

**RESCUE MISSIONS MINISTRIES, INC. d/b/a DURHAM RESCUE MISSION
AND AFFILIATES**

**CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

for the year ended December 31, 2021

**RESCUE MISSIONS MINISTRIES, INC. d/b/a DURHAM RESCUE MISSION
AND AFFILIATES**

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Langdon & Company ^{LLP}
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Rescue Missions Ministries, Inc. d/b/a Durham Rescue Mission and Affiliates

Qualified Opinion

We have audited the accompanying consolidated financial statements of Rescue Missions Ministries, Inc. d/b/a Durham Rescue Mission and Affiliates (the "Mission"), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Mission as of December 31, 2021, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

We did not observe the taking of the physical inventories at December 31, 2021 (stated at \$1,485,956), since that date was prior to the time we were initially engaged as auditors for the Mission. We were unable to obtain sufficient appropriate audit evidence about inventory quantities by other auditing procedures.

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 the Organization and to meet our other ethical responsibilities in accordance with the 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 qualified audit opinion.

Correction of Errors

As described in Note 10 to the consolidated financial statements, adjustments were made to beginning net assets. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Mission's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 consolidated financial statements.

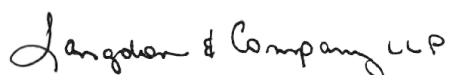
In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 18-19 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



Garner, North Carolina
December 13, 2022

**RESCUE MISSIONS MINISTRIES, INC. d/b/a DURHAM RESCUE MISSION
AND AFFILIATES**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of December 31, 2021

ASSETS

Current assets:	
Cash and cash equivalents	\$ 11,779,148
Investments	12,858,514
Pledges receivable (less allowance for doubtful accounts of \$29,500)	256,835
Accounts receivable (less allowance for doubtful accounts of \$25,099)	3,364
Other receivables	86,792
Inventory	1,485,956
Prepaid expenses	114,188
Total current assets	<u>26,584,797</u>
Long-term assets:	
Property & equipment, net	23,833,973
Pledges receivable - long term	52,659
Security Deposits	25,000
Investments - restricted in perpetuity	250,000
Total long-term assets	<u>24,161,632</u>
Total assets	<u>\$ 50,746,429</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 531,128
Accrued payroll liabilities	334,804
Employee savings	400,623
Total liabilities	<u>1,266,555</u>
Net assets:	
Without donor restrictions	
Undesignated	44,806,525
Board designated for special purpose	260,236
Total without donor restrictions	<u>45,066,761</u>
With donor restrictions	
Purpose restricted	4,163,113
Perpetual in nature	250,000
Total with donor restrictions	<u>4,413,113</u>
Total net assets	<u>49,479,874</u>
Total liabilities and net assets	<u>\$ 50,746,429</u>

*The accompanying notes are an integral
part of the consolidated financial statements.*

**RESCUE MISSIONS MINISTRIES, INC. d/b/a DURHAM RESCUE MISSION
AND AFFILIATES**

CONSOLIDATED STATEMENT OF ACTIVITIES

for the year ended December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Public support and revenue:			
Public support:			
Contributions	\$ 6,152,709	\$ 3,814,867	\$ 9,967,576
In-kind contributions	8,172,114	-	8,172,114
Total public support	<u>14,324,823</u>	<u>3,814,867</u>	<u>18,139,690</u>
Revenue:			
Thrift store sales and services	6,821,029	-	6,821,029
Investment income, net	2,007,840	54,874	2,062,714
Rent	322,252	-	322,252
Program services	221,347	-	221,347
Other income	94,828	-	94,828
TTTR labor income	29,561	-	29,561
Total revenue	<u>9,496,857</u>	<u>54,874</u>	<u>9,551,731</u>
Net assets released from restrictions	<u>551,199</u>	<u>(551,199)</u>	<u>-</u>
Total public support and revenue	<u>24,372,879</u>	<u>3,318,542</u>	<u>27,691,421</u>
Expenses:			
Program expenses:			
Durham Rescue Mission program services	14,231,809	-	14,231,809
Rescue Legacy Fund program services	243,397	-	243,397
Temps to the Rescue program services	1,992,058	-	1,992,058
Total program services	<u>16,467,264</u>	<u>-</u>	<u>16,467,264</u>
Supporting services:			
Management and general	2,378,101	-	2,378,101
Fundraising	1,066,942	-	1,066,942
Total supporting services	<u>3,445,043</u>	<u>-</u>	<u>3,445,043</u>
Total expenses	<u>19,912,307</u>	<u>-</u>	<u>19,912,307</u>
Changes in net assets	4,460,572	3,318,542	7,779,114
Net assets at beginning of year, as previously reported	40,925,814	885,248	41,811,062
Cumulative effect of correction of errors	(319,625)	209,323	(110,302)
Net assets at beginning of year, as restated	<u>40,606,189</u>	<u>1,094,571</u>	<u>41,700,760</u>
Net assets at end of year	<u>\$ 45,066,761</u>	<u>\$ 4,413,113</u>	<u>\$ 49,479,874</u>

*The accompanying notes are an integral
part of the consolidated financial statements.*

**RESCUE MISSIONS MINISTRIES, INC. d/b/a DURHAM RESCUE MISSION
AND AFFILIATES**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

for the year ended December 31, 2021

	DRM Program Services	RLF Program Services	TTTR Program Services	Total Program Expenses	Management and General	Fund- Raising	Total Supporting Services	Grand Totals
Salaries, taxes and benefits	\$ 1,452,051	\$ -	\$ 1,830,219	\$ 3,282,270	\$ 512,499	\$ 242,072	\$ 754,571	\$ 4,036,841
Food	784,618	-	-	784,618	-	-	-	784,618
Depreciation	600,407	78,821	-	679,228	211,913	100,094	312,007	991,235
Postage and printing	249,466	-	-	249,466	149,679	99,786	249,465	498,931
Maintenance and repairs	725,095	93,133	-	818,228	255,921	120,880	376,801	1,195,029
Community events	184,483	-	-	184,483	-	-	-	184,483
Utilities	531,596	7,187	231	539,014	187,626	88,622	276,248	815,262
Development	3,360	-	-	3,360	127,242	388,015	515,257	518,617
Bank fees and service charges	-	-	-	-	170,393	-	170,393	170,393
Miscellaneous	42,227	1,239	35,512	78,978	50,641	-	50,641	129,619
Taxes and licenses	220,680	33,872	-	254,552	220,681	-	220,681	475,233
Insurance	334,259	2,911	92,548	429,718	58,428	27,473	85,901	515,619
Benevolent gifts	369,999	-	-	369,999	987	-	987	370,986
Program supplies	588,595	-	-	588,595	15,411	-	15,411	604,006
Transportation	289,834	-	2,183	292,017	-	-	-	292,017
Professional fees	180,220	21,033	31,365	232,618	180,220	-	180,220	412,838
Cost of goods sold	7,627,248	-	-	7,627,248	-	-	-	7,627,248
Office expense	47,671	5,201	-	52,872	47,671	-	47,671	100,543
Loss on disposal of property and equipment	-	-	-	-	188,789	-	188,789	188,789
Total expenses	\$ 14,231,809	\$ 243,397	\$ 1,992,058	\$ 16,467,264	\$ 2,378,101	\$ 1,066,942	\$ 3,445,043	\$ 19,912,307

*The accompanying notes are an integral
part of the consolidated financial statements.*

**RESCUE MISSIONS MINISTRIES, INC. d/b/a DURHAM RESCUE MISSION
AND AFFILIATES**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31, 2021

Cash flows from operating activities:	
Cash received from grantors and contributors	\$ 6,343,716
Cash received from clients and third-party payers	7,319,886
Cash paid to suppliers and employees	(10,194,021)
Interest and dividends received	<u>438,099</u>
Net cash provided by operating activities	<u>3,907,680</u>
Cash flows from investing activities:	
Purchases of property and equipment	(1,248,608)
Sales of investments	1,772,680
Purchases of investments	<u>(1,715,121)</u>
Net cash used in investing activities	<u>(1,191,049)</u>
Cash flows from financing activities:	
Contributions restricted for capital campaign	<u>3,344,188</u>
Net cash provided by financing activities	<u>3,344,188</u>
Net increase in cash	6,060,819
Cash at beginning of year	<u>5,718,329</u>
Cash at end of year	<u>\$ 11,779,148</u>
Noncash investing activities, donated stock	<u>\$ 245,144</u>

*The accompanying notes are an integral
part of the consolidated financial statements.*

RESCUE MISSIONS MINISTRIES, INC. d/b/a DURHAM RESCUE MISSION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Rescue Missions Ministries, Inc. doing business as Durham Rescue 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 as well as thrift store sales from six different thrift store locations.

Principles of Consolidation

The consolidated financial statements include the accounts of Rescue Missions Ministries, Inc. d/b/a Durham Rescue Mission, Rescue Legacy Fund (RLF), and Temps to the Rescue, Inc. (TTTR). RLF and TTTR are consolidated due to Durham Rescue Mission having an economic interest and control of appointments to the boards.

The purpose of RLF is to provide continuing financial support to Durham Rescue Mission. RLF's activity includes the activity of seven LLCs, each of which own the building and land associated with the thrift stores and training & distribution center for which Durham Rescue Mission operates. RLF is the sole member of each LLC, which are disregarded for tax purposes. The majority of RLF's revenue is from Durham Rescue Mission related to the rental of these properties.

The purpose of TTTR is to facilitate the transition of Durham Rescue Mission residents into society by assisting them in obtaining and maintaining jobs. Through guidance by TTTR staff, employees are placed in temporary positions primarily with Durham Rescue Mission's thrift stores, but also with partnering companies from post-secondary institutions to construction contractors, in the Triangle. Approximately 98% of TTTR's income is from Durham Rescue Mission.

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. The Mission maintains its cash accounts with financial institutions, which at times, exceed federally insured limits. The Mission has not experienced any losses in such accounts.

Inventory

Inventory consists of donated and purchased food (primarily used in its programs), clothing, furniture, appliances, electronics, and other items that are primarily 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 items are recorded at estimated fair value at date of donation. The Mission receives a significant amount of contributed goods and materials that it processes as merchandise available for sale in its thrift stores. The Mission believes that these donated items do not possess an attribute that is easily measurable or verifiable with sufficient reliability to determine inventory value at the time of the donation. Instead, the value of inventory at the end of the year is estimated using historical sales.

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 net assets without donor restriction.

**RESCUE MISSIONS MINISTRIES, INC. d/b/a DURHAM RESCUE MISSION AND
AFFILIATES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Management considers the estimates of the valuation of donated inventory, including food, clothing, vehicles, etc. to be critical accounting policies requiring extensive subjective judgments. The valuation of donated food, clothing, vehicles, etc. is based on quoted valuations, historical experience and sales, and price comparisons for similar products/items. Actual results could differ from these estimates under different assumptions or conditions.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

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. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue Recognition and Receivables

Support and Receivables

Contributions and Pledges Receivable

Contributions received by the Mission are recorded as support without donor restrictions or support with donor restrictions, depending on the existence and/or nature of any donor restrictions. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return - are recognized when the conditions on which they depend are substantially met. Unconditional promises to give, due in subsequent years, are reported at the present value of their net realizable value using a risk adjusted discount rate. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Pledges receivable consist of unconditional promises to give of \$286,335 and are stated at unpaid balances, less an allowance for doubtful accounts of \$29,500 as of December 31, 2021. 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, bad debt expense and allowance is recorded. Subsequent recoveries of amounts previously written off are credited directly to earnings. Approximately 48% of pledges receivable was due from one contributor at December 31, 2021.

**RESCUE MISSIONS MINISTRIES, INC. d/b/a DURHAM RESCUE MISSION AND
AFFILIATES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition and Receivables (Continued)

Contributions and Pledges Receivable (Continued)

Donated Food, Clothing and Other

Donated food, clothing, and other are recorded at their estimated fair market values at date of receipt and are reflected as in-kind contributions in the accompanying consolidated financial statements. The Mission recognizes the fair value of contributed services received if such services a) create or enhance a nonfinancial asset or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed.

The Mission receives services from a large number of volunteers who give significant amounts of their time to the Mission's programs, but which do not meet the criteria for financial statement recognition.

Revenue and Receivables

The Mission accounts for revenue in accordance with Financial Accounting Standards Board ("FASB") Codification Topic 606: *Revenue from Contracts with Customers*.

Thrift Store Sales and Services

Thrift store sales and service revenue is recognized when control transfers to the customer, at a point in time.

The Mission determines the transaction price based on standard charges for goods and services provided, reduced by any applicable discounts.

Rent and Program Services

While contribution revenue and thrift store sales and services provide the majority of the support and revenue for the Mission, the Mission also derives a small portion of their revenue from rent charged to unrelated third-parties for office and commercial space as well as boat/vehicle storage space and program service fees charged to clients participating in the program. Revenue is recognized as performance obligations are satisfied, over time (generally monthly) for both rent and program service fees. The Mission determines the transaction price based on signed rental agreements and standard charges for program fees. Consistent with the Mission's cause, care is provided to clients regardless of their ability to pay the program service fees.

TTTR Labor Income

TTTR primarily derives its revenues from temporary staffing to the Durham Rescue Mission and other local businesses throughout the greater Triangle area. TTTR recognizes revenue at the time employees render services, based on completed timesheets, generally in the month services are rendered.

Total revenue from contracts for the year ended December 31, 2021 is as follows:

Revenue recognized over time	\$	543,599
Revenue recognized at a point in time		<u>6,850,590</u>
		<u>\$ 7,394,189</u>

**RESCUE MISSIONS MINISTRIES, INC. d/b/a DURHAM RESCUE MISSION AND
AFFILIATES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition and Receivables (Continued)

Accounts Receivable

The Mission periodically evaluates accounts and other receivable balances for any significant past due accounts to determine if any balances are uncollectible. When management determines that an account is uncollectible, bad debt expense and an allowance is recorded. Subsequent recoveries of amounts previously written off are credited directly to earnings. As of December 31, 2021, the Organization has recorded an allowance of \$25,099.

Property & Equipment

Property and equipment are stated at cost if purchased and at fair value at the date of contribution of assets donated to the Mission. The Mission capitalizes additions of property and equipment in excess of \$2,500.

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 net assets with donor restrictions to net assets without donor restrictions 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 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 method over the following useful lives:

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

Income Taxes

Durham Rescue 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, Durham Rescue Mission qualifies for the charitable contribution deduction under Section 107(b)(1)(a). RLF and TTTR are exempt from income tax under Internal Revenue Code Section 501(c)(3). There is no unrelated business income tax for the year ended December 31, 2021.

The Mission evaluates any uncertain tax positions. Accordingly, the Mission's policy is to record a liability for any tax position taken that is beneficial to the Mission, including any related interest and penalties, when it is more likely than not the position of management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of December 31, 2021.

**RESCUE MISSIONS MINISTRIES, INC. d/b/a DURHAM RESCUE MISSION AND
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense Allocation

The costs of program and supporting services activities have been summarized on a functional basis in the Consolidated Statement of Activities. The Consolidated Statement of Functional Expenses presents the natural classification detail of expenses by function. The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied.

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. Expenses are directly coded, where possible, and include Food, Community Events, Development, Benevolent Gifts, Program Supplies, Transportation, Professional Fees and Cost of Goods Sold. All other expenses are allocated based on estimated time spent.

2. LIQUIDITY AND AVAILABILITY

The Mission's working capital and cash flows vary throughout the year due to timing of cash receipts from thrift store sales and contributions from donors. The Mission also received a significant amount of restricted contributions in the current year for the capital campaign. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Mission must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the 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 Mission invests cash in excess of daily requirements into short-term investments.

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:	
Cash and cash equivalents	\$ 11,779,148
Investments	12,858,514
Pledges receivable	256,835
Accounts receivable	3,364
Other receivables	86,792
	<hr/>
	24,984,653
	<hr/>
Less amounts not available to be used within one year, due to:	
Donor-imposed restrictions	4,413,113
Board-designated for special purpose	260,236
	<hr/>
	4,673,349
	<hr/>
Financial assets available to meet general expenditures within one year	<u>\$ 20,311,304</u>

**RESCUE MISSIONS MINISTRIES, INC. d/b/a DURHAM RESCUE MISSION AND
AFFILIATES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. INVESTMENTS

Investments are stated at fair value and consist primarily of bonds and common stocks at December 31, 2021 as follows:

Bonds	\$ 4,642,686
Common stocks	8,465,828
	<u>\$ 13,108,514</u>

The following schedule summarizes the investment earnings for the year ended December 31, 2021:

Net realized and unrealized gains	\$ 1,709,828
Interest and dividends	438,099
Investment fees	(85,213)
	<u>\$ 2,062,714</u>

The following schedule summarizes the investment gains and its classification in the consolidated statement of activities:

Without donor restrictions	\$ 2,007,840
With donor restrictions	54,874
	<u>\$ 2,062,714</u>

4. ENDOWMENT

Durham Rescue Mission's endowment consists of one donor-restricted endowment that supports particular programs or types of expenditure. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Durham Rescue Mission has interpreted the North Carolina Uniform Management of Institutional Funds Act (the Act) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Durham Rescue Mission classifies as net assets with donor restrictions (1) the original value of gifts donated to the perpetual endowments, (2) the original value of subsequent gifts to the perpetual endowments, and (3) accumulations to the perpetual endowments made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Amounts not retained in perpetuity are subject to appropriation for expenditure by Durham Rescue Mission in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, Durham Rescue Mission considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation or deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of Durham Rescue Mission, and (7) Durham Rescue Mission's investment policies.

**RESCUE MISSIONS MINISTRIES, INC. d/b/a DURHAM RESCUE MISSION AND
AFFILIATES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. ENDOWMENT (Continued)

Investment Return Objectives, Risk Parameters and Strategies. Durham Rescue Mission has adopted investment and spending policies, as approved by their Board, for endowment assets that attempt to provide a predictable stream of funding to the program supported by the endowment fund while also maintaining the purchasing power of those endowment assets over the long-term. Durham Rescue Mission’s primary goals are to preserve principal and to provide a dependable and competitive rate of long-term investment return consistent with balanced investment risk. The endowment investment account will typically be allocated across major asset categories and may include non-traditional investment exposure appropriate for moderate risk tolerance.

Spending Policy. Durham Rescue Mission has a policy that annual distributions will be limited to the greater of (1) 5% of the 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. No distributions from the endowment are permitted if the fair market value of the endowment is less than the amount that is restricted in perpetuity.

Endowment net asset composition by type of endowment as of December 31, 2021 is as follows:

GlaxoSmithKline (GSK) Endowment	\$	514,197
		514,197

Changes in endowment net assets as of December 31, 2021, are as follows:

		With donor restrictions
Endowment Net Assets, December 31, 2020	\$	459,323
Investment income		20,365
Amounts appropriated for expenditure		(3,156)
Net appreciation (realized and unrealized)		37,665
Endowment Net Assets, December 31, 2021	\$	514,197

5. FAIR VALUE MEASUREMENTS

The Mission reports the value of investments according to standards on fair value measurements standards, which requires reporting the fair value of applicable assets according to three hierarchical levels. The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 – valuations based on unadjusted quoted market prices within active markets for identical assets and liabilities at the reporting date.

**RESCUE MISSIONS MINISTRIES, INC. d/b/a DURHAM RESCUE MISSION AND
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. FAIR VALUE MEASUREMENTS (Continued)

Level 2 – valuations based on inputs that are observable, either directly or indirectly, for the assets or liabilities other than quoted prices included in level 1.

Level 3 – valuations based on inputs are unobservable and apply only when there is little or no market activity for the asset or liability.

The Mission recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels in the year ended December 31, 2021.

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

<u>December 31, 2021</u>	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>Fair Value</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Common stocks	\$ 8,465,828	\$ 8,465,828	\$ -	\$ -
Bonds	4,642,686	4,642,686	-	-
	<u>\$ 13,108,514</u>	<u>\$ 13,108,514</u>	<u>\$ -</u>	<u>\$ -</u>

6. PROPERTY AND EQUIPMENT

Property and equipment in the accompanying consolidated financial statements is presented net of accumulated depreciation. The components of property and equipment at December 31, 2021 are as follows:

Land	\$ 4,111,174
Buildings and improvements	23,801,585
Furniture and equipment	1,147,223
Vehicles	445,618
Construction in progress	262,734
	<u>29,768,334</u>
Less accumulated depreciation and amortization	<u>(5,934,361)</u>
Net property and equipment	<u>\$ 23,833,973</u>

Rescue Legacy Fund changed its estimated useful lives for several significant assets resulting in a change in estimate of \$1,064,126, which resulted in a reduction in depreciation expense in 2021.

**RESCUE MISSIONS MINISTRIES, INC. d/b/a DURHAM RESCUE MISSION AND
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. LEASES

Lease Transactions as Lessee

Durham Rescue Mission 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, 2021 was \$38,924. Lease payments as of December 31, 2021 over the next five years are as follows:

<u>Year ending December 31</u>	
2022	38,924
2023	38,924
2024	38,924
Total minimum lease payments	<u>\$ 116,772</u>

Lease Transactions between Affiliated Organizations

Durham Rescue Mission leases retail and operational locations used in its thrift store operations in Durham, Raleigh, Wake Forest and Roxboro from lessor entities wholly-owned by Rescue Legacy Fund. The lease terms are for a period of 5 years with the option to extend for additional one year terms from year-to-year unless either party gives 30 days written notice to terminate. Monthly payments range from \$4,250 to \$27,867. Total rents paid for the year ended December 31, 2021 was \$1,059,376 and have been eliminated in consolidation.

Durham Rescue Mission also leases office space to RLF and TTTR. Rent expense was \$16,200 for the year ended December 31, 2021 and has been eliminated in consolidation.

Lease Transactions as Lessor

Durham Rescue Mission operates a boat, vehicle and storage rental facility at its Raleigh thrift store location. Rentals are generally short-term. Rental income was \$113,035 for the year ended December 31, 2021. Additionally, Durham Rescue Mission leases parking lots and land to unrelated third-parties under month-to-month and annual lease agreements. Rental income was \$67,490 for the year ended December 31, 2021.

As noted above, RLF leases buildings and operational space to DRM for use in its thrift store operations. Additionally, it leases retail and operational space to unrelated third-parties in Roxboro. Monthly rental payments received range from \$584-\$10,409 a month in base rent as well as additional rental income per the terms of the agreement with terms expiring in 2022 through 2031. Rental income for the year ended December 31, 2021 was \$141,727 and is included in rent income on the consolidated statement of activities.

Future minimum rentals to be received are as follows:

<u>Year ending December 31</u>	
2022	183,191
2023	173,822
2024	155,520
2025	148,605
2026	161,895
Thereafter	587,580
	<u>\$ 1,410,613</u>

**RESCUE MISSIONS MINISTRIES, INC. d/b/a DURHAM RESCUE MISSION AND
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. LEASES (Continued)

The rental property assets, which are included in property and equipment in the accompanying consolidated statement of financial position, are summarized as follows for the year ended December 31, 2021:

Land	\$ 3,153,828
Building and improvements	10,910,941
Furniture and equipment	<u>1,114,659</u>
	15,179,428
Less accumulated depreciation	<u>2,071,322</u>
	<u><u>\$ 13,108,106</u></u>

8. NET ASSETS

At December 31, 2021, net assets with donor restrictions were available for the following purposes:

Restricted in perpetuity - endowment	\$ 250,000
Restricted for purpose:	
Capital Campaign - Men's Dorm 3	3,246,303
Thanksgiving	506,136
Endowment earnings - Victory Program scholarships	264,197
Men's program	84,594
Women's program	<u>61,883</u>
Total restricted for purpose	<u>4,163,113</u>
Total net assets with donor restrictions	<u><u>\$ 4,413,113</u></u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended December 31, 2021:

Men's program	\$ 296,108
Capital Campaign - Men's Dorm 3	199,617
Women's program	29,315
Thanksgiving	<u>26,159</u>
	<u><u>\$ 551,199</u></u>

9. RETIREMENT PLAN

Durham Rescue Mission and TTTR both have 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 plans totaled \$118,700 (DRM) and \$26,661 (TTTR) for the year ended December 31, 2021.

**RESCUE MISSIONS MINISTRIES, INC. d/b/a DURHAM RESCUE MISSION AND
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. CORRECTION OF ERRORS

In 2021, an overstatement of several accounts, including sales tax receivable, accounts payable, expenses and notes payable and an understatement of revenue was discovered. The effect of the corrections was a decrease to beginning net assets of \$110,302. Additionally, net assets with donor restrictions was understated and net assets without donor restrictions was overstated by \$209,323, a net impact of \$0 on beginning net assets.

11. 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.

12. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 13, 2022, the date which the consolidated financial statements are available for issue.

RESCUE MISSIONS MINISTRIES, INC. d/b/a DURHAM RESCUE MISSION AND AFFILIATES

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

for the year ended December 31, 2021

ASSETS

	<u>Durham Rescue Mission</u>	<u>Rescue Legacy Fund</u>	<u>Temps to the Rescue</u>	<u>Consolidated</u>
Current assets:				
Cash and cash equivalents	\$ 7,235,969	\$ 3,582,760	\$ 960,419	\$ 11,779,148
Investments	1,996,108	10,862,406	-	12,858,514
Pledges receivable (less allowance for doubtful accounts of \$29,500)	256,835	-	-	256,835
Accounts receivable, net	-	-	3,364	3,364
Other receivables	64,700	22,092	-	86,792
Inventory	1,485,956	-	-	1,485,956
Prepaid expenses	105,453	-	8,735	114,188
Total current assets	<u>11,145,021</u>	<u>14,467,258</u>	<u>972,518</u>	<u>26,584,797</u>
Long-term assets:				
Property & equipment, net	10,725,867	13,108,106	-	23,833,973
Pledges receivable - long term	52,659	-	-	52,659
Security deposits	25,000	-	-	25,000
Investments - restricted in perpetuity	250,000	-	-	250,000
Total long term assets	<u>11,053,526</u>	<u>13,108,106</u>	<u>-</u>	<u>24,161,632</u>
 Total assets	 <u>\$ 22,198,547</u>	 <u>\$ 27,575,364</u>	 <u>\$ 972,518</u>	 <u>\$ 50,746,429</u>

LIABILITIES AND NET ASSETS

	<u>Durham Rescue Mission</u>	<u>Rescue Legacy Fund</u>	<u>Temps to the Rescue</u>	<u>Consolidated</u>
Current liabilities:				
Accounts payable	\$ 509,029	\$ 12,556	\$ 9,543	\$ 531,128
Accrued payroll liabilities	334,804	-	-	334,804
Funds held for residents	-	-	400,623	400,623
Total liabilities	<u>843,833</u>	<u>12,556</u>	<u>410,166</u>	<u>1,266,555</u>
Net assets:				
Without donor restrictions:				
Undesignated	16,681,746	27,562,808	561,971	44,806,525
Board designated for special purpose	260,236	-	-	260,236
Total without donor restrictions	<u>16,941,982</u>	<u>27,562,808</u>	<u>561,971</u>	<u>45,066,761</u>
With donor restrictions:				
Purpose restricted	4,163,113	-	-	4,163,113
Perpetual in nature	250,000	-	-	250,000
Total with donor restrictions	<u>4,413,113</u>	<u>-</u>	<u>-</u>	<u>4,413,113</u>
 Total net assets	 <u>21,355,095</u>	 <u>27,562,808</u>	 <u>561,971</u>	 <u>49,479,874</u>
 Total liabilities and net assets	 <u>\$ 22,198,928</u>	 <u>\$ 27,575,364</u>	 <u>\$ 972,137</u>	 <u>\$ 50,746,429</u>

**RESCUE MISSIONS MINISTRIES, INC. d/b/a DURHAM RESCUE MISSION AND
AFFILIATES**

CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS

for the year ended December 31, 2021

	Durham Rescue Mission	Rescue Legacy Fund	Temps to the Rescue	Eliminating Entries	Consolidated
Public support and revenue:					
Public support:					
Contributions	\$ 10,461,964	\$ 1,964,458	\$ -	\$ (2,458,846)	\$ 9,967,576
In-kind contributions	8,172,114	-	-	-	8,172,114
Total support	18,634,078	1,964,458	-	(2,458,846)	18,139,690
Revenue:					
Thrift store sales and services	6,821,029	-	-	-	6,821,029
Investment income, net	621,986	1,440,688	40	-	2,062,714
Rent	192,525	1,189,103	-	(1,059,376)	322,252
Program services	470,245	-	2,410	(251,308)	221,347
Other income	115,724	-	-	(20,896)	94,828
TTTR labor income	-	-	2,721,900	(2,692,339)	29,561
Total revenue	8,221,509	2,629,791	2,724,350	(4,023,919)	9,551,731
Total public support and revenue	26,855,587	4,594,249	2,724,350	(6,482,765)	27,691,421
Expenses:					
Salaries, taxes and benefits	4,898,961	-	1,830,219	(2,692,339)	4,036,841
Food	784,618	-	-	-	784,618
Depreciation	912,414	78,821	-	-	991,235
Postage and printing	498,931	-	-	-	498,931
Maintenance and repairs	1,101,896	93,133	-	-	1,195,029
Community events	184,483	-	-	-	184,483
Utilities	807,844	7,187	231	-	815,262
Development	518,617	-	-	-	518,617
Miscellaneous	263,261	1,239	35,512	-	300,012
Taxes and licenses	441,361	33,872	-	-	475,233
Insurance	420,160	2,911	92,548	-	515,619
Benevolent gifts	370,986	-	-	-	370,986
Program supplies	604,006	-	-	-	604,006
Transportation	289,834	-	23,079	(20,896)	292,017
Professional fees	360,440	21,033	31,365	-	412,838
Cost of goods sold	7,627,248	-	-	-	7,627,248
Office expense	95,342	5,201	-	-	100,543
Donations expense	1,638,846	320,000	500,000	(2,458,846)	-
Rent expense	1,047,376	-	12,000	(1,059,376)	-
Program fees	-	-	251,308	(251,308)	-
Loss on disposal of property and equipment	188,789	-	-	-	188,789
Total expenses	23,055,413	563,397	2,776,262	(6,482,765)	19,912,307
Change in net assets without donor restrictions	481,632	4,030,852	(51,912)	-	4,460,572
Change in net assets with donor restrictions	3,318,542	-	-	-	3,318,542
	3,800,174	4,030,852	(51,912)	-	7,779,114
Net assets, beginning of year, as previously reported	17,665,223	23,531,956	613,883	-	41,811,062
Cumulative effect of correction of errors	(110,302)	-	-	-	(110,302)
Net assets, beginning of year, as restated	17,554,921	23,531,956	613,883	-	41,700,760
Net assets, end of year	\$ 21,355,095	\$ 27,562,808	\$ 561,971	\$ -	\$ 49,479,874