

GOOD NEWS RESCUE MISSION
AUDITED FINANCIAL STATEMENTS
MAY 31, 2021

GOOD NEWS RESCUE MISSION
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FOR THE YEAR ENDED MAY 31, 2021

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D. H. SCOTT & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
A LIMITED LIABILITY PARTNERSHIP

Partners

David H. Scott, APC, CPA
Keith F. Hunting, CPA
Paul J. Catanese, APC, CPA/MBA
Christine M. Link, APC, CPA/MSA
Christina M. Freilich, APC, CPA

Managers

Cheryl D. Hull, CPA
Ron S. Massey, CPA
Chris A. Estes, CPA
Teri D. Lewallen, CPA
Deana M. McClenny, CPA
Donna L. Darwin, MSA
Rebecca R. Braxton, MAC

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Good News Rescue Mission
Redding, California

We have audited the accompanying financial statements of Good News Rescue Mission, which comprise the statement of financial position as of May 31, 2021, and the related statements of activities, functional expenses 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Good News Rescue Mission as of May 31, 2021, and its changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

D. H. Scott & Company LLP

Redding, California
June 8, 2022

GOOD NEWS RESCUE MISSION
STATEMENT OF FINANCIAL POSITION
MAY 31, 2021

ASSETS

Current assets

| | |
|---------------------------|---------------|
| Cash and cash equivalents | \$ 1,044,852 |
| Investments | 367,205 |
| Note receivable | 129,000 |
| Inventory | 148,138 |
| Prepaid expenses | 24,936 |
| Other receivables | <u>49,308</u> |

Total current assets 1,763,439

Property and equipment, net 5,253,120

Other assets

| | |
|--|---------------|
| Intangible assets, net of amortization of \$14,700 | 2,940 |
| Construction in progress | <u>23,976</u> |

Total other assets 26,916

Total assets \$ 7,043,475

LIABILITIES AND NET ASSETS

Current liabilities

| | |
|-------------------------|---------------|
| Accounts payable | \$ 18,222 |
| Amounts held for others | 42,852 |
| Compensated absences | <u>48,265</u> |

Total current liabilities 109,339

Long-term liabilities

Notes payable 2,500,000

Total liabilities 2,609,339

Net assets

| | |
|----------------------------|----------------|
| Without donor restrictions | 4,299,235 |
| With donor restrictions | <u>134,901</u> |

Total net assets 4,434,136

Total liabilities and net assets \$ 7,043,475

See accompanying notes to financial statements.

GOOD NEWS RESCUE MISSION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2021

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---|--|---------------------|
| Support and revenue | | | |
| Contributions | \$ 4,312,089 | \$ 244,151 | \$ 4,556,240 |
| Gain from Paycheck Protection Program debt extinguishment | 225,581 | - | 225,581 |
| Special events revenue, net | 71,124 | - | 71,124 |
| Other income | 12,855 | - | 12,855 |
| Investment income | 13,388 | - | 13,388 |
| Gain (loss) on disposal of assets | <u>(55,293)</u> | <u>-</u> | <u>(55,293)</u> |
| Total support | 4,579,744 | 244,151 | 4,823,895 |
| Net assets released from restrictions | | | |
| Satisfaction of purpose | <u>166,702</u> | <u>(166,702)</u> | <u>-</u> |
| Total support allocated | <u>4,746,446</u> | <u>77,449</u> | <u>4,823,895</u> |
| Expenses | | | |
| Program services | | | |
| Guest services | 2,313,221 | - | 2,313,221 |
| Men's new life recovery | 747,284 | - | 747,284 |
| Women's new life recovery | <u>525,463</u> | <u>-</u> | <u>525,463</u> |
| Total program services | <u>3,585,968</u> | <u>-</u> | <u>3,585,968</u> |
| Support services | | | |
| Management and general | 358,286 | - | 358,286 |
| Fundraising | <u>538,800</u> | <u>-</u> | <u>538,800</u> |
| Total support services | <u>897,086</u> | <u>-</u> | <u>897,086</u> |
| Total expenses | <u>4,483,054</u> | <u>-</u> | <u>4,483,054</u> |
| Change in net assets | 263,392 | 77,449 | 340,841 |
| Net assets, beginning of year | <u>4,035,843</u> | <u>57,452</u> | <u>4,093,295</u> |
| Net assets, end of year | <u>\$ 4,299,235</u> | <u>\$ 134,901</u> | <u>\$ 4,434,136</u> |

See accompanying notes to financial statements.

GOOD NEWS RESCUE MISSION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2021

| | Program Services | | | | Support Services | | | Total |
|----------------------------------|---------------------|-------------------------|---------------------------|------------------------|------------------------|-------------------|------------------------|---------------------|
| | Guest Services | Men's New Life Recovery | Women's New Life Recovery | Total Program Services | Management and General | Fundraising | Total Support Services | |
| Expenses | | | | | | | | |
| Advertising | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 13,196 | \$ 13,196 | \$ 13,196 |
| Benevolence | 144 | 118 | 20 | 282 | - | - | - | 282 |
| Building repair and maintenance | 11,060 | 4,903 | 4,488 | 20,451 | 696 | 713 | 1,409 | 21,860 |
| Depreciation and amortization | 93,316 | 46,902 | 82,370 | 222,588 | 7,066 | 3,994 | 11,060 | 233,648 |
| Equipment rental and maintenance | 4,443 | 2,029 | 962 | 7,434 | 948 | 2,377 | 3,325 | 10,759 |
| Food | 1,455,455 | 253,593 | 136,931 | 1,845,979 | - | - | - | 1,845,979 |
| Mailings | - | - | - | - | - | 56,578 | 56,578 | 56,578 |
| Miscellaneous | 16,596 | 8,086 | 8,240 | 32,922 | 10,183 | 17,891 | 28,074 | 60,996 |
| Professional fundraising | - | - | - | - | - | 225,066 | 225,066 | 225,066 |
| Professional services | 492 | 6,080 | 3,265 | 9,837 | 67,009 | - | 67,009 | 76,846 |
| Property taxes and insurance | 32,729 | 17,926 | 18,898 | 69,553 | 5,661 | 3,149 | 8,810 | 78,363 |
| Salaries and benefits | 434,970 | 330,505 | 217,651 | 983,126 | 249,306 | 189,893 | 439,199 | 1,422,325 |
| Supplies | 161,385 | 22,510 | 16,234 | 200,129 | 2,407 | 3,886 | 6,293 | 206,422 |
| Technology | 7,175 | 8,928 | 6,165 | 22,268 | 7,412 | 15,772 | 23,184 | 45,452 |
| Transportation | 8,294 | 6,488 | 4,316 | 19,098 | 691 | 67 | 758 | 19,856 |
| Utilities | 87,162 | 39,216 | 25,923 | 152,301 | 6,907 | 6,218 | 13,125 | 165,426 |
| Total functional expenses | \$ 2,313,221 | \$ 747,284 | \$ 525,463 | \$ 3,585,968 | \$ 358,286 | \$ 538,800 | \$ 897,086 | \$ 4,483,054 |

See accompanying notes to financial statements.

GOOD NEWS RESCUE MISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MAY 31, 2021

| | | | |
|---|--------------------|----------------------------|--------------------------|
| Cash flows from operating activities | | | |
| Cash received from support and revenue | | \$ | 4,718,184 |
| Cash paid to suppliers, employees and missionaries | | | (4,532,733) |
| Interest received | | | <u>13,388</u> |
| Net cash provided by (used in) operating activities | | | <u>198,839</u> |
| Cash flows from investing activities | | | |
| Purchase of property and equipment | | | (15,804) |
| Proceeds from sale of equipment | | | 60,129 |
| Proceeds from sale of investments | | | <u>70,382</u> |
| Net cash provided by (used in) investing activities | | | <u>114,707</u> |
| Net increase (decrease) in cash | | | 313,546 |
| Cash and cash equivalents, beginning of year | | | <u>731,306</u> |
| Cash and cash equivalents, end of year | | \$ | <u><u>1,044,852</u></u> |
| Non-cash investing and financing transactions | | | |
| | <u>Assets</u> | <u>Liabilities</u> | <u>Net Assets</u> |
| Paycheck Protection Program debt extinguishment | \$ <u><u>-</u></u> | \$ <u><u>(225,581)</u></u> | \$ <u><u>225,581</u></u> |
| Reconciliation of change in net assets to net cash provided by (used in) operating activities | | | |
| Change in net assets | | \$ | <u>340,841</u> |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities | | | |
| Depreciation and amortization | | | 233,648 |
| Loss on disposal of assets | | | 55,293 |
| Donated securities | | | (50,235) |
| Gain from debt extinguishment | | | (225,581) |
| Decrease (increase) in assets | | | |
| Other receivables | | | (46,379) |
| Inventory | | | (45,597) |
| Prepaid expenses | | | 394 |
| Increase (decrease) in liabilities | | | |
| Accounts payable | | | (6,253) |
| Amounts held for others | | | (1,654) |
| Deferred revenue | | | (57,808) |
| Compensated absences | | | <u>2,170</u> |
| Total adjustments | | | <u>(142,002)</u> |
| Net cash provided by (used in) operating activities | | \$ | <u><u>198,839</u></u> |

See accompanying notes to financial statements.

NOTE 1 – NATURE OF ACTIVITIES

Good News Rescue Mission (the Mission) is a private nonprofit corporation whose mission is to bring good news to the poor, homeless, or needy of Shasta County by sharing the love of God exemplified by the life and ministry of Jesus Christ, providing emergency subsistence services (food, shelter, clothing), providing long term recovery services, and educating and equipping people of Shasta County to effectively minister to needy people. The Mission’s principal programs are as follows:

Guest Services: The Mission provides daily emergency subsistence services of food, shelter, and clothing to meet the immediate needs of those who are homeless and/or living in poverty. Guest Services strives to break the cycle of poverty and homelessness through comprehensive case management services and programs geared to address common root factors of homelessness. The major factors leading to homelessness include job loss, poverty, mental health, and addiction. The Mission offers core programs to address these issues which include mental health referrals, a savings program that allows an individual to save money for permanent housing, and academic and work readiness programs that provide assistance in completion of college, obtaining employment, and sustainable living in mainstream society.

New Life Recovery: The Mission provides faith-based 18-month residential recovery programs for men and for women. The programs focus on the root cause of addiction and strive to equip the students with tools to overcome their addiction, emerge as leaders in the community, and to live healthy fulfilling lives. Recovery, sober living, and discipleship are the three areas central to the programs. Recovery activities include individual and group counseling, education, and life skills such as parenting. Women enrolled in the program are able to have their children remain with them throughout their stay at the Mission (boys must be under the age of 12).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adoption of New Accounting Standards

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The FASB issued this ASU to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The Mission adopted ASU 2018-08 effective June 1, 2020. There was no impact to net assets or changes in net assets.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. The Mission reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

| | |
|---------------------------------------|--|
| Net Assets Without Donor Restrictions | Net assets that are not subject to or are no longer subject to donor imposed stipulations. |
| Net Assets With Donor Restrictions | Net assets whose use is limited by donor-imposed time/and or purpose restrictions. |

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Mission has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

Revenue Recognition

The Mission reports contributions as revenue when they are unconditionally pledged or when they are received. The Mission reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to the statement of activities as net assets released from restrictions.

A portion of the Mission's revenue is derived from cost-reimbursable grants which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts are recognized as revenue when the Mission has incurred expenses in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenses are reported as deferred revenue in the Statement of Financial Position.

The Mission reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long term assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how these long-lived assets must be maintained, the Mission reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Special events revenue are reported net of costs of direct benefit to donors as follows:

| | | |
|---------------------------------------|----|----------------------|
| Special events revenue | \$ | 73,642 |
| Less: Cost of direct benefit to donor | | <u>(2,518)</u> |
| Special events revenue, net | \$ | <u><u>71,124</u></u> |

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Mission considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents (continued)

The Mission's financial instruments that are potentially exposed to concentration of credit risk consist primarily of cash and cash equivalents. The Mission places its cash and temporary cash investments with high quality credit institutions. At times, such investments may be in excess of the FDIC insurance limit, however, the Mission believes that the credit risk is nominal. The amount in excess of the FDIC limit at May 31, 2021 was \$409,367.

Investments

Investments consist of certificate of deposits with maturity dates ranging after the end of the 2021-2023 fiscal year. Certificate of deposits are recorded at cost plus accrued interest, which approximates fair value.

Note Receivable

The note receivable consists of a financing receivable from the sale of real property. The terms of the note call for monthly interest-only payments in the amount of \$345 until July 31, 2022, at which time the entire principal balance is due in full. Management considers the entire note receivable to be collectible and no allowance has been recorded.

Inventory

Inventories consist mainly of donated food, clothing, and household items received by the Mission's distribution center for use in the Food Services program and Resource Center. The contributions are reported as revenue valued at the lower of cost or market at the time of donation. Physical inventories are taken at least annually to determine inventory on hand.

Prepaid Expenses

Advance payments are reported as assets until the related expense is incurred.

Property and Equipment

Expenditures for maintenance and repairs are charged to expense as incurred. Major improvements are capitalized. Property and equipment are capitalized at cost when purchased, or at fair market value when contributed. Depreciation is determined for related groups of assets under the straight-line method, based upon their estimated useful lives of 3 to 39 years.

Amounts Held for Others

Amounts held for others consists of funds held for participants of the Guest Services and New Life Recovery programs on a voluntary basis.

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the Mission as the benefits are earned and vested.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include food preparation and distribution, clothing and household item distribution, academic center and job readiness, depreciation, operational expenses such as maintenance and repairs and salaries and benefits.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses (continued)

Food preparation and distribution is allocated to programs based upon the number of meals served. Clothing and household items are allocated based upon an estimate of the percentage distributed to the population of each of the programs. Academic center and job readiness is allocated based upon the number of hours of class time for each program. Depreciation and operational expenses are allocated to buildings and other assets which are in turn allocated based upon the estimated usage of those assets. Salaries and benefits for food services, academic center and job readiness and operations are allocated along with the other costs for those functions. Other salaries and benefits are allocated on the basis of estimates of time and effort.

Income Taxes

The Mission has received tax exempt status under Section 501(c)(3) of the Internal Revenue Code, and Section 23701(d) of the State of California Revenue and Taxation Code, and has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code. Since the Mission is exempt from federal and state income tax liability, no provision is made for current or deferred income taxes. The Mission uses the same accounting methods for tax and financial reporting.

Generally accepted accounting principles prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Management of the Mission has evaluated its uncertain tax positions and related income tax contingencies. Management does not believe that any material uncertain tax positions exist. The Mission's tax returns are subject to examination by Federal taxing authorities for a period of three years from the date they are filed and a period of four years for California taxing authorities.

Related Party Transactions

The Mission received contributions from board members in the amount of \$86,380 for the year ended May 31, 2021. Of this amount, \$50,100 was made with restrictions and \$36,280 was made without restrictions.

NOTE 3 – FAIR VALUE MEASUREMENTS

FASB ASC Topic 820, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework 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 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC Topic 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Mission has the ability to access.

Level 2 - Inputs to the valuation methodology include:

Quoted prices for similar assets or liabilities in active markets;
Quoted prices for identical or similar assets or liabilities in inactive markets;
Inputs other than quoted prices that are observable for the asset or liability;
Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

NOTE 3 – FAIR VALUE MEASUREMENTS (continued)

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

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at May 31, 2021:

| | |
|-------------------------|--|
| Certificate of Deposits | Certificate of deposits are recorded at cost plus accrued interest, which approximates fair value. |
|-------------------------|--|

The preceding method 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 Mission believes its valuation method is appropriate and consistent with other markets, the use of different methodologies or assumptions to determine the fair value of certain financial assets could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Mission's assets at fair value of as May 31, 2021:

| | Level 1 | Level 2 | Level 3 | Total |
|-------------------------|---------|------------|---------|------------|
| Certificate of Deposits | \$ - | \$ 367,205 | \$ - | \$ 367,205 |
| | - | 367,205 | - | 367,205 |

NOTE 4 – PROPERTY AND EQUIPMENT

The Mission owns certain land and buildings that were acquired in full or in part through the Federal Home Loan Bank's (the FHLBank) Affordable Housing Program (AHP). These assets are pledged as collateral for the Mission's long-term debt. See additional information in Note 5 below.

Property and equipment is summarized as follows:

| | |
|-----------------------------------|--------------|
| Building and improvements | \$ 6,463,921 |
| Land | 510,543 |
| Furniture, fixtures and equipment | 485,807 |
| Vehicles | 72,569 |
| Total property and equipment | 7,532,840 |
| Less accumulated depreciation | (2,279,720) |
| Property and equipment, net | \$ 5,253,120 |

NOTE 5 – LONG-TERM DEBT

The Mission was approved for a grant under the FHLBank’s AHP in June 2014, in the original amount of \$1,500,000 for the Building Hope project. The granted funds were disbursed to the Mission under a Subsidy Repayment Agreement with Merchant’s Bank of Commerce which is secured by real property with a carrying value at May 31, 2021 of \$1,836,894. It does not accrue interest, except in the event of default, and will not amortize. The entire principal balance matures the later of January 1, 2033 or fifteen years after project completion. If the Mission continues to use the property in accordance with the terms of the Agreement, the entire balance will be forgiven by the FHLBank upon maturity.

The Mission was approved for a grant under the FHLBank’s AHP in March 2006 in the original amount of \$1,000,000 to build the Bridge to New Life building and to remodel the men’s shelter. The granted funds were disbursed to the Mission under a Subsidy Repayment Agreement with Merchant’s Bank of Commerce which is secured by real property with a carrying value at May 31, 2021 of \$1,431,094. It does not accrue interest, except in the event of default, and will not amortize. The entire principal balance matures in December 2023. If the Mission continues to use the property in accordance with the terms of the Agreement, the entire balance will be forgiven by the FHLBank upon maturity.

The Mission was not in default with the terms of the Subsidy Repayment Agreements at May 31, 2021.

NOTE 6 - PAYCHECK PROTECTION PROGRAM DEBT EXTINGUISHMENT

On April 13, 2020 the Mission secured a Small Business Administration Paycheck Protection Program loan through Merchants Bank of Commerce in the amount of \$225,581. The loan terms and conditions provide that if certain payroll, rent, and utility cost levels are attained during a twenty-four week period following funding on the loan, then it is eligible for 100% forgiveness. The loan was forgiven on April 16, 2021, and the full amount of the loan was recognized as a gain on extinguishment of debt for the year ended May 31, 2021.

NOTE 7 – DEFINED CONTRIBUTION PLAN

The Mission sponsors a defined contribution plan (the Plan) covering all eligible employees who agree to make contributions to the Plan. The Mission matches 50% of all participants’ contributions to the Plan up to \$1,500 per year. Total contributions made by the Mission to the Plan for the year ended May 31, 2021, were \$9,821.

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at May 31, 2021:

| | | |
|--|----|---------|
| Van Outreach | \$ | 47,083 |
| COVID case managers | | 40,420 |
| Guest services | | 27,291 |
| Women's New Life Recovery Program | | 6,696 |
| Men's New Life Recovery Program | | 5,160 |
| Other purposes | | 2,921 |
| Solar project | | 2,298 |
| Fundraising | | 1,532 |
| Victory House Playground Capital Project | | 1,500 |
| Total net assets with donor restrictions | \$ | 134,901 |

NOTE 9 – NON-CASH CONTRIBUTIONS

Non-cash contributions consist of the following at May 31, 2021:

| | |
|------------------------------|----------------------------|
| Food | \$ 1,697,857 |
| Clothing and household items | 333,748 |
| Capital assets | 10,167 |
| Professional services | <u>9,838</u> |
| Total non-cash contributions | <u><u>\$ 2,051,610</u></u> |

The Mission receives contributed services from hundreds of unpaid volunteers who assist with a variety of services relating to program delivery, clerical, academic, basic health, and fundraising. Under generally accepted accounting principles, fair value of donated services are recognized in the Statement of Activities if they (a) create or enhance a nonfinancial asset, or (b) require specialized skills, are provided by persons possessing those skills, and would need to be purchased if they were not donated. The volunteered dental services meet the above criteria and are included as professional services in the table above. The remaining volunteered services provided to the Mission did not meet this criteria and, therefore, are not recognized in the accompanying financial statements. The Mission estimates the fair value of the contributed services not recognized in the Statement of Activities to be \$1,468,925 for the year ended May 31, 2021.

NOTE 10 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Missions' financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consist of the following at May 31, 2021:

| | |
|--|----------------------------|
| Financial assets available at year-end | |
| Cash and cash equivalents | \$ 1,044,852 |
| Investments | 367,205 |
| Other receivables | 49,308 |
| Less those unavailable for general expenditures within one year, due to: | |
| Contractual or donor-imposed restrictions: | |
| Restricted by donor with purpose restrictions | (134,901) |
| Amounts held for others | <u>(42,852)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u><u>\$ 1,283,612</u></u> |

The Mission has investments in 3 and 5 year CDs that will mature after the end of the 2021-2023 fiscal year. The terms of the CDs call for a forfeiture of 6 months interest in the event of early withdrawal. The Mission considers these investments as available for cash flow. Funds in excess of budget are considered to be reserved by the board until designated or appropriated by a board vote. These funds are kept in liquid accounts, but are not available for general expenditures without board action. Financial assets that have been donated with restrictions on their use are not available for general expenditures.

NOTE 11 – CONTINGENCIES

As a result of the spread of the COVID-19 Coronavirus, economic uncertainties have arisen which are likely to negatively impact the nonprofit industry. Although the related financial impact and duration cannot be reasonably estimated at this time, management believes federal stimulus efforts as well as other mitigating measures will offset the financial impact on the Mission in the following year.

NOTE 12 – SUBSEQUENT EVENTS

The Mission has evaluated subsequent events through June 8, 2022, which is the date the financial statements were available to be issued.

NOTE 13 – EMPLOYEE RETENTION CREDIT

The Employee Retention Credit (ERC), a credit against certain payroll taxes allowed to an eligible employer for qualifying wages, was established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and further amended by the Consolidated Appropriations Act (CAA) and the American Rescue Plan (ARP). The Mission filed amended payroll tax returns in order to recognize ERCs for their qualifying wages and health plan expenses. The Mission's management have elected to not recognize the ERC in the approximate amount of \$656,000 within the financial statements until the funds are received.