

RESCUE MISSIONS MINISTRIES, INC.
D/B/A DURHAM RESCUE MISSION

FINANCIAL STATEMENTS

Year Ended December 31, 2017

RESCUE MISSIONS MINISTRIES, INC.
D/B/A DURHAM RESCUE MISSION

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B. DANE BYERS, CPA, PLLC

INDEPENDENT AUDITOR'S REPORT

April 16, 2018

The Board of Directors
Rescue Missions Ministries, Inc.
d/b/a Durham Rescue Mission
Durham, North Carolina

I have audited the accompanying statement of financial position of Rescue Missions Ministries, Inc. d/b/a Durham Rescue Mission (the "Mission"), a nonprofit organization, as of December 31, 2017, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Mission as of December 31, 2017, and the statement of activities and changes in net assets and statement of cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information on page 15 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

B. Dane Byers, CPA, PLLC

Durham, North Carolina

RESCUE MISSIONS MINISTRIES, INC.
D/B/A DURHAM RESCUE MISSION
STATEMENTS OF FINANCIAL POSITION
As of December 31, 2017

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 1,829,897
Promises to give, net	136,960
Other receivables	96,207
Investments, at fair value	2,869,338
Prepaid expenses	64,188
Inventory, net	<u>648,414</u>
Total current assets	<u>5,645,004</u>
LONG TERM ASSETS	
Property & equipment, net	9,886,505
Investments, at fair value	359,463
Promises to give, net	280,233
Other assets	<u>25,000</u>
Total long term assets	<u>10,551,201</u>
Total assets	<u><u>\$ 16,196,205</u></u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable and accrued expenses	\$ 541,529
Deferred revenue	<u>10,605</u>
Total liabilities	<u>552,134</u>
NET ASSETS	
Unrestricted net assets	
Board designated for special purpose	2,499,999
Non-designated	<u>11,034,032</u>
Total unrestricted net assets	13,534,031
Temporarily restricted net assets	1,860,040
Permanently restricted net assets	<u>250,000</u>
Total net assets	<u>15,644,071</u>
	<u><u>\$ 16,196,205</u></u>

See accompanying notes and independent auditor's report

RESCUE MISSIONS MINISTRIES, INC.
D/B/A DURHAM RESCUE MISSION
STATEMENT OF ACTIVITIES
For the Twelve Months Ended December 31, 2017

UNRESTRICTED NET ASSETS

Revenues and gains

Contributions	\$ 7,065,979
Sales and services	3,805,767
Program services	273,314
Return on investments	279,551
Dividends and investment interest	89,753
Rent	168,079
Other	<u>48,377</u>

Total unrestricted revenues and gains (losses) 11,730,820

Net assets released from restrictions

Satisfaction of purpose restrictions 767,443

12,498,263

Expenses

Operating program expenses	10,357,796
Management & general	1,248,817
Fundraising	<u>577,952</u>

Total expenses 12,184,565

Change in unrestricted net assets 313,698

RESCUE MISSIONS MINISTRIES, INC.
D/B/A DURHAM RESCUE MISSION
STATEMENT OF ACTIVITIES
For the Twelve Months Ended December 31, 2017

TEMPORARILY RESTRICTED NET ASSETS

Contributions	\$ 514,930
Net assets released from restrictions	
Satisfaction of purpose restrictions	<u>(767,443)</u>
(Decrease) in temporarily restricted net assets	<u>(252,513)</u>
INCREASE IN NET ASSETS	<u>61,185</u>
NET ASSETS, beginning of year	<u>15,582,886</u>
NET ASSETS, end of year	<u>\$ 15,644,071</u>

See accompanying notes and independent auditor's report

RESCUE MISSIONS MINISTRIES, INC.
D/B/A DURHAM RESCUE MISSION
STATEMENT OF CASH FLOWS
For the Twelve Months Ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 61,185
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	329,086
(Gain) loss on asset disposals	67,248
Net realized and unrealized losses (gains) on investments	(192,934)
Changes in operating assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	(56,237)
Promises to give	24,795
Prepaid expenses	(33,163)
Inventory	4,496
Long-term promises to give	62,676
Restricted cash	165,895
Increase (decrease) in:	
Accounts payable and accrued expenses	<u>139,473</u>
Net cash provided by operating activities	<u>572,520</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of fixed assets	(528,435)
Proceeds from sale of fixed assets	365,000
Proceeds from sales and maturities of investments net of purchases	<u>63,343</u>
Net cash (used in) investing activities	<u>(100,092)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
	<u>-</u>
Net increase in cash and cash equivalents	472,428
Cash and cash equivalents, beginning of year	<u>1,357,469</u>
Cash and cash equivalents, end of year	<u>\$ 1,829,897</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION	
Cash payments for:	
Interest	<u>\$ -</u>
Taxes	<u>\$ -</u>

See accompanying notes and independent auditor's report

RESCUE MISSIONS MINISTRIES, INC.
D/B/A DURHAM RESCUE MISSION
NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

Rescue Missions Ministries, Inc. doing business as Durham Rescue Mission (the "Mission") is a nonprofit organization that was formed in 1973. The Mission's purpose is to offer food to the hungry, clothes and shelter to the needy, vocational training and medical, dental, and vision care through a partnership with Samaritan Health Center, Inc., to its residents, and Christ to the hurting through programs for men, women and children in Durham, North Carolina. The Mission is governed by a Board of Directors which meets regularly to conduct the business of the Mission. The Mission's revenue consists primarily of individual, corporate, and church contributions.

A Summary of the Mission's Significant Accounting Policies follows:

Basis of Presented Financial Statements

The Mission's financial statements previously included the accounts of the Durham Rescue Mission Endowment Fund, required to be consolidated with the Mission as the Mission exercised control over the Endowment Fund. Effective January 1, 2016 the Mission no longer exerts control over the Fund, and therefore the accounts of the Fund are no longer consolidated with the Mission.

Financial Statement Presentation

The Mission reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents

For the purpose of reporting the statement of cash flows, the Mission considers cash in banks and investments with an original maturity of three months or less when purchased to be cash equivalents. Amounts received with donor-imposed restrictions which limit their use to long-term purposes are not considered cash and cash equivalents for purposes of the statement of cash flows.

Investments

Investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the changes in net assets. Unless they are specifically restricted by the donor, investment earnings and losses are reported as increases or decreases in unrestricted net assets.

RESCUE MISSIONS MINISTRIES, INC.
D/B/A DURHAM RESCUE MISSION
NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Income Taxes

The Mission is exempt from Federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code, and has been classified as a church by the Internal Revenue Service. In addition, the Mission qualifies for the charitable contribution deduction under Section 107(b)(1)(a).

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. 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. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. The discount on amounts to be collected in future years at December 31, 2017 was \$19,211. Conditional promises to give are not included as revenue until the conditions are substantially met.

Allowance for Uncollectable Accounts

Pledges receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to pledges receivable. The allowance for uncollectible pledges receivable as of December 31, 2017 was \$25,000.

Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donor assets must be maintained, the Mission reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Mission reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Expenditures for repairs and maintenance are charged to expense as incurred. The cost of major renewals and betterments are capitalized and depreciated over their estimated useful lives. Upon disposition of property and equipment, the related asset and accumulated depreciation accounts are removed and any gain or loss is reflected in the statement of activities for the period.

RESCUE MISSIONS MINISTRIES, INC.
D/B/A DURHAM RESCUE MISSION
NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Property and equipment are depreciated using the straight-line and accelerated methods over the following useful lives:

	<u>Years</u>
Furniture & equipment	5-20
Vehicles	3-5
Buildings & improvements	10-40

Inventory

Inventory consists of donated and purchased food, clothing, furniture, and other supplies that are either used or sold in its thrift shops, as well as vehicles that are either used in the Mission's programs or sold in its yard sales. Donated inventory is recorded as donated materials revenue and as inventory at estimated fair market value at the time of receipt.

Contributions

Contributions restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the same reporting period as when recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. Upon expiration, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions made (benevolent gifts) are recognized as expenses in the period made. It is the Mission's belief that most items are sold below fair market value and, as such, represent a benefit to needy members of the community.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

RESCUE MISSIONS MINISTRIES, INC.
D/B/A DURHAM RESCUE MISSION
NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Accounting for uncertain tax positions

The Mission reports uncertain tax positions under ASC 740-10-50-15(a). Management believes it has no substantial uncertain tax positions for the year ending December 31, 2017. Calendar years after 2013 remain open and subject to review by regulatory agencies at December 31, 2017.

Note 2. Inventory

Inventory consists entirely of goods available for sale at the Mission's thrift shops or at yard sales. The cost of donated inventory is estimated based on the fair market value at the time of receipt. For vehicles held for yard sales, that cost is adjusted down to net realizable value for slow-moving items. Write downs of inventory for the year ended December 31, 2017 were \$0. A loss is recorded for any vehicles sold for less than their cost. The cost, allowance for slow moving inventory, and net realizable value of inventory items at December 31, 2017 consist of the following:

	<u>Cost or Donated Value</u>	<u>Allowance for Slow-moving Inventory</u>	<u>Net Book Value</u>
Clothing, furniture, and supplies for thrift store	\$ 630,989	\$ -	\$ 630,989
Vehicles	<u>17,425</u>	<u>-</u>	<u>17,425</u>
	<u>\$ 648,414</u>	<u>\$ -</u>	<u>\$ 648,414</u>

Note 3. Investments

All investments at December 31, 2017 are equity securities or mutual funds with readily determinable market values. The following schedule summarizes the return on investments for the year ended December 31, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Realized and unrealized gains (losses)	\$ 279,551	\$ -
Dividends and interest	<u>89,753</u>	<u>-</u>
	<u>\$ 369,304</u>	<u>\$ -</u>

RESCUE MISSIONS MINISTRIES, INC.
D/B/A DURHAM RESCUE MISSION
NOTES TO FINANCIAL STATEMENTS

Note 3. Investments (Continued)

Investor broker fees incurred on unrestricted investments have been included with professional fees in the statement of function expenses, for the year ending December 31, 2017.

Note 4. Promises to Give

Promises to give at December 31, 2017 were as follows:

Promises to give	\$ 436,404
Pledge discounts for long-term promises	(19,211)
Allowance for uncollectibles	<u>-</u>
 Promises to give, net	 <u><u>\$ 417,193</u></u>
 Amounts due in:	
Less than one year (reported as current assets)	\$ 136,960
More than one year (reported as long-term assets)	<u>280,233</u>
	 <u><u>\$ 417,193</u></u>

Note 5. Property and Equipment

The cost, accumulated depreciation, and net book value of property and equipment consist of the following at December 31, 2017:

Buildings & improvements	\$ 7,755,064
Land	957,346
Furniture & equipment	708,407
Vehicles	234,844
Construction in progress	2,933,451
Accumulated depreciation	<u>(2,702,607)</u>
	 <u><u>\$ 9,886,505</u></u>

Depreciation expense was \$329,086 for the year ended December 31, 2017.

RESCUE MISSIONS MINISTRIES, INC.
D/B/A DURHAM RESCUE MISSION
NOTES TO FINANCIAL STATEMENTS

Note 6. Net Assets

Board designated net assets consists of the following at December 31, 2017:

Investment in property and equipment	\$	700,000
Self-insurance fund		499,000
Operating fund		1,000,000
Facility renovation and repairs		<u>300,000</u>
	\$	<u><u>2,499,000</u></u>

Temporarily purpose-restricted net assets consist of the following at December 31, 2017:

Scholarship and Capital Investments	\$	1,462,651
Miscellaneous projects		<u>397,389</u>
	\$	<u><u>1,860,040</u></u>

Permanently restricted net assets of \$250,000 consist entirely of an endowment set up by GlaxoSmithKline (GSK) for Victory Scholarships. The contributed capital will be held in perpetuity, with earnings being available to fund educational opportunities of Victory program graduates under the conditions that follow. Annual distributions will be limited to the greater of (1) five percent of the average market value of the endowment, so long as the average market value is greater than 105.3% of the contributed capital or (2) the accumulated net income earned from the contributed capital.

Note 7. Employee Retirement Plan

The Mission has a safe-harbor 401(k) plan. Employees are eligible to participate upon reaching 21 years of age and 1,000 hours of service. Contributions are determined solely at the discretion of the Board of Directors, subject to a limit of 8% of each participant's salary. Contributions under the plan totaled \$96,760 for the year ended December 31, 2017.

Note 8. Lease Transactions With Affiliated Organizations

The Mission leases retail and operational locations used in its thrift store operations in Durham and Raleigh. The lessor entities are wholly-owned by Rescue Legacy Fund, Inc., which shares certain board members with, but is not controlled, by the Mission. The leases are month-to-month and payments ranging from \$55,200 to \$362,271 per year. Total rents paid for the year ending December 31, 2017 total \$926,642.

RESCUE MISSIONS MINISTRIES, INC.
D/B/A DURHAM RESCUE MISSION
NOTES TO FINANCIAL STATEMENTS

Note 9. In-Kind Contributions and Donated Services

A substantial portion of contributions to the Mission are in the form of goods and services rather than cash. The Mission records a contribution and a related expense or asset for these non-cash donations for which a market value is readily determinable.

Note 10. Fair Value Measurements

The Mission reports the value of investments according to standards on fair value measurements. These standards require management to report the fair value of applicable assets according to three hierarchical levels; Level I – Quoted Prices in Active Markets for Identical Assets, Level II – Significant Other Observable Inputs, and Level III – Significant Unobservable Inputs, as well as total gains and losses resulting from certain changes in fair value. All fair values at December 31, 2017 totalling \$3,228,801 are measured under the Level I hierarchy.

Note 11. Lease Commitments as Lessee

The Organization leases office equipment under the terms of a non-cancelable operating lease. The term of the lease is for five years beginning on March 18, 2014, and ending on May 18, 2019, with an option to renew for at the end of the five-year period. Total rent expense for the year ended December 31, 2017 was \$3,672. Totals for the years ended December 31, 2018 and 2019 are \$3,672 and \$1,530, respectively.

Note 12. Concentration of Risk

The Mission had time and demand deposits in several financial institutions which were in excess of the Federal Deposit Insurance Corporation (FDIC) limitations at various times throughout the year. Deposits in excess of FDIC limits were \$547,745 at December 31, 2017. Accounts are guaranteed by the FDIC up to \$250,000. The Mission has not experienced any losses in such accounts.

Note 13. Management's Review for Subsequent Events

Management has reviewed their financial records for subsequent events that potentially could have a material effect on the financial statements as of and for the period ending December 31, 2017. Management has conducted their review through the audit report date, which represents the date the financial statements were available to be issued. Based on management's search through their financial records, we are unaware of any subsequent events that have any material effect on the financial statements as of and for the year ending December 31, 2017.

RESCUE MISSIONS MINISTRIES, INC.
D/B/A DURHAM RESCUE MISSION
SUPPLEMENTAL INFORMATION
Schedule of Functional Expenses
For the Year Ended December 31, 2017

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries, benefits and contract labor	\$ 2,640,497	\$ 597,497	\$ 201,986	\$ 3,439,980
Food	2,832,849	-	-	2,832,849
Depreciation and amortization	329,086	-	-	329,086
Postage and printing	216,319	129,817	86,501	432,637
Maintenance and repairs	531,049	2,345	-	533,394
Community events	75,091	-	-	75,091
Utilities	468,609	22,798	-	491,407
Development	23,438	92,104	288,600	404,142
General and administrative	1,114,936	213,178	-	1,328,114
Insurance	245,631	45,392	865	291,888
Benevolent gifts to others	359,533	-	-	359,533
Contributions to Rescue Legacy Fund	405,072	-	-	405,072
Program supplies	273,033	-	-	273,033
Transportation	218,175	-	-	218,175
Professional fees	148,979	87,223	-	236,202
Cost of goods sold	208,367	-	-	208,367
Clothing	147,834	-	-	147,834
Office expense	53,475	25,057	-	78,532
Telephone	32,695	31,793	-	64,488
Staff training	17,726	1,554	-	19,280
Resident training	15,402	59	-	15,461
	<u>\$ 10,357,796</u>	<u>\$ 1,248,817</u>	<u>\$ 577,952</u>	<u>\$ 12,184,565</u>

See accompanying notes and independent auditor's report