TOPEKA RESCUE MISSION, INC.

FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018
TOGETHER WITH REPORT OF INDEPENDENT AUDITORS

TOPEKA RESCUE MISSION, INC.

FINANCIAL STATEMENTS
DECEMBER 31, 2019 and 2018

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Summers, Spencer & Company, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

To the Board of Directors
Topeka Rescue Mission, Inc.

We have audited the accompanying financial statements of Topeka Rescue Mission, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 in the first paragraph present fairly, in all material respects, the financial position of Topeka Rescue Mission, Inc. as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years ended in accordance with accounting principles generally accepted in the United States of America.

Auditor's Updated Opinion on 2018 Financial Statements

In our report dated August 16, 2019, we expressed, a qualified opinion on the 2018 financial statements due to the Organization not recording donated professional contributed services related to the construction of fixed assets. As described in Note 15, management subsequently quantified and corrected those costs. Accordingly, our present opinion on the 2018 financial statements, as presented herein, is different from that expressed in our previous report.

Summers, Spencer & Company, P.A

Summers, Spencer & Company, P.A.
Topeka, Kansas

July 21, 2020

TOPEKA RESCUE MISSION, INC.

STATEMENTS OF FINANCIAL POSITION

December 31,	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	$ 2,370,057	$ 1,646,680
Employee accounts receivable	-	2,387
Contributions receivable	5,442	171,792
Inventory	-	5,500
Prepaid expenses	56,091	61,976
Miscellaneous receivable	-	3,329
Trade bank	30,166	37,376
Total current assets	2,461,756	1,929,040
Other assets		
Notes receivable	69,714	66,188
Security deposit	-	7,500
Investments	35,497	-
Property and equipment, net	6,795,494	7,454,132
Beneficial interest in perpetual trust	546,504	-
Total other assets	7,447,209	7,527,820
Total assets	$ 9,908,965	$ 9,456,860
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 28,816	$ 20,496
Credit card payable	-	36,178
Payroll liabilities	142,747	261,388
Accrued expenses	-	2,965
Total liabilities	171,563	321,027
Net assets		
Without donor restrictions	8,930,948	8,496,889
With donor restrictions	806,454	638,944
Total net assets	9,737,402	9,135,833
Total liabilities and net assets	$ 9,908,965	$ 9,456,860

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

TOPEKA RESCUE MISSION, INC.

STATEMENTS OF ACTIVITIES

For the years ended December 31,	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, support and gains						
Contributions	$ 4,237,110	$ 875,297	$ 5,112,407	$ 3,571,696	$ 358,482	$ 3,930,178
Store sales and distribution center	311,173	-	311,173	460,772	-	460,772
Grant income	88,517	-	88,517	141,110	-	141,110
Investment income	38,290	-	38,290	7,762	-	7,762
Miscellaneous	105,928	-	105,928	61,584	-	61,584
Gain on beneficial interest in perpetual trust	-	27,597	27,597	-	-	-
Total revenues, support and gains	4,781,018	902,894	5,683,912	4,242,924	358,482	4,601,406
Net assets released from restrictions						
Restrictions satisfied by payments	735,383	(735,383)	-	1,186,648	(1,186,648)	-
Total revenues, support, gains and reclassifications	5,516,401	167,511	5,683,912	5,429,572	(828,166)	4,601,406
Expenses						
Program services	4,204,181	-	4,204,181	4,621,887	-	4,621,887
Management and general	576,314	-	576,314	524,509	-	524,509
Fundraising	116,821	-	116,821	129,387	-	129,387
Total expenses	4,897,315	-	4,897,315	5,275,783	-	5,275,783
Loss on disposal of assets	185,027	-	185,027	-	-	-
Total expenses and losses	5,082,342	-	5,082,342	5,275,783	-	5,275,783
Change in net assets	434,059	167,511	601,570	153,789	(828,166)	(674,377)
Net assets, beginning of year	8,496,889	638,944	9,135,833	8,343,100	1,467,110	9,810,210
Net assets, end of year	$ 8,930,948	$ 806,455	$ 9,737,403	$ 8,496,889	$ 638,944	$ 9,135,833

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

TOPEKA RESCUE MISSION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31,	2019					
	Program Services			Supporting Services		
	Ministry Services	Thrift Store & Recycling	Total	Management & General	Fundraising	Total
Salaries and housing	$ 1,779,426	$ 298,577	$ 2,078,003	$ 255,236	$ 74,644	$ 2,407,883
Payroll taxes	155,290	28,069	183,360	12,520	6,058	201,938
Retirement benefits	18,176	2,258	20,434	1,118	805	22,357
Health insurance	257,767	11,923	269,690	14,194	-	283,884
Telephone	48,617	10,472	59,088	351	-	59,439
Utilities	214,990	46,308	261,298	1,551	-	262,849
Repairs and maintenance	382,754	82,443	465,197	2,761	-	467,958
Food and supplies	66,830	11,609	78,439	-	-	78,439
Supplies	60,083	17,344	77,427	-	-	77,427
Insurance	110,813	-	110,813	5,832	-	116,645
Direct assistance	88,127	36,170	124,297	-	-	124,297
Indirect program assistance	7,440	-	7,440	-	-	7,440
Postage	9,894	-	9,894	-	-	9,894
Vehicle operating expense	17,832	16,264	34,096	-	-	34,096
Book expense	-	-	-	8,480	-	8,480
Dues and subscriptions	-	-	-	7,067	-	7,067
Staff/volunteer relations	25,923	1,024	26,947	-	-	26,947
Bank service charges	-	-	-	23,499	-	23,499
Public special events	981	-	981	584	-	1,565
Rescue Run expense	-	-	-	-	3,948	3,948
Operation Street Reach	268	-	268	-	-	268
Advertising/public relations	5,665	707	6,372	231	-	6,603
Printing	1,531	1,791	3,322	10,674	448	14,444
Office supplies	3,365	3,936	7,300	23,457	984	31,741
Miscellaneous	22,179	745	22,924	20,908	-	43,832
Accounting and legal	-	-	-	50,707	-	50,707
Newsletter	-	-	-	24,491	29,934	54,425
Fines and penalties	-	-	-	110,552	-	110,552
Depreciation	291,165	62,715	353,880	2,101	-	355,981
Mentee	2,710	-	2,710	-	-	2,710
Total expenses	$ 3,571,826	$ 632,355	$ 4,204,181	$ 576,314	$ 116,821	$ 4,897,315

TOPEKA RESCUE MISSION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31,	2018					
	Program Services			Supporting Services		
	Ministry Services	Thrift Store & Recycling	Total	Management & General	Fundraising	Total
Salaries and housing	$ 1,959,527	$ 328,798	$ 2,288,325	$ 281,069	$ 82,199	$ 2,651,593
Payroll taxes	159,845	28,893	188,738	12,887	6,236	207,861
Retirement benefits	16,709	2,076	18,785	1,028	740	20,552
Health insurance	233,474	10,799	244,274	12,857	-	257,130
Telephone	39,554	8,520	48,074	285	-	48,359
Utilities	214,611	46,226	260,837	1,548	-	262,385
Repairs and maintenance	326,781	70,387	397,167	2,358	-	399,525
Food and supplies	69,743	12,115	81,858	-	-	81,858
Supplies	52,978	15,293	68,271	-	-	68,271
Insurance	117,668	-	117,668	6,193	-	123,861
Direct assistance	118,702	48,720	167,422	-	-	167,422
Indirect program assistance	201,095	-	201,095	-	-	201,095
Postage	10,572	-	10,572	-	-	10,572
Vehicle operating expense	27,269	24,870	52,139	-	-	52,139
Book expense	-	-	-	24,121	-	24,121
Dues and subscriptions	-	-	-	7,232	-	7,232
Staff/volunteer relations	27,102	1,071	28,173	-	-	28,173
Bank service charges	-	-	-	23,846	-	23,846
Public special events	181	-	181	107	-	288
Rescue Run expense	-	-	-	-	5,879	5,879
Operation Street Reach	765	-	765	-	-	765
Advertising/public relations	9,347	1,166	10,513	381	-	10,894
Printing	1,461	1,709	3,170	10,186	427	13,784
Office supplies	6,533	7,642	14,175	45,545	1,911	61,630
Miscellaneous	10,830	364	11,194	10,210	-	21,404
Accounting & legal	-	-	-	56,066	-	56,066
Newsletter	-	-	-	26,177	31,995	58,172
Depreciation	334,408	72,029	406,437	2,413	-	408,850
Mentee	2,056	-	2,056	-	-	2,056
			-			
Total expenses	$ 3,941,211	$ 680,676	$ 4,621,887	$ 524,509	$ 129,387	$ 5,275,783

TOPEKA RESCUE MISSION, INC.

STATEMENTS OF CASH FLOWS

For the years ended December 31,	2019	2018
Cash flows from operating activities		
Change in net assets	$ 601,569	$ (674,377)
Adjustments to reconcile change in net assets		
to net cash provided by operating activities		
Depreciation	355,981	408,850
Prior year fixed asset reclassification (See Note 15)	(12,147)	-
Loss of deposit on Boutique	7,500	
Contributions restricted for long term purposes	(320,889)	(358,482)
Noncash donation of property received	(35,497)	-
Noncash donation of beneficial interest	(518,907)	-
Assignment of note receivable	(3,526)	(3,534)
Loss on sale of assets	185,027	-
Gain in perpetual trust	(27,597)	-
(Increase) decrease in assets		
Accounts receivable	172,066	101,622
Prepaid expenses	5,885	(5,798)
Inventory	5,500	-
Trade bank	7,210	5,830
Increase (decrease) in liabilities		
Accounts payable	8,320	13,686
Credit cards payable	(36,178)	26,117
Payroll liabilities	(118,641)	1,230
Accrued expenses	(2,965)	2,965
Net cash provided by (used in) operating activities	272,711	(481,891)
Cash flows from investing activities		
Purchase of property and equipment	(29,149)	(65,745)
Proceeds from sale of fixed assets	158,926	-
Net cash provided by (used in) investing activities	129,777	(65,745)
Cash flows from financing activities		
Contributions restricted for expansion	320,889	358,482
Net cash provided by financing activities	320,889	358,482
Net increase (decrease) in cash and cash equivalents	723,377	(189,154)
Cash and cash equivalents, beginning of year	1,646,680	1,835,834
Cash and cash equivalents, end of year	$ 2,370,057	$ 1,646,680

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

TOPEKA RESCUE MISSION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1 – Organization and nature of operations

Mission statement:
Bringing help and hope through faith with its sleeves rolled up.

Topeka Rescue Mission (TRM) Ministries began its work in 1953 as a small room which provided shelter and food for homeless men. A brand-new shelter was constructed in 1991 to house men, women and families. By 2000, an additional new shelter was built to house over 100 additional homeless women and families. In 2004, a Distribution Center was opened which allowed TRM to expand their outreach to meeting the needs of the poor in the community. In 2011, Operation Street Reach was created to reach out to unsheltered homeless individuals not currently receiving TRM services. While helping people in poverty will always be a need, TRM questioned if prevention efforts could decrease the number of individuals in need of shelter. TRM believes the effort to understand the root causes of poverty and homelessness will help to empower and transform individuals, families and communities.

During 2019 TRM realized and overcame significant financial challenges. This was done through a tremendous response from the community and the restructuring of the organization while continuing to focus on the core areas of sheltering the homeless, feeding the hungry and sharing the Gospel. Key programming is focused on stabilizing the community through the following efforts:

1. Homeless Services
    a. Shelter Services - Providing shelter to those who are experiencing homelessness
    b. Street Reach - Reaching out to individuals in the city who are unsheltered and homeless
    c. Food Services - Providing meals to individuals in need
    d. Education Services – Servants in Training, Career Readiness Education, Center for Biblical Leadership Development, Dare to Dream Mentors
    e. Assisting those escaping human trafficking
    f. Educational programs focused on helping guests establish behavior and soft skills targeted toward increasing their ability to be successful in our community.
2. Trauma Based Initiatives
    a. Programming targeted at recognizing the trauma all TRM guests have experienced and considering that trauma when working with guests daily and while developing goals to assist guests in moving out of TRM and successfully reentering the community.
3. Supportive Services
    a. Distribution Services – Receiving and distributing donations throughout TRM and to the community, including food box distribution to the community and organizations across the community addressing hunger.
    b. Volunteer Services – engaging the community to assist in activities across the organization
    c. Development and Support services – human and financial resources, donation processing, IT, and marketing and communications.

Note 2 – Summary of significant accounting policies

Method of accounting

The financial statements of the Organization were prepared in accordance with U.S. generally accepted accounting principles, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as with or without donor restrictions.

Basis of presentation
Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its FASB ASC Topic 958, Not-for-Profit Entities.

Net assets
Net assets, revenues, gains and losses are classified based 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 certain grantor restricts.

Net assets with donor restrictions – net assets subject to donor or certain grantor restrictions. Some donor-imposed 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 imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has passed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of estimates
The preparation of financial statements in conformity with U.S. generally accepted accounting principles includes the use of estimates that affect the financial statements. Actual results could differ from those estimates.

Cash and cash equivalents
For purposes of the statement of financial position and the statement of cash flows, cash is defined as demand deposits including checking and money market accounts and certificates of deposit. The Organization has no noncash financing transactions nor were any cash payments made for income taxes or interest expense.

Property and equipment
Property and equipment are carried at cost. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. When assets are retired or otherwise disposed of, the asset and related accumulated depreciation are removed and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is expensed as incurred.

Depreciation of property and equipment is computed on the straight-line method over the estimated useful life of the asset:

Buildings	5 – 39 years
Landscaping	10 – 15 years
Furniture, fixtures and equipment	3 – 15 years
Vehicles	5 – 7 years

Donated materials, services, and property
Goods have been donated to the Mission for internal use, giving to those in need throughout the community and resale. The value of these contributed goods is not reflected in the statements because the donations are not susceptible to independent measurement. As goods are sold, the net cash received measures the contribution and is recorded as sales income.

A significant number of unpaid volunteers have made contributions of their time to assist in the Mission's operations. The value of this contributed time is not reflected in these financial statements due to a lack of an objective method of valuation. In accordance with accounting principles generally accepted in the United States of America, routine volunteer services requiring no particular expertise are not to be reported as contribution revenue.

Contributions

Contributions received are recorded as increases in with or without donor restrictions support, depending on the existence and/or nature of any donor restrictions. Donor restricted cash is reported as an increase in donor restricted net assets. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), donor restricted net assets are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Investments

Investments are reported at fair value. Gains and losses, whether realized or unrealized, are included in investment income. Investments are exposed to various risks such as significant world events, interest rate, credit and overall market volatility risks. Due to the level of risks associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Fair value measurements – definition and hierarchy

The FASB established a framework for measuring fair value and disclosing fair value measurements to financial statement users. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market, or if none exists, the most advantageous market, for specific assets or liabilities at the measurement dates. The fair value should be based on assumptions that market participants would use, including consideration on nonperformance risk.

In determining fair value, the Mission uses various valuation approaches. The FASB established a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Mission. Unobservable inputs are inputs that reflect the Mission's assumptions about assumptions market participants would use in pricing the assets or liabilities developed based on the best information available in the circumstances.
The hierarchy is broken down into three levels based on the observability of inputs as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets to which the Mission has access.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in inactive markets; inputs other than quoted market prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The availability of observable inputs can vary and is affected by a wide variety of factors, including, for example, the type of asset or liability, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree for judgment exercised by the Mission in determining fair value is greatest for instruments categorized in Level 3.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Fair value is a market-based measure considered from the perspective of a market participant rather than on organization-specific measure. Therefore, even when market assumptions are not readily available, the Mission's own assumptions are set to reflect those that the Mission believes market participants would use in pricing the asset or liability at the measurement date.

Income taxes
Topeka Rescue Mission, Inc. is a not-for-profit organization exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes have been included in the accompanying financial statements.

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

The basis for allocation of expenses to a specific program is determined by management. Costs that are not directly associated with providing specific services have been allocated based upon the usage of square footage of the buildings.

Pending accounting pronouncements
May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which provides a robust framework for addressing revenue recognition issues and replaces most of the existing revenue recognition guidance including industry-specific guidance, in current U.S. GAAP. The standard is effective for nonpublic entities for periods beginning after December 15, 2019. Management is currently evaluating the effect that the standard will have in the financial statements but do not believe adoption of this standard will have a significant impact on the Organization's financial statement.

In February 2017, the FASB issued ASU 2017-02, *Leases* (Topic 842). The guidance in the ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, leases will be classified as either finance or operating with classification affecting the pattern of expense recognition in the statement of activities. The new standard is tentatively effective for fiscal years beginning after December 31, 2020, including interim periods within those fiscal years. Adoption of the standard is not expected to have a significant impact on the Organization's financial statements.

Note 3 – Liquidity and availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date comprise the following at December 31:

	2019	2018
Cash and cash equivalents	$ 2,370,057	$ 1,646,680
Employee accounts receivable	-	2,387
Contributions receivable	1,930	171,792
Miscellaneous receivable	-	3,329
	2,371,987	1,824,188
Less amounts restricted for use included above	(284,950)	(638,944)
	$ 2,087,037	$ 1,185,244

The Organization receives contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures.

The Organization manages its liquidity following guiding principles: operating within a prudent range of financial soundness and stability, and maintaining adequate liquid assets to fund near-term operating needs. The Organization is developing a liquidity policy to maintain current financial assets less current liabilities at a minimum of 30 days operating expenses. The Organization is also developing a policy to target a year-end balance of undesignated net assets to meet a minimum of 30 days of expected expenditures. To achieve these targets, the entity will forecast its future cash flows and monitor its liquidity no less than two times per year.

Note 4 – Beneficial interest in perpetual trust

During 2019, management became aware of a donor-established perpetual trust with CoreFirst Bank and Trust naming the Topeka Rescue Mission as the beneficiary. Under the terms of the perpetual agreement, the Mission is to receive the income from the trust annually for its unrestricted use. The income is calculated as 5% of a rolling 12 quarter average. During the year ended December 31, 2019, the Mission recorded its beneficial interest in the trust by recognizing a perpetually restricted contribution representing the fair value of the trust's assets when the Mission became aware of the gift and the amount could be reasonably estimated. As of December 31, 2019, the Mission's beneficial interest in the fair value of the trust was estimated to be $546,504. Increases in fair value of $27,597 are recognized in 2019 as perpetual restricted gains. Distributions of trust earnings are recorded as undesignated investment income when received.

Due to the level of risk associated with the underlying investments included in the Trust, it is at least reasonably possible that changes in the value of the Beneficial Interest in Perpetual Trust could occur in the near term and could materially affect the amounts reported in the statement of financial position. The underlying investments are comprised of cash and mutual funds.

Note 5 – Investments

Long-term investments represent amounts held for future unrestricted use. These investments are stated at fair value based on quoted market prices in active markets (Level 1) and are comprised of the following at December 31, 2019:

	Cost	Fair Value
Mutual funds	$ 30,168	$ 32,026
Equity stocks	3,471	3,471
Long-term investments	$ 33,639	$ 35,497

Investment return is summarized as follows:

	2019	2018
Interest and dividends	$ 9,593	$ 7,762
Distributions from perpetual trust	26,840	-
Net investments gains	1,857	-
Total investment return	$ 38,290	$ 7,762

Note 6 - Fair value measurements

Fair values of assets measured on a recurring basis at December 31, 2019 are as follows:

		Fair Value Measurements at Reporting Date Using		
2019	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	(Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	$ 32,026	$ 32,026	$ -	$ -
Equity securities	3,471	3,471	-	-
Beneficial interest in perpetual trust	546,504	-	-	546,504
Total	$ 638,944	$ 35,497	$ -	$ 546,504

Level 3 measurements

The Mission's beneficial interest in a perpetual trust is valued based on the fair value of the underlying trust assets as reported by the trustees. The trustees use multiple approaches to determine the fair value of the underlying assets, primarily, quoted prices for identical assets in active markets when available. This beneficial interest has been categorized as a Level 3 fair value measurement because the Mission will never receive the trust's assets.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

January 1, 2019	$ 518,907
Total gains or losses (realized/unrealized)	27,597
December 31, 2019	$ 546,504

Gains or losses related to the Level 3 investments are included in perpetual in nature restricted net assets attributable to the overall change in the fair value of the Mission's interest in perpetual trust.

Note 7 – Property and equipment

Property and equipment at December 31 consists of:

	2019	2018 (restated)
Land	$ 251,385	$ 257,575
Buildings and landscaping	9,780,845	10,167,870
Furniture, fixtures and equipment	1,434,853	1,414,545
Vehicles	315,065	315,065
Total property and equipment	11,782,148	12,155,055
Less accumulated depreciation	(4,986,654)	(4,713,070)
Affect of correction – See Note 15	-	12,147
Net propety and equipment	$ 6,795,494	$ 7,454,132

Depreciation expense for the years ended December 31, 2019 and 2018 was $355,981 and $408,850, respectively. As described in Notes 15, the fair value of donated professional contributed services related to construction in process and buildings through December 31, 2016 had not previously been recorded. The Organization subsequently corrected this departure from generally accepted accounting principles as well as an error in the carrying amount of construction in progress. As a result, the 2018 information in the above table has been restated to reflect the result of these corrections.

Note 8 – Note receivable

During 2015, the Mission received assignment of two promissory notes: Madison Housing Associates Two Limited Partnership and Northrock Housing Associates Two Limited Partnership from the Topeka Community Foundation. These notes were recorded in the financial statements as discounted notes receivable and contribution revenue.

Madison Housing Associates Two Limited Partnership has a balance due at maturity of $50,000, and is scheduled to mature on September 30, 2021. The note with Northrock Housing Associates Two Limited Partnerships has a balance due at maturity of $50,000, and is scheduled to mature on December 31, 2032. Both notes bear interest at 5.5 percent.

Note 9 - Operating leases and maintenance agreements

The Organization leases much of its equipment for various terms under long-term, non-cancelable operating lease agreements. The leases expire at various dates through 2024 and provide for renewal options for some of the leases. In the normal course of business, it is expected that these leases will be renewed or replaced by leases on other equipment. Lease expense totaled $93,957 and $86,815 in 2019 and 2018, respectively.

Topeka Rescue Mission, Inc. entered into a noncancelable lease for space in the former Avondale East Elementary School, which was used for education and training. The term of the lease was for one year commencing July 1, 2015. In July of 2016. The Organization renewed the lease for an additional twelve months. Commencing July 1, 2017, the lease was on a month to month basis with monthly payments of $6,519. The lease ended in April 2018.

The Organization entered into a noncancelable lease for retail space located at 3400 S. Topeka Blvd. The term of the lease is for one year commencing on December 20, 2016, with annual options to extend. The lease requires monthly payments of $6,750. During September 2019, the retail location was closed. The

Organization negotiated with the lessor and was released from the lease without further obligation. The total lease expense for the years ended December 31, 2019 and 2018 was $60,750 and $119,075, respectively.

The Organization maintains the heating, ventilation and air conditioning equipment in its buildings through long term maintenance agreements for various terms under non-cancelable service contracts. The agreements expire at various dates through 2020. In the normal course of business, these maintenance agreements will be renewed or replaced by new agreements. After renewing the two-year maintenance agreement in August 2019, the Organization ceased its childcare operations in the Children's Palace building in November 2019. The organization negotiated a suspension of the current maintenance agreement with contractor with the agreement that the contractor will provide minimal maintenance on the building systems in-kind until the Organization resumes operations within that building. It is unknown at this time when operations within the Children's Palace building will resume. The remaining 20-month balance on the suspended maintenance agreement totals $45,875. The total maintenance agreement expense for the years ended December 31, 2019 and 2018 was $45,720 and $48,013, respectively.

Following is a schedule by year of future minimum lease and maintenance agreement payments required under the operating lease and maintenance agreements:

Year Ending December 31,	Amount
2020	$ 90,720
2021	78,571
2022	19,171
2023	13,771
2024	4,590
Subtotal	$ 206,824
Suspended maintenance agreement	45,875
Total	$ 252,699

Note 10 – Retirement plan

The Mission adopted a Savings Incentive Match Plan in July of 2001 for eligible employees who choose to participate in the program. Topeka Rescue Mission, Inc. contributes a matching amount up to three percent of each eligible employee's annual wages toward the retirement plan. Total contributions to the plan were $22,357 and $20,552 for the years ended 2019 and 2018, respectively.

Note 11 – Other resources

The Topeka Community Foundation received funds by bequest that designate the Mission as the beneficiary of income from these funds. One fund was established in 1995 for the Organization. Income from this fund can be used for operations as needed. During 2003, a second fund was established. Income from this fund can be used by the Mission to assist individuals who have suffered losses due to disaster. The Foundation administers these funds, investing the principal and any undistributed income in pooled investments. The total balance of these funds at December 31, 2019 and 2018 was $86,274 and $76,299, respectively. The distributions are recorded as income by the Mission in the year received. Distributions received in 2019 and 2018 were $3,699 and $3,554, respectively.

Note 12 – Restricted net assets

Net assets with donor restrictions were restricted at December 31 as follows:

	2019	2018
Subject to expenditure for specified purpose:		
General expansion	$ 86,848	$ 76,556
Children's operations	-	391,049
Food	-	7,487
Pet Assistance (PANT)	-	4,380
Restore Hope	148,102	134,472
Total subject to expenditure for specified purpose	234,950	613,944
Not subject to expenditure	571,504	25,000
	$ 806,454	$ 638,944

Note 13 – Concentration of credit risk

The Organization places its temporary cash investments with high credit quality financial institutions located in the Topeka area. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At times such investments may be in excess of the FDIC insurance limit. At December 31, 2019, the amount in excess of FDIC limits was $393,197. The Organization has a sweep account that covered the remaining balance that would have been over the FDIC limit at December 31, 2019.

Note 14 – Related party

Freedom Now was started as a seedling project under the guidance of Topeka Rescue Mission, Inc. and has now become its own 501(c)3 organization. Although it has a separate board, the Executive Director of Topeka Rescue Mission, Inc. serves as the Executive Director for Freedom Now. During 2018, Topeka Rescue Mission, Inc. received restricted contributions of $201,095 for the Freedom Now program. These funds were distributed to Freedom Now during 2018 and are reflected in indirect program assistance on the statement of functional expenses. In addition, Freedom Now shares office space with the Mission and utilizes the credit card of the Mission on a reimbursement basis.

Doxazo was started as a seedling project under the guidance of Topeka Rescue Mission, Inc. In April 2019, Doxazo became its own 501(c)3 organization. During 2019, Topeka Rescue Mission, Inc. received restricted contributions of $19,677 for the Doxazo program. The unspent funds of $7,400 were distributed to Doxazo during 2019 and are reflected in the indirect program assistance on the statement of functional expenses.

Note 15 – Reclassifications and correction of previously issued financial statements

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

The 2018 financial statements originally issued did not include the fair value of donated professional contributed services related to construction of buildings. During 2019, management quantified the value of the in-kind professional services contributed, which totaled $170,054. The adjustment to December 31, 2018 net assets would have been an increase of $148,236.

In addition, during 2019 management also identified that the construction in process recorded in the statement of financial position had been previously impaired and should be removed from the financial statements. This construction in process project was abandoned when the Children's Palace project commenced, and thus should have been written off prior to 2018. The adjustment to record the previous impairment would have been a decrease to net assets of $136,089 as of December 31, 2018.

These two adjustments result in a net adjustment of $12,147. Management has determined this to be immaterial to the financial statements and therefore, has elected to make the record the correction in the current year. Note 7 has been restated.

Note 16 – Discontinuation of services

Related to the financial challenges described in Note 1 and due to a decrease in sales resulting in expenses exceeding revenue, the board determined it was prudent to discontinue retail operations. This resulted in the closing of two retail locations - the sale of one store, and the termination of the lease on the other store.

Due to the significant revenue shortfall that occurred during the first half of 2019, the Mission reviewed all operations and determined that the programing occurring in the Children's Palace would be indefinitely suspended. The cost of the program, primarily due to State regulations, made it impossible to scale down to a level that would be manageable under the current revenue short falls.

Note 17 – Contingent liabilities

During 2019, the Organization was assessed an employer's shared responsibility payment by the Internal Revenue Service (IRS) in accordance with the Affordable Care Act for not offering affordable minimal essential health coverage to at least 95% of its staff in 2017. The Organization has not offered affordable minimal essential health coverage to at least 95% of its staff in 2018, 2019 and 2020. It is possible that the IRS will assess an employer's shared responsibility payment for those years in the future, but has not assessed at this time. It is estimated that the potential assessments could be $127,791 and $126,248 for 2018 and 2019 respectively, which have not been reflected in the accompanying financial statements. There is not enough information currently available to estimate the potential assessment for 2020. The 2017 employer's shared responsibility payment paid by the Organization during the year ended December 31, 2019 was $110,552 as reflected in fines and penalties in the statement of functional expenses.

It was discovered in early 2020 that the Organization failed to file the appropriate Forms 1095C and 1094C informational returns with the Internal Revenue Service for the payroll year ended December 31, 2018 in accordance with provisions in the Affordable Care Act. The Organization has subsequently filed the appropriate forms. Although it has not been assessed at this time, it is possible that the IRS will assess a late filing penalty for these forms in the future. It is estimated that the potential assessment could be $44,010, which has not been reflected in the accompanying financial statements.

Note 18 – Subsequent events

The Organization has evaluated subsequent events through July 21, 2020, the date these financial statements were available to be issued, and determined that no subsequent events have occurred that would require recognition in the financial statements.

As a result of significant disruption in the U.S. economy due to the outbreak of the COVID-19 coronavirus in 2020, uncertainties have arisen which potentially may impact future operating results. The duration and extent to which COVID-19 may impact financial performance is being monitored closely by management. Management has applied for and received Paycheck Protection Program (PPP) funding and they believe any potential disruption in business to be temporary.