

RESCUE MISSIONS MINISTRIES, INC.
D/B/A DURHAM RESCUE MISSION

FINANCIAL STATEMENTS

Year Ended December 31, 2020

RESCUE MISSIONS MINISTRIES, INC.
D/B/A DURHAM RESCUE MISSION

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B. DANE BYERS, CPA, PLLC

INDEPENDENT AUDITOR'S REPORT

June 23, 2021

The Board of Directors
Rescue Missions Ministries, Inc.
d/b/a Durham Rescue Mission
Durham, North Carolina

I have audited the accompanying statement of financial position of Rescue Missions Ministries, Inc. d/b/a Durham Rescue Mission (the "Mission"), a nonprofit organization, as of December 31, 2020, and the related statements of activities and changes in net assets, and cash flows for the year 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Mission as of December 31, 2020, and the statement of activities and changes in net assets and statement of cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

B. Dane Byers, CPA, PLLC

Durham, North Carolina

RESCUE MISSIONS MINISTRIES, INC.
D/B/A DURHAM RESCUE MISSION
STATEMENT OF FINANCIAL POSITION
As of December 31, 2020

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 2,398,609
Promises to give, net	146,372
Other receivables	287,313
Investments, at fair value	2,460,203
Prepaid expenses	61,954
Inventory, net	<u>1,601,356</u>
Total current assets	<u>6,955,807</u>
LONG TERM ASSETS	
Property & equipment, net	11,464,512
Investments, at fair value	-
Promises to give, net	151,165
Other assets	<u>25,000</u>
Total long term assets	<u>11,640,677</u>
Total assets	<u><u>\$ 18,596,485</u></u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable and accrued expenses	\$ 931,262
Deferred revenue	<u>-</u>
Total liabilities	<u>931,262</u>
NET ASSETS	
Without donor restrictions	
Board designated for special purpose	2,500,000
Undesignated	<u>14,279,975</u>
Total without donor restrictions	16,779,975
With donor restrictions	<u>885,248</u>
Total net assets	<u>17,665,223</u>
	<u><u>\$ 18,596,485</u></u>

See accompanying notes and independent auditor's report

RESCUE MISSIONS MINISTRIES, INC.
D/B/A DURHAM RESCUE MISSION
STATEMENT OF ACTIVITIES
For the Twelve Months Ended December 31, 2020

NET ASSETS WITHOUT DONOR RESTRICTIONS

Revenues and gains	
Contributions	\$ 9,921,397
Sales and services	4,720,245
Program services	402,954
Return on investments, net of fees	128,912
Dividends and investment interest	60,361
Rent	173,189
Other	<u>156,505</u>
Total unrestricted revenues and gains (losses)	<u>15,563,563</u>
Net assets released from restrictions	
Satisfaction of purpose restrictions	<u>792,005</u>
	<u>16,355,568</u>
Expenses	
Operating program expenses	13,334,554
Management & general	1,228,073
Fundraising	<u>723,359</u>
Total expenses	<u>15,285,986</u>
Change in net assets without donor restrictions	<u>1,069,582</u>

See accompanying notes and independent auditor's report

RESCUE MISSIONS MINISTRIES, INC.
D/B/A DURHAM RESCUE MISSION
STATEMENT OF ACTIVITIES
For the Twelve Months Ended December 31, 2020

NET ASSETS WITH DONOR RESTRICTIONS	
Contributions	\$ 632,260
Net assets released from restrictions	
Satisfaction of purpose restrictions	<u>(792,005)</u>
(Decrease) in net assets with donor restrictions	<u>(159,745)</u>
INCREASE IN NET ASSETS	<u>909,837</u>
NET ASSETS, beginning of year	<u>16,755,386</u>
NET ASSETS, end of year	<u><u>\$ 17,665,223</u></u>

See accompanying notes and independent auditor's report

RESCUE MISSIONS MINISTRIES, INC.
D/B/A DURHAM RESCUE MISSION
STATEMENT OF CASH FLOWS
For the Twelve Months Ended December 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 909,837
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	425,420
(Gain) loss on asset disposals	(5,628)
Net realized and unrealized losses (gains) on investments	(105,181)
Changes in operating assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	(58,176)
Promises to give	(37,428)
Prepaid expenses	61,379
Inventory	(582,156)
Long-term promises to give	(66,862)
Increase (decrease) in:	
Deferred revenue	-
Accounts payable and accrued expenses	447,443
	<u>988,648</u>
Net cash provided by operating activities	<u>988,648</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of fixed assets	(646,601)
Proceeds from sale of fixed assets	-
Proceeds from sales and maturities of investments net of purchases	<u>(1,258,982)</u>
Net cash (used in) investing activities	<u>(1,905,583)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
	<u>-</u>
Net increase in cash, cash equivalents and restricted cash	(916,935)
Cash, cash equivalents, and restricted cash, beginning of year	<u>3,315,544</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 2,398,609</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION	
Cash payments for:	
Interest	\$ -
Taxes	<u>\$ -</u>

There was no restricted cash or cash equivalents at December 31, 2020.

RESCUE MISSIONS MINISTRIES, INC.
D/B/A DURHAM RESCUE MISSION

Statement of Functional Expenses
For the Year Ended December 31, 2020

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries, benefits and contract labor	\$ 3,382,797	\$ 593,666	\$ 254,352	\$ 4,230,815
Food	3,252,571	-	-	3,252,571
Depreciation and amortization	425,420	-	-	425,420
Postage and printing	241,186	144,711	96,474	482,371
Maintenance and repairs	416,404	782	-	417,186
Community events	75,877	-	-	75,877
Utilities	665,000	3,289	-	668,289
Development	27,449	93,932	371,838	493,219
General and administrative	1,253,008	275,481	-	1,528,489
Insurance	356,590	76,313	695	433,598
Benevolent gifts to others	428,982	(38)	-	428,944
Contributions to Rescue Legacy Fund	2,202,299	-	-	2,202,299
Program supplies	310,760	-	-	310,760
Transportation	201,502	-	-	201,502
Professional fees	39,483	37,155	-	76,638
Cost of goods sold	(59,781)	-	-	(59,781)
Clothing	(105)	-	-	(105)
Office expense	(1,367)	(975)	-	(2,342)
Telephone	88,842	904	-	89,746
Staff training	13,201	1,189	-	14,390
Resident training	14,436	1,664	-	16,100
	<u>\$ 13,334,554</u>	<u>\$ 1,228,073</u>	<u>\$ 723,359</u>	<u>\$ 15,285,986</u>

See accompanying notes and independent auditor's report

RESCUE MISSIONS MINISTRIES, INC.
D/B/A DURHAM RESCUE MISSION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

Rescue Missions Ministries, Inc. doing business as Durham Rescue Mission (the "Mission") is a nonprofit organization that was formed in 1973. The Mission's purpose is to offer food to the hungry, clothes and shelter to the needy, vocational training and medical, dental, and vision care through a partnership with Samaritan Health Center, Inc., to its residents, and Christ to the hurting through programs for men, women and children in Durham, North Carolina. The Mission is governed by a Board of Directors which meets regularly to conduct the business of the Mission. The Mission's revenue consists primarily of individual, corporate, and church contributions.

A Summary of the Mission's Significant Accounting Policies follows:

Basis of Presented Financial Statements and Revenue Recognition

The Mission's financial statements previously included the accounts of the Durham Rescue Mission Endowment Fund, required to be consolidated with the Mission as the Mission exercised control over the Endowment Fund. Effective January 1, 2016 the Mission no longer exerts control over the Fund, and therefore the accounts of the Fund are no longer consolidated with the Mission.

Contributions are recognized when the donor makes an unconditional promise to transfer assets. The Mission reports gifts of cash, in-kind contributions and other assets as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Amounts received that are designated for future periods or restricted by the donor for a specific purpose are reported as support with donor restrictions and as an increase to the related net asset class. If a restriction is fulfilled in the same period in which the contribution is received, the Mission reports the support as unrestricted. In the event that monies both with and without donor restrictions are available for use for activities that comply with donor restrictions, the Mission will use funds having donor restrictions first.

Promises to give are recognized when the donor makes a promise to give to the Mission that is, in substance, unconditional. Promises to give that are restricted by the donor are reported as increases in net assets without donor-imposed restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as an increase in net assets with donor-imposed restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor-imposed restrictions are reclassified to net assets without donor-imposed restrictions. Promises to give that are expected to be collected within one year are recorded at net realizable value. Promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The Mission periodically evaluates pledges and other receivable balances as well as the status of any significant past due accounts to determine if any balances are uncollectible. When management determines that a promise to give is uncollectible, the balance is removed from the promise to give balance and is charged directly against earnings. Subsequent recoveries of amounts previously written off are credited directly to earnings.

RESCUE MISSIONS MINISTRIES, INC.
D/B/A DURHAM RESCUE MISSION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Cont'd)

Conditional promises to give, which is defined as those promises to give that contain a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. If a condition related to a donor restricted contribution is fulfilled in the same period in which the contribution is received, the Mission reports the support as unrestricted. As of December 31, 2020, there are no promises to give that have not been recognized in the accompanying statement of activities and net assets because the conditions on which they depend have not yet been met.

The Mission considers a contract with a customer to exist under ASC 606 when there is approval and commitment from the Mission and the customer, the rights of the parties and payment terms are identified, the contract has commercial substance, and the collectability of consideration is probable. The Mission evaluates each service deliverable contracted with the customer to determine whether it represents promises to transfer distinct services under ASC 606. These are referred to as performance obligations. One or more service deliverables often represent a single performance obligation. This evaluation requires significant judgment and the impact of combining or separating performance obligations may change the time over which revenue from the contract is recognized.

While contribution revenue provides the majority of the support for the Mission, the Mission also derives a very small portion of their revenue from client service fees charged to clients and third-party payers. Client service revenue is reported at the amount that reflects the consideration to which the Mission expects to be entitled to in exchange for providing client care. Revenue is recognized as performance obligations are satisfied, and because these amounts are generally not material to the Mission, as they are collected from clients and third-party payers. The Mission determines the transaction price based on standard charges for goods and services provided. Consistent with the Mission's cause, care is provided to clients regardless of their ability to pay.

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board ("FASB") in its guidance contained in ASC 958, Not-for-Profit Entities. Under this guidance the Mission is required to provide a statement of financial position, a statement of activities, a statement of functional expenses and a statement of cash flows.

As required by U.S. GAAP, the Mission classifies revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. As a result, the net assets of the mission and the changes therein are classified and reported as either with or without donor restrictions.

RESCUE MISSIONS MINISTRIES, INC.
D/B/A DURHAM RESCUE MISSION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Cont'd)

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Mission’s management and the Board of Directors.

Net Assets with Donor Restrictions – Net assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Mission or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

In February 2016, the Financial Accounting Standards Board (“FASB”) issued a new accounting standard, ASU 2016-02, Leases (Topic 842), which says Lessees will be required to recognize a lease liability and a right-of-use asset for all leases, operating and capital, at the commencement date. Implementation of the new standard has been delayed and will be effective for the Mission on July 1, 2022. Early adoption is permitted. The Mission is currently evaluating the effect that the standard will have on its financial statements and related disclosures.

In June 2018, FASB issued a new accounting standard, ASU 2018-08, Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 958), which is intended to clarify issues that have been faced when characterizing grants and similar contracts with government agencies and others as reciprocal transactions or nonreciprocal transactions. The new standard is also intended to help with difficulties in distinguishing between conditional and unconditional contributions for reporting purposes. The new standard was implemented by the Mission on January 1, 2020.

The Mission also adopted ASU 2014-09, Revenue from Contracts with Customers (Topic 606), as amended. The standard’s core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing the users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue. The Mission adopted this standard and has adjusted the presentation of the statements accordingly. Analysis of various provisions of this standard resulted in no significant changes in the way the Mission recognizes revenue, and therefore no changes to the previously issued audited financial statements. Analysis of various provisions of this standard resulted in no significant changes in the way the Mission recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Cash and Cash Equivalents

For the purpose of reporting the statement of cash flows, the Mission considers cash in banks and investments with an original maturity of three months or less when purchased to be cash equivalents. Amounts received with donor-imposed restrictions which limit their use to long-term purposes are not considered cash and cash equivalents for purposes of the statement of cash flows.

RESCUE MISSIONS MINISTRIES, INC.
D/B/A DURHAM RESCUE MISSION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Cont'd)

Investments

Investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the changes in net assets. Unless they are specifically restricted by the donor, investment earnings and losses are reported as increases or decreases in unrestricted net assets.

Income Taxes

The Mission is exempt from Federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code, and has been classified as a church by the Internal Revenue Service. In addition, the Mission qualifies for the charitable contribution deduction under Section 107(b)(1)(a). Tax years subsequent to December 31, 2016 remain open to examination by federal and state tax authorities. Management believes there are no uncertain tax positions at December 31, 2020.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. The discount on amounts to be collected in future years at December 31, 2020 was \$7,373 based on an interest rate of 2.71%. Short term promises are due within one year, and all long term promises to give are due within 5 years. Conditional promises to give are not included as revenue until the conditions are substantially met.

Allowance for Uncollectable Accounts

Pledges receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to pledges receivable. The allowance for uncollectible pledges receivable as of December 31, 2020 was \$25,000.

Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donor assets must be maintained, the Mission reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Mission reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Expenditures for repairs and maintenance are charged to expense as incurred. The cost of major renewals and betterments are capitalized and depreciated over their estimated useful lives. Upon

RESCUE MISSIONS MINISTRIES, INC.
D/B/A DURHAM RESCUE MISSION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Cont'd)

disposition of property and equipment, the related asset and accumulated depreciation accounts are removed and any gain or loss is reflected in the statement of activities for the period.

Property and equipment are depreciated using the straight-line and accelerated methods over the following useful lives:

	<u>Years</u>
Furniture & equipment	5-20
Vehicles	3-5
Buildings & improvements	10-40

Inventory

Inventory consists of donated and purchased food, clothing, furniture, and other supplies that are either used or sold in its thrift stores, as well as vehicles that are either used in the Mission's programs or sold in its independent auto dealership. Donated inventory is recorded as donated materials revenue and as inventory at estimated fair market value at the time of receipt and adjusted at the end of the year.

Contributions

Contributions restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the same reporting period as when recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. Upon expiration, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions made (benevolent gifts) are recognized as expenses in the period made. It is the Mission's belief that most items are sold below fair market value and, as such, represent a benefit to needy members of the community.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management uses multiple allocation bases to General & Administrative (supporting services) and Development (fundraising) based on historical time and effort.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and

RESCUE MISSIONS MINISTRIES, INC.
D/B/A DURHAM RESCUE MISSION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Cont'd)

disclosures. Accordingly, actual results could differ from those estimates. Significant estimates include the collectability of promises to give and the useful life of fixed assets.

Accounting for uncertain tax positions

The Mission reports uncertain tax positions under ASC 740-10-50-15(a). Management believes it has no substantial uncertain tax positions for the year ending December 31, 2020. Calendar years after 2016 remain open and subject to review by regulatory agencies at December 31, 2020.

Note 2. Inventory

Inventory consists entirely of goods available for sale at the Mission's thrift stores or at the independent auto dealership. The cost of donated inventory is estimated based on the fair market value at the time of receipt and adjusted at year-end. For vehicles held, that cost is adjusted down to net realizable value for slow-moving items. Write downs of inventory for the year ended December 31, 2020 were \$0. A loss is recorded for any vehicles sold for less than their cost. The cost, allowance for slow moving inventory, and net realizable value of inventory items at December 31, 2020 consist of the following:

	<u>Cost or Donated Value</u>	<u>Allowance for Slow- Moving Inventory</u>	<u>Net Book Value</u>
Clothing, Furniture and Supplies for Thrift Stores	\$ 1,592,157	\$ -	\$ 1,592,157
Vehicles	<u>9,200</u>	<u>-</u>	<u>9,200</u>
	<u>\$ 1,601,357</u>	<u>\$ -</u>	<u>\$ 1,601,357</u>

Note 3. Investments

All investments at December 31, 2020 are equity securities or mutual funds with readily determinable market values. The following schedule summarizes the return on investments for the year ended December 31, 2020:

RESCUE MISSIONS MINISTRIES, INC.
D/B/A DURHAM RESCUE MISSION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 3. Investments (Cont'd)

Realized an Unrealized Gain, net of fees	\$ 128,912
Dividends and Interest	<u>60,361</u>
	<u>\$ 189,273</u>

Investor broker fees incurred on unrestricted investments have been netted against investment earnings in the statement of activities, for the year ending December 31, 2020. At December 31, 2020 government and private bonds totaled \$1,038,828, and investment in publicly-traded equities totaled \$1,421,375.

Note 4. Promises to Give

Promises to give at December 31, 2020 were as follows:

Promises to Give	\$ 304,910
Pledge discounts for long-term promises	(7,373)
Allowance for uncollectibles	<u>-</u>
Promises to give, net	<u>\$ 297,537</u>
Amounts due in:	
Less than one year (reported as current assets)	\$ 146,372
More than one year (reported as long-term assets)	<u>151,165</u>
	<u>\$ 297,537</u>

Note 5. Property and Equipment

The cost, accumulated depreciation, and net book value of property and equipment consist of the following at December 31, 2020:

RESCUE MISSIONS MINISTRIES, INC.
D/B/A DURHAM RESCUE MISSION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 5. Property and Equipment (Cont'd)

Land	\$ 957,346
Buildings & improvements	12,204,002
Equipment & furniture	1,332,615
Vehicles	435,747
Accumulated depreciation	<u>(3,465,198)</u>
 Net book value	 <u><u>\$ 11,464,512</u></u>

Depreciation expense for the year ended December 31, 2020 was \$425,420.

Note 6. Net Assets

Net assets without donor restrictions consists of the following at December 31, 2020:

Undesignated	\$ 14,279,975
Board designated:	
Investment in property and equipment	700,000
Self-insurance fund	500,000
Operating fund	1,000,000
Facility renovation and repair	300,000
 Total net assets without donor restrictions	
 Net assets with donor restrictions subject to purpose and time restrictions:	 <u>885,248</u>
	 <u><u>\$ 17,665,223</u></u>

Net assets not subject to appropriation or expenditure of \$250,000 consist entirely of an endowment set up by GlaxoSmithKline (GSK) for Victory Scholarships. The contributed capital will be held in perpetuity, with earnings being available to fund educational opportunities of Victory program graduates under the conditions that follow. Annual distributions will be limited to the greater of (1) five percent of the

RESCUE MISSIONS MINISTRIES, INC.
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NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 6. Net Assets (Cont'd)

average market value of the endowment, so long as the average market value is greater than 105.3% of the contributed capital or (2) the accumulated net income earned from the contributed capital.

Note 7. Employee Retirement Plan

The Mission has a safe-harbor 401(k) plan. Employees are eligible to participate upon reaching 21 years of age and 1,000 hours of service. Contributions are determined solely at the discretion of the Board of Directors, subject to a limit of 8% of each participant's salary. Contributions under the plan totaled \$103,776 for the year ended December 31, 2020.

Note 8. Lease Transactions With Affiliated Organizations

The Mission leases retail and operational locations used in its thrift store operations in Durham and Raleigh. The lessor entities are wholly-owned by Rescue Legacy Fund, Inc., which shares certain board members with, but is not controlled, by the Mission. The leases are month-to-month and payments ranging from \$55,200 to \$362,271 per year. Total rents paid for the year ending December 31, 2020 were \$1,068,452.

Note 9. In-Kind Contributions and Donated Services

A substantial portion of contributions to the Mission are in the form of goods and services rather than cash. The Mission records a contribution and a related expense or asset for these non-cash donations for which a market value is readily determinable.

Note 10. Fair Value Measurements

The Mission reports the value of investments according to standards on fair value measurements. These standards require management to report the fair value of applicable assets according to three hierarchical levels; Level I – Quoted Prices in Active Markets for Identical Assets, Level II – Significant Other Observable Inputs, and Level III – Significant Unobservable Inputs, as well as total gains and losses resulting from certain changes in fair value. All fair values at December 31, 2020 are measured under the Level I hierarchy.

Note 11. Lease Commitments as Lessee

The Organization leases office equipment under the terms of non-cancelable operating leases. The term of these leases begin with dates ranging from March 2019 through December 2020, and have terms of 60 to 63 months, with options for renewal available. Total lease expense for the year ended December 31, 2020 was \$38,924. Lease payments as of December 31, 2020 over the next five years are as follows:

RESCUE MISSIONS MINISTRIES, INC.
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NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 11. Lease Commitments as Lessee (Cont'd)

2021	\$38,924
2022	38,924
2023	38,924
2024	<u>38,174</u>
Total	<u>\$ 154,946</u>

Note 12. Concentration of Risk

The Mission had time and demand deposits in several financial institutions which were in excess of the Federal Deposit Insurance Corporation (FDIC) limitations at various times throughout the year. Deposits in excess of FDIC/SIPC limits were \$1,131,531 at December 31, 2020. Accounts are guaranteed by the FDIC/SIPC up to \$250,000. The Mission has not experienced any losses in such accounts.

Note 13. Availability of Financial Assets

The following reflects the Mission's financial assets as of the statement of financial position date, reduced by amounts that are not available for general use due to contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts that are not available also include board designated amounts that could be utilized if the board approved the use.

Financial assets, at year end	\$ 5,292,497
Less those unavailable for general expenditure within one year due to:	
Contractual or donor-imposed restrictions	(635,248)
Amounts not subject to appropriation	(250,000)
Board designations	<u>(2,500,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,907,249</u>

Note 14. Management's Review for Subsequent Events

Management has reviewed their financial records for subsequent events that potentially could have a material effect on the financial statements as of and for the period ending December 31, 2020. Management has conducted their review through the audit report date, which represents the date the financial statements were available to be issued. Based on management's search through their financial

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Note 14. Management's Review for Subsequent Events (Cont'd)

records, we are unaware of any subsequent events that have any material effect on the financial statements as of and for the year ending December 31, 2020.

Note 15. Commitments and Contingencies

On January 30, 2020, the World Health Organization declared the coronavirus "COVID-19" outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines, or "stay-at-home" restrictions in certain areas and forced closures for certain types of public places and businesses. COVID-19 and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets globally, including the geographical areas in which the Mission operates.. The Missions' offices were not significantly impacted. While it is unknown how long these conditions will last and what the complete financial impact will be, the Mission is closely monitoring the impact of the COVID-19 pandemic on all aspects of the business and are unable at this time to predict the continued impact that COVID-19 will have on their business, financial position, and operating results in future periods due to numerous uncertainties.