

**ALLENTOWN RESCUE MISSION, INC. AND
ALLENTOWN RESCUE MISSION FOUNDATION**

FINANCIAL REPORT

June 30, 2020



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A Professional Corporation

Certified Public Accountants | Business Consultants

ALLENTOWN RESCUE MISSION, INC. AND ALLENTOWN RESCUE MISSION FOUNDATION

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June 30, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Allentown Rescue Mission, Inc. and
Allentown Rescue Mission Foundation
Allentown, Pennsylvania

We have audited the accompanying combined financial statements of the Allentown Rescue Mission, Inc. and Allentown Rescue Mission Foundation (nonprofit organizations), which comprise the combined statements of financial position as of June 30, 2020 and 2019, and the related combined statements of activities, functional expenses and cash flows for the years then ended, and the related combined notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of the Allentown Rescue Mission, Inc. and Allentown Rescue Mission Foundation as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Buckno Lisicky & Co PC

Allentown, Pennsylvania
May 13, 2021

ALLENTOWN RESCUE MISSION, INC. AND ALLENTOWN RESCUE MISSION FOUNDATION
Combined Statements of Financial Position
June 30, 2020 and 2019

	June 30, 2020			June 30, 2019		
	Allentown Rescue Mission	Foundation	Total	Allentown Rescue Mission	Foundation	Total
ASSETS						
Cash and cash equivalents	\$ 988,070	\$ 5,412,889	\$ 6,400,959	\$ 1,150,661	\$ 2,049,651	\$ 3,200,312
Certificates of deposit	-	660,105	660,105	-	-	-
Investments	-	1,079,709	1,079,709	-	3,529,241	3,529,241
Grants receivable	37,950	-	37,950	-	-	-
Accounts receivable	56,330	-	56,330	210,899	-	210,899
Prepaid expenses	53,110	-	53,110	62,399	-	62,399
Inventory	39,163	-	39,163	41,411	-	41,411
Property and equipment, net	2,784,454	-	2,784,454	2,892,589	-	2,892,589
Investments in outside perpetual trusts	561,005	-	561,005	567,011	-	567,011
TOTAL ASSETS	\$ 4,520,082	\$ 7,152,703	\$ 11,672,785	\$ 4,924,970	\$ 5,578,892	\$ 10,503,862
LIABILITIES AND NET ASSETS						
LIABILITIES						
Accounts payable	\$ 89,544	\$ -	\$ 89,544	\$ 120,212	\$ -	\$ 120,212
Refundable advances	240,825	-	240,825	-	-	-
Deferred service revenue	4,793	-	4,793	-	-	-
Liability to clients, custodial funds	47,953	-	47,953	20,827	-	20,827
Accrued retirement	27,731	-	27,731	26,677	-	26,677
Accrued expenses	54,632	-	54,632	43,955	-	43,955
Annuities payable	230,318	-	230,318	243,535	-	243,535
TOTAL LIABILITIES	695,796	-	695,796	455,206	-	455,206
NET ASSETS						
Without donor restrictions	2,534,281	7,152,703	9,686,984	3,172,851	5,578,892	8,751,743
With donor restrictions	1,290,005	-	1,290,005	1,296,913	-	1,296,913
TOTAL NET ASSETS	3,824,286	7,152,703	10,976,989	4,469,764	5,578,892	10,048,656
TOTAL LIABILITIES AND NET ASSETS	\$ 4,520,082	\$ 7,152,703	\$ 11,672,785	\$ 4,924,970	\$ 5,578,892	\$ 10,503,862

See Notes to Financial Statements.

ALLENTOWN RESCUE MISSION, INC. AND ALLENTOWN RESCUE MISSION FOUNDATION
Combined Statement of Activities
Years Ended June 30, 2020 and 2019

	Year Ending June 30, 2020				Year Ending June 30, 2019			
	Without Donor Restrictions		With Donor Restrictions		Without Donor Restrictions		With Donor Restrictions	
	Allentown Rescue Mission	Foundation	Allentown Rescue Mission	Total	Allentown Rescue Mission	Foundation	Allentown Rescue Mission	Total
OPERATING REVENUE AND SUPPORT								
Contributions	\$ 1,324,828	\$ 1,540,068	\$ 61,000	\$ 2,925,896	\$ 2,817,154	\$ -	\$ -	\$ 2,817,154
Government grants	148,445	-	-	148,445	32,395	-	-	32,395
Clean team workforce development fees	725,048	-	-	725,048	696,897	-	-	696,897
Donated materials and services	217,255	-	-	217,255	96,424	-	-	96,424
Special events, net	114,842	-	-	114,842	96,501	-	-	96,501
Miscellaneous income	2,543	-	-	2,543	7,161	-	-	7,161
Net assets released from restrictions	61,902	-	(61,902)	-	4,817	-	(4,817)	-
TOTAL OPERATING REVENUE AND SUPPORT	2,594,863	1,540,068	(902)	4,134,029	3,751,349	-	(4,817)	3,746,532
OPERATING EXPENSES:								
Program services:								
Graduate program	302,089	-	-	302,089	315,858	-	-	315,858
Christian living transition program	293,614	-	-	293,614	297,102	-	-	297,102
Gateway center	638,583	-	-	638,583	624,139	-	-	624,139
Clean team workforce development	733,161	-	-	733,161	764,043	-	-	764,043
Supporting services:								
Management and general	456,167	31,055	-	487,222	677,719	-	-	677,719
Fundraising	399,350	436,572	-	835,922	972,692	-	-	972,692
TOTAL OPERATING EXPENSES	2,822,964	467,627	-	3,290,591	3,651,553	-	-	3,651,553
INCREASE (DECREASE) FROM OPERATIONS	(228,101)	1,072,441	(902)	843,438	99,796	-	(4,817)	94,979
NON-OPERATING REVENUES (EXPENSES)								
Gain on disposal of property and equipment	6,500	-	-	6,500	-	-	-	-
Investment return	9,323	103,811	-	113,134	2,089	143,373	-	145,462
Gain on sale of limited partnership	-	-	-	-	154,268	-	-	154,268
Change in value of outside perpetual trusts	-	-	(6,006)	(6,006)	-	-	15,290	15,290
Change in value of annuity payable	(28,733)	-	-	(28,733)	(38,731)	-	-	(38,731)
Inter-organization transfers	(397,559)	397,559	-	-	(900,000)	900,000	-	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	(410,469)	501,370	(6,006)	84,895	(782,374)	1,043,373	15,290	276,289

See Notes to Financial Statements.

ALLENTOWN RESCUE MISSION, INC. AND ALLENTOWN RESCUE MISSION FOUNDATION

**Combined Statement of Activities
Years Ended June 30, 2020 and 2019**

	Year Ending June 30, 2020				Year Ending June 30, 2019			
	Without Donor Restrictions		With Donor Restrictions		Without Donor Restrictions		With Donor Restrictions	
	Allentown Rescue Mission	Foundation	Allentown Rescue Mission	Total	Allentown Rescue Mission	Foundation	Allentown Rescue Mission	Total
CHANGE IN NET ASSETS	(638,570)	1,573,811	(6,908)	928,333	(682,578)	1,043,373	10,473	371,268
NET ASSETS, BEGINNING	3,172,851	5,578,892	1,296,913	10,048,656	3,855,429	4,535,519	1,286,440	9,677,388
NET ASSETS, ENDING	\$ 2,534,281	\$ 7,152,703	\$ 1,290,005	\$ 10,976,989	\$ 3,172,851	\$ 5,578,892	\$ 1,296,913	\$ 10,048,656

ALLENTOWN RESCUE MISSION, INC. AND ALLENTOWN RESCUE MISSION FOUNDATION
Combined Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	Year Ending June 30, 2020			Year Ending June 30, 2019		
	Allentown Rescue Mission	Foundation	Total	Allentown Rescue Mission	Foundation	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Change in net assets	\$ (645,478)	\$ 1,573,811	\$ 928,333	\$ (672,105)	\$ 1,043,373	\$ 371,268
Adjustments to reconcile change in net assets to net cash provided by (used in) by operating activities:						
Depreciation and amortization	170,519	-	170,519	151,177	-	151,177
Unrealized gain on investments	-	(4,953)	(4,953)	-	(54,446)	(54,446)
Gain on sale of investments	-	(10)	(10)	-	-	-
Gain on sale of limited partnership	-	-	-	(154,268)	-	(154,268)
Gain on sale of property and equipment	(6,500)	-	(6,500)	-	-	-
Change in value of outside perpetual trusts	6,006	-	6,006	(15,290)	-	(15,290)
(Increase) decrease in assets:						
Grants receivable	(37,950)	-	(37,950)	-	-	-
Accounts receivable	154,569	-	154,569	(124,295)	-	(124,295)
Prepaid expenses	9,289	-	9,289	(7,821)	-	(7,821)
Inventory	2,248	-	2,248	-	-	-
Other assets	-	-	-	2,205	-	2,205
Increase (decrease) in liabilities:						
Accounts payable	(30,668)	-	(30,668)	82,922	-	82,922
Liability to clients, custodial funds	27,126	-	27,126	(3,848)	-	(3,848)
Accrued retirement	1,054	-	1,054	4,739	-	4,739
Accrued expenses	10,677	-	10,677	(6,619)	-	(6,619)
Annuities payable	(13,217)	-	(13,217)	(3,219)	-	(3,219)
Deferred service revenue	4,793	-	4,793	-	-	-
Refundable advances	240,825	-	240,825	-	-	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(106,707)	1,568,848	1,462,141	(746,422)	988,927	242,505
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of certificates of deposit	-	(900,000)	(900,000)	-	-	-
Sale of certificates of deposit	-	250,000	250,000	-	-	-
Proceeds from the sale of limited partnership	-	-	-	94,753	-	94,753
Purchase of investments	-	(400,000)	(400,000)	165,925	(14,273)	151,652
Proceeds from the sale of investments	-	2,844,390	2,844,390	-	-	-

See Notes to Financial Statements.

ALLENTOWN RESCUE MISSION, INC. AND ALLENTOWN RESCUE MISSION FOUNDATION

Combined Statements of Cash Flows

Years Ended June 30, 2020 and 2019

	Year Ending June 30, 2020			Year Ending June 30, 2019		
	Allentown Rescue Mission	Foundation	Total	Allentown Rescue Mission	Foundation	Total
Proceeds from the sale of property and equipment	6,500	-	6,500	-	-	-
Purchase of property and equipment	(62,384)	-	(62,384)	(184,245)	-	(184,245)
NET CASH PROVIDED BY (USED IN)						
INVESTING ACTIVITIES	(55,884)	1,794,390	1,738,506	76,433	(14,273)	62,160
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(162,591)	3,363,238	3,200,647	(669,989)	974,654	304,665
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,150,661	2,049,651	3,200,312	1,820,650	1,074,997	2,895,647
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 988,070	\$ 5,412,889	\$ 6,400,959	\$ 1,150,661	\$ 2,049,651	\$ 3,200,312

See Notes to Financial Statements.

ALLENTOWN RESCUE MISSION, INC. AND ALLENTOWN RESCUE MISSION FOUNDATION
Combined Statement of Functional Expenses
Year Ended June 30, 2020

	Program Services					Supporting Activities			TOTAL
	Graduate Program	Christian Living Transition Program	Gateway Center	Clean Team Workforce Development	Total Programs	Management and General	Fund Raising	Total Supporting Activities	
Salaries and wages	\$ 102,240	\$ 121,417	\$ 322,879	\$ 506,966	\$ 1,053,502	\$ 207,682	\$ 128,626	\$ 336,308	\$ 1,389,810
Employee benefits	18,052	23,056	34,874	35,015	110,997	67,873	22,589	90,462	201,459
Payroll taxes	5,860	7,678	18,000	52,702	84,240	18,374	9,362	27,736	111,976
Professional services	2,868	2,681	3,514	2,204	11,267	71,410	10,964	82,374	93,641
Employee training and recruitment	198	383	360	381	1,322	9,463	540	10,003	11,325
Advertising	10	4	11	321	346	2	121,181	121,183	121,529
Fundraising, materials and printing	-	-	-	-	-	-	348,948	348,948	348,948
Postage	1,093	1,062	1,332	343	3,830	1,605	149,376	150,981	154,811
Transportation	118	1,757	117	11,784	13,776	28	10	38	13,814
Rent	3,684	2,067	5,993	9,408	21,152	497	176	673	21,825
Utilities	15,357	6,878	15,151	10,815	48,201	3,816	1,293	5,109	53,310
Property and liability insurance	12,781	6,050	14,550	21,111	54,492	6,807	3,944	10,751	65,243
Taxes and licenses	359	654	692	3,496	5,201	2,323	358	2,681	7,882
Repairs and maintenance	12,944	11,101	19,255	30,519	73,819	9,396	963	10,359	84,178
Building custodial	1,671	7,648	4,862	9,202	23,383	7,380	924	8,304	31,687
Food and supplies	70,803	63,971	142,292	697	277,763	6,460	5,515	11,975	289,738
Office expense	1,254	1,712	1,461	756	5,183	14,493	9,509	24,002	29,185
Dues, memberships and subscriptions	13	9	27	231	280	4,514	1,315	5,829	6,109
Telephone	1,843	2,161	3,298	5,032	12,334	4,111	2,837	6,948	19,282
Travel and meetings	27	132	56	344	559	2,674	6,181	8,855	9,414
Interest and bank charges	-	-	-	856	856	24,338	-	24,338	25,194
Payments to or on behalf of clients	63	11,834	2,093	7,686	21,676	64	146	210	21,886
Miscellaneous	2	1	5	-	8	7,958	-	7,958	7,966
Bad debt expense	-	-	-	(140)	(140)	-	-	-	(140)
TOTAL EXPENSES BEFORE DEPRECIATION	251,240	272,256	590,822	709,729	1,824,047	471,268	824,757	1,296,025	3,120,072
Depreciation and amortization	50,849	21,358	47,761	23,432	143,400	15,954	11,165	27,119	170,519
TOTAL EXPENSES	\$ 302,089	\$ 293,614	\$ 638,583	\$ 733,161	\$ 1,967,447	\$ 487,222	\$ 835,922	\$ 1,323,144	\$ 3,290,591

See Notes to Financial Statements.

ALLENTOWN RESCUE MISSION, INC. AND ALLENTOWN RESCUE MISSION FOUNDATION
Combined Statement of Functional Expenses
Year Ended June 30, 2019

	Program Services					Supporting Activities			
	Graduate Program	Christian Living Transition Program	Gateway Center	Clean Team Workforce Development	Total Programs	Management and General	Fund Raising	Total Supporting Activities	TOTAL
Salaries and wages	\$ 133,551	\$ 139,649	\$ 335,505	\$ 492,915	\$ 1,101,620	\$ 302,818	\$ 137,314	\$ 440,132	\$ 1,541,752
Employee benefits	30,520	43,048	56,410	49,254	179,232	93,395	20,534	113,929	293,161
Payroll taxes	9,138	9,873	23,345	58,184	100,540	23,645	10,227	33,872	134,412
Professional services	1,395	1,198	1,836	2,064	6,493	93,074	19,093	112,167	118,660
Employee training and recruitment	-	-	-	17	17	7,354	576	7,930	7,947
Advertising	-	-	-	75	75	-	92,560	92,560	92,635
Fundraising, materials and printing	-	-	-	-	-	-	441,495	441,495	441,495
Postage	135	483	1,003	227	1,848	1,480	210,309	211,789	213,637
Transportation	356	1,666	344	26,362	28,728	283	87	370	29,098
Rent	3,407	1,938	6,549	9,482	21,376	492	211	703	22,079
Utilities	19,493	8,532	18,843	11,695	58,563	4,583	1,949	6,532	65,095
Property and liability insurance	17,919	8,579	21,306	23,978	71,782	14,579	5,744	20,323	92,105
Taxes and licenses	208	358	906	3,424	4,896	3,913	725	4,638	9,534
Repairs and maintenance	21,676	10,560	28,181	12,742	73,159	4,748	2,127	6,875	80,034
Building custodial	4,522	2,625	5,897	7,041	20,085	3,095	452	3,547	23,632
Food and supplies	19,625	16,503	63,708	10,114	109,950	72,981	2,416	75,397	185,347
Office expense	2,652	3,949	3,601	10,816	21,018	6,250	16,473	22,723	43,741
Dues, memberships and subscriptions	25	64	24	15	128	4,309	890	5,199	5,327
Telephone	1,745	3,531	3,523	5,499	14,298	3,069	1,998	5,067	19,365
Travel and meetings	7	134	77	548	766	3,913	3,357	7,270	8,036
Interest and bank charges	-	-	-	402	402	17,014	-	17,014	17,416
Payments to or on behalf of clients	-	22,253	4,170	7,134	33,557	170	-	170	33,727
Miscellaneous	-	-	-	-	-	4,530	-	4,530	4,530
Bad debt expense	-	-	-	1,432	1,432	252	-	252	1,684
TOTAL EXPENSES BEFORE DEPRECIATION	266,374	274,943	575,228	733,420	1,849,965	665,947	968,537	1,634,484	3,484,449
Depreciation and amortization	49,484	22,159	48,911	30,623	151,177	11,772	4,155	15,927	167,104
TOTAL EXPENSES	\$ 315,858	\$ 297,102	\$ 624,139	\$ 764,043	\$ 2,001,142	\$ 677,719	\$ 972,692	\$ 1,650,411	\$ 3,651,553

See Notes to Financial Statements.

ALLENTOWN RESCUE MISSION, INC. AND ALLENTOWN RESCUE MISSION FOUNDATION

Notes to Combined Financial Statements Years Ended June 30, 2020 and 2019

NOTE 1. ORGANIZATION AND PURPOSE

Allentown Rescue Mission, Inc. (the "Mission"), is a not-for-profit corporation organized under the laws of the Commonwealth of Pennsylvania, with a mission of "Rescue, rehabilitation and restoration for men in crisis." For those in need, the Mission will meet physical, spiritual, emotional, social, and intellectual needs to the best of its capabilities. The Mission provides a safe and disciplined environment, teaching, counseling, rehabilitation, work, and referrals so that each person in need can work to achieve self-sufficiency.

The Mission is the sole member of four limited liability companies (Allentown Rescue Mission Clean Team, LLC, Allentown Rescue Mission Workforce Development, LLC, Brighter Future of the Allentown Rescue Mission, LLC and Cars to the Rescue, LLC) the operations of which are included under the activities of the Mission.

The Allentown Rescue Mission Foundation (the "Foundation") is a not-for-profit corporation organized under the laws of the Commonwealth of Pennsylvania for the sole purpose of providing funds to support the programs, services and capital needs of the Allentown Rescue Mission, Inc.

The Organization is exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code.

Allentown Rescue Mission, Inc. and Allentown Rescue Mission Foundation are collectively referred to as the "Organization" for purposes of these combined financial statements.

Descriptions of the Mission's programs are as follows:

Gateway Center

The Gateway Center (emergency shelter) is the most basic of the programs and is often the entry-point into the long-term programs. Emergency Shelter receives clients - literally - off the street, who have exhausted all support and typically have multiple and long-term problems.

The Mission provides 72 beds for homeless men; the shelter is open seven days a week.

Christian Living Transitional Program

The Christian Living and Values Transitional Program is a Christ-centered, residential program for the restoration of homeless men to God and the community. The program offers the Good News about Jesus Christ and spiritual growth opportunities, transitional housing and housing assistance, meals and clothing, life skills education, and referrals to other service providers.

Christian Living Graduate Program

The Graduate Program provides transitional housing for Christian Living Program graduates in a safe, clean, supportive environment that helps clients transition back into

ALLENTOWN RESCUE MISSION, INC. AND ALLENTOWN RESCUE MISSION FOUNDATION

Notes to Combined Financial Statements Years Ended June 30, 2020 and 2019

society. While in this program, clients receive structured support to obtain employment and permanent housing.

Clean Team Workforce Development

Clean Team Workforce Development is an innovative project of the Allentown Rescue Mission, employing men who are working their way out of homelessness. Clean Team Workforce Development is a training program, teaching men transferrable workplace skills, such as: promptness, safety, attentiveness, cooperation, and productivity. The goal for each participant is more than getting a job; it is to be a solid entry level worker, and a valued employee.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Combination

The combined financial statements include the accounts of the Allentown Rescue Mission, Inc. and the Allentown Rescue Mission Foundation.

Basis of Accounting

The combined financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and reflect all material receivables and payables.

Use of 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable consists of miscellaneous operating receivables collectible by the Organization. Accounts receivable are stated at unpaid balances, less allowance for doubtful accounts. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on prior collection experience, analysis of customer's ability to pay, economic conditions and other circumstances, which may affect the ability of customers to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. As of June 30, 2020 and 2019, management has determined that no allowance is required.

ALLENTOWN RESCUE MISSION, INC. AND ALLENTOWN RESCUE MISSION FOUNDATION

Notes to Combined Financial Statements Years Ended June 30, 2020 and 2019

Investments

Investments in equity securities with readily determinable fair values and all investment in debt securities are measured at fair value in the combined statement of financial position. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the combined statement of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

Inventory

Inventory consist of food and other supplies. These items are stated at the lower of cost or market valued on a first-in, first-out basis. Donated food inventory is valued at an average of the national wholesale prices as determined by Feeding America.

Advertising

Advertising costs are expensed as incurred and were \$121,529 and \$92,635 for the years ended June 30, 2020 and 2019, respectively.

Investment in Limited Partnership

The Organization was a partner in a limited partnership. The investment in the limited partnership was valued on the tax basis of their original investment and adjusted annually for their share of the Partnership income or loss. The limited partnership was sold during 2019.

Outside Perpetual Trusts

The Mission is a beneficiary of two perpetual irrevocable trusts held and administered by independent trustees. Under the terms of the trusts, the Mission has the irrevocable right to receive a portion of the income earned on trust assets in perpetuity. The fair value of the beneficial interest in a trust is recognized as an asset and as a permanently restricted contribution at the date the trust is established. The Mission's estimate of fair value at each reporting date is based on fair value information about the trust's assets received from the trustees. Trust assets consist of, but are not limited to, cash held for investment, real assets funds, equity securities, alternative investments, and fixed income securities. These assets are not subject to control or direction by the Mission. Distributions of income from the trusts are reported as investment income. Gains and losses, which are not distributed by the trusts, are reflected as the change in value of outside perpetual trusts in the statement of activities.

Property and Equipment

Property and equipment, other than contributed property and equipment, is stated at cost. Depreciation is computed by use of the straight-line method based on estimated useful lives. Such assets and lives are generally as follows:

ALLENTOWN RESCUE MISSION, INC. AND ALLENTOWN RESCUE MISSION FOUNDATION

Notes to Combined Financial Statements Years Ended June 30, 2020 and 2019

	<u>Years</u>
Land Improvements	45
Buildings and Improvements	39-45
Equipment	5-7
Vehicles	5

The Organization reports gifts of land, building, and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Additions and betterments of \$500 or more are capitalized while normal repair and maintenance expenditures are not capitalized because they neither add to the value of the property nor materially prolong its useful life.

Revenue and Revenue Recognition

The Organization has analyzed the provisions of the FASB's ASC Topic 606, *Revenue from Contracts with Customers* and has concluded that no changes are necessary to conform with the new standard. The Organization's contract service income is recognized over time as the services are performed.

The Organization provides grounds maintenance, interior demolition and cleanup, and other labor related services in Allentown, Pennsylvania, to residential and commercial entities, including fixed fee and hourly rate contracts. For fixed fee contracts, the Organization is entitled to payment for its performance to date if the contracts are cancelled for any reason other than the Organization's nonperformance. As a result, contract revenue is recognized over time as services are rendered. Progress towards completion of the contracts is measured by the percentage of hours incurred to date to estimated total hours to complete the services due to management's belief that total hours are the best available measure of progress on contracts. For hourly rate contracts, revenue is recognized in the amount invoiced as that amount corresponds directly to the value of the Organization's performance to date.

Revenues from contracts with customers disaggregated based upon the timing of the transfer of services is as follows:

	<u>2020</u>	<u>2019</u>
Services transferred over time	<u>\$ 725,048</u>	<u>\$ 696,897</u>

The beginning and ending contract asset and (liability) balances were as follows:

ALLENTOWN RESCUE MISSION, INC. AND ALLENTOWN RESCUE MISSION FOUNDATION

Notes to Combined Financial Statements Years Ended June 30, 2020 and 2019

	2020	2019	2018
Accounts receivable	\$ 56,330	\$ 60,899	\$ 84,623
Deferred service revenue	(4,793)	-	-

The Organization has adopted Accounting Standards Update (ASU) No. 2018-08 Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605) as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. There are no conditional contributions for the years ended June 30, 2020 and 2019.

A portion the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Organization received cost-reimbursable grants of \$148,445 and \$32,395 for the years ended June 30, 2020 and 2019. The Organization has refundable advances related to these grants of \$18,975 and \$0 as of June 30, 2020 and 2019, respectively. Additionally the Organization received funds under the Paycheck Protection Program ("PPP") of \$221,850 that are included in refundable advances at June 30, 2020. See Note 9 for additional details on the PPP funds.

Special events revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. We recognize special events revenue equal to the fair value of direct benefits to donors when the special event takes place. We recognize the contribution element of special event revenue immediately, unless there is a right of return if the special event does not take place.

Donated Materials and Services

The Mission receives various donated materials such as food. They also receive donated medical and other services for individuals in need of care. Contributed services are recorded if the services received (a) create or enhance nonfinancial 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 those donated services totaled \$46,034 and \$64,466 for the years ended June 30, 2020 and 2019, respectively. The fair market value of contributed professional services is reported as support and expense in the period in which the services are performed.

Time has been donated by volunteers and board members of the Organization; however, such services are typically not recorded.

ALLENTOWN RESCUE MISSION, INC. AND ALLENTOWN RESCUE MISSION FOUNDATION

Notes to Combined Financial Statements Years Ended June 30, 2020 and 2019

Allocation of Expenses by Function

The Organization's method for allocating expenses among the functional reporting classifications which cannot be specifically identified as program services or supporting activities are based on estimates made for time spent by key personnel between functions, space occupied by function, consumption of supplies and postage by function, and other objective bases.

Cash Equivalents

For purpose of the Statement of Cash Flows, the Organization considers certificates of deposit and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Operating vs Non-Operating Revenues and Expenses

The Organization's operating revenues and expenses on the Statement of Activities is based on the Organization's operating budget. All other revenues and expenses are reported as non-operating.

Income Taxes

The Organization is a nonprofit organization incorporated in the Commonwealth of Pennsylvania and exempt from federal income taxes under 501(c)(3) of the Internal Revenue Code.

The Organization follows the accounting guidance as codified in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, Income Taxes - Uncertainty in Income Taxes. FASB ASC 740 clarifies the accounting for uncertainties in income taxes recognized in the Organization's financial statements. The standard prescribes a recognition threshold of more likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. The standard also provides guidance on derecognition, classification, interest and penalties and disclosure.

The Organization has no material unrecognized tax benefits or accrued interest or penalties. The Organization has filed tax returns in the U.S. and Commonwealth of Pennsylvania. The years ended June 30, 2018, 2019 and 2020 are open for examination by taxing authorities generally for three years after filing.

Reclassifications

It is the Organization's policy to reclassify, where appropriate, prior year financial statements to conform to the current year presentation.

Management's Review

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 13, 2021, the date the financial statements were available to be issued.

ALLENTOWN RESCUE MISSION, INC. AND ALLENTOWN RESCUE MISSION FOUNDATION

Notes to Combined Financial Statements Years Ended June 30, 2020 and 2019

NOTE 3. LIQUIDITY AND AVAILABLE RESOURCES

Looking forward, financial assets available for general expenditure within one year of the statement of financial position date comprise of the following at June 30, 2020 and 2019:

Financial assets available to fund general operations within one year

	2020	2019
Cash and cash equivalents	\$ 6,400,959	\$ 3,200,312
Certificates of deposit	660,105	-
Investments	1,079,709	3,529,241
Grants receivable	37,950	-
Accounts receivable	56,330	210,899
	<u>8,235,053</u>	<u>6,940,452</u>

Less those unavailable for general expenditures within one year due to:

Financial assets subject to donor restrictions for specified purpose	(729,000)	(729,902)
	<u>\$ 7,506,053</u>	<u>\$ 6,210,550</u>

As part of the Organization's liquidity management strategy, the Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 4. INVESTMENTS

The Foundation has the following investments, stated at fair value, as of June 30:

	2020	2019
Equity Fund	\$ -	\$ 658,505
Schwab Bond Fund	1,079,709	-
Wheaton Bond Fund	-	1,453,626
Wheaton Stock Fund	-	1,417,110
	<u>\$ 1,079,709</u>	<u>\$ 3,529,241</u>

Investment return and its classification in the statement of activities is as follows:

	Mission	Foundation	Total
<u>For the Year Ended June 30, 2020</u>			
Interest and dividend income	\$ 9,323	\$ 101,346	\$ 110,669
Investment management fees	-	(2,498)	(2,498)
Realized gain on investments	-	10	10
Unrealized gain on investments	-	4,953	4,953
	<u>\$ 9,323</u>	<u>\$ 103,811</u>	<u>\$ 113,134</u>

ALLENTOWN RESCUE MISSION, INC. AND ALLENTOWN RESCUE MISSION FOUNDATION

Notes to Combined Financial Statements Years Ended June 30, 2020 and 2019

	<u>Mission</u>	<u>Foundation</u>	<u>Total</u>
<u>For the Year Ended June 30, 2019</u>			
Interest and dividend income	\$ 2,089	\$ 108,612	\$ 110,701
Investment management fees	-	(19,685)	(19,685)
Unrealized gain on investments	-	54,446	54,446
	<u>\$ 2,089</u>	<u>\$ 143,373</u>	<u>\$ 145,462</u>

NOTE 5. FAIR VALUE MEASUREMENTS

The Organization adopted FASB ASC 820-10, Fair Value Measurements and Disclosures, as it pertains to its financial assets and liabilities. ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, based on assumptions that market participants at the measurement date, based on assumptions that market participants would use, including consideration for non-performance risk.

Management assesses the inputs used to measure fair value using a three-tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market. The three levels of the fair value hierarchy under FASB ASC 820-10 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- 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 (contractual) 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 Organization has an investment in a Limited Partnership and Outside Perpetual Trusts classified as Level 3 assets.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2020 and 2019.

ALLENTOWN RESCUE MISSION, INC. AND ALLENTOWN RESCUE MISSION FOUNDATION

Notes to Combined Financial Statements Years Ended June 30, 2020 and 2019

Equity Funds: Valued at the closing price reported on the active market on which the individual securities are traded.

Outside Perpetual Trusts: Measured based on quoted market prices of the underlying securities and other relevant information generated by market transactions, divided by the Mission's share based on its pro-rata share of distributable income of the Trusts.

Wheaton Stock Fund and Wheaton Bond Fund: Valued by the Funds custodian at market prices obtained from recognized automated pricing services, records of any exchange, standard financial periodicals, or any newspaper of general circulation, subject to review and approval by the trustee. Pricing services utilized by the custodian include FT active data, Standard & Poor's and Bloomberg. In those instance where there are no readily obtainable fair values from any of these sources, investments are valued based on estimated fair values obtained from bankers, brokers, dealers or other qualified appraisers.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There were no transfers between Level, 1, Level 2 and Level 3 investments in 2020 and 2019. Transfers are recognized at the end of the reporting period.

The following table sets forth by level, within the fair value hierarchy, the Organizations' assets at fair value as of June 30, 2020 and 2019:

	Assets at Fair Value as of June 30, 2020			
	Level 1	Level 2	Level 3	Total
Equity Funds	\$ 1,079,709	\$ -	\$ -	\$ 1,079,709
Wheaton Stock Funds	-	-	-	-
Wheaton Bond Funds	-	-	-	-
Outside Perpetual Trusts	-	-	561,005	561,005
	<u>\$ 1,079,709</u>	<u>\$ -</u>	<u>\$ 561,005</u>	<u>\$ 1,640,714</u>

	Assets at Fair Value as of June 30, 2019			
	Level 1	Level 2	Level 3	Total
Equity Funds	\$ 658,506	\$ -	\$ -	\$ 658,506
Wheaton Stock Funds	-	1,417,110	-	1,417,110
Wheaton Bond Funds	-	1,453,625	-	1,453,625
Outside Perpetual Trusts	-	-	567,011	567,011
	<u>\$ 658,506</u>	<u>\$ 2,870,735</u>	<u>\$ 567,011</u>	<u>\$ 4,096,252</u>

ALLENTOWN RESCUE MISSION, INC. AND ALLENTOWN RESCUE MISSION FOUNDATION

Notes to Combined Financial Statements Years Ended June 30, 2020 and 2019

See Note 8 for a summary of changes in the fair value of the Organization's Level 3 assets for the year ended June 30, 2020 and 2019.

NOTE 6. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30, 2020 and 2019:

	2020	2019
Clean Team service fees	\$ 56,330	\$ 60,899
Other	-	150,000
	<u>\$ 56,330</u>	<u>\$ 210,899</u>

NOTE 7. PROPERTY AND EQUIPMENT

Property and equipment as of June 30 is as follows:

	2020	2019
Land and buildings	\$ 4,118,031	\$ 4,067,246
Furniture and equipment	738,911	732,311
Vehicles	156,474	176,821
	5,013,416	4,976,378
Less: accumulated depreciation	(2,228,962)	(2,083,789)
	<u>\$ 2,784,454</u>	<u>\$ 2,892,589</u>

Depreciation expense was \$170,519 and \$167,104 for the years ended June 30, 2020 and 2019, respectively.

NOTE 8. OUTSIDE PERPETUAL TRUSTS

Allentown Rescue Mission, Inc. has two perpetual trusts that provide for annual distributions of income to the Organization as beneficiary. The trusts at June 30, 2020 and 2019 are as follows:

	% Interest	2020	2019
Trust under agreement of Beuhler Memorial Fund Trust	5%	\$ 167,133	\$ 165,386
Trust under agreement of Charles and Mayme Smith	50%	393,872	401,625
		<u>\$ 561,005</u>	<u>\$ 567,011</u>

ALLENTOWN RESCUE MISSION, INC. AND ALLENTOWN RESCUE MISSION FOUNDATION

Notes to Combined Financial Statements Years Ended June 30, 2020 and 2019

Investments of the trusts, at fair value, consist of the following at June 30, 2020 and 2019:

	2020	2019
Cash held for investment	\$ 23,412	\$ 37,541
Real asset funds	17,348	22,065
Equity securities	314,258	290,951
Alternative investments	15,988	83,126
Fixed income securities	189,999	133,328
	<u>\$ 561,005</u>	<u>\$ 567,011</u>

Changes in the trusts consist of the following at June 30, 2020 and 2019:

	2020	2019
Unrealized gains	\$ 19,244	\$ 39,890
Distributions	<u>(25,250)</u>	<u>(24,600)</u>
	<u>\$ (6,006)</u>	<u>\$ 15,290</u>

NOTE 9. REFUNDABLE ADVANCES – PAYCHECK PROTECTION PROGRAM

The Organization was granted a \$221,850 loan under the Paycheck Protection Program (“PPP”) administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Organization has initially recorded the loan as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right to return of the PPP loan or when such conditions are explicitly waived. Proceeds from the loan are eligible for forgiveness if the Organization maintains employment levels during its covered period and uses the funds for certain payroll, rent, and utility expenses. No contribution revenue has been recorded for the year ended June 30, 2020, the Organization will be required to repay any balance not forgiven, plus interest accrued at 1% per annum with monthly payments beginning on March 1, 2020. Principal and interest payments will be required through the maturity date of May 1, 2022, if not forgiven.

NOTE 10. ANNUITIES PAYABLE

Charitable gift annuities and charitable remainder annuity trust consist of the following as of June 30, 2020 and 2019:

	2020	2019
Charitable Gift Annuity created in 2001 requiring quarterly payments of \$7,187 to the donor for his lifetime .	\$ 129,841	\$ 139,008

ALLENTOWN RESCUE MISSION, INC. AND ALLENTOWN RESCUE MISSION FOUNDATION

Notes to Combined Financial Statements Years Ended June 30, 2020 and 2019

	2020	2019
Charitable Gift Annuity created in 2008 requiring quarterly payments of \$3,300 to the donor for his lifetime .	100,477	104,527
	<u>\$ 230,318</u>	<u>\$ 243,535</u>

On an annual basis, the Mission revalues the liabilities/assets of the split-interest agreements based on applicable mortality tables and discount rates, which vary from 4% to 6.6%.

NOTE 11. RETIREMENT PLAN

The Mission offers a 401(k) profit sharing plan whereby they contribute 6% of eligible wages to the plan annually. The Organization also offers a 401(k) plan whereby they will match up to 3% of eligible wages. Retirement expense was \$47,508 and \$53,669, for the years ended June 30, 2020 and 2019, respectively. In addition, a tax deferred annuity plan is available to staff members.

NOTE 12. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions is comprised of amounts for the following purposes as of June 30, 2020 and 2019:

	2020	2019
Undesignated	\$ 6,652,530	\$ 5,609,154
Board-designated for specified purpose:		
Working capital	150,000	150,000
Operating reserve	60,000	60,000
Emergencies	40,000	40,000
Investment in property	2,784,454	2,892,589
	<u>\$ 9,686,984</u>	<u>\$ 8,751,743</u>

NOTE 13. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions, including assets that were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors, is comprised of amounts for the following purposes as of June 30, 2020 and 2019:

ALLENTOWN RESCUE MISSION, INC. AND ALLENTOWN RESCUE MISSION FOUNDATION

Notes to Combined Financial Statements Years Ended June 30, 2020 and 2019

	2020	2019
<i>Subject to purpose:</i>		
Car Program	\$ 20,000	\$ 20,000
Van purchase	3,140	3,140
Financial Literacy Program	2,500	2,500
Medical care for the underprivileged	703,360	704,262
	<u>729,000</u>	<u>729,902</u>
<i>Perpetual in nature:</i>		
Outside perpetual trust	561,005	567,011
	<u>561,005</u>	<u>567,011</u>
	<u>\$ 1,290,005</u>	<u>\$ 1,296,913</u>

Net assets which were released from donor restrictions for the years ended June 30, 2020 and 2019 are as follows:

	2020	2019
<i>Satisfaction of purpose restriction:</i>		
Clean Team Operation	\$ 61,000	\$ -
Medical care for the underprivileged	902	4,817
	<u>\$ 61,902</u>	<u>\$ 4,817</u>

NOTE 14. SPECIAL EVENTS

Revenue and related expenses of the Organization's major fundraising events are as follows:

<u>June 30, 2020</u>	Event Contributions	Cost of Direct Benefits	Net Revenue
Spaghetti Dinner	\$ 135,755	\$ (20,878)	\$ 114,877
Other Events	3,713	(3,748)	(35)
	<u>\$ 139,468</u>	<u>\$ (24,626)</u>	<u>\$ 114,842</u>
<u>June 30, 2019</u>	Event Contributions	Cost of Direct Benefits	Net Revenue
Spaghetti Dinner	\$ 103,785	\$ (15,576)	\$ 88,209
Other Events	14,609	(6,317)	8,292
	<u>\$ 118,394</u>	<u>\$ (21,893)</u>	<u>\$ 96,501</u>

**ALLENTOWN RESCUE MISSION, INC. AND ALLENTOWN RESCUE MISSION
FOUNDATION**

**Notes to Combined Financial Statements
Years Ended June 30, 2020 and 2019**

NOTE 15. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances in limited financial institutions. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, bank balances are in excess of FDIC limits. The Organization has not experienced any losses as a result of these uninsured cash balances.

NOTE 16. CONTINGENCY

The Organization's operations have been affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the Organization's financial position, operations, and cash flows. Possible effects may include, but are not limited to, disruption to the Organization's revenue sources, its workforce and its ability to provide services. The future effects of these issues are unknown.

NOTE 17. SUBSEQUENT EVENT

On December 8, 2020, the Organization received confirmation that the loan issued under the Paycheck Protection Program ("PPP") under Division A, Title I of the CARES Act, was forgiven in its entirety for the amount of \$221,850.