescue Mission of Middle Georgia, Inc. and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. 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 Rescue

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

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Rescue Mission of Middle Georgia, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Rescue Mission of Middle Georgia, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited Rescue Mission of Middle Georgia, Inc.'s December 31, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 19, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Howard, Moore & McOuffie, P.C.

Macon, Georgia
December 7, 2023

RESCUE MISSION OF MIDDLE GEORGIA, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents - without donor restrictions	\$ 4,040,822	\$ 2,002,985
Cash and cash equivalents - with donor restrictions	226,456	105,636
Investments, at market (Note 5)	1,376,582	1,953,654
Unconditional promises to give, net of discount (Note 6)	215,000	705,313
Accounts receivable	72,550	135,796
Interest receivable	6,159	-
Inventories	68,049	66,537
Prepaid expenses	33,103	27,603
Property and equipment, net (Note 7)	7,398,610	7,414,258
Beneficial interest in perpetual trust	275,104	349,562
TOTAL ASSETS	<u><u>\$ 13,712,435</u></u>	<u><u>\$ 12,761,344</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 49,449	\$ 38,628
Payroll and benefits payable	38,448	27,389
Sales tax payable	7,687	7,315
Accrued interest	352	1,585
Rental deposits and prepaid rent	16,856	15,636
Note payable, net (Note 8)	421,227	1,007,276
TOTAL LIABILITIES	<u>534,019</u>	<u>1,097,829</u>
NET ASSETS		
Without donor restrictions		
Undesignated	12,596,856	11,128,317
Designated by Board	80,000	80,000
	<u>12,676,856</u>	<u>11,208,317</u>
With donor restrictions		
Purpose restricted	226,456	105,636
Perpetual in nature	275,104	349,562
	<u>501,560</u>	<u>455,198</u>
TOTAL NET ASSETS	<u>13,178,416</u>	<u>11,663,515</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 13,712,435</u></u>	<u><u>\$ 12,761,344</u></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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES, GAINS AND OTHER SUPPORT		
Contributions		
Cash	\$ 1,506,037	\$ 1,517,982
Donated property and equipment	83,635	29,710
Donated food and supplies	599,836	341,811
Donated goods for sale	709,221	733,149
Donated services	23,383	20,124
Grants	108,500	6,500
Retail sales-Bargain Center, net of donated goods	839,007	775,027
Retail sales-Barn Center, net of donated goods	163,617	85,136
Distribution from perpetual trust	12,656	10,882
Interest income	25,969	15,812
Rental income	195,616	142,779
Gain on extinguishment of debt	-	229,527
Miscellaneous	1,282	2,292
	<u>4,268,759</u>	<u>3,910,731</u>
Revenue from special events		
Golf tournament and auction	1,191,086	1,156,896
Less: direct costs	(257,991)	(220,399)
Less: bad debts	(8,216)	(51,066)
	<u>924,879</u>	<u>885,431</u>
Net revenue from special events		
	<u>924,879</u>	<u>885,431</u>
TOTAL REVENUES, GAINS AND OTHER SUPPORT	<u>5,193,638</u>	<u>4,796,162</u>
NET ASSETS RELEASED FROM RESTRICTIONS		
Restrictions satisfied by payments	<u>269,937</u>	<u>559,588</u>
TOTAL REVENUES, GAINS, OTHER SUPPORT AND RECLASSIFICATIONS WITHOUT DONOR RESTRICTIONS	<u>5,463,575</u>	<u>5,355,750</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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
EXPENSES		
Program services		
Mission	\$ 1,864,319	\$ 1,545,359
Women's Division	363,907	294,634
Bargain Center	926,690	864,036
Barn Center	181,029	116,221
	<u>3,335,945</u>	<u>2,820,250</u>
Supporting services		
Management and general	245,909	164,041
Fundraising	370,098	367,831
	<u>616,007</u>	<u>531,872</u>
TOTAL EXPENSES	3,951,952	3,352,122
Unrealized loss (gain) on investments	42,833	9,146
Loss on disposal of assets	251	-
	<u>3,995,036</u>	<u>3,361,268</u>
TOTAL EXPENSES AND LOSSES		
	<u>3,995,036</u>	<u>3,361,268</u>
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>1,468,539</u>	<u>1,994,482</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions - capital campaign	32,442	420,423
Contributions - other	160,815	8,246
Grants	197,500	117,400
Increase (decrease) in beneficial interest in perpetual trust	(74,458)	25,604
Net assets released from restrictions by payment	(269,937)	(559,588)
	<u>46,362</u>	<u>12,085</u>
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	<u>46,362</u>	<u>12,085</u>
INCREASE (DECREASE) IN NET ASSETS	1,514,901	2,006,567
NET ASSETS - BEGINNING	<u>11,663,515</u>	<u>9,656,948</u>
NET ASSETS - ENDING	<u>\$ 13,178,416</u>	<u>\$ 11,663,515</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, 2022, with Comparative Totals for 2021

	Program Services				Supporting Services		Total	Total
	Mission	Women's Division	Bargain Center	Barn Center	Management and General	Fund- Raising	2022	2021
Salaries	\$ 380,669	\$ 168,952	\$ 464,975	\$ 112,400	\$ 178,261	\$ 77,901	\$ 1,383,158	\$ 1,181,097
Payroll taxes	29,329	13,017	35,824	8,660	13,735	6,001	106,566	83,766
Employee benefits	61,941	21,410	63,510	15,188	21,110	4,255	187,414	174,622
Worker's compensation	9,652	3,322	9,065	-	2,441	1,396	25,876	27,516
Advertising and direct mail campaigns	1,474	749	1,000	4,789	-	186,658	194,670	170,445
Assistance to residents	47,329	18,437	-	-	-	-	65,766	46,275
Bank charges and merchant fees	27,685	-	19,474	9,467	-	-	56,626	60,009
Contract labor	2,367	720	42,308	-	-	-	45,395	71,989
Depreciation	186,430	39,664	34,862	4,657	-	-	265,613	253,137
Dues and subscriptions	21,651	943	5,246	-	-	-	27,840	25,181
Equipment rental	-	-	-	-	-	-	-	493
Meals, (\$442,313 and \$266,846 in-kind)	601,347	8,208	3,525	664	-	-	613,744	362,970
Insurance	84,351	22,273	23,796	2,285	-	-	132,705	127,531
Interest	30,396	-	-	-	-	-	30,396	74,661
Miscellaneous	20,039	1,796	313	-	-	425	22,573	25,784
Office supplies	15,016	697	1,945	722	-	-	18,380	11,316
Printing and publications	-	-	-	-	-	46,272	46,272	66,493
Professional fees	3,135	-	-	-	21,320	-	24,455	24,298
Postage and direct mail fees	5,486	813	1,623	-	4,549	46,172	58,643	66,644

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, 2022, with Comparative Totals for 2021

	Program Services			Supporting Services		Total	Total	
	Mission	Women's Division	Bargain Center	Barn Center	Management and General	Fund- Raising	2022	2021
Repairs and maintenance	\$ 92,917	\$ 9,806	\$ 34,660	\$ 1,108	\$ 129	\$ 65	\$ 138,685	\$ 112,395
Supplies	34,015	1,080	56,008	8,695	-	-	99,798	74,450
Taxes and licenses	11,087	173	1,459	-	-	-	12,719	3,621
Travel	-	-	-	-	-	-	-	1,500
Utilities	172,757	42,598	74,529	11,853	4,364	953	307,054	244,329
Vehicle	25,246	9,249	52,568	541	-	-	87,604	61,600
Total Expenses, Year Ended December 31, 2022	<u>\$ 1,864,319</u>	<u>\$ 363,907</u>	<u>\$ 926,690</u>	<u>\$ 181,029</u>	<u>\$ 245,909</u>	<u>\$ 370,098</u>	<u>\$ 3,951,952</u>	
Total Expenses, Year Ended December 31, 2021	<u>\$ 1,545,359</u>	<u>\$ 294,634</u>	<u>\$ 864,036</u>	<u>\$ 116,221</u>	<u>\$ 164,041</u>	<u>\$ 367,831</u>		<u>\$ 3,352,122</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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 1,514,901	\$ 2,006,567
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	265,613	253,137
Amortization of debt issuance cost	4,596	3,448
Loss (gain) on sale of assets	251	-
Change in beneficial interest in perpetual trust	74,458	(25,604)
Unrealized loss (gain) on investments	42,833	9,146
Investment earnings reinvested	534,239	79,114
Donated property and equipment	(64,682)	-
Gain on extinguishment of debt	-	(229,527)
Discount amortization on promises to give	(4,687)	(14,268)
(Increase) decrease in:		
Accounts receivable	63,246	146,617
Interest receivable	(6,159)	-
Inventories	(1,512)	(41,162)
Prepaid expenses	(5,500)	(2,888)
Increase (decrease) in:		
Accounts payable	10,821	11,734
Payroll and benefits	11,059	7,574
Accrued interest	(1,233)	(3,625)
Sales tax payable	372	2,114
Rental deposits and prepaid rent	1,220	25
Contributions restricted for acquisition of Zebulon Road location	(25,000)	(406,155)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,414,836</u>	<u>1,796,247</u>
CASH FLOWS FROM (TO) INVESTING ACTIVITIES		
Cash payments for the purchase of property and equipment	(185,534)	(167,717)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(185,534)</u>	<u>(167,717)</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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM (TO) FINANCING ACTIVITIES		
Collection of contributions for long-term purposes	\$ 520,000	\$ 541,155
Proceeds from notes payable	-	2,552,345
Principal payments on notes payable	<u>(590,645)</u>	<u>(4,137,252)</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(70,645)</u>	<u>(1,043,752)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,158,657	584,778
BEGINNING CASH AND CASH EQUIVALENTS	<u>2,108,621</u>	<u>1,523,843</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 4,267,278</u>	<u>\$ 2,108,621</u>
SUPPLEMENTAL DISCLOSURES		
Interest paid	<u>\$ 27,031</u>	<u>\$ 74,838</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 homeless, hungry, and abused individuals. 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, 2021, 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, 2022 and 2021. Inventory consisted of donated goods for resale valued at \$68,049 and \$66,537 as of December 31, 2022 and 2021, 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.

Use of 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, 2022 and 2021. 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.

Investments

Investments in marketable securities are stated at quoted market value. Fair value is defined as the price that one would receive selling an asset in an orderly transaction among market participants at the measurement date.

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 and Revenue Recognition

The Rescue Mission records special events revenue equal at the fair value of direct benefit to donors, and contribution income for the excess received when the event takes place. The Organization recognizes retail sales of donated goods as disclosed in Note 3.

The Rescue Mission recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right to return – are not recognized until the conditions on which they depend have been met.

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.

Debt Issuance Costs

The Rescue Mission follows FASB ASC 835-30 to present debt issuance costs as a reduction of the carrying amount of its long-term debt. The debt issuance costs are amortized over the term of the related debt and the amortization is included in interest expense on the Statement of Activities.

Subsequent Events

Subsequent events have been evaluated through December 7, 2023, which is the date the financial statements were available to be issued.

Adoption of FASB ASC 842

Effective January 1, 2022, the Company adopted FASB ASC 842, *Leases*. The Company determines if a leasing arrangement contains a lease at inception based on whether the Company has the right to control the asset during the contract period and other facts and circumstances. The Company elected the package of practical expedients permitted under the transition guidance within the new guidance, which among other things, allowed it to carry forward the historical lease guidance.

NOTE 3. RETAIL SALES

Retail sales totaled \$1,710,334 and \$1,552,151 for the years ended December 31, 2022 and 2021, respectively. Retail sales are presented in the Statements of Activities net of donated goods of \$707,710 and \$691,988 for the years ended December 31, 2022 and 2021, 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 41.38 and 44.58 percent for the years ended December 31, 2022 and 2021, 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:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 4,267,278	\$ 2,108,621
Accounts receivable	72,550	125,805
Investments	1,376,582	1,953,654
Short term unconditional promises to give	<u>215,000</u>	<u>510,000</u>
	5,931,410	4,698,080
Less cash with purpose restrictions	<u>(226,456)</u>	<u>(105,636)</u>
Total financial assets	<u>\$ 5,704,954</u>	<u>\$ 4,592,444</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 for an endowment. The amounts subject to board designations could be made available for operations if necessary.

NOTE 5. INVESTMENTS

Investments at December 31, 2022 were as follows:

	<u>Market</u>	<u>Cost</u>
Stocks and exchange traded funds	\$ 23,817	\$ 31,109
US Treasury notes	1,106,858	1,150,000
Certificates of deposit	<u>245,907</u>	<u>240,566</u>
	<u>\$ 1,376,582</u>	<u>\$ 1,421,675</u>

Investments at December 31, 2021 were as follows:

	<u>Market</u>	<u>Cost</u>
Stocks and exchange traded funds	\$ 6,199	\$ 5,427
Certificates of deposit	<u>1,947,455</u>	<u>1,950,000</u>
	<u>\$ 1,953,654</u>	<u>\$ 1,955,427</u>

RESCUE MISSION OF MIDDLE GEORGIA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. PROMISES TO GIVE

In 2019, the Rescue Mission began a capital campaign 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 percent.

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

	<u>2022</u>	<u>2021</u>
Receivable in less than one year	\$ 215,000	\$ 510,000
Receivable in one to five years	-	200,000
	<u>215,000</u>	<u>710,000</u>
Total unconditional promises to give	215,000	710,000
Discount to net present value	-	(4,687)
	<u>-</u>	<u>(4,687)</u>
Net unconditional promises to give	<u>\$ 215,000</u>	<u>\$ 705,313</u>

NOTE 7. PROPERTY AND EQUIPMENT

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

	<u>2022</u>	<u>2021</u>
Land	\$ 1,505,153	\$ 1,505,153
Buildings and improvements	6,244,587	6,207,693
Machinery and equipment	402,332	333,695
Furniture and fixtures	243,547	255,177
Vehicles	445,251	331,598
	<u>8,840,870</u>	<u>8,633,316</u>
Accumulated depreciation	<u>(1,442,260)</u>	<u>(1,219,058)</u>
	<u>\$ 7,398,610</u>	<u>\$ 7,414,258</u>

RESCUE MISSION OF MIDDLE GEORGIA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8. NOTE PAYABLE

Notes payable consisted of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Note payable with Capital City Bank with an amount of \$2,584,523, payable in 84 payments of \$34,807, including principal and interest at 3.49 percent with the unpaid balance due March 15, 2028. The note is secured by real estate.	\$ 445,360	\$ 1,036,006
	<u>\$ 445,360</u>	<u>\$ 1,036,006</u>

Maturities of this debt based upon an accelerated payment schedule initiated by the Rescue Mission are as follows:

<u>Year ending December 31</u>	
2023	\$ 408,642
2024	<u>36,718</u>
	<u>\$ 445,360</u>

Interest expense for the loan totaled \$25,799 and \$71,213 for the years ended December 31, 2022 and 2021, respectively.

As described in Note 2, the balance of the note payable is present on the Statement of Financial Position net of unamortized debt issuance costs totaling \$24,133 and \$28,730 for the years ended December 31, 2022 and 2021, respectively. Amortization of the debt issuance costs of \$4,596 and \$3,448 is reported as interest expense in the Statements of Activities.

NOTE 9. SBA NOTE PAYABLE

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. The balance of the note includes \$1,581 of accrued interest at a rate of 1 percent. On March 5, 2021, the Rescue Mission received notification of full loan forgiveness of this note including accrued interest. The balance of the note is recognized in the Statement of Activities as a gain on extinguishment of debt for the year ended December 31, 2021.

RESCUE MISSION OF MIDDLE GEORGIA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10. LEASES

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:

<u>Year ending December 31</u>	
2023	\$ 167,075
2024	132,000
2025	<u>66,000</u>
	<u>\$ 365,075</u>

NOTE 11. NET ASSETS WITHOUT DONOR RESTRICTIONS

The Rescue Mission's Board of Directors designated \$80,000 of its net assets to build an endowment.

NOTE 12. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Buildings	\$ 116,005	\$ 2,500
Furnishing and equipment	43,342	49,980
Supplies and support	53,639	21,245
Resident gifts and activities	1,841	4,110
Repairs	9,666	17,134
Resident dental and medical	<u>1,963</u>	<u>10,667</u>
	<u>226,456</u>	<u>105,636</u>
Not subject to spending policy or appropriation:		
Beneficial interest in perpetual trust held by others	<u>275,104</u>	<u>349,562</u>
Total net assets with donor restrictions	<u>\$ 501,560</u>	<u>\$ 455,198</u>

RESCUE MISSION OF MIDDLE GEORGIA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13. RETIREMENT BENEFIT PLAN

The Rescue Mission has a 401(k) retirement plan in which all employees age 21 and over are eligible to participate in after 3 months of service with a minimum of 250 hours. The Rescue Mission contributes 2 percent 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 10 cents per dollar up to 6 percent of each eligible employee's salary for the years ended December 31, 2022 and 2021. This discretionary match percentage is determined by the Board each year.

Participants are immediately 100 percent vested in the employee contributions. Participants are 100 percent vested in the employer non-elective contributions after six years. Retirement plan contributions totaled \$26,775 and \$21,988 for the years ended December 31, 2022 and 2021, respectively.

NOTE 14. CONCENTRATION OF CREDIT RISK

The Rescue Mission maintains cash balances in two financial institutions located in Macon, Georgia and in four others through its broker's deposit program. The balances at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Rescue Mission had \$2,995,500 and \$1,676,275 of cash deposits in banks and brokerage firms in excess of federally insured limits as of December 31, 2022 and 2021, respectively. Cash on hand consisted of \$3,405 and \$3,155 for the years ended December 31, 2022 and 2021, respectively.

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.

RESCUE MISSION OF MIDDLE GEORGIA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 15. FAIR VALUE MEASUREMENTS (continued)

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, 2022 and 2021.

Inventory: Determined using statistical computations (see Note 2).

Stocks, exchange traded funds: Valued at closing price reported on the active markets on which the individual securities are traded.

US Treasury notes: Valued at matrix or model-based evaluations that suggest current estimated market values.

Certificates of deposit: Valued at the amortized value held at year end.

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 15. FAIR VALUE MEASUREMENTS (continued)

Fair values of assets measured on a recurring basis at December 31, 2022 are as follows:

	Fair Value	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Inventory	\$ 68,049	\$ -	\$ -	\$ 68,049
Stocks and exchange traded funds	23,817	23,817	-	-
US Treasury notes	1,106,858	1,106,858	-	-
Certificates of deposit	245,907	245,907	-	-
Beneficial interest in perpetual trust	275,104	-	-	275,104
	<u>\$ 1,719,735</u>	<u>\$ 1,376,582</u>	<u>\$ -</u>	<u>\$ 343,153</u>

Fair values of assets measured on a recurring basis at December 31, 2021 are as follows:

	Fair Value	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Inventory	\$ 66,537	\$ -	\$ -	\$ 66,537
Stocks and exchange traded funds	6,199	6,199	-	-
Certificates of deposit	1,947,455	1,947,455	-	-
Beneficial interest in perpetual trust	349,562	-	-	349,562
	<u>\$ 2,369,753</u>	<u>\$ 1,953,654</u>	<u>\$ -</u>	<u>\$ 416,099</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, 2022:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Beneficial Interest in Perpetual		Total
	Inventory	Trust	
Balance, beginning of year	\$ 66,537	\$ 349,562	\$ 416,099
Unrealized gains (losses)	-	(74,458)	(74,458)
Purchases, sales, issuances, and settlements, net	1,512	-	1,512
Balance, end of year	<u>\$ 68,049</u>	<u>\$ 275,104</u>	<u>\$ 343,153</u>
The amount of total gains for the period attributable to the change in unrealized gains (losses) relating to assets still held at December 31, 2022	\$ -	\$ (74,458)	\$ (74,458)

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, 2021:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Inventory	Beneficial Interest in Perpetual Trust	Total
Balance, beginning of year	\$ 25,375	\$ 323,958	\$ 349,333
Unrealized gains (losses)	-	25,604	25,604
Purchases, sales, issuances, and settlements, net	41,162	-	41,162
Balance, end of year	<u>\$ 66,537</u>	<u>\$ 349,562</u>	<u>\$ 416,099</u>
The amount of total gains for the period attributable to the change in unrealized gains relating to assets still held at December 31, 2021	<u>\$ -</u>	<u>\$ 25,604</u>	<u>\$ 25,604</u>

NOTE 16. RELATED PARTY TRANSACTIONS

The Mission purchased two vehicles to be used in operations from companies owned by a board member during the year ended December 31, 2022. The two transactions totaled \$57,471. The transactions were considered arms-length transactions.

NOTE 17. SUBSEQUENT EVENTS

In 2023, the Mission began a new capital campaign to expand its campus. The Mission plans to construct a donated-goods processing center, expand retail space, and create a dedicated road at its Zebulon Road retail center. The Mission will also renovate other buildings for multipurpose use and construct transitional housing for its women's program.