

RESCUE MISSION OF MIDDLE GEORGIA, INC.

FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Rescue Mission of Middle Georgia, Inc.

We have audited the accompanying financial statements of Rescue Mission of Middle Georgia, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material 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 financial position of Rescue Mission of Middle Georgia, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Rescue Mission of Middle Georgia, Inc.'s December 31, 2016 financial statements, and our report dated September 20, 2017 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Heward, Moore & McQuiffie, P.C.

Macon, GA
September 18, 2018

RESCUE MISSION OF MIDDLE GEORGIA, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current Assets		
Cash and cash equivalents - unrestricted	\$ 2,258,640	\$ 1,306,816
Cash and cash equivalents - restricted	60,173	27,020
Promise to give	10,727	-
Miscellaneous receivables	2,195	640
Accounts receivable - golf tournament	100,950	131,655
Inventories	30,144	29,119
Prepaid expenses	20,528	11,896
Total Current Assets	<u>2,483,357</u>	<u>1,507,146</u>
Property and equipment, net	<u>3,074,511</u>	<u>3,084,725</u>
Other Assets		
Beneficial interest in perpetual trust	282,072	260,906
Property held for resale	-	81,000
Total Other Assets	<u>282,072</u>	<u>341,906</u>
TOTAL ASSETS	<u>\$ 5,839,940</u>	<u>\$ 4,933,777</u>

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

RESCUE MISSION OF MIDDLE GEORGIA, INC.

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 87,079	\$ 68,916
Payroll and payroll taxes	24,066	21,320
Sales tax payable	4,115	4,511
Total Current Liabilities	<u>115,260</u>	<u>94,747</u>
TOTAL LIABILITIES	<u>115,260</u>	<u>94,747</u>
NET ASSETS		
Unrestricted		
Undesignated	5,302,435	4,471,104
Board designated for endowment	80,000	80,000
Temporarily restricted	60,173	27,020
Permanently restricted	282,072	260,906
TOTAL NET ASSETS	<u>5,724,680</u>	<u>4,839,030</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,839,940</u>	<u>\$ 4,933,777</u>

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

RESCUE MISSION OF MIDDLE GEORGIA, INC.

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CHANGES IN UNRESTRICTED NET ASSETS, REVENUES, GAINS AND OTHER SUPPORT		
Contributions		
Cash	\$ 731,902	\$ 615,864
Donated vehicles	64,584	87,870
Donated food and supplies	452,573	408,261
Donated goods for sale	392,902	376,702
Donated services	40,500	28,630
Grants income	13,941	3,500
Retail sales, net of donated goods	609,364	559,873
Distribution from perpetual trust	5,627	11,254
Interest income	27	166
Rental income	13,015	14,730
Gain (loss) on sale of assets	5,336	(2,738)
Miscellaneous	1,216	1,189
	<u>2,330,987</u>	<u>2,105,301</u>
Revenue from special events		
Golf tournament and auction	1,251,412	1,206,553
Less: direct costs	(251,175)	(251,433)
Less: bad debts	(43,180)	(5,825)
	<u>957,057</u>	<u>949,295</u>
Net revenue from special events		
	<u>957,057</u>	<u>949,295</u>
TOTAL UNRESTRICTED REVENUES, GAINS AND OTHER SUPPORT	<u>3,288,044</u>	<u>3,054,596</u>
NET ASSETS RELEASED FROM RESTRICTIONS		
Restrictions satisfied by payments	<u>121,612</u>	<u>71,512</u>
TOTAL UNRESTRICTED REVENUES, GAINS, OTHER SUPPORT AND RECLASSIFICATIONS	<u>3,409,656</u>	<u>3,126,108</u>
EXPENSES AND LOSSES		
Program services		
Mission	896,346	906,348
Women's Division	406,513	388,132
Bargain Center	710,425	620,791
	<u>2,013,284</u>	<u>1,915,271</u>

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

RESCUE MISSION OF MIDDLE GEORGIA, INC.

STATEMENTS OF ACTIVITIES (CONTINUED)

For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
EXPENSES AND LOSSES (CONTINUED)		
Supporting services		
Management and general	\$ 245,257	\$ 219,410
Fund-raising	319,785	263,964
	<u>565,042</u>	<u>483,374</u>
TOTAL EXPENSES	<u>2,578,326</u>	<u>2,398,645</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>831,330</u>	<u>727,463</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	99,465	28,309
Grants income	55,300	18,500
Net assets released from restrictions by payment	<u>(121,612)</u>	<u>(71,512)</u>
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>33,153</u>	<u>(24,703)</u>
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS		
Increase (decrease) in beneficial interest in perpetual trust	<u>21,167</u>	<u>(7,193)</u>
INCREASE (DECREASE) IN NET ASSETS	885,650	695,567
NET ASSETS - BEGINNING	<u>4,839,030</u>	<u>4,143,463</u>
NET ASSETS - ENDING	<u>\$ 5,724,680</u>	<u>\$ 4,839,030</u>

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

RESCUE MISSION OF MIDDLE GEORGIA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2017, with Comparative Totals for 2016

	Program Services			Supporting Services		Total	Total
	Mission	Women's Division	Bargain Center	Management and General	Fund- Raising	2017	2016
Salaries	\$ 147,357	\$ 187,511	\$ 380,838	\$ 189,788	\$ 57,459	\$ 962,953	\$ 916,782
Payroll taxes	11,731	14,930	30,322	15,111	4,574	76,668	72,268
Employee benefits	15,600	25,778	52,724	20,340	1,669	116,111	112,314
Worker's compensation	2,324	3,381	5,777	2,612	837	14,931	13,691
Advertising and direct mail campaigns	180	-	2,038	-	168,328	170,546	125,173
Assistance	55,054	9,405	4	-	-	64,463	43,283
Bank charges	10,991	-	12,019	-	7,872	30,882	26,263
Contract labor	310	-	33,025	-	-	33,335	24,178
Depreciation	50,299	62,885	37,688	-	-	150,872	131,801
Dues and subscriptions	17,541	60	1,510	-	-	19,111	11,647
Equipment rental	4,014	2,006	1,612	-	-	7,632	4,185
Meals, (\$328,690 and \$331,227 in-kind)	424,715	4,274	3,226	-	-	432,215	405,118
Insurance	13,913	15,603	8,577	-	-	38,093	38,135
Legal and professional	2,150	-	-	17,406	-	19,556	17,336
Miscellaneous	16,511	708	9,059	-	881	27,159	45,316
Office supplies	13,377	36	1,920	-	-	15,333	14,686
Pest control	1,755	2,195	600	-	-	4,550	3,050
Printing and publications	-	-	-	-	57,564	57,564	49,719
Postage	6,310	3,155	-	-	20,546	30,011	27,660

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

RESCUE MISSION OF MIDDLE GEORGIA, INC.

STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)

For the Year Ended December 31, 2017, with Comparative Totals for 2016

	Program Services			Supporting Services		Total	Total
	Mission	Women's Division	Bargain Center	Management and General	Fund- Raising	2017	2016
Repairs and maintenance	\$ 21,011	\$ 8,679	\$ 20,764	\$ -	\$ -	\$ 50,454	\$ 68,841
Security	801	-	-	-	-	801	95
Supplies	23,763	9,376	17,862	-	-	51,001	58,126
Taxes and licenses	2,360	83	6,536	-	-	8,979	7,305
Travel	318	240	1,357	-	-	1,915	2,510
Utilities	43,540	54,215	53,903	-	-	151,658	146,352
Vehicle	10,421	1,993	29,064	-	55	41,533	32,811
Total Expenses, Year Ended December 31, 2017	<u>\$ 896,346</u>	<u>\$ 406,513</u>	<u>\$ 710,425</u>	<u>\$ 245,257</u>	<u>\$ 319,785</u>	<u>\$ 2,578,326</u>	
Total Expenses, Year Ended December 31, 2016	<u>\$ 906,348</u>	<u>\$ 388,132</u>	<u>\$ 620,791</u>	<u>\$ 219,410</u>	<u>\$ 263,964</u>		<u>\$ 2,398,645</u>

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

RESCUE MISSION OF MIDDLE GEORGIA, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 885,650	\$ 695,567
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	150,872	131,801
Loss on sale of assets used in operations	241	2,738
Change in beneficial interest in perpetual trust	(21,166)	7,193
Donated land held for sale	-	(81,000)
Donated property and equipment	(66,437)	-
(Increase) decrease in:		
Accounts receivable	30,705	(10,920)
Promises to give	(10,727)	-
Miscellaneous receivable	(1,555)	2,549
Inventories	(1,025)	1,850
Prepaid expenses	(8,632)	6,715
Increase (decrease) in:		
Accounts payable	18,163	38,506
Payroll and payroll taxes	2,746	3,384
Sales tax payable	(396)	(736)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>978,439</u>	<u>797,647</u>
CASH FLOWS TO INVESTING ACTIVITIES		
Cash payments for the purchase of property and equipment	(74,462)	(948,146)
Proceeds on disposal of property held for resale	81,000	-
NET CASH (USED) BY INVESTING ACTIVITIES	<u>6,538</u>	<u>(948,146)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	984,977	(150,499)
BEGINNING CASH AND CASH EQUIVALENTS	<u>1,333,836</u>	<u>1,484,335</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 2,318,813</u>	<u>\$ 1,333,836</u>

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

RESCUE MISSION OF MIDDLE GEORGIA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. NATURE OF THE ORGANIZATION

Rescue Mission of Middle Georgia, Inc. (the Rescue Mission) is a nonprofit organization formed in 1952 to provide assistance to the homeless, hungry, and abused. The Mission provides a long-term life recovery program for men; a refuge and long-term program for battered women and children; food boxes and meals to homeless transients; and assistance with food, clothing and expenses to various citizens of the community.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of Rescue Mission of Middle Georgia, Inc. have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Codification No. ASC 958, *Financial Statements of Not-For-Profit Organizations*. Under ASC No. 958, the organization is required to report 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.

Unrestricted – Net assets that are not subject to donor-imposed stipulations.

Unrestricted-Board Designated – Net assets not subject to donor imposed stipulations which the Board designates for a specific purpose.

Temporarily restricted – Net assets subject to donor-imposed stipulations that will be met either by the Rescue Mission and/or the passage of time.

Permanently restricted – Net assets subject to donor-imposed stipulations that will be maintained permanently by the Rescue Mission.

Comparative Financial Information

The Statement of Functional Expenses includes certain prior-year summarized comparative information in total but not by functional expense class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the Rescue Mission's financial statements for the year ended December 31, 2016, from which summarized information was derived.

RESCUE MISSION OF MIDDLE GEORGIA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, the Rescue Mission considers highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents designated for long-term purposes or received with donor-imposed restrictions limiting their use to long-term purposes are not considered cash and cash equivalents for the purpose of the statement of cash flows.

Accounts Receivable

The Rescue Mission considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Donated Property and Equipment

Donated property and equipment are recorded as contributions at their estimated fair market values at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. 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 donated assets must be maintained, the organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Donated Inventory

The Rescue Mission sells donated goods in its retail store. The value of donated goods revenue and inventory is determined using statistical computations. The valuation of donated inventory is considered to be that portion of retail sales value that exceeds the cost of preparing the goods for sale. All donated goods, prior to being offered for sale, are considered to have a value of zero because of the uncertainty of fair value before being offered for sale. The value of inventory on hand at the end of the year is computed statistically using an inventory turnover rate applied to total computed donated goods value. The inventory turnover rate is four weeks for the years ended December 31, 2017 and 2016, respectively. Inventory consisted of donated goods for resale valued at \$30,144 and \$29,119 as of December 31, 2017 and 2016, respectively.

RESCUE MISSION OF MIDDLE GEORGIA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services, Materials, and Equipment

The Rescue Mission recognizes donated services that create or enhance nonfinancial assets, require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated services consisted of counseling services and various other professional repair services and were valued at \$40,500 and \$28,630 for the years ended December 31, 2017 and 2016, respectively.

The Rescue Mission receives food from various suppliers and donors. The estimated value of donated food is based on the estimated cost of the contents of a food box if they were required to be purchased times the number of boxes given out and the estimated cost of a meal provided times the number of meals provided during the year. Donated food was valued at \$371,449 and \$331,228 for the years ended December 31, 2017 and 2016, respectively.

The Rescue Mission also received in-kind donation of food stamps from its residents totaling \$44,621 and \$26,570 and various supplies and equipment totaling \$0 and \$551 during the years ended December 31, 2017 and 2016, respectively.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Subsequent Events

Subsequent events have been evaluated through September 18, 2018, which is the date the financial statements were available to be issued.

Income Tax Status

The Rescue Mission is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Rescue Mission's tax-exempt purpose is subject to taxation as unrelated business income. There was no unrelated business taxable income for the years ended December 31, 2017 and 2016. In addition, the Rescue Mission qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). The Rescue Mission believes that it has appropriate support for any tax positions it takes, and as such, does not have any uncertain tax positions that are material to the financial statements.

RESCUE MISSION OF MIDDLE GEORGIA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Property and Equipment

The Rescue Mission capitalizes all expenditures for property and equipment and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets. Property and equipment are carried at cost or, if donated, at the approximate fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the asset, ranging from 5 to 40 years.

Reclassifications

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

Restricted and Unrestricted Revenue

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

RESCUE MISSION OF MIDDLE GEORGIA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. RETAIL SALES

Retail sales totaled \$1,001,241 and \$938,425 for the years ended December 31, 2017 and 2016, respectively. Retail sales are presented in the Statement of Activities net of donated goods of \$391,877 and \$378,552 for the years ended December 31, 2017 and 2016, respectively. Donated goods contributions are estimated to be the portion of retail sales that exceeds the cost of preparing the goods for placement in the retail store. This excess value was calculated to be 39.14% and 40.34% for the years ended December 31, 2017 and 2016, respectively.

NOTE 4. ADVERTISING COSTS

The Rescue Mission expenses advertising costs as incurred. Expenses incurred were \$2,218 and \$871 for the years ended December 31, 2017 and 2016, respectively.

NOTE 5. PROMISE TO GIVE

The Rescue Mission received a promise to give for dental work for its residents. The promise is restricted for this purpose until released by expenditure and is expected to be received in less than one year. Unconditional promises to give as of December 31, 2017 and 2016 are \$10,727 and \$0, respectively.

NOTE 6. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2017 and 2016, consists of the following:

	2017	2016
Land	\$ 1,258,175	\$ 1,233,357
Buildings and improvements	2,677,405	2,656,405
Machinery and equipment	314,803	280,405
Furniture and fixtures	188,922	180,217
Vehicles	209,623	185,456
Construction in progress	5,660	-
	<u>4,654,588</u>	<u>4,535,840</u>
Accumulated depreciation	<u>(1,580,077)</u>	<u>(1,451,115)</u>
	<u>\$ 3,074,511</u>	<u>\$ 3,084,725</u>

Depreciation expense was \$150,872 and \$131,801 for the years ended December 31, 2017 and 2016, respectively.

RESCUE MISSION OF MIDDLE GEORGIA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7. BENEFICIAL INTEREST IN PERPETUAL TRUST

The Rescue Mission is the 25% beneficiary of a perpetual trust created by a donor, the assets of which are not in the possession of the Rescue Mission. The Rescue Mission has legally enforceable rights and claims to a portion of such assets, including the sole right to income there from. Unrealized gains and losses related to the beneficial interest are reported as changes in permanently restricted net assets based on explicit donor stipulations.

The fair value of this beneficial interest was \$282,072 and \$260,906 for the years ended December 31, 2017 and 2016, respectively.

NOTE 8. OPERATING LEASES

The Rescue Mission has an operating lease for a copier with a base monthly rental in the amount of \$211. The term of this lease is 48 months beginning May 2014 and expiring in April 2018. Lease expense under this lease was \$2,501 and \$2,811 for the years ended December 31, 2017 and 2016, respectively. This lease was renewed for an additional 48 months with a base monthly rental in the amount of \$195 with a term beginning May 2018 and expiring April 2021.

The future minimum lease payments on this lease are as follows:

Year ending December 31	
2018	\$ 2,340
2019	2,340
2020	<u>2,340</u>
	<u>\$ 2,340</u>

NOTE 9. RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Furnishings and equipment-Mission	\$ 9,008	\$ 10,313
Equipment and improvements-Bargain Center	-	163
Capital campaign	11,000	-
Supplies and support-Women's Division	7,056	1,704
Resident gifts and activities	5,747	8,150
Resident dental and medical	<u>27,362</u>	<u>6,690</u>
	<u>\$ 60,173</u>	<u>\$ 27,020</u>

RESCUE MISSION OF MIDDLE GEORGIA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9. RESTRICTED NET ASSETS (CONTINUED)

Permanently restricted net assets are invested in perpetuity, the income from which is expendable. Permanently restricted net assets are \$282,072 and \$260,906, as of December 31, 2017 and 2016, respectively, all of which is the beneficial interest in perpetual trust.

NOTE 10. RETIREMENT BENEFIT PLAN

On January 1, 2015, the Rescue Mission began participating in a 401(k) retirement plan. All employees age 21 and over are eligible to participate in this plan after 3 months of service with a minimum of 250 hours. The Rescue Mission contributes 2% of each eligible employee's salary to the plan regardless of whether the participant makes a voluntary employee contribution to the plan or not. The Rescue Mission also has a discretionary match on the voluntary employee contribution of \$0.10 per \$1.00 up to 6% of each eligible employee's salary for the year ended December 31, 2017. This discretionary match percentage is determined by the Board each year.

Participants are immediately 100% vested in the employee-derived contributions. Participants are 100% vested in the employer non-elective contributions after six years. Retirement plan contributions totaled \$20,609 and \$22,962 for the years ended December 31, 2017 and 2016, respectively.

NOTE 11. CONCENTRATION OF CREDIT RISK

The Rescue Mission maintains cash balances in two financial institutions located in Macon, Georgia. The balances at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Rescue Mission had \$2,024,236 and \$1,015,496 of cash deposits in banks in excess of federally insured limits as of December 31, 2017 and 2016, respectively. Cash on hand consisted of \$2,405 for the years ended December 31, 2017 and 2016.

NOTE 12. FAIR VALUE MEASUREMENTS

The Financial Accounting Standards Board Codification No. ASC 820, *Fair Value Measurements*, defines fair value, establishes a framework for measuring fair value, establishes a three-level valuation hierarchy for disclosure of fair value measurement and enhances disclosure requirements for fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets;

RESCUE MISSION OF MIDDLE GEORGIA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12. FAIR VALUE MEASUREMENTS (CONTINUED)

Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument; and

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

The asset's and liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the methodologies used for measurement at fair value:

Fair value for inventory is determined using statistical computations (see Note 2).

Fair value for the beneficial interest in perpetual trust is determined by the fair value of the assets in the trust at quoted market prices times the Rescue Mission's interest in the trust.

Fair values of assets measured on a recurring basis at December 31, 2017 are as follows:

	Fair Value	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Inventory	\$ 30,144	\$ -	\$ -	\$ 30,144
Beneficial interest in perpetual trust	282,072	-	-	282,072
	<u>\$ 312,216</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 312,216</u>

RESCUE MISSION OF MIDDLE GEORGIA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12. FAIR VALUE MEASUREMENTS (CONTINUED)

Fair values of assets measured on a recurring basis at December 31, 2016 are as follows:

	Fair Value	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Inventory	\$ 29,119	\$ -	\$ -	\$ 29,119
Beneficial interest in perpetual trust	260,906	-	-	260,906
	<u>\$ 290,025</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 290,025</u>

Fair value of assets measured on a nonrecurring basis at December 31, 2017 are as follows:

	Fair Value	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Property held for resale	\$ -	\$ -	\$ -	\$ -
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Fair value of assets measured on a nonrecurring basis at December 31, 2016 are as follows:

	Fair Value	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Property held for resale	\$ 81,000	\$ -	\$ 81,000	\$ -
	<u>\$ 81,000</u>	<u>\$ -</u>	<u>\$ 81,000</u>	<u>\$ -</u>

RESCUE MISSION OF MIDDLE GEORGIA, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12. FAIR VALUE MEASUREMENTS (CONTINUED)

The table below sets forth a summary of changes in the fair value of the Rescue Mission's Level Three assets for the year ended December 31, 2017:

	Using Significant Unobservable Inputs (Level 3)		
	Beneficial interest in		
	Inventory	perpetual trust	Total
Balance, beginning of year	\$ 29,119	\$ 260,906	\$ 290,025
Realized gains (losses)	-	-	-
Unrealized gains (losses)	-	21,166	21,166
Purchases, sales, issuances, and settlements, net	1,025	-	1,025
Balance, end of year	\$ 30,144	\$ 282,072	\$ 312,216

The amount of total losses for the period attributable to the change in unrealized losses relating to assets still held at December 31, 2017

\$	-	\$ 21,166	\$ 21,166
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NOTE 13. RELATED PARTY TRANSACTIONS

The Rescue Mission utilizes Five Star Automotive Group on a recurring basis. The owner of Five Star is a member of the Board of Directors of the Rescue Mission. Services purchased from Five Star were vehicle maintenance and totaled \$3,427 and \$8,853 for the years ended December 31, 2017 and 2016, respectively.

The Rescue Mission utilized another board member for repairs and maintenance during the year. Services purchased from the board member were \$16,528 and \$0 for the years ended December 31, 2017 and 2016, respectively.

NOTE 14. SUBSEQUENT EVENTS

The Rescue Mission entered into a sales agreement to sell 2.503 acres on Highway 96 in Warner Robins, GA on August 1, 2018. Their basis in the land is \$858,733 and the sales price listed on the sales agreement is \$1,430,000, resulting in a gain on sale of \$571,267. The property has not been closed on as of the date of the financial statements.