

LAS VEGAS RESCUE MISSION
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017



HOULDSWORTH, RUSSO & COMPANY

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LAS VEGAS RESCUE MISSION

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Las Vegas Rescue Mission
Las Vegas, Nevada

Report on the Financial Statements

We have audited the accompanying financial statements of Las Vegas Rescue Mission (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, 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 misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 Las Vegas Rescue Mission as of June 30, 2018 and 2017 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Howdsworth, Russo & Company, P.C.

Las Vegas, Nevada
March 20, 2019

Certified Public Accountants
20 YEARS & COUNTING

LAS VEGAS RESCUE MISSION

**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017**

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and equivalents	\$ 490,142	\$ 448,118
Cash and equivalents, restricted	399,261	378,630
Investments	80,926	28,060
Accounts receivable	-	4,011
Pledges receivable	94,257	178,945
Grants receivable	-	99,122
Prepaid expenses	58,448	26,697
Employee advances	20,074	10,261
	<u>1,143,108</u>	<u>1,173,844</u>
OTHER ASSETS		
Property and equipment, net	<u>5,938,997</u>	<u>6,143,177</u>
TOTAL ASSETS	<u><u>\$ 7,082,105</u></u>	<u><u>\$ 7,317,021</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 73,387	\$ 35,985
Accrued liabilities	122,365	116,466
Deferred compensation	21,000	39,000
Capital lease payable, current portion	618	327
Funds held for others	5,364	3,073
	<u>222,734</u>	<u>194,851</u>
LONG-TERM DEBT		
Capital lease payable, net of current portion	8,520	9,138
Note payable	<u>1,000,000</u>	<u>1,000,000</u>
	<u>1,231,254</u>	<u>1,203,989</u>
NET ASSETS		
Unrestricted	5,357,333	5,555,457
Temporarily restricted	<u>493,518</u>	<u>557,575</u>
	<u>5,850,851</u>	<u>6,113,032</u>
	<u><u>\$ 7,082,105</u></u>	<u><u>\$ 7,317,021</u></u>

See notes to financial statements

LAS VEGAS RESCUE MISSION

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

UNRESTRICTED NET ASSETS	2018	2017
Revenue, gains, and other support:		
Contributions	\$ 2,798,569	\$ 2,439,376
Government grants	242,564	858,696
Special event revenue	\$ 50,141	\$ 45,360
Less: direct benefits to donors	<u>13,789</u>	<u>15,724</u>
	36,352	29,636
Sale of merchandise	341,156	368,641
Program revenue	204,498	187,899
Donated goods	705,695	1,492,379
Investment return	5,120	3,925
Rental revenue	20,232	18,180
Other revenue	2,827	3,034
Release from restriction	<u>142,443</u>	<u>-</u>
Total revenue, gains, and other support	4,499,456	5,401,766
Expenses and losses:		
Program services:		
Recovery	1,332,552	-
Food services	-	1,410,337
Thrift store	512,070	394,054
Shelter and homeless services	<u>1,546,046</u>	<u>2,099,231</u>
Total program services	<u>3,390,668</u>	<u>3,903,622</u>
Support services:		
Management and general	421,053	317,458
Fundraising	<u>885,859</u>	<u>791,574</u>
	<u>4,697,580</u>	<u>5,012,654</u>
Loss on disposal	<u>-</u>	<u>20,420</u>
Total expenses and losses	<u>4,697,580</u>	<u>5,033,074</u>
CHANGE IN UNRESTRICTED NET ASSETS	<u>(198,124)</u>	<u>368,692</u>

See notes to financial statements

LAS VEGAS RESCUE MISSION

**STATEMENTS OF ACTIVITIES (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	78,386	200,575
Release from restriction	(142,443)	-
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	(64,057)	200,575
INCREASE (DECREASE) IN NET ASSETS	(262,181)	569,267
NET ASSETS, BEGINNING OF YEAR	6,113,032	5,543,765
NET ASSETS, END OF YEAR	<u>\$ 5,850,851</u>	<u>\$ 6,113,032</u>

See notes to financial statements

LAS VEGAS RESCUE MISSION

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018**

	Program Services			Supporting Services		Special Event	Total
	Recovery	Thrift Store	Shelter and Homeless Services	Management and General	Fundraising	Direct Benefit To Donors	
Wages and payroll taxes	\$ 417,458	\$ 257,275	\$ 313,056	\$ 233,561	\$ 270,102	\$ -	\$ 1,491,452
Employee benefits	43,834	27,014	32,871	24,524	28,361	-	156,604
Advertising	-	-	-	7,896	380,314	-	388,210
Bad debt	-	-	-	3,238	-	-	3,238
Bank and merchant fees	-	23,545	-	3,218	-	-	26,763
Depreciation	92,050	52,244	92,050	6,220	6,220	-	248,784
Dues and subscriptions	1,959	1,207	1,469	13,096	1,267	-	18,998
Equipment rental	11,155	6,330	11,155	754	754	-	30,148
Food commodities	315,147	-	858,583	-	-	-	1,173,730
Insurance	26,079	14,801	26,079	1,762	1,762	-	70,483
Interest	-	-	-	6,101	-	-	6,101
Maintenance	46,446	26,361	46,446	3,138	3,138	-	125,529
Meals	501	309	376	280	324	-	1,790
Office supplies	23,773	13,493	23,773	1,606	1,606	-	64,251
Postage and shipping	8,003	4,932	6,001	4,478	145,644	-	169,058
Professional fees	26,326	1,289	1,568	103,303	33,638	-	166,124
Supplies	186,681	7,600	-	-	-	6,009	200,290
Property taxes	-	-	-	-	4,668	-	4,668
Training	2,086	1,288	1,565	1,168	1,351	-	7,458
Transportation	31,751	18,021	31,751	-	-	-	81,523
Utilities	99,303	56,361	99,303	6,710	6,710	-	268,387
Venue	-	-	-	-	-	7,780	7,780
	<u>\$ 1,332,552</u>	<u>\$ 512,070</u>	<u>\$ 1,546,046</u>	<u>\$ 421,053</u>	<u>\$ 885,859</u>	<u>13,789</u>	<u>4,711,369</u>
Less: direct benefits to donors						(13,789)	(13,789)
						<u>\$ -</u>	<u>\$ 4,697,580</u>

See notes to financial statements

LAS VEGAS RESCUE MISSION

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017**

	Program Services			Supporting Services		Special Event	Total
	Food Services	Thrift Store	Shelter and Homeless Services	Management and General	Fundraising	Direct Benefit To Donors	
Wages and payroll taxes	\$ 188,600	\$ 206,613	\$ 709,137	\$ 208,615	\$ 226,628	\$ -	\$ 1,539,593
Employee benefits	23,814	26,088	89,539	26,341	28,615	-	194,397
Advertising	1,231	1,348	4,628	1,362	510,353	-	518,922
Bank and merchant fees	-	17,631	-	2,731	-	-	20,362
Depreciation	64,364	38,618	146,749	5,149	2,575	-	257,455
Dues and subscriptions	400	438	1,503	442	480	-	3,263
Equipment rental	3,721	4,077	13,992	4,116	4,472	-	30,378
Food commodities	848,974	-	778,124	-	-	-	1,627,098
Insurance	14,646	8,788	33,394	1,172	586	-	58,586
Interest	97	106	363	107	116	-	789
Maintenance	27,265	16,359	62,164	2,181	1,091	-	109,060
Meals	418	459	1,576	464	504	-	3,421
Office supplies	9,389	5,634	21,408	751	376	-	37,558
Postage and shipping	3,935	4,307	14,782	4,348	4,720	-	32,092
Professional fees	3,346	3,666	12,581	53,666	4,021	-	77,280
Supplies	128,462	4,826	-	-	-	-	133,288
Property taxes	-	-	-	-	3,913	-	3,913
Training	181	199	683	201	218	-	1,482
Transportation	18,840	11,304	42,956	-	-	-	73,100
Utilities	72,654	43,593	165,652	5,812	2,906	-	290,617
Venue	-	-	-	-	-	15,724	15,724
	<u>\$ 1,410,337</u>	<u>\$ 394,054</u>	<u>\$ 2,099,231</u>	<u>\$ 317,458</u>	<u>\$ 791,574</u>	<u>15,724</u>	<u>5,028,378</u>
Less: direct benefits to donors						(15,724)	(15,724)
						<u>\$ -</u>	<u>\$ 5,012,654</u>

See notes to financial statements

LAS VEGAS RESCUE MISSION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in in net assets	\$ (262,181)	\$ 569,267
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	248,784	257,455
Donated investments	(25,040)	-
Donated property and equipment	-	(666,385)
Loss on disposal of property and equipment	-	20,420
Unrealized gain on investments	(4,215)	(2,120)
(Increase) decrease in operating assets:		
Accounts receivable	4,011	(644)
Pledges receivable	84,688	(178,945)
Grants receivable	99,122	(28,828)
Prepaid expenses	(31,751)	(737)
Employee advances	(9,813)	(5,271)
Increase (decrease) in operating liabilities:		
Accounts payable	37,402	(8,169)
Accrued liabilities	5,899	(4,323)
Deferred compensation	(18,000)	(18,000)
Funds held for others	2,291	(6,327)
Net cash provided by (used in) operating activities	<u>131,197</u>	<u>(72,607)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(23,611)	-
Proceeds from sale of investments	-	8,998
Purchases of property and equipment	(51,404)	(80,606)
Proceeds from sale of property and equipment	<u>6,800</u>	<u>-</u>
Net cash used in investing activities	<u>(68,215)</u>	<u>(71,608)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease obligations	<u>(327)</u>	<u>(19)</u>
Net cash used in financing activities	<u>(327)</u>	<u>(19)</u>
NET INCREASE (DECREASE) IN CASH	62,655	(144,234)
CASH AND EQUIVALENTS, BEGINNING OF YEAR	<u>826,748</u>	<u>970,982</u>
CASH AND EQUIVALENTS, END OF YEAR	<u><u>\$ 889,403</u></u>	<u><u>\$ 826,748</u></u>

See notes to financial statements

LAS VEGAS RESCUE MISSION

**STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
SUMMARY OF CASH ACCOUNTS		
Cash and equivalents	\$ 490,142	\$ 448,118
Cash and equivalents, restricted	<u>399,261</u>	<u>378,630</u>
	<u>\$ 889,403</u>	<u>\$ 826,748</u>
 SUPPLEMENTAL DISCLOSURES		
Interest paid	<u>\$ 6,101</u>	<u>\$ 789</u>

See notes to financial statements

LAS VEGAS RESCUE MISSION

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Las Vegas Rescue Mission (the “Mission”) is a non-profit organization located in Southern Nevada, which was organized solely for educational, religious, scientific and general charitable purposes. The Mission provides food, shelter, and clothing, and offers programs to help citizens recover from alcohol and drugs, and spiritual guidance.

The Mission was incorporated under the laws of the State of Nevada on October 3, 1979.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and, accordingly, reflect all significant receivables, payables, and other liabilities.

Income Taxes

The Mission is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from income taxes on related income pursuant to the appropriate section of the Internal Revenue Code.

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its *Accounting Standards Codification* (ASC). Under FASB ASC, the Mission is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Use of Estimates

Timely preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. See Note 10 for discussion of significant estimates.

Cash and Cash Equivalents

The Mission considers all highly-liquid investments with an initial maturity of three months or less to be cash equivalents.

LAS VEGAS RESCUE MISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

Receivables are stated at the amount management expects to collect from outstanding balances. It is the Mission's policy to charge off uncollectible receivables when management determines the receivable will not be collected. As of June 30, 2018 and 2017, management expects the outstanding balances to be collected in full and no allowance was recognized. No interest income is recognized or charged on receivables. Pledges receivable at June 30, 2018 are considered collectible, unconditional, and due within one year. Accordingly, no discount has been recognized.

Property and Equipment

The Mission follows the practice of capitalizing all expenditures for property and equipment in excess of \$2,500 with a useful life over one year. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed on the straight-line method over the useful lives of the assets, generally as follows:

Vehicles	5 Years
Furniture, Fixtures and Equipment	5-7 Years
Buildings and Improvements	5-39 Years

When assets are retired or otherwise disposed, the costs and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the statements of activities for the period. The cost of maintenance and repairs is expensed as incurred, while significant renewals and betterments are capitalized.

Impairment of Long-Lived Assets

The Mission periodically evaluates whether events and circumstances have occurred that may warrant revision of the estimated useful life of property and equipment or whether the remaining balance of property and equipment should be evaluated for possible impairment. The Mission uses an estimate of the related undiscounted cash flows over the remaining life of the property and equipment in measuring their recoverability.

Gift of Long-Lived Assets

The Mission reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-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 temporarily restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Mission reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

LAS VEGAS RESCUE MISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Assets and Services

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair value at the date of donation. Generally, donated goods, if significant in amount, are recorded at fair market value provided the Mission has a clearly measurable and objective basis for determining the value.

Donated services are recognized as contributions in accordance with FASB ASC, if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Mission. The Mission received a substantial amount of donated services from unpaid volunteers. However, the value of the contributed services is not reflected in the accompanying financial statements as it did not meet the criteria for recognition under FASB ASC.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Advertising

The Mission uses advertising to promote its programs among the audience it serves. The production costs of advertising are expensed as incurred. For the years ended June 30, 2018 and 2017, advertising expense was \$388,210 and \$518,922 respectively.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide overall support and direction of the Mission.

Date of Management's Review

Subsequent events have been evaluated through March 20, 2019, which is the date the financial statements were available to be issued.

LAS VEGAS RESCUE MISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 2. FUNDS HELD FOR OTHERS

As of June 30, 2018 and 2017, funds held for others consists of monies held by the Mission for program participants who do not maintain bank accounts. These monies are readily available to the individuals.

NOTE 3. CONCENTRATIONS AND RELATED PARTY

In the ordinary course of business, the Mission maintains cash balances at financial institutions in excess of federally insured limits. Cash held by banking institutions is insured up to the Federal Deposit Insurance Corporation (“FDIC”) limit of \$250,000. As of the years ended June 30, 2018 and 2017, the total uninsured cash balance was \$628,771 and \$591,098, respectively.

As of the year ended June 30, 2018, approximately 60% of total pledges receivable was due from one donor. For the year ended June 30, 2017, the total balance of pledges receivable was due from one donor.

For the year ending June 30, 2018, approximately 40% of the total pledges receivable balance was due from a company in which a board member had significant influence. Revenues of approximately \$150,000 were also recognized that were attributable to this board member.

As of the year ended June 30, 2017, the total balance of grants receivable was due from one grantor.

NOTE 4. INVESTMENTS AND FAIR VALUE OF ASSETS

In accordance with FASB ASC 820-10, the following are quantitative disclosures about the fair value measurements. Fair value measurements are categorized on three levels:

Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities, which are traded by dealers and brokers in active markets. Valuations obtained from readily available pricing.

Level 2 – Valuation for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

Level 3 – Valuations for assets and liabilities derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker traded transactions. Level 3 valuations incorporate certain unobservable assumptions and projections in determining the fair value assigned to such assets and liabilities.

LAS VEGAS RESCUE MISSION**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
YEARS ENDED JUNE 30, 2018 AND 2017**NOTE 4. INVESTMENTS AND FAIR VALUE OF ASSETS (CONTINUED)**

For the fiscal years ending June 30, 2018 and 2017, the Mission's only assets or liabilities measured at fair value are its investments. Investments measured at fair value on a recurring basis as of June 30 are as follows:

	<u>Level 1</u>	<u>June 30, 2018</u>
Marketable securities	\$ 25,260	\$ 25,260
Mutual funds – equity	<u>30,488</u>	<u>30,488</u>
	55,748	55,748
REIT investments measured at NAV	<u>-</u>	<u>25,178</u>
	<u>\$ 55,748</u>	<u>\$ 80,926</u>
	<u>Level 1</u>	<u>June 30, 2017</u>
Marketable securities	\$ 2,221	\$ 2,221
Mutual funds – equity	<u>25,839</u>	<u>25,839</u>
	<u>\$ 28,060</u>	<u>\$ 28,060</u>

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
Buildings and improvements	\$ 8,246,286	\$ 8,227,523
Land	343,757	343,757
Vehicles	200,779	196,488
Furniture, fixtures, and equipment	794,857	790,432
Website and software	<u>24,878</u>	<u>8,280</u>
	9,610,557	9,566,480
Less: accumulated depreciation	<u>3,671,560</u>	<u>3,423,303</u>
	<u>\$ 5,938,997</u>	<u>\$ 6,143,177</u>

LAS VEGAS RESCUE MISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 6. NOTE PAYABLE

In December 2007, the Mission was awarded an Affordable Housing Program (“AHP”) Subsidy for the construction of the Las Vegas Rescue Mission Men’s Center totaling \$1,000,000. These funds have been recognized as a note payable and will be forgiven once the 15-year life of the note payable has expired. The entire \$1,000,000 balance of the loan will be recognized as a gain in the year of expiration.

This agreement includes certain restrictive covenants that must be adhered to by the Mission. These covenants include compliance with AHP regulations and a requirement that dwellings remain occupied by individuals whose incomes meet low-income thresholds, among others. If the Mission fails to meet any of these covenants, it is required to repay the note payable. The loan is collateralized with the premises located at 480 W. Bonanza Road in Las Vegas, Nevada. As of June 30, 2018 and 2017, the Mission was in compliance with all such covenants.

NOTE 7. CAPITAL LEASES

The Organization leases equipment under long-term lease agreements that are classified as capital leases. Amortization related to these assets are included in depreciation expense. Assets under capital lease obligations include property and equipment as of June 30:

	<u>2018</u>	<u>2017</u>
Furniture and equipment	\$ 9,484	\$ 9,484
Less: accumulated amortization	<u>(1,957)</u>	<u>(151)</u>
Total assets under capital lease obligations	<u>\$ 7,527</u>	<u>\$ 9,333</u>

Future net minimum rental payments, which are required under the capital leases for the year ending June 30, 2018, are as follows:

2019	\$ 6,422
2020	6,422
2021	6,422
2022	6,422
Thereafter	<u>1,069</u>
Total minimum lease payments	26,757
Less: amount representing interest	<u>(17,619)</u>
Total	<u>\$ 9,138</u>
Current obligations under capital leases	\$ 618
Long-term obligations under capital leases	<u>8,520</u>
Total obligations under capital leases	<u>\$ 9,138</u>

LAS VEGAS RESCUE MISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 8. DEFERRED COMPENSATION

The Mission has a deferred compensation arrangement with a former officer of the Mission. Providing the Mission is solvent, the recipient is entitled to a defined benefit payment of \$1,500 per month for the remainder of the recipient's life. If the Mission becomes insolvent, payments to the recipient will cease until such a time that the Mission regains solvency. During times of insolvency, the defined benefit payment of \$1,500 will accrue.

During the years ended June 30, 2018 and 2017, \$18,000 was paid to the recipient each year. As of June 30, 2018 and 2017, the estimated deferred compensation liability was \$21,000 and \$39,000, respectively. This amount was calculated using inputs to include the anticipated life expectancy of the recipient, an estimated return on investment of 0.71%, and a monthly payment of \$1,500 (see Note 10). The Mission expects to fund this liability using unrestricted cash.

NOTE 9. RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following purposes at June 30:

	<u>2018</u>	<u>2017</u>
Shelter of Hope	\$ 253,000	\$ 253,000
Women's scholarship	48,000	48,000
Transportation	37,374	56,000
Homeless families	27,266	-
Homeless families' library	25,000	-
Baby essentials	14,274	10,000
Learning Center	13,500	-
Permanent housing	10,000	10,000
Same Kind of Different As Me	5,000	-
Renovations	-	1,630
Information technology	1,785	-
Campus clean-up	1,562	-
Time restricted	<u>56,757</u>	<u>178,945</u>
	<u>\$ 493,518</u>	<u>\$ 557,575</u>

Temporarily restricted net assets are held as follows at June 30:

	<u>2018</u>	<u>2017</u>
Cash and equivalents	\$ 399,261	\$ 378,630
Pledges receivable	<u>94,257</u>	<u>178,945</u>
	<u>\$ 493,518</u>	<u>\$ 557,575</u>

LAS VEGAS RESCUE MISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 10. ESTIMATES

The Mission receives significant amounts of donated food and goods which are recognized as in-kind revenues and expenses. The valuation of these in-kind donations is a significant estimate. The amount recorded as donated food revenue and expense is determined using the estimated average costs per meal multiplied by the number of recipients. The amount recorded as other in-kind revenue and expense is determined based on the estimated fair value of the items donated.

The Mission's estimate of the useful life of the fixed assets is based on general knowledge about comparative items, which is based on the historical experience with similar items. We evaluated the key factors and assumptions used to develop estimates of the useful life of fixed assets in determining that it is reasonable in relation to the financial statements taken as a whole.

The Mission also uses estimates to allocate expenses by function. The Mission's estimate of the functional expense allocation is based upon salary and square footage allocations. The salary allocation is determined based on the estimated time each employee spends working in each function. The square footage allocation is based on the estimated usage of square footage amongst the various programs and supporting services benefited.

The deferred compensation liability is estimated using the anticipated life expectancy of the beneficiary. It is reasonably possible that the actual life of the beneficiary could differ from this estimate. As of June 30, 2018 and 2017, the effects of the financial statement impact of this reasonably possible change in estimate are not able to be determined.

NOTE 11. COMMITMENTS

In December 2015, the Mission entered into a line of credit agreement for \$250,000 that is collateralized by the Mission's property. At June 30, 2018, this line of credit had a maturity date of November 30, 2018 with an interest rate of 8.5%. As of June 30, 2018 and 2017, this line of credit had a balance of \$0. In November 2018, the line of credit was extended through November 30, 2021.

NOTE 12. OPERATING LEASES

The Mission leases postage, kitchen and office equipment, and vehicles classified as operating leases. The leases are renewable and have varying expiration dates. Total rent expense under these leases for the years ended June 30, 2018 and 2017 was \$28,889 and \$26,273, respectively.

Future minimum rental payments, which are required under the operating leases for the year ending June 30, 2018 are as follows:

2019	\$	24,737
2020		14,361
2021		<u>3,252</u>
	\$	<u>42,350</u>