

LAS VEGAS RESCUE MISSION
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

The logo for HRC (Human Resources Corporation) 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 that frame the page.

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, 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 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, 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.

Houldsworth, Russo & Company, P.C.

Las Vegas, Nevada
June 23, 2021

LAS VEGAS RESCUE MISSION

**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019**

| | 2020 | 2019 |
|-----------------------------------------------|---------------------|---------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and equivalents | \$ 1,106,446 | \$ 143,763 |
| Cash and equivalents, restricted | 402,051 | 68,860 |
| Investments | 16,273 | 22,211 |
| Investments, restricted | - | 122,000 |
| Accounts receivable | 24,425 | 8,160 |
| Pledges receivable | 88,000 | 75,000 |
| Grants receivable | 22,523 | - |
| Prepaid expenses | 77,433 | 80,371 |
| Other current assets | 1,965 | 11,858 |
| | <u>1,739,116</u> | <u>532,223</u> |
| OTHER ASSETS | | |
| Cash and equivalents, restricted | 253,000 | - |
| Investments, restricted | - | 253,000 |
| Property and equipment, net | 5,445,017 | 5,718,342 |
| | <u>5,445,017</u> | <u>5,718,342</u> |
| TOTAL ASSETS | <u>\$ 7,437,133</u> | <u>\$ 6,503,565</u> |
| | | |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 55,677 | \$ 53,450 |
| Accrued liabilities | 105,400 | 131,899 |
| Deferred compensation | 10,500 | 10,500 |
| Capital lease payable, current portion | 3,918 | 2,034 |
| Funds held for others | 30,824 | 4,109 |
| Deferred revenue | 14,525 | - |
| Note payable, current | 388,200 | - |
| | <u>609,044</u> | <u>201,992</u> |
| LONG-TERM DEBT | | |
| Capital lease payable, net of current portion | 19,684 | 23,601 |
| Note payable, net of current portion | 1,150,000 | 1,000,000 |
| | <u>1,150,000</u> | <u>1,000,000</u> |
| | <u>1,778,728</u> | <u>1,225,593</u> |
| NET ASSETS | | |
| Without donor restrictions | 4,915,354 | 4,759,112 |
| With donor restrictions | 743,051 | 518,860 |
| | <u>5,658,405</u> | <u>5,277,972</u> |
| | <u>\$ 7,437,133</u> | <u>\$ 6,503,565</u> |

See notes to financial statements

LAS VEGAS RESCUE MISSION

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

| NET ASSETS WITHOUT DONOR RESTRICTIONS | 2020 | 2019 |
|-------------------------------------------------|------------------|------------------|
| Revenue, gains, and other support: | | |
| Contributions | \$ 2,958,094 | \$ 2,353,348 |
| Government grants | 67,271 | 15,000 |
| Special event revenue | \$ 24,275 | \$ 77,700 |
| Less: direct benefits to donors | <u>4,966</u> | <u>16,333</u> |
| | 19,309 | 61,367 |
| Sale of merchandise | 217,997 | 402,316 |
| Program revenue | 293,002 | 232,302 |
| Donated goods | 944,340 | 946,579 |
| Investment return, net | 5,752 | (2,022) |
| Rental revenue | 10,728 | 31,169 |
| Gain on disposal | 200,406 | - |
| Other revenue | 545 | 3,792 |
| Release from restriction | <u>94,204</u> | <u>114,269</u> |
| Total revenue, gains, and other support | 4,811,648 | 4,158,120 |
| Expenses and losses: | | |
| Program services: | | |
| Recovery | 1,486,075 | 1,525,251 |
| Thrift store | 437,127 | 490,317 |
| Shelter and homeless services | <u>1,402,824</u> | <u>1,570,669</u> |
| Total program services | <u>3,326,026</u> | <u>3,586,237</u> |
| Support services: | | |
| Management and general | 408,717 | 455,200 |
| Fundraising | <u>920,663</u> | <u>714,904</u> |
| Total expenses | <u>4,655,406</u> | <u>4,756,341</u> |
| Change in net assets without donor restrictions | <u>156,242</u> | <u>(598,221)</u> |

See notes to financial statements

LAS VEGAS RESCUE MISSION

**STATEMENTS OF ACTIVITIES (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

| | <u>2020</u> | <u>2019</u> |
|----------------------------------------------|----------------------------|----------------------------|
| NET ASSETS WITH DONOR RESTRICTIONS | | |
| Contributions | 318,395 | 139,611 |
| Release from restriction | <u>(94,204)</u> | <u>(114,269)</u> |
| Change in net assets with donor restrictions | <u>224,191</u> | <u>25,342</u> |
| INCREASE (DECREASE) IN NET ASSETS | <u>380,433</u> | <u>(572,879)</u> |
| NET ASSETS, BEGINNING OF YEAR | <u>5,277,972</u> | <u>5,850,851</u> |
| NET ASSETS, END OF YEAR | <u><u>\$ 5,658,405</u></u> | <u><u>\$ 5,277,972</u></u> |

See notes to financial statements

LAS VEGAS RESCUE MISSION

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020**

| | Program Services | | | Supporting Services | | Special Event | Total |
|---------------------------------|---------------------|-------------------|-------------------------------|------------------------|-------------------|---------------------------|---------------------|
| | Recovery | Thrift Store | Shelter and Homeless Services | Management and General | Fundraising | Direct Benefits To Donors | |
| Wages and payroll taxes | \$ 519,889 | \$ 189,656 | \$ 398,977 | \$ 231,423 | \$ 285,216 | \$ - | \$ 1,625,161 |
| Employee benefits | 60,277 | 21,989 | 46,258 | 26,832 | 33,068 | - | 188,424 |
| Advertising | - | - | - | - | 474,111 | - | 474,111 |
| Bad debt | - | - | - | 3,341 | - | - | 3,341 |
| Bank and merchant fees | - | 21,642 | - | 2,215 | - | - | 23,857 |
| Depreciation | 99,285 | 57,860 | 79,197 | 6,704 | 7,104 | - | 250,150 |
| Dues and subscriptions | 1,290 | 470 | 989 | 574 | 707 | - | 4,030 |
| Equipment rental | 6,852 | 3,992 | 5,465 | 463 | 490 | - | 17,262 |
| Food commodities | 327,964 | - | 665,865 | - | - | - | 993,829 |
| Insurance | 28,254 | 16,466 | 22,538 | 1,908 | 2,021 | - | 71,187 |
| Interest | - | - | - | 17,012 | - | - | 17,012 |
| Maintenance | 42,029 | 24,493 | 33,525 | 2,838 | 3,007 | - | 105,892 |
| Meals | 370 | 135 | 284 | 165 | 203 | - | 1,157 |
| Office supplies | 13,462 | 7,845 | 10,738 | 909 | 963 | - | 33,917 |
| Postage and shipping | 1,339 | 489 | 1,028 | 596 | 79,284 | - | 82,736 |
| Professional fees | 38,776 | 14,146 | 29,758 | 95,511 | 21,272 | - | 199,463 |
| Supplies | 210,283 | 763 | - | - | - | 4,966 | 216,012 |
| Property taxes | - | - | - | 6,446 | - | - | 6,446 |
| Training | 9,541 | 3,482 | 7,323 | 4,248 | 5,235 | - | 29,829 |
| Transportation | 14,911 | 8,690 | 11,895 | - | - | - | 35,496 |
| Utilities | 111,553 | 65,009 | 88,984 | 7,532 | 7,982 | - | 281,060 |
| | <u>\$ 1,486,075</u> | <u>\$ 437,127</u> | <u>\$ 1,402,824</u> | <u>\$ 408,717</u> | <u>\$ 920,663</u> | <u>4,966</u> | <u>4,660,372</u> |
| Less: direct benefits to donors | | | | | | (4,966) | (4,966) |
| | | | | | | <u>\$ -</u> | <u>\$ 4,655,406</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 Benefits 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 | | | | | | <u>(16,333)</u> | <u>(16,333)</u> |
| | | | | | | <u>\$ -</u> | <u>\$ 4,756,341</u> |

See notes to financial statements

LAS VEGAS RESCUE MISSION

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

| | 2020 | 2019 |
|-------------------------------------------------------------------------------------------------------|----------------------------|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in in net assets | \$ 380,433 | \$ (572,879) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 250,150 | 250,543 |
| Gain on disposal | (200,406) | - |
| Unrealized loss (gain) on investments | (1,885) | 8,320 |
| (Increase) decrease in operating assets: | | |
| Accounts receivable | (16,265) | (8,160) |
| Pledges receivable | (13,000) | 19,257 |
| Grants receivable | (22,523) | - |
| Prepaid expenses | 2,938 | (21,923) |
| Other current assets | 9,893 | 8,216 |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable | 2,227 | (19,937) |
| Accrued liabilities | (26,499) | 9,534 |
| Deferred compensation | - | (10,500) |
| Funds held for others | 26,715 | (1,255) |
| Deferred revenue | 14,525 | - |
| Net cash provided by (used in) operating activities | <u>406,303</u> | <u>(338,784)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of investments | (299,120) | (375,000) |
| Proceeds from sale of investments | 681,943 | 50,395 |
| Purchases of property and equipment | (21,781) | (13,888) |
| Proceeds from sale of property and equipment | <u>245,362</u> | <u>1,500</u> |
| Net cash provided by (used in) investing activities | <u>606,404</u> | <u>(336,993)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments on capital lease obligations | (2,033) | (1,003) |
| Proceeds from Paycheck Protection Program loan | 388,200 | - |
| Proceeds from Economic Injury Disaster Loan | <u>150,000</u> | <u>-</u> |
| Net cash provided by (used in) financing activities | <u>536,167</u> | <u>(1,003)</u> |
| NET INCREASE (DECREASE) IN CASH | 1,548,874 | (676,780) |
| CASH AND EQUIVALENTS, BEGINNING OF YEAR | <u>212,623</u> | <u>889,403</u> |
| CASH AND EQUIVALENTS, END OF YEAR | <u><u>\$ 1,761,497</u></u> | <u><u>\$ 212,623</u></u> |

See notes to financial statements

LAS VEGAS RESCUE MISSION

**STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

| | <u>2020</u> | <u>2019</u> |
|-------------------------------------------------------|---------------------|-------------------|
| SUMMARY OF CASH ACCOUNTS | | |
| Cash and equivalents | \$ 1,106,446 | \$ 143,763 |
| Cash and equivalents, restricted | 402,051 | 68,860 |
| | <u>253,000</u> | <u>-</u> |
| | <u>\$ 1,761,497</u> | <u>\$ 212,623</u> |
| SUPPLEMENTAL DISCLOSURES | | |
| Cash paid for interest | <u>\$ 17,012</u> | <u>\$ 16,085</u> |
| Assets acquired through capital lease obligations | <u>\$ -</u> | <u>\$ 17,500</u> |

See notes to financial statements

LAS VEGAS RESCUE MISSION

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Las Vegas Rescue Mission (the “Organization” or 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.

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.

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.

Advertising

The Mission uses advertising to promote its programs among the audience it serves. The production costs of advertising are expensed as incurred.

LAS VEGAS RESCUE MISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2020 AND 2019

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, 2020 and 2019, 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, 2020 and 2019 are considered collectible, unconditional, and due within one year. Accordingly, no discount has been recognized. Grants receivable represent funds to be reimbursed to the Mission for incurring expenses considered allowable under the grant agreements. The Mission expects to collect all grants receivable in full in less than one year.

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.

Deferred Revenue

Event attendance fees or sponsorships collected in advance are included in deferred revenue in the accompanying statements of financial position. This deferred revenue is expected to be recognized within one year.

LAS VEGAS RESCUE MISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2020 AND 2019

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 value of donated services included in the financial statements for the years ended June 30, 2020 and 2019, consists of services to the Mission totaling \$16,574 and \$0, respectively. The types of services provided include information technology support, legal services and repairs and maintenance services. 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.

Revenue With and Without Donor Restrictions

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.

Reclassifications

Certain reclassifications have been made to the 2019 presentation to be comparative to the 2020 presentation.

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.

LAS VEGAS RESCUE MISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expense Allocation (Continued)

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, supplies and property taxes.

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.

The following expenses were allocated on the basis of a combination of the nature of the expense and employee time and effort: postage and shipping and professional fees.

Date of Management's Review

Subsequent events have been evaluated through June 23, 2021, which is the date the financial statements were available to be issued.

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.

The following table reflects the Mission's financial assets as of June 30, 2020 and 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date:

| | <u>2020</u> | <u>2019</u> |
|------------------------|--------------|---------------|
| Cash and equivalents | \$ 1,761,497 | \$ 212,623 |
| Investments | 16,273 | 397,211 |
| Accounts receivable | 24,425 | 8,160 |
| Pledges receivable | 88,000 | 75,000 |
| Grants receivable | 22,523 | - |
| Other current assets | <u>1,965</u> | <u>11,858</u> |
| Total financial assets | 1,914,683 | 704,852 |

LAS VEGAS RESCUE MISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 2. INFORMATION REGARDING LIQUIDITY AND AVAILABILITY (CONTINUED)

| | | |
|----------------------------------------------------------------------------|-------------------------|-----------------------|
| Less amounts unavailable for general expenditures within one year, due to: | | |
| Funds held on behalf of others | (30,824) | (4,109) |
| Restricted by donors with purpose or time restrictions | <u>(253,000)</u> | <u>(253,000)</u> |
| Total amounts unavailable for general expenditures within one year | <u>(283,824)</u> | <u>(257,109)</u> |
| Total for general expenditures within one year | <u>\$ 1,630,859</u> | <u>\$ 447,743</u> |

NOTE 3. FUNDS HELD FOR OTHERS

As of June 30, 2020 and 2019, 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, 2020 and 2019, the total uninsured cash balance was \$670,295 and \$0, respectively.

As of the year ended June 30, 2020, 97% of total pledges receivable were due from two donors. For the year ended June 30, 2019, 100% of total pledges receivable were due from two donors.

For the year ending June 30, 2020, approximately 51% of the total pledges receivable balance was due from a company in which a board member had significant influence. Revenues of approximately \$181,300, inclusive of the pledge receivable, were recognized that were attributable to this board member.

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.

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.

LAS VEGAS RESCUE MISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 5. INVESTMENTS AND FAIR VALUE OF ASSETS (CONTINUED)

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, 2020 and 2019, 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>2020</u> |
| REIT investments measured at NAV | \$ - | \$ 16,273 |
| | <u>\$ -</u> | <u>\$ 16,273</u> |
| | <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> |

NOTE 6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

| | | |
|------------------------------------|---------------------|---------------------|
| | <u>2020</u> | <u>2019</u> |
| Buildings and improvements | \$ 8,146,524 | \$ 8,246,286 |
| Land | 343,757 | 343,757 |
| Vehicles | 198,791 | 201,767 |
| Furniture, fixtures, and equipment | 842,070 | 823,707 |
| Website and software | <u>31,252</u> | <u>24,878</u> |
| | 9,562,394 | 9,640,395 |
| Less: accumulated depreciation | <u>(4,117,377)</u> | <u>(3,922,053)</u> |
| | <u>\$ 5,445,017</u> | <u>\$ 5,718,342</u> |

Depreciation expense related to property and equipment, exclusive of capital lease amortization, totaled \$244,844 and \$245,237 for the years ended June 30, 2020 and 2019, respectively.

LAS VEGAS RESCUE MISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2020 AND 2019

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, 2020, and 2019, the Mission was in compliance with all such covenants.

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, 2025. 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.

The Mission has accounted for the PPP loan as a financial liability in accordance with FASB ASC 470 and accrued interest in accordance with the interest method under FASB ASC 835-30. The loan will be recognized as revenue when loan forgiveness is provided by the SBA.

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.

LAS VEGAS RESCUE MISSION**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 7. NOTE PAYABLE (CONTINUED)

Required principal payments on the loans are as follows for the year ended June 30, 2020:

| | |
|------------------------|---------------------|
| 2021 | \$ 388,200 |
| 2022 | 83 |
| 2023 | 1,003,615 |
| 2024 | 3,715 |
| 2025 | 3,819 |
| Thereafter | <u>138,768</u> |
| | 1,538,200 |
| Less: current portion | <u>(388,200)</u> |
| Net of current portion | <u>\$ 1,150,000</u> |

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 \$5,306 is included in depreciation expense for the years ended June 30, 2020 and 2019, respectively. Assets under capital lease obligations include property and equipment as of June 30:

| | <u>2020</u> | <u>2019</u> |
|----------------------------------------------|------------------|------------------|
| Furniture and equipment | \$ 26,984 | \$ 26,984 |
| Less: accumulated amortization | <u>(12,569)</u> | <u>(7,263)</u> |
| Total assets under capital lease obligations | <u>\$ 14,415</u> | <u>\$ 19,721</u> |

Future net minimum rental payments, which are required under the capital leases for the year ending June 30, 2020, are as follows:

| | |
|--------------------------------------------|------------------|
| 2021 | \$ 19,041 |
| 2022 | 19,041 |
| 2023 | 13,690 |
| 2024 | <u>5,258</u> |
| Total minimum lease payments | 57,030 |
| Less: amount representing interest | <u>(33,428)</u> |
| Total | <u>\$ 23,602</u> |
| Current obligations under capital leases | \$ 3,918 |
| Long-term obligations under capital leases | <u>19,684</u> |
| Total obligations under capital leases | <u>\$ 23,602</u> |

LAS VEGAS RESCUE MISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2020 AND 2019

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, 2020 and 2019, \$18,000 was paid to the recipient each year. As of June 30, 2020 and 2019, the estimated deferred compensation liability was \$10,500 and \$10,500, 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). The Mission expects to fund this liability using unrestricted cash.

NOTE 10. NET ASSETS WITH DONOR RESTRICTIONS

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

| | <u>2020</u> | <u>2019</u> |
|-------------------------------|-------------------|-------------------|
| Shelter of Hope | \$ 253,000 | \$ 253,000 |
| Make Over the Mission | 141,734 | 6,339 |
| Transportation | 112,374 | 112,374 |
| Father's Haven | 65,625 | - |
| Women's scholarship | 48,000 | 48,000 |
| Shelter and Homeless Services | 32,253 | - |
| Recovery | 16,319 | - |
| Permanent housing | 10,000 | 10,000 |
| Shuttle bus | 10,000 | 10,000 |
| Underwear drive | 2,467 | 1,273 |
| Learning Center | 1,591 | 2,397 |
| Baby essentials | 1,573 | 3,478 |
| Toy drive | 115 | - |
| Homeless families' library | - | 25,000 |
| Ice machine | - | 9,499 |
| Time restricted | <u>48,000</u> | <u>37,500</u> |
| | <u>\$ 743,051</u> | <u>\$ 518,860</u> |

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

| | <u>2020</u> | <u>2019</u> |
|---------------------------------|-------------------|-------------------|
| Cash and equivalents, current | \$ 402,051 | \$ 68,860 |
| Cash and equivalents, long-term | 253,000 | - |
| Investments, current | - | 122,000 |
| Investments, long-term | - | 253,000 |
| Pledges receivable | <u>88,000</u> | <u>75,000</u> |
| | <u>\$ 743,051</u> | <u>\$ 518,860</u> |

LAS VEGAS RESCUE MISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 10. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

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>2020</u> | <u>2019</u> |
|-------------------------------|------------------|-------------------|
| Homeless families' library | \$ 25,000 | \$ 27,266 |
| Father's Haven | 14,375 | - |
| Ice machine | 9,499 | - |
| Toy drive | 2,385 | - |
| Baby essentials | 1,906 | 10,796 |
| Underwear drive | 1,305 | - |
| Shelter and Homeless Services | 1,247 | - |
| Learning Center | 805 | 11,103 |
| Recovery | 182 | - |
| 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>\$ 94,204</u> | <u>\$ 114,269</u> |

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 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, 2020 and 2019, 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, 2020, this line of credit had a maturity date of November 30, 2021 with an interest rate of 6%. At June 30, 2019, this line of credit had a maturity date of November 30, 2021 with an interest rate of 7%. As of June 30, 2020 and 2019, this line of credit had a balance of \$0.

LAS VEGAS RESCUE MISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2020 AND 2019

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, 2020 and 2019 was \$24,324 and \$24,737, respectively.

Future minimum rental payments, which are required under the operating leases for the year ending June 30, 2020 are as follows:

| | | |
|------|----|---------------|
| 2021 | \$ | 7,985 |
| 2022 | | 4,733 |
| 2023 | | 3,580 |
| 2024 | | 1,275 |
| 2025 | | <u>1,169</u> |
| | \$ | <u>18,742</u> |

NOTE 14. RISKS AND UNCERTAINTIES

In March of 2020, the World Health Organization declared the spread of the Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses and communities. Specific to the Mission, COVID-19 may impact various parts of its future operations and financial results. Management believes the Mission is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.