

LAS VEGAS RESCUE MISSION
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

The logo for HRC (Human Resources Campaign) is located in the bottom right corner. It consists of the letters "HRC" in a white, sans-serif font, centered within a dark blue square. The square has a white border and is set against a background of green curved shapes.

HRC

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, 2019 and 2018, 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, 2019 and 2018 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.

Holdsworth, Russo & Company, P.C.

Las Vegas, Nevada
January 28, 2021

LAS VEGAS RESCUE MISSION

**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018**

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and equivalents	\$ 143,763	\$ 490,142
Cash and equivalents, restricted	68,860	399,261
Investments	22,211	80,926
Investments, restricted	375,000	-
Accounts receivable	8,160	-
Pledges receivable	75,000	94,257
Prepaid expenses	80,371	58,448
Employee advances	11,858	20,074
	<u>785,223</u>	<u>1,143,108</u>
OTHER ASSETS		
Property and equipment, net	<u>5,718,342</u>	<u>5,938,997</u>
TOTAL ASSETS	<u><u>\$ 6,503,565</u></u>	<u><u>\$ 7,082,105</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 53,450	\$ 73,387
Accrued liabilities	131,899	122,365
Deferred compensation	10,500	21,000
Capital lease payable, current portion	2,034	618
Funds held for others	4,109	5,364
	<u>201,992</u>	<u>222,734</u>
LONG-TERM DEBT		
Capital lease payable, net of current portion	23,601	8,520
Note payable	<u>1,000,000</u>	<u>1,000,000</u>
	<u>1,225,593</u>	<u>1,231,254</u>
NET ASSETS		
Without donor restrictions	4,759,112	5,357,333
With donor restrictions	<u>518,860</u>	<u>493,518</u>
	<u>5,277,972</u>	<u>5,850,851</u>
	<u><u>\$ 6,503,565</u></u>	<u><u>\$ 7,082,105</u></u>

See notes to financial statements

LAS VEGAS RESCUE MISSION

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

NET ASSETS WITHOUT DONOR RESTRICTIONS	2019	2018
Revenue, gains, and other support:		
Contributions	\$ 2,353,348	\$ 2,798,569
Government grants	15,000	242,564
Special event revenue	\$ 77,700	\$ 50,141
Less: direct benefits to donors	<u>16,333</u>	<u>13,789</u>
	61,367	36,352
Sale of merchandise	402,316	341,156
Program revenue	232,302	204,498
Donated goods	946,579	705,695
Investment return, net	(2,022)	5,120
Rental revenue	31,169	20,232
Other revenue	3,792	2,827
Release from restriction	<u>114,269</u>	<u>142,443</u>
Total revenue, gains, and other support	4,158,120	4,499,456
Expenses and losses:		
Program services:		
Recovery	1,525,251	1,332,552
Thrift store	490,317	512,070
Shelter and homeless services	<u>1,570,669</u>	<u>1,546,046</u>
Total program services	<u>3,586,237</u>	<u>3,390,668</u>
Support services:		
Management and general	455,200	421,053
Fundraising	<u>714,904</u>	<u>885,859</u>
Total expenses	<u>4,756,341</u>	<u>4,697,580</u>
Change in net assets without donor restrictions	<u>(598,221)</u>	<u>(198,124)</u>

See notes to financial statements

LAS VEGAS RESCUE MISSION

**STATEMENTS OF ACTIVITIES (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

NET ASSETS WITH DONOR RESTRICTIONS	2019	2018
Contributions	139,611	78,386
Release from restriction	(114,269)	(142,443)
Change in net assets with donor restrictions	25,342	(64,057)
DECREASE IN NET ASSETS	(572,879)	(262,181)
NET ASSETS, BEGINNING OF YEAR	5,850,851	6,113,032
NET ASSETS, END OF YEAR	<u>\$ 5,277,972</u>	<u>\$ 5,850,851</u>

See notes to financial statements

LAS VEGAS RESCUE MISSION

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019**

	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	\$ 497,384	\$ 216,825	\$ 410,750	\$ 236,362	\$ 240,045	\$ -	\$ 1,601,366
Employee benefits	60,122	26,209	49,650	28,570	29,016	-	193,567
Advertising	-	-	-	-	331,479	-	331,479
Bad debt	-	-	-	3,569	-	-	3,569
Bank and merchant fees	-	23,545	-	6,937	-	-	30,482
Depreciation	101,171	52,889	80,499	7,992	7,992	-	250,543
Dues and subscriptions	2,537	1,106	2,096	1,206	1,225	-	8,170
Equipment rental	9,846	5,146	7,834	778	778	-	24,382
Food commodities	376,668	-	764,749	-	-	-	1,141,417
Insurance	29,335	15,336	23,341	2,317	2,317	-	72,646
Interest	-	-	-	16,085	-	-	16,085
Maintenance	76,352	39,915	60,752	6,032	6,032	-	189,083
Meals	1,380	601	1,139	655	666	-	4,441
Office supplies	22,173	11,592	17,644	1,752	1,752	-	54,913
Postage and shipping	7,123	3,105	5,883	3,385	65,246	-	84,742
Professional fees	36,813	16,048	30,401	124,231	17,767	850	226,110
Supplies	158,746	2,099	-	-	-	4,080	164,925
Property taxes	-	-	-	4,758	-	-	4,758
Training	2,519	1,100	2,081	1,198	1,216	-	8,114
Transportation	24,440	12,777	19,447	-	-	-	56,664
Utilities	118,642	62,024	94,403	9,373	9,373	-	293,815
Venue	-	-	-	-	-	11,403	11,403
	<u>\$ 1,525,251</u>	<u>\$ 490,317</u>	<u>\$ 1,570,669</u>	<u>\$ 455,200</u>	<u>\$ 714,904</u>	<u>16,333</u>	<u>4,772,674</u>
Less: direct benefits to donors						(16,333)	(16,333)
						<u>\$ -</u>	<u>\$ 4,756,341</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						<u>(13,789)</u>	<u>(13,789)</u>
						<u>\$ -</u>	<u>\$ 4,697,580</u>

See notes to financial statements

LAS VEGAS RESCUE MISSION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in in net assets	\$ (572,879)	\$ (262,181)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	250,543	248,784
Donated investments	-	(25,040)
Unrealized loss (gain) on investments	8,320	(4,215)
(Increase) decrease in operating assets:		
Accounts receivable	(8,160)	4,011
Pledges receivable	19,257	84,688
Grants receivable	-	99,122
Prepaid expenses	(21,923)	(31,751)
Employee advances	8,216	(9,813)
Increase (decrease) in operating liabilities:		
Accounts payable	(19,937)	37,402
Accrued liabilities	9,534	5,899
Deferred compensation	(10,500)	(18,000)
Funds held for others	(1,255)	2,291
Net cash provided by (used in) operating activities	<u>(338,784)</u>	<u>131,197</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(375,000)	(23,611)
Proceeds from sale of investments	50,395	-
Purchases of property and equipment	(13,888)	(51,404)
Proceeds from sale of property and equipment	<u>1,500</u>	<u>6,800</u>
Net cash used in investing activities	<u>(336,993)</u>	<u>(68,215)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease obligations	<u>(1,003)</u>	<u>(327)</u>
Net cash provided by (used in) financing activities	<u>(1,003)</u>	<u>(327)</u>
NET INCREASE (DECREASE) IN CASH	(676,780)	62,655
CASH AND EQUIVALENTS, BEGINNING OF YEAR	<u>889,403</u>	<u>826,748</u>
CASH AND EQUIVALENTS, END OF YEAR	<u><u>\$ 212,623</u></u>	<u><u>\$ 889,403</u></u>

See notes to financial statements

LAS VEGAS RESCUE MISSION

**STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
SUMMARY OF CASH ACCOUNTS		
Cash and equivalents	\$ 143,763	\$ 490,142
Cash and equivalents, restricted	<u>68,860</u>	<u>399,261</u>
	<u>\$ 212,623</u>	<u>\$ 889,403</u>
 SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	<u>\$ 16,085</u>	<u>\$ 6,101</u>
 Assets acquired through capital lease obligations	<u>\$ 17,500</u>	<u>\$ -</u>

See notes to financial statements

LAS VEGAS RESCUE MISSION

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2019 AND 2018

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 Accounting Standards Codification (FASB ASC) 958-205 and subsections. Under the FASB ASC, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

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 11 for discussion of significant estimates.

Cash and 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, 2019 AND 2018

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, 2019 and 2018, 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, 2019 and 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.

LAS VEGAS RESCUE MISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2019 AND 2018

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 support with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions 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 net assets with donor restrictions, depending on the existence and/or nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions 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.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Some expenses can be directly allocated to one of the programs or supporting functions. Certain categories of expenses are attributed to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Expenses were allocated on the basis of a salary and square footage allocation percentages, which is calculated based on the estimate of the percentage of time employees spend working under the various programs or supporting functions or the proportionate square footage used by the activity.

The following expenses were directly allocated by function based on the nature of the expense: advertising, bad debt, bank and merchant fees, food commodities, interest, postage and shipping, professional fees, supplies and property taxes.

LAS VEGAS RESCUE MISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expense Allocation (CONTINUED)

The following expenses were allocated on the basis of an estimate of employee time and effort: wages and payroll taxes, employee benefits, dues and subscriptions, meals, and training.

The following expenses were allocated on the basis of an estimate of the square footage utilized by the program or supporting function: depreciation, equipment rental, insurance, maintenance, office supplies, transportation, and utilities.

Date of Management's Review

Subsequent events have been evaluated through January 28, 2021, which is the date the financial statements were available to be issued.

New Accounting Pronouncement

During the year ended June 30, 2019 the Mission adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which changes the current guidance for asset classification, investment return, expenses, and liquidity and presentation of operating cash flows. ASU 2016-14 reduces the required number of classes of net assets from three to two: net assets with donor restrictions and net assets without donor restrictions. In the absence of explicit donor restrictions, ASU 2016-14 requires nonprofit entities to use the placed-in-service approach to account for capital gifts. The current option to use the over-time approach has been eliminated. ASU 2016-14 requires expenses to be reported by nature in addition to function and include an analysis of expenses by both nature and function. The methods used by nonprofit entities to allocate costs among program and support functions will also need to be disclosed. ASU 2016-14 requires nonprofit entities to provide both qualitative and quantitative information on management of liquid available resources and the ability to cover short-term cash needs within one year of the balance sheet date. As a result of adoption, presentation of net asset classes were changed and footnote disclosures were expanded. The Organization has adopted the provisions of ASU 2016-14 and has retrospectively applied this standard to the financial statements as of and for the year ending June 30, 2018, which discussed in Note 15.

NOTE 2. INFORMATION REGARDING LIQUIDITY AND AVAILABILITY

The Mission is substantially supported by contribution revenues, program revenues and donated merchandise sales, and considers contributions restricted for programs which are ongoing, major, and central to its operations to be available to meet cash needs for general expenditures. The Mission manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. To help manage unanticipated liquidity needs, the Mission has a line of credit for a total of \$250,000, which could be drawn upon, as discussed in Note 12.

LAS VEGAS RESCUE MISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 2. INFORMATION REGARDING LIQUIDITY AND AVAILABILITY (CONTINUED)

The following table reflects the Mission's financial assets as of June 30, 2019 and 2018, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date:

	<u>2019</u>	<u>2018</u>
Cash and equivalents	\$ 212,623	\$ 889,403
Investments	397,211	80,926
Accounts receivable	8,160	-
Pledges receivable	75,000	94,257
Employee advances	<u>11,858</u>	<u>20,074</u>
 Total financial assets	 704,852	 1,084,660
 Less amounts unavailable for general expenditures within one year, due to:		
Funds held on behalf of others	(4,109)	(5,364)
Restricted by donors with purpose or time restrictions	<u>(474,213)</u>	<u>(373,374)</u>
 Total amounts unavailable for general expenditures within one year	 <u>(478,322)</u>	 <u>(378,738)</u>
 Total for general expenditures within one year	 <u>\$ 226,530</u>	 <u>\$ 705,922</u>

NOTE 3. FUNDS HELD FOR OTHERS

As of June 30, 2019 and 2018, 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 4. 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, 2019 and 2018, the total uninsured cash balance was \$0 and \$628,771, respectively.

As of the year ended June 30, 2019, 100% of total pledges receivable were due from two donors. For the year ended June 30, 2018, approximately 60% the total balance of pledges receivable was due from one donor.

For the year ending June 30, 2019, approximately 50% of the total pledges receivable balance was due from a company in which a board member had significant influence. Revenues of approximately \$139,000, inclusive of the pledge receivable, were recognized that were attributable to this board member.

LAS VEGAS RESCUE MISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 4. CONCENTRATIONS AND RELATED PARTY (CONTINUED)

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, inclusive of the pledge receivable, were recognized that were attributable to this board member.

NOTE 5. 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.

For the fiscal years ending June 30, 2019 and 2018, 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>2019</u>
Certificates of deposit	\$ 377,015	\$ 377,015
REIT investments measured at NAV	-	20,196
	<u>\$ 377,015</u>	<u>\$ 397,211</u>
	<u>Level 1</u>	<u>2018</u>
Marketable securities	\$ 25,260	\$ 25,260
Mutual funds – equity	30,488	30,488
	55,748	55,748
REIT investments measured at NAV	-	25,178
	<u>\$ 55,748</u>	<u>\$ 80,926</u>

LAS VEGAS RESCUE MISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Buildings and improvements	\$ 8,246,286	\$ 8,246,286
Land	343,757	343,757
Vehicles	201,767	200,779
Furniture, fixtures, and equipment	823,707	794,857
Website and software	<u>24,878</u>	<u>24,878</u>
	9,640,395	9,610,557
Less: accumulated depreciation	<u>(3,922,053)</u>	<u>(3,671,560)</u>
	<u>\$ 5,718,342</u>	<u>\$ 5,938,997</u>

Depreciation expense related to property and equipment, exclusive of capital lease amortization, totaled \$245,237 and \$246,978 for the years ended June 30, 2019 and 2018, respectively.

NOTE 7. 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, 2019, and 2018, the Mission was in compliance with all such covenants.

NOTE 8. CAPITAL LEASES

The Mission leases equipment under long-term lease agreements that are classified as capital leases. Amortization expense of \$5,306 and \$1,806 is included in depreciation expense for the years ended June 30, 2019 and 2018, respectively. Assets under capital lease obligations include property and equipment as of June 30:

	<u>2019</u>	<u>2018</u>
Furniture and equipment	\$ 26,984	\$ 9,484
Less: accumulated amortization	<u>(7,263)</u>	<u>(1,957)</u>
Total assets under capital lease obligations	<u>\$ 19,721</u>	<u>\$ 7,527</u>

LAS VEGAS RESCUE MISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 8. CAPITAL LEASES (CONTINUED)

Future net minimum rental payments, which are required under the capital leases for the year ending June 30, 2019, are as follows:

2020	\$	19,041
2021		19,041
2022		19,041
2023		13,690
2024		<u>5,258</u>
Total minimum lease payments		76,071
Less: amount representing interest		<u>(50,436)</u>
Total	\$	<u>25,635</u>
Current obligations under capital leases	\$	2,034
Long-term obligations under capital leases		<u>23,601</u>
Total obligations under capital leases	\$	<u>25,635</u>

NOTE 9. 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, 2019 and 2018, \$18,000 was paid to the recipient each year. As of June 30, 2019 and 2018, the estimated deferred compensation liability was \$10,500 and \$21,000, 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 at initial recognition (see Note 11). During the year ended June 30, 2019 an additional accrual of \$7,500 was made to accrue for additional estimated life expectancy. The Mission expects to fund this liability using unrestricted cash.

LAS VEGAS RESCUE MISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes at June 30:

	<u>2019</u>	<u>2018</u>
Shelter of Hope	\$ 253,000	\$ 253,000
Transportation	112,374	37,374
Women's scholarship	48,000	48,000
Homeless families' library	25,000	25,000
Permanent housing	10,000	10,000
Shuttle bus	10,000	-
Ice machine	9,499	-
Make over the Mission	6,339	-
Baby essentials	3,478	14,274
Learning Center	2,397	13,500
Underwear drive	1,273	-
Homeless families	-	27,266
Same Kind of Different As Me	-	5,000
Information technology	-	1,785
Campus clean-up	-	1,562
Time restricted	<u>37,500</u>	<u>56,757</u>
	<u>\$ 518,860</u>	<u>\$ 493,518</u>

Net assets with donor restrictions are held as follows at June 30:

	<u>2019</u>	<u>2018</u>
Cash and equivalents	\$ 68,860	\$ 399,261
Investments	375,000	-
Pledges receivable	<u>75,000</u>	<u>94,257</u>
	<u>\$ 518,860</u>	<u>\$ 493,518</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time for the years ended June 30,:

	<u>2019</u>	<u>2018</u>
Homeless families	\$ 27,266	\$ -
Learning Center	11,103	-
Baby essentials	10,796	-
Same Kind of Different As Me	5,000	-
Information technology	1,785	-
Campus clean-up	1,562	-
Transportation	-	18,625
Renovations	-	1,630
Time restricted	<u>56,757</u>	<u>122,188</u>
	<u>\$ 114,269</u>	<u>\$ 142,443</u>

LAS VEGAS RESCUE MISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 11. 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 fair value of that food. 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 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, 2019 and 2018, the effects of the financial statement impact of this reasonably possible change in estimate are not able to be determined.

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.

NOTE 12. 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, 2019, this line of credit had a maturity date of November 30, 2021 with an interest rate of 7%. 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, 2019 and 2018, this line of credit had a balance of \$0.

NOTE 13. OPERATING LEASES

The Mission leases postage, kitchen and office equipment 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, 2019 and 2018 was \$24,737 and \$28,889, respectively.

Future minimum rental payments, which are required under the operating leases for the year ending June 30, 2019 are as follows:

2020	\$	14,361
2021		<u>3,252</u>
	\$	<u>17,613</u>

LAS VEGAS RESCUE MISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 14. SUBSEQUENT EVENTS

As of January 28, 2021, the date these financial statements were available to be issued, in connection with the Coronavirus (COVID-19) pandemic, there have been significant global, federal, state, and local developments. As a result of this worldwide pandemic, which is driving economic uncertainty, the Mission may experience volatility that may impact results and/or impede general operations. The Mission continues to monitor this unprecedented situation and evaluate the impact of this pandemic on their results.

On April 9, 2020, the Mission (the "Borrower") qualified for and received a loan pursuant to the Paycheck Protection Program (PPP), a program implemented by the U.S. Small Business Administration ("SBA") under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (the "PPP Lender"), for an aggregate principal amount of approximately \$388,200 (the "PPP Loan"). The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the SBA. The principal and accrued interest of the PPP Loan is subject to forgiveness under the PPP upon the Mission request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the PPP, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Mission. The Mission intends to apply for forgiveness of the PPP Loan with respect to these covered expenses. To the extent that all or part of the PPP Loan is not forgiven, the Mission will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, and commencing the earlier of (1) the date that SBA remits the Borrower's loan forgiveness amount to the Lender or (2) 10 months after the end of the Borrower's loan forgiveness period of 24-weeks, principal and interest payments will be required through the maturity date of April 9, 2022. The terms of the PPP Loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events. The PPP Loan may be accelerated upon the occurrence of an event of default.

On June 1, 2020, the Mission was granted a loan (Loan) from the U.S. Small Business Administration (SBA) in the aggregate amount of \$150,000 pursuant to the Economic Injury Disaster Loan Program (EIDL), under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The Loan, which was in the form of a note dated June 1, 2020, matures on June 1, 2050 and bears interest at a rate of 2.75% per annum, payable in monthly installments of \$641, commencing June 1, 2021. The note may be prepaid by the Borrower at any time prior to maturity with no prepayment penalties. Funds from the Loan may only be used as working capital which are subject to certain restrictions. The Mission intends to use the Loan for qualifying expenses.

On February 17, 2020 the Mission sold the property held on Ganzo Street for \$265,000. The sale of this property was not impactful on the Organization's financial statements for the year ended June 30, 2019.

Subsequent to the end of the year, the Mission began substantial renovations of its facilities. These renovations were not impactful on the Organization's financial statements for the year ended June 30, 2019.

LAS VEGAS RESCUE MISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 15. PRIOR PERIOD RECLASSIFICATION

As discussed in Note 1, the Organization has adopted the provisions of ASU 2016-14 and has retrospectively applied this standard to the financial statements as of and for the year ending June 30, 2018.

A summary of the net asset reclassifications driven by the adoption of ASU 2016-14 as of June 30, 2018 are as follows:

	<u>Beginning of Year</u>	<u>End of Year</u>
As originally stated:		
Unrestricted	\$ 5,555,457	\$ 5,357,333
Temporarily restricted	<u>557,575</u>	<u>493,518</u>
	<u>\$ 6,113,032</u>	<u>\$ 5,850,851</u>
As restated:		
Without donor restrictions	\$ 5,555,457	\$ 5,357,333
With donor restrictions	<u>557,575</u>	<u>493,518</u>
	<u>\$ 6,113,032</u>	<u>\$ 5,850,851</u>