

SPRINGFIELD RESCUE MISSION, INC.

FINANCIAL STATEMENTS

MAY 31, 2020 AND 2019

SPRINGFIELD RESCUE MISSION, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Springfield Rescue Mission, Inc.

Report on Financial Statements

I have audited the accompanying financial statements of Springfield Rescue Mission, Inc. (a non-profit organization), which comprise the statements of financial position as of May 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk 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.

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

James B. Hawkes, CPA, P.C.

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Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Springfield Rescue Mission, Inc. as of May 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



James B. Hawkes, CPA, P.C.
Springfield, MA
September 21, 2020

SPRINGFIELD RESCUE MISSION, INC.
STATEMENTS OF FINANCIAL POSITION
MAY 31, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 405,285	\$ 33,526
Cash - savings	627	626
Prepaid insurance	49,140	45,356
TOTAL CURRENT ASSETS	<u>455,052</u>	<u>79,508</u>
PROPERTY AND EQUIPMENT	2,449,249	2,331,040
Less - accumulated depreciation	1,212,247	1,120,471
TOTAL PROPERTY AND EQUIPMENT	<u>1,237,002</u>	<u>1,210,569</u>
OTHER ASSETS:		
Cash restricted to purchase capital assets	26,408	64,947
Investments	-	1,057
TOTAL OTHER ASSETS	<u>26,408</u>	<u>66,004</u>
TOTAL ASSETS	<u>\$ 1,718,462</u>	<u>\$ 1,356,081</u>

LIABILITIES AND NET ASSETS

	<u>2020</u>	<u>2019</u>
CURRENT LIABILITIES:		
Current portion-long term debt	\$ 14,652	\$ 14,009
Note payable	212,500	-
Accounts payable	32,512	69,807
Accrued expenses	105,760	93,056
TOTAL CURRENT LIABILITIES	<u>365,424</u>	<u>176,872</u>
LONG-TERM DEBT	<u>18,577</u>	<u>29,645</u>
NET ASSETS:		
Without donor restrictions	1,314,861	1,084,617
With donor restrictions	19,600	64,947
TOTAL NET ASSETS	<u>1,334,461</u>	<u>1,149,564</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,718,462</u>	<u>\$ 1,356,081</u>

The accompanying notes are an integral part of this statement.

SPRINGFIELD RESCUE MISSION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED MAY 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
UNRESTRICTED NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Support:		
Churches	\$ 109,921	\$ 81,021
Donated services and supplies	3,994,444	3,853,098
Fund raising - contributions	982,866	963,836
Grants	126,498	97,869
Individuals	635,897	686,512
Memorials and legacies	236,909	66,154
Newsletter income	302,970	210,404
Fund raising activities - net	61,357	12,606
TOTAL SUPPORT	<u>6,450,862</u>	<u>5,971,500</u>
Investment income	796	4
Net assets released from restrictions:		
Restrictions satisfied by payment	74,697	66,785
TOTAL INCOME	<u>6,526,355</u>	<u>6,038,289</u>
Functional Expenses:		
Program services expenses	5,171,184	4,985,471
Support Services:		
Fund raising expenses	551,685	486,011
General and administrative expenses	573,242	585,708
TOTAL FUNCTIONAL EXPENSES	<u>6,296,111</u>	<u>6,057,190</u>
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>230,244</u>	<u>(18,901)</u>
NET ASSETS WITH DONOR RESTRICTIONS:		
Designated project support-grants	16,000	33,000
Designated project support-other	13,350	14,502
Net assets released from restriction:		
Restrictions satisfied by payments	(74,697)	(66,785)
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	<u>(45,347)</u>	<u>(19,283)</u>
INCREASE (DECREASE) IN NET ASSETS	184,897	(38,184)
NET ASSETS, BEGINNING OF YEAR	<u>1,149,564</u>	<u>1,187,748</u>
NET ASSETS, END OF YEAR	<u>\$ 1,334,461</u>	<u>\$ 1,149,564</u>

The accompanying notes are an integral part of this statement.

SPRINGFIELD RESCUE MISSION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED MAY 31, 2020

	<u>PROGRAM SERVICE EXPENSES</u>	<u>FUND RAISING EXPENSES</u>	<u>GENERAL & ADMIN EXPENSES</u>	<u>TOTAL</u>
Conferences and meetings	\$ 836	\$ -	\$ 836	\$ 1,672
Contributions	300	-	-	300
Depreciation	85,352	-	6,424	91,776
Dues and subscriptions	1,570	-	1,569	3,139
Employee benefits	152,556	4,732	74,578	231,866
Equipment rental	7,129	-	7,128	14,257
Food and clothing	3,791,729	-	-	3,791,729
Fund raising - printing & postage	-	405,209	-	405,209
Fund raising - other	-	122,476	-	122,476
Insurance	60,853	-	13,099	73,952
Interest expense	-	-	3,448	3,448
Miscellaneous	1,133	-	20,815	21,948
Newsletter - printing & postage	51,273	-	51,273	102,546
Payroll taxes	40,879	1,268	19,984	62,131
Pension plan contributions	27,038	839	13,218	41,095
Postage and printing	-	-	35,101	35,101
Professional services	-	-	22,798	22,798
Radio ministry	45,047	-	-	45,047
Repairs and maintenance	32,808	-	7,795	40,603
Salaries and wages	553,260	17,161	270,467	840,888
Supplies	210,740	-	14,560	225,300
Telephone	7,629	-	2,543	10,172
Utilities	101,052	-	7,606	108,658
TOTAL FUNCTIONAL EXPENSES	<u>\$5,171,184</u>	<u>\$ 551,685</u>	<u>\$ 573,242</u>	<u>\$6,296,111</u>

The accompanying notes are an integral part of this statement.

SPRINGFIELD RESCUE MISSION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED MAY 31, 2019

	<u>PROGRAM SERVICE EXPENSES</u>	<u>FUND RAISING EXPENSES</u>	<u>GENERAL & ADMIN EXPENSES</u>	<u>TOTAL</u>
Conferences and meetings	\$ 625	\$ -	\$ 624	\$ 1,249
Contributions	336	-	-	336
Depreciation	80,364	-	6,049	86,413
Dues and subscriptions	762	-	762	1,524
Employee benefits	134,240	4,219	62,099	200,558
Equipment rental	6,799	-	6,799	13,598
Food and clothing	3,623,951	-	-	3,623,951
Fund raising - printing & postage	-	369,874	-	369,874
Fund raising - other	-	92,779	-	92,779
Insurance	56,261	-	12,242	68,503
Interest expense	-	-	3,548	3,548
Miscellaneous	-	-	18,895	18,895
Newsletter - printing & postage	78,628	-	78,628	157,256
Payroll taxes	40,147	1,262	18,572	59,981
Pension plan contributions	23,939	752	11,074	35,765
Postage and printing	-	-	40,904	40,904
Professional services	-	-	20,059	20,059
Radio ministry	36,423	-	-	36,423
Repairs and maintenance	32,850	-	8,956	41,806
Salaries and wages	522,074	17,125	274,982	814,181
Supplies	237,698	-	11,533	249,231
Telephone	6,486	-	2,162	8,648
Utilities	103,888	-	7,820	111,708
TOTAL FUNCTIONAL EXPENSES	<u>\$4,985,471</u>	<u>\$ 486,011</u>	<u>\$ 585,708</u>	<u>\$ 6,057,190</u>

The accompanying notes are an integral part of this statements

SPRINGFIELD RESCUE MISSION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED MAY 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ 184,897	\$ (38,184)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	91,776	86,413
Donation of securities	(21,385)	(575)
Loss (Gain) on sale of securities	(686)	-
(Increase) decrease in market value investments	-	15
Change in assets and liabilities:		
Prepaid expenses	(3,784)	(2,862)
Accounts payable	(37,295)	(24,903)
Accrued expenses	12,704	13,230
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>226,227</u>	<u>33,134</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of securities	23,237	175
Reinvested dividends	(109)	(19)
Purchase - certificate of deposit	(1)	(1)
Purchases of property and equipment	(118,209)	(53,200)
NET CASH (USED IN) INVESTING ACTIVITIES	<u>(95,082)</u>	<u>(53,045)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	65,000	50,000
Proceeds-PPP loan	212,500	-
Repayment line of credit	(65,000)	(50,000)
Repayment on note payable	(10,425)	(11,158)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>202,075</u>	<u>(11,158)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	333,220	(31,069)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>98,473</u>	<u>129,542</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 431,693</u>	<u>\$ 98,473</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Interest expense	\$ <u>3,448</u>	\$ <u>3,548</u>
Income taxes	\$ <u>-0-</u>	\$ <u>-0-</u>

The accompanying notes are an integral part of this statement.

SPRINGFIELD RESCUE MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2020 AND 2019

1. ORGANIZATION:

a. Statement of purpose:

The Springfield Rescue Mission, Inc. (the Mission) is incorporated as a not-for-profit organization (Church) to meet the physical and spiritual needs of the hungry, homeless, addicted, and poor by introducing them to Christ and helping them to apply the Word of God to every area of their lives. The Mission's primary task is to present the Gospel of Jesus Christ according to God's Word (the Bible) to those we serve. This is accomplished through the holding of chapel services; the distribution of Christian literature; training in basic life skills through a discipleship program; the provision of food, clothing, lodging, medical attention, and other aid; solicitation of employment opportunities for unfortunate persons. The Mission has the power to maintain appropriate buildings and to receive and disburse funds for these purposes. The Mission is committed to carrying out the above ministries in faith in accordance with and adherence to Biblical truth and doctrine. The Mission is supported primarily through donor contributions, grants, memorials and legacies.

b. Mission statement:

The goal of the Springfield Rescue Mission since 1892 has been to meet the physical and spiritual needs of the hungry, homeless, addicted, and poor by introducing them to Christ and helping them apply the word of God to every area of their lives

c. Programs:

All programs are provided free of charge. This provides an opportunity for fiscal savings as well as community involvement. Therefore, residents are expected to help maintain the Missions' facilities and service to others. This provides a structured environment for each of our residents in developing new life skills and future success. The following programs are tightly woven around the gospel of Jesus Christ according to God's word (the Bible) to those we serve. Each program is designed to assist the homeless and poor with support, training, and resources necessary to become productive citizens and apply the word of God to every area of their lives.

1. ORGANIZATION(continued)

RESIDENTIAL REHABILITATION AND EMPLOYMENT READINESS PROGRAM - For men in the throes of addiction; their spirits can be easily broken. Homelessness and poverty can drive broken souls into disastrous living situations. The Mission's residential rehabilitation program provides a safe environment to address substance abuse issues, and programs to equip people with the tools and skills they need to live productive lives. Our guests receive guidance through daily programs, substance abuse treatment, anger management, job training, housing, and personal budgeting assistance. In addition, guests participate in classes on living independently, developing meaningful relationships, and improving social skills. When guests are ready to embrace independent living with a community-based support network, graduates are provided with community advocacy and aftercare planning. On a yearly basis hundreds of lives are transformed through our residential rehabilitation program.

EMERGENCY SHELTER - Emergency shelter program is a place where men who are homeless can find hot meals and safe refuge from weather and city streets. Any guests may request case management services, apply for other Mission programs, and receive opportunities to participate in Mission sponsored activities.

OPERATION SUNSHINE MEALS PROGRAM - Many people do not have the means to both pay monthly bills and to feed their families. As a result, they may fall behind on their rent and utilities bills, and eventually risk losing their home. Our community meals, food and clothing service programs, feed and clothe families and ease financial strains so our neighbors may stretch already thin resources to pay rent and maintain a stable living situation. Through our operation sunshine program, residential rehabilitation program, and food pantry, the Mission serves over 100,000 meals each year.

EMPLOYMENT PREPARATION PROGRAM - Our employment preparation program is designed to provide Mission program members with the effective training necessary for them to successfully become part of the workforce. We teach and develop work ethics as skills, coping abilities, positive attitudes, and self-confidence to be successful in today's employment environment. The Mission's learning center is a computer based learning program assessing resident learning level and aiding in resume, job application, interview skills, and if needed, further education to find long-term employment for sustained independence.

1. ORGANIZATION(continued)

MINISTRY AND SPIRITUAL DEVELOPMENT - Through the Mission's spiritual development program the healing power of GOD's love can transform lives in a meaningful and lasting way. A network of resources is available for those seeking spiritual council. Our guests participate in local church services, bible study classes, and develop spiritual mentoring relationships on their journey through forgiveness, acceptance and rebuilding.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Classes of Net Assets:

The financial statements of the Mission report amounts separated by class of net assets.

1. Net Assets Without Donor Restriction - contributions or other items received that are currently available at the discretion of the board for use in the Mission's operations and those resources invested in property and equipment.

2. Net Assets With Donor Restrictions - contributions received that are stipulated by donors for specific operating purposes or for the acquisition of property and equipment.

All contributions are considered available for unrestricted use, unless specifically restricted by the donor or subject to other legal restrictions.

b. Basis of accounting:

The financial statements of Springfield Rescue Mission, Inc. are prepared on the accrual basis.

c. Cash and Cash Equivalents:

Cash includes checking, savings, and money market accounts. Certificates of deposit with an original maturity of three months or less when purchased are considered to be cash equivalents.

d. Contributions:

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Property and Equipment:

Property and equipment are recorded at cost when purchased or, if donated, at estimated fair market value at the date of receipt. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

<u>Assets</u>	<u>Years</u>
Building	40
Building improvements	20 - 40
Furniture and fixtures	5 - 10
Motor vehicle	5 - 10

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

f. Investments:

Investments in equity securities with readily determinable fair values and all debt securities, are classified as available for sale and are carried at fair value with gains and losses included as unrestricted net assets in the statement of activities. Donated investments are recorded at fair value on the date of donation and thereafter carried in accordance with the above provisions.

g. Functional Allocation of Expenses:

The costs of providing various programs and supporting services have been summarized on the statement of activities and net assets. Accordingly, certain costs have been allocated among program, administrative, and fund raising services benefited.

h. Gifts-in-Kind:

Donation income is recorded when cash is received or ownership of donated assets is transferred to the mission. Gifts-in-kind, including clothing, food, toiletries, supplies and miscellaneous household items are recorded at their estimated retail cost if new, or their estimated fair market value if used. Donated property and equipment are recorded at appraised value. Services are valued based on the type of services provided. Professional donated services are recorded and valued based on the going rate or salary that the individual would command in the market place provided the

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

h. Gifts-in-Kind: (continued)

mission would otherwise have purchased the services. Non-professional donated services which create or enhance a nonfinancial asset are valued at approximately minimum wage or a rate appropriate for the type of work the individual is performing.

i. Use of Estimates:

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

j. Fair Value:

In accordance with Codification Topic 820 (ASC 820) the entity reports its qualifying assets and liabilities in accordance with the Fair Value Measurements and Disclosures Standards under U.S. GAAP. These standards define fair value, establish a framework for measuring fair value, and expand disclosure about fair value measurements. This policy establishes a fair value framework that prioritizes the inputs and assumptions used to measure fair value.

The three levels of the fair value framework are as follows:

Level 1 - Inputs reflect unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 - Inputs other than quoted prices in active markets that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable.

A qualifying asset or liability's level within fair value framework is based upon the lowest level of any input that is significant to the fair value measurement. The Mission's qualifying assets or liabilities are recorded at fair value using Level 1 inputs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

k. Income Taxes:

The Mission is exempt from federal and state income taxes as an organization described in Section 501(c)(3) of the Internal Revenue Code. The Mission has adopted the provisions of the Accounting for Uncertainty in Income Taxes topic of FASB ASC. This guidance addresses the accounting uncertainty in income taxes recognized in an organization's financial statements and prescribes a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. It also provides related guidance on measurement classification, interest and penalties and disclosures. As a result of the implementation of this guidance, the Mission has determined that it has no uncertain tax positions requiring accrual and disclosure.

The Mission files Return of Organization Exempt From Income Tax for U.S Federal reporting and also files related Massachusetts and Connecticut reporting forms. The Mission does not have any unrelated business taxable income and as such does not file these forms in any jurisdiction. The Mission is not under audit in any jurisdiction for any period, and its tax returns are current. Generally, tax years are open for IRS audit for up to three years.

l. Cost Allocation:

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits, which are allocated on the basis of time and effort, as well as depreciation and amortization and occupancy, which are allocated on a square footage basis.

3. INVESTMENTS:

Investments as of May 31, 2020 and 2019, are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
2020:			
Marketable Securities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
2019:			
Marketable Securities	<u>\$ 1,036</u>	<u>\$ 1,057</u>	<u>\$ 1,057</u>

3. INVESTMENTS: (continued)

	<u>2020</u>	<u>2019</u>
Investment return is summarized as follows:		
Dividend income, investments	\$ 109	\$ 18
Interest income, savings and CD's	1	1
Realized gain (loss) on investments	686	-
Unrealized gain (loss) on investments	-	(15)
TOTAL	<u>\$ 796</u>	<u>\$ 4</u>

4. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for use because of contractual or donor imposed restrictions within one year of the balance sheet date.

	<u>2020</u>	<u>2019</u>
Financial assets at year end	\$ 432,320	\$ 100,156
Donor restricted to purchase of equipment	(19,600)	(64,947)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 412,720</u>	<u>\$ 35,209</u>

5. PROPERTY AND EQUIPMENT:

	<u>2020</u>	<u>2019</u>
Land - Taylor St	\$ 10,000	\$ 10,000
Land - Mill St	33,657	33,657
Building & improvements - Taylor St	656,597	632,397
Building & improvements - Mill St	874,415	799,921
Motor vehicles	153,638	153,638
Furniture and fixtures	720,942	701,427
TOTAL	<u>2,449,249</u>	<u>2,331,040</u>
Less - accumulated depreciation	1,212,247	1,120,471
TOTAL PROPERTY AND EQUIPMENT	<u>\$ 1,237,002</u>	<u>\$ 1,210,569</u>

6. NOTE PAYABLE:

On April 10, 2020, the Company received a loan in the amount of \$212,500 under the Paycheck Protection Program. The loan and accrued interest are forgivable after either 8 weeks or 24 weeks as long as the borrower uses the loan proceeds for eligible purposes. The unforgiven portion of the loan is payable over two years at an interest rate of 1% per annum. The Mission intends to use the proceeds in accordance with the eligible purposes and therefore expects the loan to be forgiven, but we cannot assure you that we will be able to meet all requirements for total forgiveness.

7. LONG-TERM DEBT:

Note payable by a local bank dated March 1, 2017. Payable in 60 monthly installments of \$ 1,307, including interest at 4.50% per annum. Note balance at May 31, 2020 and 2019 was as follows:

	2020	2019
Total	\$ 33,229	\$ 43,654
Less current portion	(14,652)	(14,009)
Long-term Debt	<u>\$ 18,577</u>	<u>\$ 29,645</u>

Estimated 5 year maturities of long-term debt are as follows:

<u>YEAR ENDING MAY 31,</u>	<u>AMOUNT</u>
2021	\$ 14,652
2022	18,577
2023	-
2024	-
2025	-

8. RETIREMENT PLAN:

The Mission sponsors a Simplified Employee Pension (SEP) Retirement Plan covering all eligible employees. The Board of Directors of the Mission can authorize contributions to a maximum of 15% of compensation of eligible participants. For the years ended May 31, 2020 and 2019 contributions to the plan were \$41,095 and \$35,765, respectively.

9. NET ASSETS:

a. Without Donor Restrictions

The board of directors has designated a portion of the operating fund balance to be reserved for special projects or emergencies. The working capital reserve was established to provide approximately 2 months of operating capital should operating results fall below a specified level.

	2020	2019
Working capital reserve	<u>\$ 38,144</u>	<u>\$ 38,144</u>

b. With Donor Restriction

The Mission has received contributions from various individuals or organizations, which have been restricted as to use. The types of use include architectural services, mission expansion, kitchen equipment, and other capital assets; the Mission has also received funds for literacy programs, outreach programs, utilities and miscellaneous other operating expenses items. Temporarily restricted funds consisted of the following at May 31, 2020 and 2019:

	2020	2019
Operating	\$ 500	\$ 500
Capital Assets	19,100	64,447
	<u>\$ 19,600</u>	<u>\$ 64,947</u>

10. COMMITMENTS:

The Mission has a \$100,000 working capital line of credit due to expire June 27, 2020, unsecured, and is subject to monthly interest payments at the prime rate plus 1.00% per annum. The line must be paid in full for at least 30 days during the fiscal year. The balance at May 31, 2020 and 2019 was \$-0- and \$-0-, respectively.

11. DONATED MATERIALS AND SERVICES:

The value of donated materials and services included in the financial statements and the corresponding expenditures for the year ended May 31, 2020 and 2019 is as follows:

	2020	2019
Food and clothing	\$ 3,790,596	\$ 3,623,259
Supplies and miscellaneous	179,439	199,866
Salaries and wages	24,409	29,973
	<u>\$ 3,994,444</u>	<u>\$ 3,853,098</u>

The salaries and wages that have been included in the financial statements as indicated above are for professional services provided by nurses, clergy, barbers, and computer programmers. The above services were all used in the main program of operating the mission for the benefit of the individuals who are housed and/or pass through its doors.

Additionally, donated services were provided to the mission which do not meet the criteria for recording under Generally Accepted Accounting Principal SFAS No. 116, however, these donated services are an important part of operating and maintaining the Mission. These services include, but are not limited to, repair and maintenance, pick-up and delivery drivers, food preparation, counseling and tutoring, and a host of other miscellaneous activities that help the Mission to operate to its fullest potential. The Mission received approximately 29,790 hours or \$881,983 for 2020 and 24,443 hours or \$719,199 for 2019 worth of additional donated services, which are not recorded in the financial statements. The Mission has reevaluated its rate used to measure volunteer hours cost based on the Nonprofit Times survey for 2015.

12. EVALUATION OF SUBSEQUENT EVENTS:

The Mission has performed an evaluation of subsequent events through September 20, 2020, which is the date the Mission's financial statements were available to be issued. Following is the only subsequent event we have identified.

The COVID-19 outbreak in the United States has caused businesses and organizations disruption through mandated and voluntary closings of various activities. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and disruptions. Therefore, the Mission expects this matter may negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.