

CITY RESCUE MISSION OF LANSING
REPORT ON FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
City Rescue Mission of Lansing
Lansing, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of City Rescue Mission of Lansing (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets - modified cash basis as of December 31, 2020, and the related statements of support, revenues, and expenses - modified cash basis, functional expenses - modified cash basis, and cash flows - modified cash basis 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 the modified cash basis of accounting as described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of financial statements in the circumstances. Management is also responsible for 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 assets, liabilities, and net assets of City Rescue Mission of Lansing as of December 31, 2020, and its support, revenues, and expenses and cash flows for the year then ended, in accordance with the modified cash basis of accounting as described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements have been prepared on the modified cash basis of accounting, which is a basis other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Maney Costeiran PC

June 15, 2021

CITY RESCUE MISSION OF LANSING
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2020

| | |
|--------------------------------------|----------------------------|
| ASSETS | |
| Current assets | |
| Cash | \$ 1,099,166 |
| Marketable securities | <u>65,180</u> |
| TOTAL ASSETS | <u><u>\$ 1,164,346</u></u> |
| LIABILITIES AND NET ASSETS | |
| LIABILITIES | |
| Current liabilities | |
| Accrued liabilities | \$ 5,254 |
| Current portion of long-term debt | <u>20,336</u> |
| Total current liabilities | 25,590 |
| Noncurrent liabilities | |
| Noncurrent portion of long-term debt | <u>227,757</u> |
| Total liabilities | <u>253,347</u> |
| NET ASSETS | |
| Without donor restrictions | 832,587 |
| With donor restrictions | <u>78,412</u> |
| Total net assets | <u>910,999</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>\$ 1,164,346</u></u> |

See accompanying notes to financial statements.

CITY RESCUE MISSION OF LANSING
STATEMENT OF SUPPORT, REVENUES, AND EXPENSES - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2020

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---------------------------------------|-------------------------------|----------------------------|-------------------|
| SUPPORT AND REVENUES | | | |
| Support | | | |
| Contributions | \$ 3,059,656 | \$ 648,497 | \$ 3,708,153 |
| Revenues | | | |
| Charges for services | 1,823 | - | 1,823 |
| Thrift store sales, net | 256,808 | - | 256,808 |
| Other income | 199,192 | - | 199,192 |
| Investment return, net | 11,146 | - | 11,146 |
| Net assets released from restrictions | 647,596 | (647,596) | - |
| TOTAL SUPPORT AND REVENUES | 4,176,221 | 901 | 4,177,122 |
| EXPENSES | | | |
| Program services | 3,606,871 | - | 3,606,871 |
| Supporting services | | | |
| Management and general | 488,803 | - | 488,803 |
| Fundraising | 69,409 | - | 69,409 |
| TOTAL EXPENSES | 4,165,083 | - | 4,165,083 |
| CHANGE IN NET ASSETS | 11,138 | 901 | 12,039 |
| Net assets, beginning of year | 821,449 | 77,511 | 898,960 |
| Net assets, end of year | \$ 832,587 | \$ 78,412 | \$ 910,999 |

See accompanying notes to financial statements.

CITY RESCUE MISSION OF LANSING
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2020

| | <u>Supporting Services</u> | | | <u>Total</u> |
|--------------------------------------------|----------------------------|-------------------------------|--------------------|---------------------|
| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | |
| Salaries | \$ 1,143,079 | \$ 309,997 | \$ - | \$ 1,453,076 |
| Payroll taxes | 84,970 | 16,724 | - | 101,694 |
| Fringe benefits | 121,690 | 38,573 | - | 160,263 |
| Total salaries and related expenses | 1,349,739 | 365,294 | - | 1,715,033 |
| Contracted services | 57,522 | 49,352 | - | 106,874 |
| Utilities | 155,489 | 774 | - | 156,263 |
| Rent | 148,980 | - | - | 148,980 |
| Maintenance and repairs | 172,207 | - | - | 172,207 |
| Food | 543,631 | - | - | 543,631 |
| Supplies and materials | 383,611 | 5,780 | - | 389,391 |
| Buildings, furniture, and equipment | 735,156 | 325 | - | 735,481 |
| Telephone | 11,237 | 254 | - | 11,491 |
| Postage | - | 3,541 | 23,818 | 27,359 |
| Interest | - | 1,049 | - | 1,049 |
| Bank charges | 6,703 | 16,265 | - | 22,968 |
| Printing | 10,324 | 38,001 | 45,591 | 93,916 |
| Transportation | 3,092 | - | - | 3,092 |
| Conferences and meetings | - | 4,408 | - | 4,408 |
| Insurance | 26,027 | - | - | 26,027 |
| Other | 3,153 | 3,760 | - | 6,913 |
| TOTAL EXPENSES | \$ 3,606,871 | \$ 488,803 | \$ 69,409 | \$ 4,165,083 |

See accompanying notes to financial statements.

**CITY RESCUE MISSION OF LANSING
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2020**

| | |
|-----------------------------------------------------------------------------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Change in net assets | \$ 12,039 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | |
| Unrealized gain on investments | (2,219) |
| Increase in accrued liabilities | <u>2,431</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>12,251</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | |
| Proceeds from long-term debt | 252,000 |
| Payments on long-term debt | <u>(3,907)</u> |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | <u>248,093</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Proceeds from sale of marketable securities | 2,900 |
| Purchases of marketable securities | <u>(51,772)</u> |
| NET CASH USED BY INVESTING ACTIVITIES | <u>(48,872)</u> |
| NET INCREASE IN CASH DURING THE YEAR | 211,472 |
| Cash, beginning of year | <u>887,694</u> |
| Cash, end of year | <u><u>\$ 1,099,166</u></u> |
| Interest paid | <u><u>\$ 1,049</u></u> |

See accompanying notes to financial statements.

CITY RESCUE MISSION OF LANSING NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF ORGANIZATION

City Rescue Mission of Lansing (the Mission) was organized in 1911 as a private, nonprofit corporation to meet physical needs and to bring those with spiritual needs to Jesus Christ. As part of this mission, they provide food, clothing, and shelter to the needy in Michigan's capital area at no cost to the men, women, and children served. The Mission operates under an appointed Board of Directors and an Executive Director. The majority of the Mission's revenue is from contributions from the general public.

City Rescue Mission of Lansing maintains the following programs:

Advocacy - Case management is provided for adult guests of the Mission at the women and children's shelter and the men's shelter. The women and children's shelter is a secure facility, providing a safe haven for those seeking shelter from domestic abuse. Referral assistance is provided to other local service agencies from both shelters.

Counseling - Provides individual and group counseling services for men and women. These services are free and made available to shelter guests and non-guests.

Children's Program - Provides children's chapel with supervised play with a volunteer group, and occasional special activities for the children at the women and children's shelter. While in shelter, tutoring is provided by the local school district where the children may receive help on their school work. Birth to five playgroup is provided weekly through the intermediate school district for moms and their children where they learn the importance of positive interaction with their children and learning through play.

Clothing - Clothing donated to the Mission is sorted by staff and volunteers at the Thrift Store. Items in season and in sellable condition are tagged and taken to the sales floor. Guests of the Mission are given vouchers to shop there for free. Unneeded clothing items are sent to another organization to use/recycle.

Food - Meals are provided to shelter guests at the men's shelter and at the women and children's shelter. The men's shelter, in the Michigan Avenue facility, is connected to the public dining room. The public dining room is open 365 days a year and provides meals to the homeless and the non-homeless population. The Food Pantry provides boxes of food supplies to guests moving into their new housing situation.

Personal Needs - The personal needs closet, at the Michigan Avenue facility, provides personal hygiene items to the homeless (guests and non-guests of the Mission) as well as guests from the low-income, non-homeless population. The women and children's shelter, at the Maplewood Center, also provides personal hygiene items to guests at that shelter.

Shelter - Shelter, meals, personal needs items, and clothing to guests are provided. Former guests are invited back to utilize other services (available for the low-income, non-homeless population).

**CITY RESCUE MISSION OF LANSING
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Mission do not conform to U.S. generally accepted accounting principles (GAAP) as applicable to nonprofit entities as noted below under basis of accounting. The Financial Accounting Standards Board (FASB) is the accepted standard-setting body for establishing nonprofit accounting and financial reporting principles.

The following is a summary of the significant accounting policies of the Mission:

Basis of Presentation - The Mission reports information regarding its financial position and activities according to two classes of net assets (net assets without donor restrictions, net assets with donor restrictions) based upon the existence or absence of donor-imposed restrictions.

Basis of Accounting - Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

The financial statements of City Rescue Mission of Lansing are accounted for using the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America for nonprofit organizations. The modified cash basis of accounting for City Rescue Mission of Lansing includes certain receivables, inventory, accrued and other current liabilities, and long-term debt (when applicable). Certain items such as accounts receivable and fixed assets are excluded from the financial statements.

Cash - Cash consists of petty cash, checking accounts, and savings accounts.

Marketable Securities - Investments in marketable securities consist of corporate stock. All marketable securities have readily determinable fair values and are stated at fair value at December 31, 2020. Fair values of all of these investments are determined based on quoted market prices and other relevant information generated by market transactions. Net investment return is included in the statement of support, revenues, and expenses - modified cash basis and consists of interest and dividend income, realized and unrealized gains and losses, less expenses.

The Mission discloses significant concentrations of credit risk regardless of the degree of such risk. Financial instruments which potentially subject the Mission to concentrations of credit risk are described in subsequent notes.

The Mission places its investments with high credit-quality financial institutions. Although the marketable securities held are not federally insured, they are, in the opinion of management, subject to minimal risk.

Contributions - All contributions are considered to be available for general use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. When a donor restriction expires, donor restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of support, revenues, and expenses - modified cash as net assets released from restrictions.

**CITY RESCUE MISSION OF LANSING
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Materials and Services - Donations of materials are recorded as support at the estimated fair value at the date of donation. Such donations are reported as general support unless the donor has restricted the donated asset to a specific purpose and a like amount included in expenses. Absent donor stipulations regarding how long those donated assets must be maintained, the Mission reports expiration of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Mission reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. The Mission received contributed food and other supplies during the year ended December 31, 2020, with an estimated fair value on the dates of donation of \$855,400.

Professional services received are recognized if those services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The value of donated services is recorded as contributions in the period the services are rendered. The amounts reflected in the financial statements as in-kind contributions will be offset by like amounts included in expenses. The Mission did not receive contributed services during the year ended December 31, 2020, meeting the recognition criteria.

Net Assets - Net assets, revenues, gains, and losses are classified on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor or grantor restrictions.

Net assets with donor restrictions - Net assets subject to donor (or grantor) imposed restrictions. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources are maintained in perpetuity. Donor restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, or when the stipulated purpose has been accomplished. Net assets with donor-imposed restrictions as of December 31, 2020 consists of the following:

| | |
|----------------------------------------|------------------|
| Food | \$ 29,469 |
| Bibles and Literature | 21 |
| Mission Special Needs | 4,035 |
| Carl and Rhea Bradford Revocable Trust | <u>44,887</u> |
| | <u>\$ 78,412</u> |

Functional Expense Allocation - Certain costs of the Mission have been allocated to program service activities. Salaries and related expenses have been allocated to program service activities based upon time percentages for each employee. Most other costs are either charged directly or are allocated to program service and supporting service activities based on management's estimation of actual activity.

Estimates - The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**CITY RESCUE MISSION OF LANSING
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes - City Rescue Mission of Lansing is a nonprofit corporation and has been granted exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Mission is not classified as a private foundation.

Subsequent Events - In preparing these financial statements, the Mission has evaluated events and transactions for potential recognition or disclosure through June 15, 2021, the date the financial statements were available to be issued.

On March 27, 2020, in an effort to mitigate the economic impact of the COVID-19 pandemic, the U.S. Congress enacted the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”). The CARES Act contains provisions for deferral of the employer portion of social security taxes and an employee retention credit, a refundable payroll credit for 50% of wages and health benefits paid to employees. As a result of the CARES Act, the Mission claimed \$198,342 under the employee retention credit program and recognized it as other income on the statement of support, revenues, and expenses - modified cash basis.

The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our beneficiaries, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition and results of operations is uncertain.

NOTE 3 - CONCENTRATION OF CREDIT RISK

City Rescue Mission of Lansing has cash at financial institutions that exceeded federally insured limits by \$683,636 as of December 31, 2020.

NOTE 4 - LIQUIDITY AND AVAILABILITY

The following reflects the Mission’s financial assets as of December 31, 2020, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the date of the statement of financial position.

| | |
|-------------------------------------------------------------------------------------------|--------------|
| Financial assets at year-end | |
| Cash | \$ 1,099,166 |
| Marketable securities | 65,180 |
| Total financial assets at year-end | 1,164,346 |
| Less: Net assets with donor restrictions | (78,412) |
| Financial assets available to meet cash needs for general expenditures within one year | \$ 1,085,934 |

In addition to financial assets available to meet general expenditures over the next 12 months, the Mission operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. The Mission also has a line of credit to meet short-term needs (see Note 7).

**CITY RESCUE MISSION OF LANSING
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - MARKETABLE SECURITIES

The Mission's investments in marketable securities, consisting of corporate stock, are reported in the financial statements at fair value, which was \$65,180 at December 31, 2020.

The marketable securities are not federally insured due to the nature of the financial instruments not being covered by the Federal Deposit Insurance Corporation (FDIC). The fair value of all the marketable securities presented above are based on measurements at the reporting date using quoted market prices in active markets for identical assets (Level 1 observable inputs) as required by the Financial Accounting Standards Board.

A hierarchy has been established that prioritizes the inputs to valuation techniques giving the highest priority to readily available unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements) when market prices are not readily available or reliable. The three levels of the hierarchy are described below:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period). Unobservable inputs reflect the Mission's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The inputs or methodology used for valuing securities may not be an indication of the risk associated with investing in those securities. There were no changes in valuation techniques and related inputs during the period. The Mission's investments of marketable securities is categorized as a Level 1 measurement.

NOTE 6 - OPERATING LEASES AND MORTGAGE PAYABLE

The Mission co-signed a three-year lease agreement in 2013 for the retail thrift store location, which the Mission was fully responsible for starting January 1, 2015. In June 2019, the Mission extended the lease agreement through June 30, 2024. The Mission signed a ten-year lease agreement on October 1, 2018 for the outreach center. Monthly rent expense for January 1, 2020 through December 31, 2020 was \$10,415 for the thrift store, and \$2,000 for the outreach center. Total annual rent expense for these operating leases for the year ending December 31, 2020 was \$148,980.

**CITY RESCUE MISSION OF LANSING
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - OPERATING LEASES AND MORTGAGE PAYABLE - (continued)

On October 22, 2020, the Mission entered a mortgage agreement with Horizon bank. The balance at December 31, 2020 is as follows:

| | 2020 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| Mortgage payable - The Mission has a mortgage with Horizon Bank with an original balance of \$252,000 with an amortization period of 35 years and an interest rate of 4.06%. Monthly principal and interest payments are approximately \$1,879. The mortgage has a final maturity of October 22, 2035. | \$ 248,093 |
| Less current portion | 20,336 |
| Long-term portion | \$ 227,757 |

The following table shows the annual operating lease commitments and mortgage payable:

| Year Ending December 31, | | |
|-----------------------------|----|---------|
| 2021 | \$ | 169,316 |
| 2022 | | 162,405 |
| 2023 | | 162,968 |
| 2024 | | 101,042 |
| 2025 | | 39,187 |
| 2026 and thereafter | | 260,605 |
| | \$ | 895,523 |

NOTE 7 - LINE OF CREDIT

City Rescue Mission of Lansing also has a line of credit agreement with Horizon Bank to cover potential cash flow shortages. The line of credit limit is \$100,000. During the year, City Rescue Mission of Lansing did not borrow against the line of credit. The balance at December 31, 2020 was \$0. Interest on this line of credit was 5.25% at year end. The line of credit is unsecured.

NOTE 8 - RETIREMENT PLAN

City Rescue Mission of Lansing has a 403(b) plan covering substantially all employees which allows for an employer discretionary contribution. All employee contributions are fully vested. Employer retirement expenses totaled \$0 for 2020.