

**THE RESCUE MISSION ALLIANCE
OF SYRACUSE, NEW YORK**

**Financial Statements as of
September 30, 2021
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

December 10, 2021

To the Board of Directors of
The Rescue Mission Alliance of Syracuse, New York:

Report on the Financial Statements

We have audited the accompanying financial statements of The Rescue Mission Alliance of Syracuse, New York (the Rescue Mission), which comprise the statement of financial position as of September 30, 2021, and the related statements of activities and changes in net assets, 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.

Auditor's 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 The Rescue Mission Alliance of Syracuse, New York as of September 30, 2021, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

(Continued)

INDEPENDENT AUDITOR'S REPORT

(Continued)

Change in Accounting Principle

As described in Note 2 to the financial statements, The Rescue Mission Alliance of Syracuse, New York implemented Accounting Standards Update (ASU) ASU 2014-19, *Revenue from Contracts with Customers* (Topic 606), and the effects have been included in these financial statements. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Totals

We have previously audited The Rescue Mission Alliance of Syracuse, New York's 2020 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated December 11, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020 is consistent, in all material respects with the audited financial statements from which it has been derived.

Bonadio & Co., LLP

THE RESCUE MISSION ALLIANCE OF SYRACUSE, NEW YORK

STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2021

(With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 5,461,804	\$ 2,699,313
Client funds	87,179	93,039
Grants receivable	827,210	571,504
Contributions receivable, net	27,283	15,278
Other receivables	51,778	90,953
Other assets	<u>292,854</u>	<u>251,888</u>
Total current assets	6,748,108	3,721,975
CONTRIBUTIONS RECEIVABLE, net of current portion	39,667	79,667
CASH SURRENDER VALUE OF LIFE INSURANCE	382,383	381,728
BENEFICIAL INTEREST IN PERPETUAL TRUST INVESTMENTS	7,711,760	5,888,168
LAND, BUILDINGS AND EQUIPMENT, net	<u>18,816,313</u>	<u>19,302,767</u>
Total assets	<u>\$ 33,794,289</u>	<u>\$ 29,456,856</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 526,121	\$ 252,752
Accrued liabilities	955,599	759,992
Client funds	87,179	93,039
Current portion of long-term debt	34,686	34,186
Deferred revenue	<u>830,401</u>	<u>639,663</u>
Total current liabilities	2,433,986	1,779,632
LONG-TERM DEBT, net of current portion	448,152	630,966
GIFT ANNUITIES PAYABLE	230,466	242,400
DEFERRED COMPENSATION PAYABLE	64,909	97,311
DEFERRED PROMISSORY NOTES PAYABLE	<u>6,520,800</u>	<u>6,520,800</u>
Total liabilities	<u>9,698,313</u>	<u>9,271,109</u>
NET ASSETS:		
Net assets without donor restriction	19,554,205	15,872,350
Net assets with donor restriction	<u>4,541,771</u>	<u>4,313,397</u>
Total net assets	<u>24,095,976</u>	<u>20,185,747</u>
Total liabilities and net assets	<u>\$ 33,794,289</u>	<u>\$ 29,456,856</u>

The accompanying notes are an integral part of these statements.

THE RESCUE MISSION ALLIANCE OF SYRACUSE, NEW YORK

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED SEPTEMBER 30, 2021

(With Comparative Totals for 2020)

	Net Assets Without <u>Donor Restriction</u>	Net Assets With <u>Donor Restriction</u>	<u>2021</u>	<u>2020</u>
OPERATING REVENUES:				
General contributions	\$ 3,448,654	\$ 355,293	\$ 3,803,947	\$ 4,556,628
Legacies and bequests	157,767	-	157,767	1,829,692
Grants revenue	3,848,887	-	3,848,887	5,323,701
Program service fees and revenue	1,111,612	-	1,111,612	1,118,992
Social enterprise	16,734,023	-	16,734,023	11,872,648
Other	30,467	-	30,467	71,256
Net assets released from restriction	<u>117,156</u>	<u>(117,156)</u>	<u>-</u>	<u>-</u>
Total support and revenue	25,448,566	238,137	25,686,703	24,772,917
OPERATING EXPENSES:				
Program services	19,607,625	-	19,607,625	18,037,671
Management and general	2,385,861	-	2,385,861	2,958,708
Fundraising	<u>880,706</u>	<u>-</u>	<u>880,706</u>	<u>1,144,450</u>
Total expenses	<u>22,874,192</u>	<u>-</u>	<u>22,874,192</u>	<u>22,140,829</u>
Change in net assets from operations	2,574,374	238,137	2,812,511	2,632,088
NONOPERATING INCOME:				
Investment income, net of expenses	77,918	-	77,918	56,427
Unrealized and realized gains (losses) on investments	1,029,563	-	1,029,563	(68,649)
Change in value of split interest agreements	-	(23,270)	(23,270)	(57,397)
Gain on beneficial interest in trust	<u>-</u>	<u>13,507</u>	<u>13,507</u>	<u>4,357</u>
Total nonoperating income	1,107,481	(9,763)	1,097,718	(65,262)
CHANGE IN NET ASSETS	3,681,855	228,374	3,910,229	2,566,826
NET ASSETS, beginning of year	<u>15,872,350</u>	<u>4,313,397</u>	<u>20,185,747</u>	<u>17,618,921</u>
NET ASSETS, end of year	<u>\$ 19,554,205</u>	<u>\$ 4,541,771</u>	<u>\$ 24,095,976</u>	<u>\$ 20,185,747</u>

The accompanying notes are an integral part of these statements.

THE RESCUE MISSION ALLIANCE OF SYRACUSE, NEW YORK

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

(With Comparative Totals for 2020)

	Program Services				Supporting Services				2021	2020
	Emergency Services	Transitional, Spiritual and Supportive Residential Services	Social Enterprise - Thrift Store and Salvage	Total Program Services	Management and General	Fundraising	Total Supporting Services			
Salaries	\$ 1,893,780	\$ 1,018,531	\$ 6,607,098	\$ 9,519,409	\$ 1,316,202	\$ 357,953	\$ 1,674,155	\$ 11,193,564	\$ 10,388,870	
Mandated benefits	240,552	130,327	896,921	1,267,800	(130,920)	49,770	(81,150)	1,186,650	1,392,881	
Nonmandated benefits	171,790	82,069	448,553	702,412	276,123	39,654	315,777	1,018,189	942,400	
Professional fees and commissions	54,430	2,140	398,412	454,982	186,858	130,744	317,602	772,584	795,913	
Supplies	433,252	232,574	160,917	826,743	80,303	26,969	107,272	934,015	1,129,678	
Telephone	4,999	7,209	13,016	25,224	31,322	1,223	32,545	57,769	97,292	
Internet	124	5,212	58,896	64,232	1,533	-	1,533	65,765	66,818	
Software fees	-	-	84,144	84,144	30,804	41,391	72,195	156,339	133,299	
Postage and shipping	25	396	2,549	2,970	2,540	77,596	80,136	83,106	112,600	
Occupancy	393,928	403,791	3,622,368	4,420,087	138,662	180	138,842	4,558,929	4,141,962	
Rental and maintenance of equipment	17,698	16,423	20,970	55,091	27,237	3,199	30,436	85,527	126,706	
Printing and publications	293	327	779	1,399	3,154	98,443	101,597	102,996	128,744	
Transportation	2,498	1,064	28,698	32,260	10,965	1,592	12,557	44,817	48,354	
Education expense	-	-	-	-	13,579	3,189	16,768	16,768	34,604	
Client support	42,280	65,283	111	107,674	-	1,962	1,962	109,636	201,710	
Insurance	63,900	51,754	115,683	231,337	58,586	-	58,586	289,923	323,399	
Advertising	-	-	88,293	88,293	5,786	4,193	9,979	98,272	105,087	
Fleet operating costs	15,924	8,818	265,539	290,281	29,017	314	29,331	319,612	308,358	
Bad debts (recoveries)	-	45,632	42,342	87,974	-	(32,405)	(32,405)	55,569	110,220	
Depreciation and amortization	673,679	245,397	423,885	1,342,961	241,483	28,245	269,728	1,612,689	1,450,287	
Miscellaneous	649	1,703	-	2,352	62,627	46,494	109,121	111,473	101,647	
Total expenses	\$ 4,009,801	\$ 2,318,650	\$ 13,279,174	\$ 19,607,625	\$ 2,385,861	\$ 880,706	\$ 3,266,567	\$ 22,874,192	\$ 22,140,829	

The accompanying notes are an integral part of these statements.

THE RESCUE MISSION ALLIANCE OF SYRACUSE, NEW YORK

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED SEPTEMBER 30, 2021 (With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 3,910,229	\$ 2,566,826
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation and amortization expense	1,612,689	1,450,287
Bad debt expense	55,569	110,220
Unrealized and realized (gains) losses on investments	(1,029,563)	68,649
Actuarial adjustment on gift annuities payable	(11,934)	(14,658)
Changes in:		
Grants receivables	(255,706)	76,138
Contributions receivable	(27,574)	82,347
Other receivables	39,175	27,706
Other assets	(40,966)	102,292
Accounts payable	63,755	(518,603)
Accrued liabilities	195,607	52,213
Deferred revenue	190,738	626,928
Deferred compensation payable	(32,402)	(32,402)
Net cash flow from operating activities	<u>4,669,617</u>	<u>4,597,943</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of land, buildings and equipment	(916,621)	(1,850,799)
Change in cash surrender value of life insurance	(655)	5,262
Change in beneficial interest in perpetual trust	(13,507)	(4,357)
Proceeds from sale of investments, net of purchases	(794,029)	209,647
Net cash flow from investing activities	<u>(1,724,812)</u>	<u>(1,640,247)</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Payments on line-of-credit, net	-	(800,000)
Payments on long-term debt	(182,314)	(29,116)
Borrowings on long-term debt	-	422,000
Payments on capital project debt	-	(900,000)
Borrowings on capital project debt	-	500,000
Proceeds from contributions received for investment in endowment and capital	-	198,006
Net cash flow from financing activities	<u>(182,314)</u>	<u>(609,110)</u>
CHANGE IN CASH	2,762,491	2,348,586
CASH - beginning of year	<u>2,699,313</u>	<u>350,727</u>
CASH - end of year	<u>\$ 5,461,804</u>	<u>\$ 2,699,313</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	<u>\$ 28,280</u>	<u>\$ 70,057</u>
Purchases land, buildings and equipment in accounts payable	<u>\$ 209,614</u>	<u>\$ 15,198</u>

The accompanying notes are an integral part of these statements.

THE RESCUE MISSION ALLIANCE OF SYRACUSE, NEW YORK
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

1. THE ORGANIZATION

The Rescue Mission Alliance of Syracuse, New York (the Rescue Mission) is a not-for-profit organization that has been serving those in need since 1887. With a mission of sharing hope, ending hunger and homelessness, changing lives and strengthening communities one person at a time, the Rescue Mission has positioned itself as an organization that makes a difference in peoples' lives on a daily basis.

The Rescue Mission has operated in Syracuse since 1887 and began regional efforts in Broome County in 2006, Cayuga County in 2009, and Tompkins County in 2014. The Rescue Mission programs have brought hope to thousands by providing meals, shelter, clothing, and other life-changing services, including workforce development.

Syracuse

The Syracuse Rescue Mission operates its 6-building Mission District campus in downtown Syracuse where men, women and children receive meals, clothing and care, and homeless men and women are housed and equipped with skills to begin changing their lives for the better. The Rescue Mission operates a 59-bed adult home and 38 supportive housing units in Syracuse. The Rescue Mission operates a 183-bed emergency shelter and day center on the Syracuse campus for men and women.

Binghamton

The Binghamton Rescue Mission operates 34 supportive housing units where formerly homeless men are able to rebuild their lives. Services include case management, life skills training, transportation to appointments, employment assistance and other permanent housing.

Auburn

The Auburn Rescue Mission leases 28 apartment units that provide housing to formerly homeless families. The Auburn Rescue Mission provides services and assistance obtaining services to these families so they can avoid homelessness and domestic violence in the future. Services include case management, life skills training, transportation to appointments, employment assistance and other permanent housing.

Thrifty Shopper Stores

The Rescue Mission operates 21 Thrifty Shopper stores (including 3fifteen) in eight counties that sell donated clothing and home goods at affordable prices. The sales generated by the stores are used to support Rescue Mission programs designed to end hunger and homelessness.

Basis of Presentation

The Rescue Mission's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Changes in Accounting Principles

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-19, *Revenue from Contracts with Customers* (Topic 606, and has subsequently issued supplemental ASUs, collectively "ASU 606"). This ASU outlines a five-step framework that supersedes the principles for recognizing revenue and eliminates industry specific guidance. The core principle of the guidance in ASU 606 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, ASU 606 revises current disclosure requirements to help financial statement users better understand the nature, amount, timing, and uncertainty of revenue that is recognized. The Rescue Mission adopted ASU 606 as of October 1, 2020, using the modified retrospective method of transition and there was no effect on total net assets or the change in net assets.

In August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-13, Fair Value measurement (Topic 820): *Disclosure Framework Changes to the Disclosure Requirements for Fair Value Measurement*. This ASU eliminates, adds, and modifies certain disclosure requirements for fair value measurements. The standard is effective for all entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The Rescue Mission has adopted this standard in fiscal year 2021. The disclosure requirements are being applied on a retrospective approach. The adoption of this guidance had no impact on the statement of financial position and the statement of activities and changes in net assets.

Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by functional expense classification. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the financial statements of the Rescue Mission for the year ended September 30, 2020, from which the summarized information was obtained.

Financial Statement Presentation

The Rescue Mission reports its activities based on the existence or absence of donor-imposed restrictions. Net assets without donor restriction include operating resources which are available for the support of the Rescue Mission's operating activities. Net assets with donor restriction are those net assets that are restricted by the donors for specific purposes or whose principal may not be expended. The donors may or may not restrict the use of investment income.

Endowment Funds

The Rescue Mission's endowment was established by contributions from donors. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restriction. The funds with donor-imposed restrictions are included in net assets with donor restriction in the accompanying statement of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interpretation of Relevant Law

The Rescue Mission's Board of Directors has interpreted the applicable provisions of the New York Prudent Management of Institutional Funds Act (NYPMIFA) and the New York Not-for-Profit Corporation Law as encouraging preservation of endowment funds' historic value. Historical dollar value is comprised of (a) the original value of gifts donated to the donor restricted endowment, (b) the original value of subsequent gifts to the donor restricted endowment, and (c) accumulations of investment returns to the donor restricted endowment made in accordance with the direction of the applicable donors' gift instrument at the time the accumulation is added to funds. In some instances, NYPMIFA allows for prudent spending from endowed funds, even under circumstances when the expenditure would occur out of historic dollar value. The remaining portion of the donor restricted endowment fund that is not classified in net assets with donor restriction is classified as net assets without donor restriction after being appropriated for expenditure to the Rescue Mission in a matter consistent with donor intent.

Fair Value Measurement

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Rescue Mission uses various techniques in determining fair value. GAAP establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Rescue Mission. Unobservable inputs are inputs that reflect the Rescue Mission's assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available in the circumstances.

The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the Rescue Mission has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.
- Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Rescue Mission in determining fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurement (Continued)

The following valuation techniques were used to measure fair value of assets as of September 30, 2021 and 2020:

- *Money market funds and mutual funds* – Fair value of money market funds and mutual funds is based on quoted market prices.
- *Beneficial interest in perpetual trust* – Fair value of beneficial interest in perpetual trust held by third party is based on quoted market prices of the underlying investments.

There were no changes to the valuation techniques during 2021 or 2020.

Estimates

The preparation of the financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash

Cash includes bank demand deposit accounts and savings accounts. The Rescue Mission has cash deposited at various financial institutions, which at times, may exceed federally insured limits. The Rescue Mission has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with respect to cash.

Client Funds

The Rescue Mission has signatory authority over client funds. These funds are expended at the direction of the client for their personal needs and are maintained in bank accounts.

Grants Receivable and Revenue

The Rescue Mission receives grants to assist in carrying out its programs from Federal, state, and local government agencies. Unconditional grants and restricted grants are recognized as revenues in the period received or promised. Conditional grants are not recognized as revenues until the conditions on which they depend are substantially met. The Rescue Mission has adopted a policy whereby all government and other contracts be recorded as without donor restriction if the restriction expires in the same reporting period as received.

Conditional grants were received with the following conditions as of September 30:

	<u>2021</u>	<u>2020</u>
Emergency services	\$ 686,779	\$ 417,593
Transitional, spiritual, and supportive residential services	<u>174,106</u>	<u>139,521</u>
	<u>\$ 860,885</u>	<u>\$ 557,114</u>

Grants receivable represent amounts due to the Rescue Mission under grant agreements where conditions were substantially met at year end. Receivables are stated at the amount management expects to collect from outstanding balances. The Rescue Mission considers all receivables to be fully collectible; accordingly, no allowance for doubtful accounts has been recorded at September 30, 2021 and 2020. If amounts become uncollectable, they will be charged to bad debt expense when the determination is made. Unpaid balances remaining after the stated payment terms are considered past due.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions Receivable and Revenue

Contributions receivable consist of pledges receivable from various donors. Contributions receivable are recognized as revenue in the period the funds are committed. Bequests are recorded as income when the last will and testament enters probate, and the probate court declares the will valid.

Contributions receivable are recorded at their estimated net present value based on anticipated future cash flows, discounted to reflect the time value of money. The difference between the total pledges outstanding and their net present value is deemed immaterial at September 30, 2021 and 2020. The allowance for uncollectible pledges is based on the Rescue Mission's collection experience.

Contributions received that are restricted by the donor are reported as increases in net assets without donor restriction if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restriction, depending on the nature of the restrictions. When a restriction expires, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities and changes in net assets as net assets released from restriction.

Program Service Fees and Revenue

The Rescue Mission recognizes program service fees and revenue for program activities and service offerings under the terms of a rental occupancy agreement. The Rescue Mission's performance obligations are outlined in the rental occupancy agreement and include such things as water, hot water, heat, utilities.

Program service fees and revenue from residents is recognized in the amounts to which The Rescue Mission expects to be entitled, and this transaction price (monthly fees) is allocated to the bundled services. Each resident pays a monthly fee based on their rental occupancy agreement. Each month, the performance obligation is satisfied as the benefit of the services are consumed and program service fees and revenue from residents are recorded.

Because performance obligations are met on a monthly basis, there are no monthly fees allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. Service fees from residents is charged and collected on a monthly basis. Amounts that remain uncollected at the end of the month are recorded as accounts receivable. The Rescue Mission reviews individual rental occupancy agreements to determine estimated uncollectable accounts due from residents, and records these implicit price concessions as a direct reduction to program service fees and revenue. At September 30, 2021 and 2020, no such implicit price concessions were considered necessary.

Social Enterprise

The Rescue Mission recognizes social enterprise revenue for sales of donated clothing and home goods when customers obtain control of the goods promised by the Rescue Mission. The amount of social enterprise revenue recognized is based on the amount that reflects the consideration that is expected to be received in exchange for those respective goods.

Cash Surrender Value of Life Insurance

The Rescue Mission is the assigned beneficiary of various life insurance policies. Under the terms of the arrangements, the Rescue Mission is entitled to a death benefit upon the insured donor's death. Cash surrender value of life insurance represents the cash value on life insurance policies associated with the donors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Beneficial Interest in Perpetual Trust

The Rescue Mission is a named beneficiary of an irrevocable trust. The trust agreement named three charitable organizations as primary beneficiaries of the trust, but the trustee has discretion to distribute income to other like charitable organizations in the central New York area. In accordance with the trust agreement, the trustee formed a private foundation under Section 501(c)(3) of the Internal Revenue Code for purposes of converting the trust to corporate form and to transfer and convey all property of the trust to the foundation. Should the foundation be dissolved, the remaining assets of the foundation would be distributed at the discretion of the trustee for one or more exempt purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code. The foundation has historically distributed one-third of the income as calculated in accordance with the trust agreement to the Rescue Mission.

In 2005, the Rescue Mission was named a beneficiary of an estate, which created a trust account that is held by a financial institution, the trustee. Under the terms of the trust, 5% of all annual income earned on the investments of the corpus is distributable to the Rescue Mission as the beneficiary. The trust is considered a perpetual trust and is classified as net assets with donor restriction. Increases or decreases in the net assets with donor restriction are recorded as gains or losses with donor restriction.

Investments

Investments are reported at fair value. Gains on investments of net assets with donor restriction are to be classified according to explicit donor-imposed stipulations. Absent donor-imposed stipulations, applicable state law is to be followed. Investment income (including unrealized and realized gains (losses) on investments and interest) is included in the statement of activities and changes in net assets. Investment management fees of \$15,635 and \$14,550, are netted against investment income at September 30, 2021 and 2020, respectively.

Investment securities are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that the changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Land, Buildings and Equipment

Land, buildings, and equipment are stated at cost or, if donated, at the fair market value at the date of the gift and depreciated using the straight-line method over the estimated useful life (3 - 40 years) of the related assets. The Rescue Mission capitalizes land, buildings and equipment in excess of \$2,000 that have a useful life greater than one year.

Land, buildings, and equipment are considered to be owned by the Rescue Mission. However, Federal, state, and local funding sources may maintain equitable interest in property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets.

Gift Annuities Payable

The Rescue Mission is trustee and beneficiary of several one and two life annuities. Under terms of the split-interest agreements, the Rescue Mission is to pay the donor an annuity until the donor's death, at which time the remaining assets are to be distributed to the designated beneficiary, the Rescue Mission. Assets are recognized when received, and annuity payment liabilities are recognized at the present value of future cash flows expected to be paid to the lifetime beneficiary, based on current life expectancy tables and a discount rate equal to the rate of return on the investment as initially agreed upon with the donor.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services and Goods

A substantial number of volunteers have donated their time to support the Rescue Mission in its programs and fundraising activities. The majority of these donated services are not reflected in the accompanying financial statements, as these services do not meet the criteria for recognition under GAAP.

Goods donated to the thrift stores and auto sales program are recorded as revenue when sold. Donated goods distributed to clients and individuals in need (e.g. clothing, furniture, foodstuffs, etc.) are recorded as income and expense at the time the items are placed into service or distributed.

Donated services, food, and client support are recognized as contributions in the statement of activities and changes in net assets at their estimated values where an objective valuation basis is available.

Donated services and goods were comprised of the following for the year ended September 30:

	<u>2021</u>	<u>2020</u>
Donated services	\$ -	\$ 25,467
Donated food	110,675	205,331
Donated client support	<u>30,631</u>	<u>147,470</u>
	<u>\$ 141,306</u>	<u>\$ 378,268</u>

Advertising

The Rescue Mission expenses advertising costs as they are incurred. Advertising costs were approximately \$98,300 and \$105,100 during 2021 and 2020, respectively.

Functional Allocation of Expenses

The costs of providing the various programs have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs benefited based on management's estimates. Salaries, mandated benefits and nonmandated benefits are allocated based on estimated time spent. Depreciation and occupancy costs are allocated based on square footage. Other costs specifically identified to a program are charged directly to that program.

Income Taxes

The Rescue Mission is a not-for-profit corporation and is exempt from income taxes as an organization qualified under Section 501(c)(3) of the Internal Revenue Code. The Rescue Mission has also been classified by the Internal Revenue Service as an entity that is not a private foundation.

3. LIQUIDITY

The Rescue Mission has a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Rescue Mission's ability to meet its cash needs is dependent revenues received from social enterprise as well as on timely collection of its grants and program receivables. In addition, the Rescue Mission also has a committed line of credit in the amount of \$1,500,000, which it could draw upon in the event of an unanticipated liquidity need.

The Rescue Mission's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

	<u>2021</u>	<u>2020</u>
Cash	\$ 5,461,804	\$ 2,699,313
Client funds	87,179	93,039
Receivables, net	945,938	757,402
Cash surrender value of life insurance	382,383	381,728
Beneficial interest in perpetual trust	96,058	82,551
Investments	<u>7,711,760</u>	<u>5,888,168</u>
Financial assets, at year end	14,685,122	9,902,201
Less those unavailable for general expenditures within one year, due to:		
Restricted on behalf of clients	(87,179)	(93,039)
Restricted by donors with purpose or time restriction	(1,025,674)	(787,537)
Restricted by donors in perpetuity	<u>(3,516,097)</u>	<u>(3,525,860)</u>
Total amounts unavailable for general expenditures within one year	<u>(4,628,950)</u>	<u>(4,406,436)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 10,056,172</u>	<u>\$ 5,495,765</u>

4. GRANTS AND PROGRAM RECEIVABLE

Grants and program receivable consist of the following at September 30:

	<u>2021</u>	<u>2020</u>
Department of Social Services	\$ 694,659	\$ 424,345
New York State Supportive Housing Program	62,290	58,540
Empire State Supportive Housing Initiative	67,370	27,969
Other	<u>2,891</u>	<u>60,650</u>
	<u>\$ 827,210</u>	<u>\$ 571,504</u>

5. CONTRIBUTIONS RECEIVABLE

Contributions receivable, net consists of pledges receivable which are due as follows at September 30:

2022	\$ 93,878
2023	31,467
2024	<u>8,200</u>
	133,545
Allowance for uncollectible pledges	<u>(66,595)</u>
Contributions receivable, net	<u>\$ 66,950</u>

These amounts are classified as follows in the statement of financial position at September 30:

	<u>2021</u>	<u>2020</u>
Contributions receivable, net	\$ 27,283	\$ 15,278
Contributions receivable, net of current portion	<u>39,667</u>	<u>79,667</u>
	<u>\$ 66,950</u>	<u>\$ 94,945</u>

6. FAIR VALUE MEASUREMENTS

The following are measured at fair value on a recurring basis at September 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 1,407,751	\$ -	\$ -	\$ 1,407,751
Government securities	6,675	-	-	6,675
Mutual funds	<u>6,297,334</u>	<u>-</u>	<u>-</u>	<u>6,297,334</u>
Total investments	<u>\$ 7,711,760</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,711,760</u>
Beneficial interest in perpetual trust	<u>\$ 96,058</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,058</u>

The following are measured at fair value on a recurring basis at September 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 686,428	\$ -	\$ -	\$ 686,428
Government securities	13,063	-	-	13,063
Mutual funds	<u>5,188,677</u>	<u>-</u>	<u>-</u>	<u>5,188,677</u>
Total investments	<u>\$ 5,888,168</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,888,168</u>
Beneficial interest in perpetual trust	<u>\$ 82,551</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 82,551</u>

7. LAND, BUILDINGS AND EQUIPMENT

At September 30 land, buildings and equipment consists of the following:

	<u>2021</u>	<u>2020</u>
Land	\$ 667,180	\$ 571,580
Buildings	30,625,795	30,554,922
Leasehold improvements	1,823,685	1,734,189
Construction-in-progress	733,532	339,063
Furniture and equipment	5,424,251	4,948,456
Automotive equipment	<u>694,382</u>	<u>694,382</u>
	39,968,825	38,842,592
Less: accumulated depreciation and amortization	<u>21,152,512</u>	<u>19,539,825</u>
	<u>\$ 18,816,313</u>	<u>\$ 19,302,767</u>

Depreciation and amortization charged to expense amounted to \$1,612,689 and \$1,450,287, respectively, for the years ended September 30, 2021 and 2020.

8. FINANCING ARRANGEMENTS

Long-Term Debt

Obligations under long-term debt consist of the following at September 30:

	<u>2021</u>	<u>2020</u>
Mortgage payable at 5.00% with monthly principal and interest payments of \$1,908 through October 2024. Collateral consists of a building.	\$ 65,918	\$ 84,274
Mortgage payable at 4.78% with monthly principal and interest payments of \$1,768 through December 2029. Collateral consists of a building.	257,689	266,233
Mortgage payable at 4.82% with monthly principal and interest payments of \$1,112 through August 2029. Collateral consists of a building.	159,231	164,645
Loan payable at 2.88%, with monthly principal and interest payments of \$641 beginning in June 2021 through June 2041. Collateral consists of property.	<u>-</u>	<u>150,000</u>
	482,838	665,152
Less: Current portion of long-term debt	<u>34,686</u>	<u>34,186</u>
	<u>\$ 448,152</u>	<u>\$ 630,966</u>

8. FINANCING ARRANGEMENTS (Continued)

Long-Term Debt (Continued)

Maturities of long-term debt are as follows at September 30:

2022	\$	34,686
2023		36,417
2024		38,221
2025		19,493
2026		17,780
Thereafter		<u>336,241</u>
Total	\$	<u>482,838</u>

Line-of-Credit

The Rescue Mission has a \$1,500,000 line of credit agreement with a financial institution that requires financial institution requires certain investment accounts be pledged. No withdrawals from the pledged accounts are permitted without the consent of the financial institution. The interest rate on the unpaid principal balance is the LIBOR flex rate plus one and one quarter percent (1.25%), which amounted to 1.39% and 1.40% at September 30, 2021 and 2020, respectively. Should the LIBOR flex rate be unavailable, the interest rate shall be a fluctuating rate equal to two and one quarter percent (2.25%) plus the prime rate. There were no amounts outstanding at September 30, 2021 and 2020, respectively.

Deferred Promissory Notes Payable

Deferred promissory notes payable at September 30 is as follows:

	<u>2021</u>	<u>2020</u>
Deferred promissory note payable to the Federal Home Loan Bank of New York (the Bank) for the renovation of a building in Binghamton, New York. The Bank has a lien on this property for a period of 15 years, during which time the Rescue Mission is required to operate the project to serve the needs of homeless individuals in the Broome County area. As long as the Rescue Mission meets this requirement, no repayment is required and the promissory note will be deemed paid in full in October 2024. In the event of default, the entire balance is required to be repaid.	\$ 1,090,000	\$ 1,090,000
Deferred promissory note payable to the Federal Home Loan Bank of New York (the Bank) for the renovation the recreation to a day center/shelter. The Bank has a lien on this property for a period of 15 years, during which time the Rescue Mission is required to operate the day center/shelter. As long as the Rescue Mission meets this requirement, no repayment is required and the promissory note will be deemed paid in full in September 2030. In the event of default, the entire balance is required to be repaid.	1,980,000	1,980,000

8. FINANCING ARRANGEMENTS (Continued)

Deferred Promissory Notes Payable (Continued)

	<u>2021</u>	<u>2020</u>
Deferred promissory note payable to New York State Homeless Housing and Assistance Program (HHAP) for the renovation of the recreation center. HHAP has a lien on this property for a period of 25 years, during which time the Rescue Mission is required to operate the recreation center. As long as the Rescue Mission meets this requirement, no repayment is required and the promissory note will be deemed paid in full in September 2040. In the event of default, the entire balance is required to be repaid.	3,342,924	3,342,924
Deferred promissory note payable to New York State Homeless Housing and Assistance Program (HHAP) for the renovation and expansion of the Crossroads adult home. HHAP has a lien on this property for a period of 25 years, during which time the Rescue Mission is required to operate the adult home. As long as the Rescue Mission meets this requirement, no repayment is required and the promissory note will be deemed paid in full in August 2040. In the event of default, the entire balance is required to be repaid.	<u>107,876</u>	<u>107,876</u>
Total deferred promissory notes payable	<u>\$ 6,520,800</u>	<u>\$ 6,520,800</u>

Estimated future forgiveness of deferred promissory notes payable are as follows for the years ending September 30:

2022	\$ -
2023	-
2024	1,090,000
2025	-
2026	-
Thereafter	<u>5,430,800</u>
Total	<u>\$ 6,520,800</u>

9. COMMITMENTS AND CONTINGENCIES

Leases

The Rescue Mission leases certain facilities for use as retail store outlets for the sale of donated materials, programs, trucks and various equipment under operating leases expiring in various years through 2042. The minimum lease payments for the remainder of the lease terms are presented below:

2022	\$ 2,829,942
2023	2,432,885
2024	1,453,214
2025	1,161,736
2026	813,984
Thereafter	<u>5,414,272</u>
Total	<u>\$ 14,106,033</u>

Rental expense incurred under leases was \$2,767,265 and \$2,610,595, respectively, for the years ended September 30, 2021 and 2020.

Third-Party Payers

Third-party payers, especially governmental funders, have increased their scrutiny of payments made to their designated service providers. Specific areas for review by governmental payers and their investigative personnel include appropriate billing practices, reimbursement maximization strategies, technical regulatory compliance, etc. The stated purpose for these reviews is to recover inappropriate reimbursements.

The Rescue Mission has reviewed its internal records and policies with respect to such matters. However, due to the nature of these matters, it is difficult to estimate definitively the ultimate liability, if any, that may be incurred by the Rescue Mission related to such matters.

COVID Relief

COVID-19 relief funding streams are subject to review by governmental agencies and other funding sources. The outcome of these regulatory reviews and audits may have an effect on the amounts reported in the financial statements. The regulations and requirements related thereto are complex and as a result, there is at least a reasonable possibility that recorded amounts will change in the near term. In the event that the results of a subsequent audit or review indicate that an adjustment is required, the amount will be recognized in the period in which it can be reasonably estimated.

10. ENDOWMENT

Change in endowment net assets were as follows:

Endowment net assets, October 1, 2019	\$ 3,578,900
Investment income	4,357
Change in value of split interest agreements	<u>(57,397)</u>
Endowment net assets, September 30, 2020	3,525,860
Investment income	13,507
Change in value of split interest agreements	<u>(23,270)</u>
Endowment net assets, September 30, 2021	<u>\$ 3,516,097</u>

10. ENDOWMENT (Continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Rescue Mission to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in net assets without donor restriction. There were no funds with deficiencies at September 30, 2021 and 2020.

Return Objectives and Risk Parameters

The Rescue Mission's objective for the endowment assets is to provide support for the organization's mission over the long term. Basic objectives are to:

- Invest prudently, in order to preserve, at a minimum, the real purchasing power of the principal and ideally to achieve above average investment returns when measured against appropriate benchmarks.
- Provide a stable source of perpetual financial support to the Rescue Mission, in accordance with the Rescue Mission's spending policy.
- Ensure adequate diversification in order to reduce volatility of investment returns.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Rescue Mission relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Rescue Mission targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relates to Spending Policy

The Rescue Mission has determined that sufficient liquidity is available from other sources. Therefore, there is no immediate need for the endowment funds; however, the funds may be used to meet unexpected needs such as operating funds and capital projects. If a liquidity need were to arise in the future, the size of the required distribution relative to the size of the account may necessitate a withdrawal of principal from donor restricted funds depending on capital market performance. Diminution of portfolio value due to prolonged periods of poor market performance may require an alteration of the investment policy.

11. NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restriction for purpose or time amount to the following at September 30:

	<u>2021</u>	<u>2020</u>
Program services	\$ 490,835	\$ 419,699
Annuities	153,753	160,450
Education/vocation	17,011	17,709
Scholarship	15,284	15,284
Support services	4,000	2,000
Miscellaneous	<u>344,791</u>	<u>172,395</u>
	<u>\$ 1,025,674</u>	<u>\$ 787,537</u>

11. NET ASSETS WITH DONOR RESTRICTION (Continued)

Net assets with donor restriction to hold to perpetuity amount to the following at September 30:

	<u>2021</u>	<u>2020</u>
Recreation center endowment	\$ 1,774,649	\$ 1,774,649
General endowment	938,957	938,957
Educational/employment endowment	512,879	512,879
Various endowments	193,554	216,824
Perpetual trust	<u>96,058</u>	<u>82,551</u>
	<u>\$ 3,516,097</u>	<u>\$ 3,525,860</u>

12. NET ASSETS RELEASED FROM RESTRICTION

Net assets were released from donor restriction by incurring expenses satisfying the restricted purposes as follows for the year ended September 30:

	<u>2021</u>	<u>2020</u>
Program services	\$ 109,761	\$ 1,716,535
Annuities	6,697	-
Education/vocation	<u>698</u>	<u>-</u>
	<u>\$ 117,156</u>	<u>\$ 1,716,535</u>

13. RETIREMENT PLAN

The Rescue Mission has a 401(k) plan available to all full-time employees over the age of twenty and one-half years who have completed one year of service. Employees make contributions and the Rescue Mission funds benefits through contributions to various investment options that participants can self-direct. The annual employer contribution to the plan was 4.0% of the basic annual compensation for each participating employee for the year ended September 30, 2021 and 2020. Pension expense was \$306,053 and \$311,345, respectively, for the years ended September 30, 2021 and 2020.

14. SUBSEQUENT EVENTS

Subsequent events have been evaluated through, December 10, 2021, which is the date the financial statements were available to be issued.