

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

**Financial Statements as of
September 30, 2023
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

December 15, 2023

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

Opinion

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, 2023, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Rescue Mission as of September 30, 2023, and the 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Rescue Mission 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 audit opinion.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Rescue Mission adopted Accounting Standards Codification 842, *Leases*, as of October 1, 2022. 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 financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

432 North Franklin Street, #60
Syracuse, NY 13204
p (315) 476-4004
f (315) 254-2384

www.bonadio.com

(Continued)

INDEPENDENT AUDITOR'S REPORT

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Rescue 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Rescue 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 Summarized Comparative Information

We have previously audited the Rescue Mission's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 16, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2022, 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, 2023

(With Comparative Totals for 2022)

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 3,488,204	\$ 5,291,266
Client funds	90,028	100,436
Grants receivable	1,689,594	1,157,156
Contributions receivable, net	400,000	-
Other receivables	145,646	106,993
Other assets	312,501	599,857
Total current assets	6,125,973	7,255,708
CASH SURRENDER VALUE OF LIFE INSURANCE	307,553	374,626
BENEFICIAL INTEREST IN PERPETUAL TRUST	79,148	77,311
INVESTMENTS	12,587,391	8,217,556
OPERATING LEASE RIGHT-OF-USE ASSETS	11,159,775	-
FINANCE LEASE RIGHT-OF-USE ASSETS	447,754	-
LAND, BUILDINGS AND EQUIPMENT, net	17,144,960	17,882,959
Total assets	<u>\$ 47,852,554</u>	<u>\$ 33,808,160</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 263,043	\$ 311,456
Accrued liabilities	1,182,753	1,360,017
Client funds	90,028	100,436
Current portion of operating lease liability	2,034,538	-
Current portion of finance lease liability	146,040	-
Current portion of deferred promissory notes payable	1,090,000	-
Deferred revenue	59,555	54,235
Total current liabilities	4,865,957	1,826,144
OPERATING LEASE LIABILITY, net of current portion	9,210,442	-
FINANCE LEASE LIABILITY, net of current portion	308,790	-
GIFT ANNUITIES PAYABLE	202,894	212,967
DEFERRED COMPENSATION PAYABLE	-	32,507
DEFERRED PROMISSORY NOTES PAYABLE, net of current portion	5,430,800	6,520,800
Total liabilities	<u>20,018,883</u>	<u>8,592,418</u>
NET ASSETS:		
Net assets without donor restriction	23,179,108	21,059,111
Net assets with donor restriction	4,654,563	4,156,631
Total net assets	<u>27,833,671</u>	<u>25,215,742</u>
Total liabilities and net assets	<u>\$ 47,852,554</u>	<u>\$ 33,808,160</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, 2023

(With Comparative Totals for 2022)

	Net Assets Without <u>Donor Restriction</u>	Net Assets With <u>Donor Restriction</u>	<u>2023</u>	<u>2022</u>
OPERATING REVENUES:				
General contributions	\$ 3,104,823	\$ 209,022	\$ 3,313,845	\$ 3,601,471
In-kind contributions	188,112	-	188,112	205,968
Legacies and bequests	293,223	\$ 400,000	693,223	556,384
Grants revenue	4,274,101	-	4,274,101	4,703,596
Program service fees and revenue	1,180,746	-	1,180,746	1,126,226
Social enterprise	20,592,858	-	20,592,858	19,063,002
Other	143,321	-	143,321	55,252
Net assets released from restriction	<u>93,268</u>	<u>(93,268)</u>	<u>-</u>	<u>-</u>
Total operating revenues	29,870,452	515,754	30,386,206	29,311,899
OPERATING EXPENSES:				
Program services	23,929,706	-	23,929,706	22,871,641
Management and general	3,611,214	-	3,611,214	3,143,644
Fundraising	<u>1,092,735</u>	<u>-</u>	<u>1,092,735</u>	<u>999,719</u>
Total operating expenses	<u>28,633,655</u>	<u>-</u>	<u>28,633,655</u>	<u>27,015,004</u>
Change in net assets from operations	1,236,797	515,754	1,752,551	2,296,895
NONOPERATING INCOME:				
Investment income, net of expenses	276,926	-	276,926	277,986
Unrealized and realized gains (losses) on investments	606,274	-	606,274	(1,421,938)
Change in value of split interest agreements	-	(19,659)	(19,659)	(14,430)
Gain (loss) on beneficial interest in trust	<u>-</u>	<u>1,837</u>	<u>1,837</u>	<u>(18,747)</u>
Total nonoperating income, net	883,200	(17,822)	865,378	(1,177,129)
CHANGE IN NET ASSETS	2,119,997	497,932	2,617,929	1,119,766
NET ASSETS, beginning of year	<u>21,059,111</u>	<u>4,156,631</u>	<u>25,215,742</u>	<u>24,095,976</u>
NET ASSETS, end of year	<u>\$ 23,179,108</u>	<u>\$ 4,654,563</u>	<u>\$ 27,833,671</u>	<u>\$ 25,215,742</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, 2023**

(With Comparative Totals for 2022)

	Program Services				Supporting Services				2023	2022
	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	\$ 2,325,309	\$ 1,153,830	\$ 8,828,427	\$ 12,307,566	\$ 1,762,536	\$ 435,268	\$ 2,197,804	\$ 14,505,370	\$ 13,345,591	
Mandated benefits	252,722	124,505	969,003	1,346,230	259,561	46,797	306,358	1,652,588	1,519,025	
Nonmandated benefits	124,765	128,564	565,119	818,448	264,724	28,074	292,798	1,111,246	998,444	
Professional fees and commissions	338,832	3,249	683,276	1,025,357	335,029	101,825	436,854	1,462,211	1,352,684	
Supplies (including in-kind of \$125,327 and \$127,043 in 2023 and 2022, respectively)	436,586	339,443	296,467	1,072,496	37,185	46,442	83,627	1,156,123	1,174,897	
Telephone	3,305	7,043	13,042	23,390	38,032	1,368	39,400	62,790	63,862	
Internet	1,749	14,016	59,954	75,719	2,626	-	2,626	78,345	71,632	
Software fees	-	-	86,586	86,586	47,104	49,245	96,349	182,935	162,459	
Postage and shipping	34	632	4,532	5,198	4,244	76,808	81,052	86,250	106,764	
Occupancy	575,786	446,905	3,760,830	4,783,521	133,864	119	133,983	4,917,504	4,817,581	
Rental and maintenance of equipment	29,794	54,125	112,383	196,302	44,234	5,680	49,914	246,216	91,526	
Printing and publications	501	482	6,203	7,186	2,454	128,366	130,820	138,006	127,854	
Transportation	1,495	5,746	27,105	34,346	42,280	8,051	50,331	84,677	60,891	
Education expense	1,904	6,139	8,831	16,874	20,724	4,807	25,531	42,405	16,597	
Client support (including in-kind of \$62,785 and \$78,925 in 2023 and 2022, respectively)	2,931	151,842	225	154,998	1,255	9,483	10,738	165,736	220,108	
Insurance	39,087	59,197	119,392	217,676	97,648	-	97,648	315,324	340,328	
Advertising	-	-	1,749	1,749	8,250	20,767	29,017	30,766	29,520	
Fleet operating costs	8,306	8,583	292,873	309,762	19,466	549	20,015	329,777	402,327	
Bad debts (recoveries)	-	58,221	(18,822)	39,399	-	-	-	39,399	56,440	
Depreciation	704,803	263,446	415,207	1,383,456	396,673	22,768	419,441	1,802,897	1,861,712	
Miscellaneous	-	6,036	17,411	23,447	93,325	106,318	199,643	223,090	194,762	
Total expenses	\$ 4,847,909	\$ 2,832,004	\$ 16,249,793	\$ 23,929,706	\$ 3,611,214	\$ 1,092,735	\$ 4,703,949	\$ 28,633,655	\$ 27,015,004	

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, 2023 (With Comparative Totals for 2022)

	<u>2023</u>	<u>2022</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,617,929	\$ 1,119,766
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation and amortization expense	1,802,897	1,861,712
Amortization of finance right of use assets	129,458	-
Operating leases	85,205	-
Bad debt expense	39,399	56,440
Unrealized and realized losses (gains) on investments	(606,274)	1,421,938
Actuarial adjustment on gift annuities payable	(10,073)	(17,499)
Changes in:		
Grants receivables	(532,438)	(329,946)
Contributions receivable	(439,399)	10,510
Other receivables	(38,653)	(55,215)
Other assets	287,356	(307,003)
Accounts payable	(72,193)	(221,960)
Accrued liabilities	(177,264)	404,418
Deferred revenue	5,320	(776,166)
Deferred compensation payable	(32,507)	(32,402)
Net cash flow from operating activities	<u>3,058,763</u>	<u>3,134,593</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of land, buildings and equipment	(1,041,118)	(921,063)
Change in cash surrender value of life insurance	67,073	7,757
Change in beneficial interest in perpetual trust	(1,837)	18,747
Proceeds from sale of investments, net of purchases	<u>(3,763,561)</u>	<u>(1,927,734)</u>
Net cash flow from investing activities	<u>(4,739,443)</u>	<u>(2,822,293)</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Payments on finance lease liabilities	(122,382)	-
Payments on long-term debt	<u>-</u>	<u>(482,838)</u>
Net cash flow from financing activities	<u>(122,382)</u>	<u>(482,838)</u>
CHANGE IN CASH	(1,803,062)	(170,538)
CASH - beginning of year	<u>5,291,266</u>	<u>5,461,804</u>
CASH - end of year	<u>\$ 3,488,204</u>	<u>\$ 5,291,266</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	<u>\$ 15,514</u>	<u>\$ 13,625</u>
Purchases land, buildings and equipment in accounts payable	<u>\$ 23,780</u>	<u>\$ 7,925</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, 2023

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 19 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 Accounting

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

Recently Adopted Accounting Guidance - Leases

The Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) 842, *Leases* to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Rescue Mission adopted the standard effective October 1, 2022 using the modified retrospective approach and comparative financial information has not been restated. In addition, lease disclosures for the year ended September 30, 2022 are made under prior lease guidance in FASB ASC 840.

The Rescue Mission elected the available practical expedients to account for the existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, or (b) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Rescue Mission recognized on October 1, 2022 an operating lease liability and an operating right-of-use asset of \$12,499,693. The Rescue Mission also recognized on October 1, 2022 a finance lease liability and a finance right-of-use asset of \$384,132. The standard did not have an impact on the statement of activities and change in net assets or cash flows.

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, 2022, from which the summarized information was obtained.

Financial Reporting

The Rescue Mission reports their activities based on the existence or absence of donor-imposed restrictions utilizing the following net asset categories:

- **Net Assets Without Donor Restrictions**

Net assets without donor restrictions include operating resources that are available for the support of the Rescue Mission's operating activities. The Board of Directors has designated \$4,542,780 and \$3,870,305 for future capital or programmatic initiatives as of September 30, 2023 and 2022, respectively.

- **Net Assets With Donor Restrictions**

Net assets with donor restrictions include resources that have been donated to the Rescue Mission that are subject to restrictions as defined by the donor. 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. The satisfaction of the restrictions is reflected as net assets released from restrictions in the statement of activities and changes in net assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurement (Continued)

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.

The following valuation techniques were used to measure fair value of assets as of September 30, 2023 and 2022:

- *Money market funds, government securities and mutual funds* – Fair value of money market funds, government securities 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 2023 or 2022.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants Receivable and Revenue (Continued)

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

	<u>2023</u>	<u>2022</u>
Emergency services	\$ 757,089	\$ 774,499
Transitional, spiritual, and supportive residential services	<u>538,175</u>	<u>423,787</u>
	<u>\$ 1,295,264</u>	<u>\$ 1,198,286</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, 2023 and 2022. 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.

Contributions Receivable and Revenue

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 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 annual rental occupancy agreements. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Program Service Fees and Revenue (Continued)

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 annual 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, 2023 and 2022, 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.

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 (losses) 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 \$18,238 and \$17,534, are netted against investment income at September 30, 2023 and 2022, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

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.

Lease Policy

The Rescue Mission determines if an arrangement is a lease at inception. Right-of-use (“ROU”) assets represent the Rescue Mission’s right to use an underlying asset for the lease term and lease liabilities represent an obligation to make lease payments arising from the lease. Lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The lease may include renewal and termination options, which are included in the lease term when the Rescue Mission is reasonably certain to exercise these options.

For all underlying classes of assets, the Rescue Mission has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Rescue Mission is reasonably certain to exercise. The Rescue Mission recognizes fixed short-term lease cost on a straight-line basis over the lease term and variable lease cost in the period in which the obligation is incurred.

The Rescue Mission elected for all classes of underlying assets, to use the risk-free rate as the discount rate if the implicit rate in the lease contract is not readily determinable. The Rescue Mission elected for all classes of underlying assets to not separate the lease and non-lease components of a contract and to account for as a single lease component.

Variable lease costs are excluded from the measurement of the ROU asset and lease liability and are expensed in the period incurred.

In evaluating contracts to determine if they qualify as a lease, the Rescue Mission considers factors such as if the Rescue Mission obtained substantially all of the rights to the underlying asset through exclusivity, if it can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

Other Assets

Other assets consist primarily of prepaid expenses and prepaid insurance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

It is the Rescue Mission's policy to sell or salvage goods donated to the thrift stores and auto sales program. Goods donated to the thrift stores and vehicles donated are valued according to the actual cash proceeds on their disposition. Proceeds from the sales of goods and vehicles support the Rescue Mission, which provides food, shelter, clothing, and hope for the most vulnerable in our communities.

Donated goods and client support is distributed to clients and individuals in need within the emergency services, transitional, spiritual and supportive residential services programs (e.g. clothing, furniture, foodstuffs, etc.) and are recorded as income and expense at the time the items are placed into service or distributed.

Donated goods 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. Unless otherwise noted, donated goods and client support did not have donor-imposed restrictions.

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

	<u>2023</u>	<u>2022</u>
Donated supplies	\$ 125,327	\$ 127,043
Donated client support	<u>62,785</u>	<u>78,925</u>
	<u>\$ 188,112</u>	<u>\$ 205,968</u>

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 on 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 \$2,000,000, which it could draw upon in the event of an unanticipated liquidity need. The Rescue Mission has access to board designated funds of \$4,542,780 and \$3,870,305 at September 30, 2023 and 2022 in the case of liquidity needs.

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

	<u>2023</u>	<u>2022</u>
Cash	\$ 3,488,204	\$ 5,291,266
Client funds	90,028	100,436
Receivables, net	2,235,240	1,264,149
Cash surrender value of life insurance	307,553	374,626
Beneficial interest in perpetual trust	79,148	77,311
Investments	<u>12,587,391</u>	<u>8,217,556</u>
	18,787,564	15,325,344
Less those unavailable for general expenditures within one year, due to:		
Board designations	(4,542,780)	(3,870,305)
Restricted on behalf of clients	(90,028)	(100,436)
Restricted by donors with purpose or time restriction	(1,016,991)	(673,711)
Restricted by donors in perpetuity	<u>(3,637,572)</u>	<u>(3,482,920)</u>
	<u>(9,287,371)</u>	<u>(8,127,372)</u>
	<u>\$ 9,500,193</u>	<u>\$ 7,197,972</u>

4. GRANTS AND PROGRAM RECEIVABLE

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

	<u>2023</u>	<u>2022</u>
Department of Social Services	\$ 1,418,835	\$ 927,841
New York State Supportive Housing Program	-	14,894
Empire State Supportive Housing Initiative	130,747	42,931
Other	<u>140,012</u>	<u>171,490</u>
	<u>\$ 1,689,594</u>	<u>\$ 1,157,156</u>

5. FAIR VALUE MEASUREMENTS

The following are measured at fair value on a recurring basis at September 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 1,499,921	\$ -	\$ -	\$ 1,499,921
Government securities	3,593,259	-	-	3,593,259
Mutual funds	<u>7,494,211</u>	<u>-</u>	<u>-</u>	<u>7,494,211</u>
Total investments	<u>\$ 12,587,391</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,587,391</u>
Beneficial interest in perpetual trust	<u>\$ 79,148</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,148</u>

The following are measured at fair value on a recurring basis at September 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 474,890	\$ -	\$ -	\$ 474,890
Government securities	978,175	-	-	978,175
Mutual funds	<u>6,764,491</u>	<u>-</u>	<u>-</u>	<u>6,764,491</u>
Total investments	<u>\$ 8,217,556</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,217,556</u>
Beneficial interest in perpetual trust	<u>\$ 77,311</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,311</u>

6. LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consists of the following as of September 30,:

	<u>2023</u>	<u>2022</u>
Land	\$ 708,930	\$ 669,930
Buildings	31,590,324	30,969,223
Leasehold improvements	2,009,815	2,009,814
Construction-in-progress	541,496	403,834
Furniture and equipment	6,273,968	6,041,412
Automotive equipment	<u>793,015</u>	<u>796,783</u>
	41,917,548	40,890,996
Less: accumulated depreciation and amortization	<u>24,772,588</u>	<u>23,008,037</u>
	<u>\$ 17,144,960</u>	<u>\$ 17,882,959</u>

Depreciation and amortization charged to expense amounted to \$1,802,897 and \$1,861,712, respectively, for the years ended September 30, 2023 and 2022.

7. FINANCING ARRANGEMENTS

Line-of-Credit

The Rescue Mission has a \$2,000,000 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 shall be a fluctuating rate equal to two percent (2%) plus the prime rate. There were no amounts outstanding at September 30, 2023 and 2022, respectively.

Deferred Promissory Notes Payable

Deferred promissory notes payable at September 30 is as follows:

	<u>2023</u>	<u>2022</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 renovation of 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
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

7. FINANCING ARRANGEMENTS (Continued)

Deferred Promissory Notes Payable (Continued)

	<u>2023</u>	<u>2022</u>
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>
	<u>\$ 6,520,800</u>	<u>\$ 6,520,800</u>

8. LEASES

The Rescue Mission leases facilities for use as retail store outlets and programming activities under operating leases that expire at various times through 2042. Additionally, the Rescue Mission leases trucks and various equipment under finance leases that expire at various times through 2030.

The components of total lease cost for the year ended September 30, 2023, are as follows:

Finance lease expense	
Amortization of right of use assets	\$ 129,458
Interest on lease liabilities	15,514
Operating lease cost	2,372,867
Variable lease costs	<u>746,270</u>
Total lease cost	<u>\$ 3,264,109</u>

Supplemental cash flow information related to leases for the year ended September 30, 2023 are as follows:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from finance leases	<u>\$ 13,943</u>
Financing cash flows from finance leases	<u>\$ 122,382</u>
Operating cash flows from operating leases	<u>\$ 2,273,073</u>

Right-of-use assets obtained in exchange for lease obligations:

Finance leases	<u>\$ 574,579</u>
Operating leases	<u>\$ 13,047,642</u>

8. LEASES (Continued)

Other information related to leases as of September 30, 2023 is as follows:

Weighted-average remaining lease term:	
Finance leases	4.06 years
Operating leases	9.33 years
Weighted-average discount rate:	
Finance leases	4.15%
Operating leases	4.00%

Maturities of operating lease liabilities as of September 30, 2023 were as follows:

	<u>Finance Leases</u>	<u>Operating Leases</u>
2024	\$ 161,594	\$ 2,436,851
2025	154,334	1,940,214
2026	58,651	1,432,851
2027	31,596	1,349,908
2027	31,596	1,192,682
Thereafter	<u>55,293</u>	<u>5,157,571</u>
Total undiscounted cash flows	493,064	13,510,077
Less: present value discount	<u>(38,234)</u>	<u>(2,265,097)</u>
Total lease liability	<u>\$ 454,830</u>	<u>\$ 11,244,980</u>

Future minimum lease payments as of September 30, 2022 were:

2023	\$ 3,604,820
2024	2,046,790
2025	1,462,761
2026	1,120,965
2027	962,085
Thereafter	<u>5,324,000</u>
	<u>\$ 14,521,421</u>

9. COMMITMENTS AND CONTINGENCIES

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.

10. ENDOWMENT

Change in endowment net assets were as follows:

Endowment net assets, October 1, 2021	\$ 3,516,097
Investment loss	(18,747)
Change in value of split interest agreements	<u>(14,430)</u>
Endowment net assets, September 30, 2022	3,482,920
Contributions	172,474
Investment gain	1,837
Change in value of split interest agreements	<u>(19,659)</u>
Endowment net assets, September 30, 2023	<u>\$ 3,637,572</u>

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, 2023 and 2022.

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>2023</u>	<u>2022</u>
LGBTQ shelter	\$ 265,805	\$ 269,122
Education/vocation	17,011	17,011
Scholarship	15,284	15,284
Support services	-	4,000
Inner city youth	400,000	-
Other	<u>318,891</u>	<u>368,294</u>
	<u>\$ 1,016,991</u>	<u>\$ 673,711</u>

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

	<u>2023</u>	<u>2022</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	331,939	179,124
Perpetual trust	<u>79,148</u>	<u>77,311</u>
	<u>\$ 3,637,572</u>	<u>\$ 3,482,920</u>

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

	<u>2023</u>	<u>2022</u>
Program services	\$ 89,268	\$ 648,652
Support services	<u>4,000</u>	<u>2,000</u>
	<u>\$ 93,268</u>	<u>\$ 650,652</u>

12. RETIREMENT PLAN

The Rescue Mission sponsors 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, 2023 and 2022. Pension expense was \$399,172 and \$352,126, respectively, for the years ended September 30, 2023 and 2022.

13. SUBSEQUENT EVENTS

Subsequent events have been evaluated through, December 15, 2023, which is the date the financial statements were available to be issued.