

FRESNO RESCUE MISSION & AFFILIATES
Fresno, California

CONSOLIDATED FINANCIAL STATEMENTS
and
INDEPENDENT AUDITOR'S REPORT

For the years ended December 31, 2020 and 2019

Fresno Rescue Mission & Affiliates
CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

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8441 N. Millbrook Ave., Suite 101 ♦ Fresno, California 93720 ♦ (559) 256-3601 ♦ FAX (559) 256-3603

Kenneth W. Savage, CPA

INDEPENDENT AUDITOR'S REPORT

March 31, 2021

To the Boards of Directors
Fresno Rescue Mission, Inc, Fresno Works, Inc. and Fresno Rescue Mission Foundation, Inc.
Fresno, California

We have audited the accompanying consolidated financial statements of Fresno Rescue Mission & Affiliates (a consolidation of nonprofit organizations), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Fresno Rescue Mission & Affiliates and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Fresno Rescue Mission and Affiliates' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Fresno Rescue Mission and Affiliates' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

- Savage & Company

Savage & Company
Certified Public Accountant

Fresno Rescue Mission & Affiliates
Consolidated Statements of Financial Position
December 31, 2020 and 2019

	2020	2019
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents (<i>operations</i>)	\$ 3,106,590	\$ 1,815,379
Accounts receivable	68,770	229,497
Inventory	93,574	102,936
Prepaid expenses	136,743	135,933
Deposits and other assets	61,199	37,056
Investments designated for replacement of land and buildings (<i>Expansion Funds</i>)	35,761,027	16,601,666
TOTAL CURRENT ASSETS	39,227,903	18,922,467
NONCURRENT ASSETS		
Investments	143,494	438,280
Deferred prepaid expenses	188,377	231,217
PROPERTY AND EQUIPMENT, net	19,301,086	18,979,652
OTHER ASSETS		
Loan origination costs, net	20,000	-
TOTAL ASSETS	\$ 58,880,860	\$38,571,616
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 158,817	\$ 146,122
Accrued compensated absences	93,980	67,815
Deferred grants and other income	151,098	231,342
TOTAL CURRENT LIABILITIES	403,895	445,279
RESTRICTED GRANT LIABILITY	1,000,000	1,000,000
TOTAL LIABILITIES	1,403,895	1,445,279
NET ASSETS		
Without donor restrictions	57,383,652	37,031,181
With donor restrictions	93,313	95,156
TOTAL NET ASSETS	57,476,965	37,126,337
TOTAL LIABILITIES AND NET ASSETS	\$ 58,880,860	38,571,616

The accompanying notes are an integral part of these financial statements.

Fresno Rescue Mission & Affiliates
Consolidated Statements of Activities
Years ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE AND SUPPORT:						
Contributions	\$ 5,157,359	\$ 958,870	\$ 6,116,229	\$ 3,593,296	\$ 139,390	\$ 3,732,686
Contributions – in-kind & noncash	2,132,940	-	2,132,940	1,706,644	-	1,706,644
Thrift Store sales	1,457,955	-	1,457,955	1,587,492	-	1,587,492
Rent income & tenant reimbursements	1,253,052	-	1,253,052	513,423	-	513,423
Special events income	216,334	-	216,334	362,885	-	362,885
Program income	222,247	-	222,247	250,275	-	250,275
Investment income (loss)	(43,123)	8,262	(34,861)	17,864	656	18,520
Gain (loss) on sale of assets	-	-	-	(11,786)	-	(11,786)
Other income	84,370	-	84,370	20,262	-	20,262
Net assets released from restrictions:						
Satisfaction of program restrictions	746,525	(746,525)	-	96,412	(96,412)	-
Satisfaction of equipment acquisition restrictions	222,450	(222,450)	-	20,478	(20,478)	-
TOTAL OPERATING REVENUE AND SUPPORT	11,450,109	(1,843)	11,448,266	8,157,245	23,156	8,180,401
EXPENSES:						
<i>Program Services</i>	9,559,413	-	9,559,413	7,175,419	-	7,175,419
<i>Supporting Services</i>						
Management and general	479,537	-	479,537	584,680	-	584,680
Fundraising expenses	1,150,870	-	1,150,870	1,156,485	-	1,156,485
TOTAL EXPENSES	11,189,820	-	11,189,820	8,916,584	-	8,916,584
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	260,289	(1,843)	258,446	(759,339)	23,156	(736,183)
NONOPERATING:						
Nonoperating investment income	400,878	-	400,878	645,320	-	645,320
Nonoperating gain on HSR settlements	19,691,304	-	19,691,304	16,567,580	-	16,567,580
CHANGE IN NET ASSETS FROM NONOPERATING ACTIVITIES	20,092,182	-	20,092,182	17,212,900	-	17,212,900
CHANGE IN NET ASSETS	20,352,471	(1,843)	20,350,628	16,453,561	23,156	16,476,717
NET ASSETS AT BEGINNING OF YEAR	37,031,181	95,156	37,126,337	20,577,620	72,000	20,649,620
NET ASSETS AT END OF YEAR	\$ 57,383,652	\$ 93,313	\$57,476,965	\$ 37,031,181	\$ 95,156	\$37,126,337

The accompanying notes are an integral part of these financial statements.

Fresno Rescue Mission & Affiliates
Consolidated Statements of Functional Expenses
Years ended December 31, 2020 and 2019

	<u>2020</u>				<u>2019</u>			
	<u>Program</u>	<u>Supporting Services</u>		<u>Total</u>	<u>Program</u>	<u>Supporting Services</u>		<u>Total</u>
		<u>General and</u>	<u>Fundraising</u>			<u>General and</u>	<u>Fundraising</u>	
	<u>Administrative</u>			<u>Administrative</u>				
Salaries and wages	\$ 2,803,258	\$ 294,074	\$ 298,712	\$ 3,396,044	\$ 2,360,521	\$ 301,562	\$ 304,349	\$ 2,966,432
Payroll taxes	210,659	6,206	26,064	242,929	190,056	17,549	28,395	236,000
Fringe benefits	238,118	27,545	43,028	308,691	219,952	44,273	34,532	298,757
Cost of goods sold – autos	160,495	-	-	160,495	210,597	-	-	210,597
Cost of goods sold – clothing/other	562,981	-	-	562,981	605,239	-	-	605,239
Advertising and promotion	138,075	342	495,720	634,137	124,469	832	462,935	588,236
Bad debts	6,206	-	-	6,206	-	-	-	-
Bank and credit card fees	22,744	-	48,290	71,034	22,114	551	34,410	57,075
Consultants	55,375	-	-	55,375	875	54,510	-	55,385
Contributions to other nonprofits	10,000	-	-	10,000	1,500	-	-	1,500
Depreciation and amortization	1,099,218	27,809	38,933	1,165,960	554,336	23,412	32,777	610,525
Discipleship benevolence	17,989	-	-	17,989	15,052	-	-	15,052
Equipment – noncapital	51,737	-	6,711	58,448	29,391	-	-	29,391
Food and vending services	1,533,518	-	28,433	1,561,951	990,547	-	30,584	1,021,131
Insurance	251,776	3,780	5,293	260,849	214,065	6,295	8,813	229,173
Interest expense	-	-	-	-	-	-	-	-
Office and operational supplies	33,461	876	1,580	35,917	28,119	927	1,002	30,048
Other expense	44,706	4,429	13,389	62,524	50,360	374	9,485	60,219
Postage	3,947	447	7,800	12,194	4,648	537	14,385	19,570
Printing	32,501	-	3,212	35,713	29,002	-	4,052	33,054
Professional fees	225,979	95,992	16,060	338,031	181,862	114,794	17,879	314,535
Program supplies and expense	183,341	-	662	184,003	119,678	-	-	119,678
Rent – equipment	40,173	2,200	2,200	44,573	32,607	2,831	2,831	38,269
Rent – facilities	118,464	-	-	118,464	75,260	-	-	75,260
Repairs and maintenance	429,315	1,230	1,723	432,268	225,491	1,750	2,451	229,692
Security	104,687	-	-	104,687	46,075	-	-	46,075
Special events	25,372	417	96,026	121,815	22,426	376	149,782	172,584
Staff development	7,686	-	26	7,712	14,089	-	-	14,089
Taxes, licenses and permits	49,194	149	182	49,525	27,975	610	354	28,939
Telephone	112,211	6,057	6,057	124,325	69,790	3,321	3,384	76,495
Travel and seminars	9,201	855	1,052	11,108	18,035	1,114	1,114	20,263
Utilities	879,130	6,249	8,749	894,128	577,284	8,098	11,336	596,718
Vehicle expense	97,896	880	968	99,744	114,004	964	1,635	116,603
TOTAL EXPENSES	\$ 9,559,413	\$ 479,537	\$ 1,150,870	\$ 11,189,820	\$ 7,175,419	\$ 584,680	\$ 1,156,485	\$ 8,916,584

The accompanying notes are an integral part of these financial statements.

Fresno Rescue Mission & Affiliates
Consolidated Statements of Cash Flows
Years ended December 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 20,350,628	\$ 16,476,717
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,165,960	610,525
Bad debts expense	6,206	-
Unrealized losses (gains) on investments	17,504	(248,765)
Loss on sale of donated property	-	18,520
Gain on HSR settlements	(19,964,000)	(16,567,580)
Noncash contributions – land and stock	(32,964)	(61,977)
Gain/loss on sale of property and equipment	-	(6,732)
Noncash deferred prepaid expense	42,840	-
Changes in operating assets and liabilities:		
Accounts receivable	154,521	(213,719)
Inventory	9,362	4,343
Prepaid expenses	(810)	(48,726)
Deposits	(24,143)	(11,836)
Accounts payable, accrued expenses & capital leases	12,695	(546,937)
Accrued compensated absences	26,165	(10,971)
Deferred grants and other income	(80,244)	120,598
	<u>1,683,720</u>	<u>(486,540)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,507,395)	(2,573,058)
Proceeds from sale of property and equipment	-	6,734
Proceeds from sale of donated land and stock	291,775	43,457
Proceeds from investments liquidated	1,206,473	-
Purchase of annuity and other investments	(19,964,000)	(428,154)
Investment income reinvested	(383,362)	(3,938)
	<u>(20,356,509)</u>	<u>(2,954,959)</u>
NET CASH USED IN INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES¹		
Purchase of property and equipment with HSR funds	-	(4,861,044)
Proceeds from HSR investments liquidated	-	707,941
HSR funds received for replacement of land and buildings and deferred, net	19,964,000	7,589,581
Prepaid expenses paid with HSR funds	-	(231,217)
	<u>19,964,000</u>	<u>3,205,261</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,291,211	(236,238)
CASH EQUIVALENTS & RESTRICTED CASH, at beginning of year	<u>1,815,379</u>	<u>2,051,617</u>
CASH EQUIVALENTS & RESTRICTED CASH, at end of year	<u>\$ 3,106,590</u>	<u>\$ 1,815,379</u>
Supplemental disclosure of cash flow information: Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>

¹ Cash received, disbursed and deferred for High-Speed Rail is considered financing activities for the purposes of statement of cash flows reporting.

The accompanying notes are an integral part of these financial statements.

Fresno Rescue Mission & Affiliates
Notes to Consolidated Financial Statements
Years ended December 31, 2020 and 2019

1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities and Description of Organization

Fresno Rescue Mission, Inc. (Mission) is a California faith-based nonprofit corporation formed in 1950 to provide rescue services in the greater Fresno County area. The purpose of the Mission is to provide practical material and spiritual assistance to homeless individuals and families and neglected and abused children through rehabilitation programs for alcoholic and drug addicted men and women. The Mission is supported primarily through contributions from individuals and businesses of Fresno County and its affiliates.

Fresno Rescue Mission Foundation (Foundation) is a California nonprofit corporation (charitable support organization) dedicated to the promotion and support of Fresno Rescue Mission Inc. The Foundation acts as a trustee in receiving, investing, managing, administering, and distributing funds for the ministries of the Mission. The Foundation has invested funds in a commercial building and rents the facilities to other nonprofit organizations at favorable rental rates. The Foundation is supported primarily through net rental income and contributions from individuals and businesses of Fresno County.

Fresno Works, Inc. is a California nonprofit corporation with the sole purpose of operating a Thrift Store providing low cost items to the Fresno community. It also provides job-training opportunities for persons in the Mission programs and the community at large.

The accompanying consolidated financial statements include Fresno Rescue Mission, Inc., Fresno Rescue Mission Foundation, and Fresno Works, Inc. These entities are under common control and management and meet the requirements for consolidation under generally accepted accounting standards. All material intercompany profits, transactions and balances have been eliminated in the consolidated financial statements.

Basis of Presentation

These financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) *Audit and Accounting Guide for Not-for-Profit Organizations*, (the "Guide"). (ASC) 958-205 was effective for January 1, 2018.

Professional accounting standards require that the organization report information regarding its financial position and activities according to two classes of net assets – net assets without donor restrictions and net assets with donor restrictions. Under these standards, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Fresno Rescue Mission & Affiliates
Notes to Consolidated Financial Statements
Years ended December 31, 2020 and 2019

1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

Basis of Presentation (cont)

Accordingly, the net assets of the organization and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. The organization's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

The organization receives grants and contributions from government agencies, corporations, individuals, etc. Such grants and contributions are recorded when received or unconditionally promised and are considered to be available for the support of the organization's operations, unless specifically restricted by the donor or agency.

Recent Accounting Pronouncements

In June 2018, FASB issued ASU No. 2018-08, Not-for-Profit Entities – *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). The new standard provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction based on whether a resource provider is receiving value in return for the resources transferred. Further, the ASU provides additional guidance to help determine whether a contribution is conditional and better distinguish a donor-imposed condition from a donor-imposed restriction. The effective date of this amendment is for fiscal years beginning after December 15, 2018. The organization has adopted this accounting standard and presents these statements accordingly. The ASU has been applied retrospectively to all periods.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). This new accounting guidance outlines a single comprehensive model for entities to use in accounting for revenue from contracts with customers. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This amendment has limited applicability to the organization, specifically to two contracts to provide respite services and adult services, the sum total of which are immaterial to the financial statements taken as a whole. Lease contracts and revenue earned are specifically excluded from the definition of revenue in the guidance. The effective date of this amendment is for fiscal years beginning after December 15, 2017. The organization has adopted this accounting standard and presents these statements accordingly. The ASU has been applied retrospectively to all periods.

Fresno Rescue Mission & Affiliates
Notes to Consolidated Financial Statements
Years ended December 31, 2020 and 2019

1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

Recent Accounting Pronouncements (cont)

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). ASU 2016-02 was issued to increase transparency and comparability among entities. Lessees will need to recognize nearly all lease transactions (other than leases that meet the definition of a short-term lease) on the statement of financial position as a lease liability and a right-of-use asset (as defined). ASU is effective for fiscal years beginning after December 15, 2020. The organization is assessing the impact this standard will have on its financial statements.

High-Speed Rail

In December 2014, Fresno Rescue Mission was notified by the California High-Speed Rail Authority (CHSRA) that the California High-Speed Rail Project would be acquiring rights to private property along the right of way and that Fresno Rescue Mission property would be affected. CHSRA agreed to purchase property on the right of way, agreed to offer an interim settlement for existing properties and structures on the east side of G Street, including the buildings at 310 G Street, and make a final settlement to replace those properties.

High-Speed Rail financial activity includes financial activity for funds received for purchase and replacement of a permanent campus. Investments held for replacement of land and buildings are classified as current assets pending plans to purchase and construct such property.

For the year ended December 31, 2019, High-Speed Rail funds received in the current year and deferred income carried over from previous years have been recognized as nonoperating settlement income in the consolidated statement of activities since the leased temporary facilities have been purchased in a buyout of the leases and is considered the permanent campus. At December 31, 2020, the balance in prepaid expenses related to High-Speed rail of \$46,243 represents High-Speed Rail funds paid for a commercial modular kitchen six-year maintenance contract for the next twelve months and the balance in deferred prepaid expenses at December 31, 2020 of \$188,377 represents High-Speed Rail funds for the long-term portion of the commercial modular kitchen six-year maintenance contract for the period 2021 through 2025 and is being amortized to income over 72 months.

Cash and Cash Equivalents

The organization considers all highly liquid debt instruments purchased with maturity dates of three months or less to be cash and cash equivalents. The organization's cash and cash equivalents consist of accounts maintained in recognized financial institutions. Some of these accounts may have balances in excess of federally insured limits. Management continuously monitors its concentration of funds in financial institutions and reports the amounts to the Board of Directors regularly.

Fresno Rescue Mission & Affiliates
Notes to Consolidated Financial Statements
Years ended December 31, 2020 and 2019

1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

Accounts Receivable

Accounts receivable are primarily rent and reimbursements receivable from tenants at the City Center commercial property plus employee receivables for used vehicles sold by Fresno Works, Inc. (Thrift Store). Accounts receivable that are expected to be collected within one year are recorded at net realizable value. All receivables are unsecured. It is the organization's policy to charge off uncollectible receivables when management determines the receivable will not be collected. Management believes all are fully collectible; therefore, no allowance for doubtful accounts has been included in the financial statements.

Investments

Investments are reported at fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for an asset or liability in an orderly transaction between market participants on the measurement date. Net appreciation (depreciation) in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation (depreciation) on those investments, is presented in the statement of activities in accordance with donor restrictions as investment income and included in the change in net assets. Investment income is presented net of investment fees. The average cost method is primarily used to determine the basis for computing realized gains or losses.

Property and Equipment and Depreciation

Property and equipment are carried at cost, if purchased, or fair value at the time of contribution, if donated. Depreciation, including amortization of capitalized leases, is computed using the straight-line method with lives for buildings of 30 and 39 years, leasehold improvements 10 years and other property and equipment from 3 to 7 years.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized. Acquisition of property and equipment in excess of \$5,000 are capitalized. Contributed equipment and vehicles are depreciated over their remaining useful lives. Contributed materials are charged to expense as they are consumed. Property and equipment are reviewed for impairment annually. The organization reports gifts of property as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. All depreciation relates to purchased assets.

Compensated Absences

The organization has a policy permitting employees to accumulate unused personal time off (PTO) benefits. The maximum that can be accrued by any one employee is 30 days per anniversary year. Upon termination or retirement, unused PTO benefits will be paid at the employee's regular payroll rate. The balance of unused PTO benefits at December 31, 2020 and 2019 was \$93,980 and \$67,815, respectively and is included in accrued compensated absences in the accompanying consolidated statement of financial position.

Fresno Rescue Mission & Affiliates
Notes to Consolidated Financial Statements
Years ended December 31, 2020 and 2019

1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

Deferred Grants and Other Income/Grant Revenue Recognition

Funds provided under grants or contracts with conditions, which are not considered contributions at the time of receipt, are deemed to be earned and reported as revenue when the organization has incurred expenditures in compliance with the specific terms of the grant or contract. Grant or contract funds received for which no corresponding expenditure has yet been made are accounted for as refundable advances and reported as deferred revenue until it is expended for the purpose of the grant. The balance in deferred grants and other income at December 31, 2020 and 2019 of \$151,098 and \$231,342, respectively, represents unearned grant revenue. See Note 5 regarding recognition of grant income from Paycheck Protection Program (“PPP”) loan forgiveness.

Revenue Recognition

Contributions are recognized as revenue when received or unconditionally promised. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Unconditional contributions are recognized when pledged and recorded as donor restricted support if received with donor stipulations that limit the use of such contributions.

When agency and donor restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without restrictions and reported in the accompanying consolidated statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets with donor restriction support. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restriction upon acquisition of the assets and when the assets are placed in service.

Conditional promises to give are not included as support until the conditions are substantially met. There were no conditional promises to give at December 31, 2020 and 2019.

In-Kind and Noncash Contributions

Contributed goods for which the organization would have paid for, if not contributed, are recorded at their estimated market value. These goods primarily relate to clothing, food, vehicles, and stock and totaled \$2,132,940 and \$1,706,644 for the years ended December 31, 2020 and 2019, respectively.

Fresno Rescue Mission & Affiliates
Notes to Consolidated Financial Statements
Years ended December 31, 2020 and 2019

1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

Functional Allocation of Expenses

The costs of providing the various program and supporting activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. Such allocations are determined by management on an equitable basis. The significant expenses that are allocated and the method of allocation include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and benefits	Departmental assignment
Professional services	Budgetary shared allocation
Insurance	Square footage
Equipment rent	Budgetary shared allocation
Repairs and maintenance	Square footage
Taxes, licenses & permits	Square footage
Utilities	Square footage/Budgetary shared allocation

Advertising Costs

Advertising costs are expensed as incurred.

Concentrations

Financial instruments that potentially subject the organization to concentration of credit risk include cash and cash equivalents, mutual funds, certificates of deposit, and fixed income securities. For cash and cash equivalents and mutual funds, the carrying amounts represent a reasonable estimate of the fair values due to their short-term maturity. The fair values of investments are presented in Note 3 to the footnotes. The organization places its cash and investments with high credit quality financial institutions. At times, the account balances may exceed the institution's federally insured limits. Cash accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At December 31, 2020 and 2019, the organization had cash and cash equivalents of \$2,730,518 and \$1,403,217, respectively, in excess of the FDIC insured limit. Investment accounts at each institution are insured by FDIC, Securities Investor Protection Corporation ("SIPC"), and/or the full faith and guarantee of the federal government for federal securities. At December 31, 2020 and 2019, the organization had investments of \$2,549,775 and \$1,677,044, respectively, in excess of the FDIC, SIPC insured limits, and full faith and guarantee of the federal government for federal securities. The organization has not experienced any losses in such cash and investment accounts.

Use of Estimates

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

Fresno Rescue Mission & Affiliates
Notes to Consolidated Financial Statements
Years ended December 31, 2020 and 2019

1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

Income Taxes

The Mission, Foundation, and Fresno Works, Inc. have been recognized by the Internal Revenue Service as tax-exempt organizations under Internal Revenue Code Section 501(c)(3) and have also been recognized by the California Franchise Tax Board as tax-exempt organizations under California Revenue and Taxation Code Section 23701 (d), and contributions to them are tax deductible within the limitations prescribed by the Code. All organizations have been classified as publicly supported organizations, which are not private foundations under Section 509(a) of the Code.

FASB ASC Topic 740, *Income Taxes*, related to accounting for uncertainty in income taxes, prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Standard requires that the entity account for and disclose in the consolidated financial statements the impact of a tax position if that position will more likely than not be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The organization has evaluated the financial statement impact of tax positions taken or expected to be taken and determined it has no uncertain tax positions that would require tax assets or liabilities to be recorded in accordance with accounting guidance. The organizations are relying on their exempt status and their adherence to all applicable laws and regulations to preserve that status.

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the organization's ongoing activities. Nonoperating activities are limited to Expansion Fund resources that generate a return from investments, sale of nonoperating property, and income and expenses recognized from nonoperating activities.

Restatement and Reclassifications

Certain amounts in the 2019 consolidated financial statements have been reclassified to conform to the 2020 presentation.

Fresno Rescue Mission & Affiliates
Notes to Consolidated Financial Statements
Years ended December 31, 2020 and 2019

2 - INVESTMENTS

Investments consist of the following:

	<u>2020</u>	<u>2019</u>
Mutual funds:		
Investment grade bond funds	\$ 50,932	34,405
Domestic equity funds	59,136	71,321
International equity funds	12,791	3,466
Treasuries securities funds	597	594
Investment cash & equivalents	<u>38</u>	<u>9</u>
 Total mutual funds	 \$ 123,494	 \$ 109,795
Domestic equities	-	10,985
Annuity	20,000	22,500
Commercial lot held for sale	<u>-</u>	<u>295,000</u>
	 <u>\$ 143,494</u>	 <u>\$ 438,280</u>

Investments designated for replacement of land and buildings (Expansion Funds) consist of the following:

	<u>2020</u>	<u>2019</u>
Certificates of deposit	\$ 23,304,581	\$ 7,185,821
Investment cash & equivalents	5,168,755	2,023,079
Federal bonds	4,043,522	3,610,619
Treasury notes	2,261,509	3,233,423
Investment grade corporate bonds	982,660	548,724
Money market account	<u>-</u>	<u>-</u>
	 <u>\$ 35,761,027</u>	 <u>\$ 16,601,666</u>

Investment income, gains, and losses on the above investments are summarized as follows for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Operating		
Realized and unrealized gains (losses), net	\$ (41,171)	\$ 13,354
Interest and dividend income, net	<u>6,310</u>	<u>5,166</u>
 Total investment income, net	 <u>\$ (34,861)</u>	 <u>\$ 18,520</u>
Nonoperating		
Realized and unrealized gains (losses), net	\$ 43,325	\$ 235,411
Interest and dividend income, net	<u>357,553</u>	<u>409,909</u>
 Total investment income, net	 <u>\$ 400,878</u>	 <u>\$ 645,320</u>

Fresno Rescue Mission & Affiliates
Notes to Consolidated Financial Statements
Years ended December 31, 2020 and 2019

3 - FAIR VALUES OF INVESTMENTS

(a). Fair Value Determination

The fair value of the organization's financial instruments represents management's best estimates of the amounts that would be received to sell those assets in an orderly transaction between market participants at the balance sheet date. Those fair value measurements maximize the use of observable inputs. However, in situations where there are little, if any, observable inputs, management's own judgments about the assumptions of market participants were used in pricing the assets. Those judgments are developed by management based on the best information available in the circumstances.

(b). Fair Value Hierarchy

The accounting standards describe three levels of inputs that may be used to measure fair value.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets that the entity has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table presents assets that are measured at fair value on a recurring basis at December 31, 2020:

	<u>Total</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Assets included in investments:				
Mutual funds:				
Investment grade bond funds	\$ 50,932	\$ 50,932	\$ -	\$ -
Domestic equity funds	59,136	59,136	-	-
International equity funds	12,791	12,791	-	-
Treasuries securities funds	<u>597</u>	<u>597</u>	<u>-</u>	<u>-</u>
	123,456	123,456	-	-
Investment cash & equiv.	38	38	-	-
Annuity	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>-</u>
Total assets included in Investments	<u>\$ 143,494</u>	<u>\$ 143,494</u>	<u>\$ -</u>	<u>\$ -</u>

Fresno Rescue Mission & Affiliates
Notes to Consolidated Financial Statements
Years ended December 31, 2020 and 2019

3 - FAIR VALUES OF INVESTMENTS (cont)

(b). Fair Value Hierarchy (cont)

	<u>Total</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Assets included in investments designated for replacement of land and buildings (Expansion Funds):				
Certificates of deposit	\$23,304,581	\$ 23,304,581	\$ -	\$ -
Federal bonds	4,043,522	4,043,522	-	-
Treasury notes	2,261,509	2,261,509	-	-
Investment cash & equivalents	5,168,755	5,168,755	-	-
Investment grade corp. bonds	<u>982,660</u>	<u>982,660</u>	<u>-</u>	<u>-</u>
Total assets included in investments designated for replacement of land and buildings (Expansion Funds)	<u>\$35,761,027</u>	<u>\$ 35,761,027</u>	<u>-</u>	<u>-</u>

The following table presents assets that are measured at fair value on a recurring basis at December 31, 2019:

	<u>Total</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Assets included in investments:				
Mutual funds:				
Investment grade bond funds	\$ 34,405	\$ 34,405	\$ -	\$ -
Domestic equity funds	71,321	71,321	-	-
International equity funds	3,466	3,466	-	-
Treasuries securities funds	594	594	-	-
Investment cash & equiv.	<u>9</u>	<u>9</u>	<u>-</u>	<u>-</u>
	109,795	109,795	-	-
Domestic equities	10,985	10,985	-	-
Annuity	22,500	22,500	-	-
Commercial lot held for sale	<u>295,000</u>	<u>-</u>	<u>-</u>	<u>295,000</u>
Total assets included in Investments	<u>\$ 438,280</u>	<u>\$ 143,280</u>	<u>\$ -</u>	<u>\$ 295,000</u>

Fresno Rescue Mission & Affiliates
Notes to Consolidated Financial Statements
Years ended December 31, 2020 and 2019

3 - FAIR VALUES OF INVESTMENTS (cont)

(b). Fair Value Hierarchy (cont)

	<u>Total</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Assets included in investments designated for replacement of land and buildings (Expansion Funds):				
Certificates of deposit	\$ 7,185,821	\$ 7,185,821	\$ -	\$ -
Federal bonds	3,610,619	3,610,619	-	-
Treasury notes	3,233,423	3,233,423	-	-
Investment cash & equivalents	2,023,079	2,023,079	-	-
Investment grade corp. bonds	<u>548,724</u>	<u>548,724</u>	<u>-</u>	<u>-</u>
Total assets included in investments designated for replacement of land and buildings (Expansion Funds)	<u>\$16,601,666</u>	<u>\$ 16,601,666</u>	<u>-</u>	<u>-</u>

The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value:

Mutual Funds, CD's, Federal bonds, Treasury notes, Investment cash & equivalents, Investment grade corporate bonds, annuities, and Money market accounts – Investments in these assets are classified as Level 1, as they can be liquidated in the same day, representing the active and ready market for these assets.

Commercial Lot Held for Sale – The investment in a commercial undeveloped lot is classified as Level 3, as the asset is very illiquid and an estimate of fair value can only be calculated using an appraisal estimate.

Fresno Rescue Mission & Affiliates
Notes to Consolidated Financial Statements
Years ended December 31, 2020 and 2019

4 - PROPERTY AND EQUIPMENT

The following is a summary of the organization’s land, buildings and equipment at December 31:

	<u>2020</u>	<u>2019</u>
Land	\$ 4,859,112	\$ 4,314,078
Buildings and improvement	15,493,322	14,800,154
Machinery and equipment	3,166,706	3,145,895
Computer equipment	145,976	145,976
Furniture and fixtures	393,603	235,231
Vehicles	420,029	384,979
Leasehold Improvements	4,350	4,350
Construction in progress	<u>34,960</u>	<u>-</u>
	24,518,058	23,030,663
Less: Accumulated depreciation	<u>(5,216,972)</u>	<u>(4,051,011)</u>
	<u>\$ 19,301,086</u>	<u>\$18,979,652</u>

Depreciation charged to income was \$1,165,960 and \$610,525 in 2020 and 2019, respectively.

5 - PAYCHECK PROTECTION PROGRAM LOAN

On April 21, 2020, the organization received loan proceeds in the amount of \$667,100 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act (“CARES ACT”), provides for loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. Under recent additional legislation, the loan and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. Under FASB ASC-950-650, the organization classified the loan as a deferred government grant at the time the loan was received. At December 31, 2020, the organization had met all requirements for forgiveness and recorded the entire amount as grant contribution income in the consolidated statement of activities.

6 - RESTRICTED GRANT LIABILITY

The Mission entered into an agreement with Premier Valley Bank for a loan funded under a grant provided by the Federal Home Loan Bank in 2012. The grant requires a promissory note and deed of trust on the project for which the funds were expended. The grant amount was \$1,000,000 and the funds were used for the remodel of the property purchased for the Rescue the Children (RTC) women’s and children program. The grant was awarded to the Mission for the sole purpose of preparing the property for the RTC program and requires that the property be used for this purpose for 15 years ending December 31, 2026. No interest accrues on the note and the loan does not amortize as long as the property use meets the terms of the agreement.

Fresno Rescue Mission & Affiliates
Notes to Consolidated Financial Statements
Years ended December 31, 2020 and 2019

6 - RESTRICTED GRANT LIABILITY (cont)

In the event of default, the principal becomes due and payable. If the terms of the agreement are maintained at the maturity date, the loan will be cancelled and recorded as grant revenue. The Mission intends to maintain the property for its intended use under the terms of the agreement to the maturity date.

7 - NET ASSETS WITH DONOR RESTRICTIONS

Donor restricted net assets consist of and for the following purposes at December 31, 2020 and 2019:

	2020	2019
Donor-restricted endowment funds - Investment in perpetuity:		
Any activities of the organization	\$ 72,000	\$ 72,000
Donor-restricted funds:		
Purpose and/or time restrictions	21,313	23,156
Total net assets with donor restrictions	\$ 93,313	95,156

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors for the fiscal year ended December 31, 2020 and 2019 as follows:

	2020	2019
<u>Satisfaction of program restrictions</u>		
Rescue the Children Program (Mission)	\$ 59,726	\$ 1,505
Community Ministries Program (Mission)	11,593	94,251
PPP grant	667,100	-
	738,419	95,756
<u>Subject to NFP spending policy and appropriation:</u>		
Investment income from investment in perpetuity	8,106	656
Subtotal	746,525	96,412
<u>Satisfaction of equipment acquisition restrictions</u>		
Rescue the Children Program – equip/vehicle purchase	13,615	20,478
Community Ministries Program – equip/vehicle purchase	208,835	-
Subtotal	222,450	20,478
Total restrictions released	\$ 968,975	\$ 116,890

Fresno Rescue Mission & Affiliates
Notes to Consolidated Financial Statements
Years ended December 31, 2020 and 2019

8 - NET ASSETS WITHOUT DONOR RESTRICTIONS - BOARD DESIGNATED AND UNDESIGNATED NET ASSETS

The board designated and undesignated net assets are comprised of the following:

	2020	2019
Without donor restrictions:		
Designated by the board for purchase of land and buildings (Expansion Funds)	\$ 35,761,027	\$ 16,601,666
Undesignated	21,622,625	20,429,515
	\$ 57,383,652	\$ 37,031,181

9 - NET ASSETS – ENDOWMENT FUNDS

The Foundation’s endowment consists of one fund with an institutional investment company to provide financial support to the Mission and Affiliates. The endowment net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Foundation is subject to the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are restricted and required to be maintained in perpetuity and the investment income is restricted until the Board of Directors appropriates such amounts for expenditure. The Foundation’s Board of Directors has interpreted the UPMIFA as not requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund, and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required by law. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the endowment fund;
- (2) The purposes of the organization and the endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation or deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the organization; and
- (7) The investment policy of the organization.

Fresno Rescue Mission & Affiliates
Notes to Consolidated Financial Statements
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9 - NET ASSETS – ENDOWMENT FUNDS (cont)

Endowment net asset composition by type of fund consists of the following as of December 31, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ <u>-</u>	\$ <u>72,000</u>	\$ <u>72,000</u>

Changes in endowment net assets for the year ended December 31, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2020	\$ <u>-</u>	\$ <u>72,000</u>	\$ <u>72,000</u>
Investment return:			
Investment income	-	3,081	3,081
Net appreciation (realized and unrealized)	<u>-</u>	<u>5,025</u>	<u>5,025</u>
Total investment return	<u>-</u>	<u>8,106</u>	<u>8,106</u>
Contributions to endowment	-	-	-
Appropriations of endowment assets for expenditure	<u>-</u>	<u>(8,106)</u>	<u>(8,106)</u>
Endowment net assets, December 31, 2020	\$ <u>-</u>	\$ <u>72,000</u>	\$ <u>72,000</u>

Changes in endowment net assets for the year ended December 31, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2019	\$ <u>-</u>	\$ <u>72,000</u>	\$ <u>72,000</u>
Investment return:			
Investment income	-	2,975	2,975
Net appreciation (realized and unrealized)	<u>-</u>	<u>8,814</u>	<u>8,814</u>
Total investment return	<u>-</u>	<u>11,789</u>	<u>11,789</u>
Contributions to endowment	-	-	-
Appropriations of endowment assets for expenditure	<u>-</u>	<u>(11,789)</u>	<u>(11,789)</u>
Endowment net assets, December 31, 2019	\$ <u>-</u>	\$ <u>72,000</u>	\$ <u>72,000</u>

Spending Policy, Investment Policy, Objectives, and Risk Tolerance

The organization uses a method based upon total return on assets to determine the amounts appropriated for expenditure for endowments under which the organization is the income beneficiary in conformity with UPMIFA. To satisfy its long-term rate-of-return objectives, the organization seeks investment returns through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The organization targets a diversified asset allocation that includes equity and debt investments to achieve its long-term return objectives within prudent risk restraints.

Fresno Rescue Mission & Affiliates
Notes to Consolidated Financial Statements
Years ended December 31, 2020 and 2019

9 - NET ASSETS – ENDOWMENT FUNDS (cont)

The Foundation Board of Directors has a spending policy on all endowments, such that distribution amounts will be determined prior to the new fiscal year based on the previous twelve quarters-end average market value, whenever possible. In any given year, the distribution of an individual endowment or endowments may be less than 5% if the total return is not enough to preserve the purchasing power of the fund.

Underwater Endowment Funds

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the organization to retain as a fund of perpetual duration. There are no funds that were underwater for the year ended December 31, 2020 and 2019. The organization has a policy that permits spending underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations.

10 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the organization’s financial assets as of the consolidated statement of financial position date, reduced by amounts not available for general use because of contractual, donor-imposed regulation, or Board designations within one year of the consolidated statement of financial position date. However, amounts already appropriated from the donor-restricted endowment for general expenditure within one year of the consolidated statement of financial position date have not been subtracted as unavailable:

	2020	2019
Financial assets at year end:		
Cash & cash equivalents	\$ 3,106,590	\$ 1,815,379
Accounts receivable	68,770	229,497
Inventory	93,574	102,936
Investments (Expansion Funds)	35,761,027	16,601,666
Investments (other)	143,494	438,280
Less those unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions	(93,313)	(95,156)
Board-designated investments for replacement of land and buildings	<u>(35,761,027)</u>	<u>(16,601,666)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,319,115</u>	<u>\$ 2,490,936</u>

The organization is substantially supported by unrestricted contributions and receives some restricted contributions. Because a donor’s restriction requires resources to be used in a particular manner or in a future period, the organization must maintain sufficient resources to meet those responsibilities to its donors. Thus financial assets may not be available for general expenditure within one year.

Fresno Rescue Mission & Affiliates
Notes to Consolidated Financial Statements
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10 - LIQUIDITY AND AVAILABILITY OF RESOURCES (cont)

As part of the organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. The organization invests cash in excess of daily requirements in short-term investments. In addition, the organization has Board-designated investments of \$35,761,027. Although the organization does not intend to spend from its Board-designated funds, amounts from its funds could be made available if necessary.

11 - COMMITMENTS AND CONTINGENCIES

(a) Lease Commitments

The organization leases certain facilities and equipment under short and long-term lease agreements. The lease of the thrift store facility by Fresno Works, Inc. is classified as an operating lease and expires in 2023. The leases of equipment are classified as operating leases and expires in 2021 and 2023.

The future minimum lease payments under the operating lease agreements follows:

<u>Year ended</u> <u>December 31</u>	<u>Total</u>
2021	\$ 125,197
2022	126,758
2023	129,899
2024	-
2025	-
Total minimum lease payments	<u>\$ 381,854</u>

Rental expense for all operating leases amounted to \$163,037 and \$113,529 for the years ended December 31, 2020 and 2019, respectively.

(b) Contingencies

The organization is subject to certain loss contingencies, such as litigation, arising in the normal conduct of its activities. In the opinion of the organization’s management, the liability, if any, for such contingencies will not have a material effect on the organization’s financial position.

12 - RELATED PARTY TRANSACTIONS

The organization had certain transactions in the ordinary course of business with related parties. Fresno Rescue Mission, Inc., Fresno Rescue Mission Foundation, and Fresno Works, Inc. are under common control and management, which require elimination of intercompany profits, transactions and balances in the consolidated financial statements.

Fresno Rescue Mission & Affiliates
Notes to Consolidated Financial Statements
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12 - RELATED PARTY TRANSACTIONS (cont)

The following intercompany accounts and transactions were eliminated for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Mission payments to affiliates – Foundation	\$ -	\$ 2,318,281
Mission payments to affiliates – Fresno Works, Inc	\$ 259,250	\$ -
Fresno Works, Inc. payments to affiliates–Mission	-	644,072

13 - SUBSEQUENT EVENTS

The organization has evaluated subsequent events through March 31, 2021, the date on which the consolidated financial statements were available to be issued. Management has concluded the following subsequent event requires disclosure in the financial statements:

Financing - New Markets Tax Credit

The Foundation is working with a New Market Tax Credit consulting firm to obtain financing for a capital improvement development project. The amount of financing through New Market Tax Credit loan funding and Affordable Housing Program grant is estimated to be approximately \$5,000,000. Fees for this funding of \$20,000 have been paid in the process of beginning this financing process.

The Foundation has signed contracts and Board commitments totaling approximately \$2,000,000.