

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

FINANCIAL REPORT

June 30, 2019

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ALLENTOWN RESCUE MISSION, INC. AND ALLENTOWN RESCUE MISSION FOUNDATION

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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 statement of financial position as of June 30, 2019, and the related combined statements of activities, functional expenses and cash flows for the year 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 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 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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the Allentown Rescue Mission, Inc. and Allentown Rescue Mission Foundation as of June 30, 2018, were audited by other auditors whose report dated April 29, 2019, expressed an unmodified opinion on those financial statements.

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Allentown, Pennsylvania
July 13, 2020

ALLENTOWN RESCUE MISSION, INC. AND ALLENTOWN RESCUE MISSION FOUNDATION
Combined Statements of Financial Position
June 30, 2019 and 2018

	June 30, 2019			June 30, 2018		
	Allentown Rescue Mission	Foundation	Total	Allentown Rescue Mission	Foundation	Total
ASSETS						
Cash and cash equivalents	\$ 1,150,661	\$ 2,049,651	\$ 3,200,312	\$ 1,820,650	\$ 1,074,997	\$ 2,895,647
Investments	-	3,529,241	3,529,241	-	3,460,522	3,460,522
Accounts receivable	210,899	-	210,899	86,604	-	86,604
Prepaid expenses	62,399	-	62,399	54,578	-	54,578
Inventory	41,411	-	41,411	41,411	-	41,411
Other assets	-	-	-	2,205	-	2,205
Property and equipment, net	2,892,589	-	2,892,589	2,875,446	-	2,875,446
Investment in limited partnership	-	-	-	90,485	-	90,485
Investments in outside perpetual trusts	567,011	-	567,011	551,721	-	551,721
TOTAL ASSETS	\$ 4,924,970	\$ 5,578,892	\$ 10,503,862	\$ 5,523,100	\$ 4,535,519	\$ 10,058,619
LIABILITIES AND NET ASSETS						
LIABILITIES						
Accounts payable	\$ 120,212	\$ -	\$ 120,212	\$ 37,290	\$ -	\$ 37,290
Liability to clients, custodial funds	20,827	-	20,827	24,675	-	24,675
Accrued retirement	26,677	-	26,677	21,938	-	21,938
Accrued expenses	43,955	-	43,955	50,574	-	50,574
Annuities payable	243,535	-	243,535	246,754	-	246,754
TOTAL LIABILITIES	455,206	-	455,206	381,231	-	381,231
NET ASSETS						
Without donor restrictions	3,172,851	5,578,892	8,751,743	3,855,429	4,535,519	8,390,948
With donor restrictions	1,296,913	-	1,296,913	1,286,440	-	1,286,440
TOTAL NET ASSETS	4,469,764	5,578,892	10,048,656	5,141,869	4,535,519	9,677,388
TOTAL LIABILITIES AND NET ASSETS	\$ 4,924,970	\$ 5,578,892	\$ 10,503,862	\$ 5,523,100	\$ 4,535,519	\$ 10,058,619

See Notes to Financial Statements.

ALLENTOWN RESCUE MISSION, INC. AND ALLENTOWN RESCUE MISSION FOUNDATION

Combined Statement of Activities

Years Ended June 30, 2019 and 2018

	Year Ending June 30, 2019				Year Ending June 30, 2018			
	Without Donor Restrictions		With Donor Restrictions		Without Donor Restrictions		With Donor Restrictions	
	Allentown	Mission	Allentown	Mission	Allentown	Mission	Allentown	Mission
OPERATING REVENUE AND SUPPORT								
Contributions	\$ 2,817,154	\$ -	\$ -	\$ -	\$ 2,815,388	\$ -	\$ -	\$ 2,815,388
Government grants	32,395	-	-	-	53,129	-	-	53,129
Program fees	-	-	-	-	18,975	-	-	18,975
Clean team workforce development fees	696,897	-	-	-	688,018	-	-	688,018
Donated materials and services	96,424	-	-	-	139,327	-	-	139,327
Special events, net	96,501	-	-	-	168,188	-	-	168,188
Miscellaneous income	7,161	-	-	-	13,044	-	-	13,044
Net assets released from restrictions	4,817	-	(4,817)	-	1,543	-	(1,543)	-
TOTAL OPERATING REVENUE AND SUPPORT	3,751,349	-	(4,817)	3,746,532	3,897,612	-	(1,543)	3,896,069
OPERATING EXPENSES:								
Program services:								
Graduate program	315,858	-	-	-	312,124	-	-	312,124
Christian living transition program	297,102	-	-	-	435,106	-	-	435,106
Gateway center	624,139	-	-	-	804,703	-	-	804,703
Clean team workforce development	764,043	-	-	-	770,087	-	-	770,087
Supporting services:								
Management and general	677,719	-	-	-	495,629	-	-	495,629
Fundraising	972,692	-	-	-	915,370	-	-	915,370
TOTAL OPERATING EXPENSES	3,651,553	-	-	3,651,553	3,733,019	-	-	3,733,019
INCREASE (DECREASE) FROM OPERATIONS	99,796	-	(4,817)	94,979	164,593	-	(1,543)	163,050
NON-OPERATING REVENUES (EXPENSES)								
Gain on disposal of property and equipment	-	-	-	-	3,715	-	-	3,715
Investment return	2,089	143,373	-	-	7,940	274,208	-	282,148
Gain on sale of limited partnership	154,268	-	-	-	-	-	-	-
Change in value of outside perpetual trusts	-	-	15,290	-	-	-	3,953	3,953
Change in value of annuity payable	(88,731)	-	-	-	(32,662)	-	-	(32,662)
Inter-organization transfers	(900,000)	900,000	-	-	(1,585,391)	1,585,391	-	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	(782,374)	1,043,373	15,290	276,289	(1,606,398)	1,859,599	3,953	257,154

ALLENTOWN RESCUE MISSION, INC. AND ALLENTOWN RESCUE MISSION FOUNDATION

Combined Statement of Activities

Years Ended June 30, 2019 and 2018

	Year Ending June 30, 2019			Year Ending June 30, 2018		
	Without Donor Restrictions		With Donor Restrictions	Without Donor Restrictions		With Donor Restrictions
	Allentown Rescue Mission	Foundation	Allentown Rescue Mission	Allentown Rescue Mission	Foundation	Allentown Rescue Mission
CHANGE IN NET ASSETS	(682,578)	1,043,373	10,473	(1,441,805)	1,859,599	2,410
NET ASSETS, BEGINNING	3,855,429	4,535,519	1,286,440	5,297,234	2,675,920	1,284,030
NET ASSETS, ENDING	\$ 3,172,851	\$ 5,578,892	\$ 1,296,913	\$ 3,855,429	\$ 4,535,519	\$ 1,286,440
			Total			Total
			371,268			420,204
			9,677,388			9,257,184
			\$ 10,048,656			\$ 9,677,388

ALLENTOWN RESCUE MISSION, INC. AND ALLENTOWN RESCUE MISSION FOUNDATION

**Combined Statements of Cash Flows
Years Ended June 30, 2019 and 2018**

	Year Ending June 30, 2019			Year Ending June 30, 2018		
	Allentown Rescue Mission	Foundation	Total	Allentown Rescue Mission	Foundation	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Change in net assets	\$ (672,105)	\$ 1,043,373	\$ 371,268	\$ (1,439,395)	\$ 1,859,599	\$ 420,204
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:						
Depreciation and amortization	151,177	-	151,177	160,925	-	160,925
Unrealized gain on investments	-	(54,446)	(54,446)	-	(152,318)	(152,318)
(Gain) loss on sale of investments	(4,268)	-	(4,268)	145	(67,581)	(67,436)
(Gain) loss on sale of limited partnership	(154,268)	-	(154,268)	-	-	-
Gain on disposal of property and equipment	-	-	-	(3,715)	-	(3,715)
Contributed investments	-	-	-	(8,037)	-	(8,037)
Change in value of limited partnership	-	-	-	(318)	-	(318)
Change in value of outside perpetual trusts	(15,290)	-	(15,290)	(3,953)	-	(3,953)
(Increase) decrease in assets:						
Accounts receivable	(124,295)	-	(124,295)	23,040	-	23,040
Prepaid expenses	(7,821)	-	(7,821)	(30,356)	-	(30,356)
Inventory	-	-	-	(11,947)	-	(11,947)
Other assets	2,205	-	2,205	2,373	-	2,373
Increase (decrease) in liabilities:						
Accounts payable	82,922	-	82,922	(5,459)	(21,516)	(26,975)
Liability to clients, custodial funds	(3,848)	-	(3,848)	(18,308)	-	(18,308)
Accrued retirement	4,739	-	4,739	(9,193)	-	(9,193)
Accrued expenses	(6,619)	-	(6,619)	3,048	-	3,048
Annuities payable	(3,219)	-	(3,219)	(9,288)	-	(9,288)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(750,690)	988,927	238,237	(1,350,438)	1,618,184	267,746
CASH FLOWS FROM INVESTING ACTIVITIES						
Decrease in loans receivable	-	-	-	32,440	-	32,440
Purchases of certificates of deposit	-	-	-	-	(25)	(25)
Sale of certificates of deposit	-	-	-	-	111,732	111,732
Proceeds from the sale of limited partnership	94,753	-	94,753	-	-	-
Purchase and sale of investments, net	170,193	(14,273)	155,920	7,892	(674,521)	(666,629)
Purchase of property and equipment	(184,245)	-	(184,245)	(72,054)	-	(72,054)

See Notes to Financial Statements.

ALLENTOWN RESCUE MISSION, INC. AND ALLENTOWN RESCUE MISSION FOUNDATION

**Combined Statements of Cash Flows
Years Ended June 30, 2019 and 2018**

	Year Ending June 30, 2019			Year Ending June 30, 2018		
	Allentown Rescue Mission	Foundation	Total	Allentown Rescue Mission	Foundation	Total
Proceeds from sale of land, building and equipment	-	-	-	16,611	-	16,611
NET CASH USED IN INVESTING ACTIVITIES	<u>80,701</u>	<u>(14,273)</u>	<u>66,428</u>	<u>(15,111)</u>	<u>(562,814)</u>	<u>(577,925)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(669,989)	974,654	304,665	(1,365,549)	1,055,370	(310,179)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,820,650	1,074,997	2,895,647	3,186,199	19,627	3,205,826
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ <u>1,150,661</u>	\$ <u>2,049,651</u>	\$ <u>3,200,312</u>	\$ <u>1,820,650</u>	\$ <u>1,074,997</u>	\$ <u>2,895,647</u>
NONCASH DONATION OF MARKETABLE SECURITIES	-	-	-	8,037	-	8,037

ALLENTOWN RESCUE MISSION, INC. AND ALLENTOWN RESCUE MISSION FOUNDATION

**Combined Statement of Functional Expenses
Year Ended June 30, 2019**

	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	\$ 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	-	-	-	-	-	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

ALLENTOWN RESCUE MISSION, INC. AND ALLENTOWN RESCUE MISSION FOUNDATION

**Combined Statement of Functional Expenses
Year Ended June 30, 2018**

	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	\$ 153,206	\$ 217,366	\$ 394,437	\$ 479,489	\$ 1,244,498	\$ 239,508	\$ 186,411	\$ 425,919	\$ 1,670,417
Employee benefits	33,482	59,509	69,949	35,771	198,711	29,628	22,972	52,600	251,311
Payroll taxes	11,723	16,558	31,578	59,248	119,107	19,302	14,765	34,067	153,174
Professional services	1,537	3,292	6,583	8,067	19,479	83,071	54,166	137,237	156,716
Employee training and recruitment	15	1,620	34	95	1,764	3,400	155	3,555	5,319
Advertising	-	-	25,995	27,408	53,403	50	50,439	50,489	103,892
Fundraising, materials and printing	99	272	-	173	544	173	389,408	389,581	390,125
Postage	1	27	1	808	837	786	138,739	139,525	140,362
Transportation	473	6,729	902	38,024	46,128	1,181	1,268	2,449	48,577
Rent	2,280	5,437	4,034	7,552	19,303	1,754	1,228	2,982	22,285
Utilities	8,728	20,454	15,515	10,520	55,217	6,575	4,603	11,178	66,395
Property and liability insurance	13,645	7,607	16,829	17,728	55,809	17,616	4,965	22,581	78,390
Taxes and licenses	21	847	1,890	2,344	5,102	4,364	560	4,944	10,046
Repairs and maintenance	10,040	22,147	29,221	26,519	87,927	6,673	4,897	11,570	99,497
Building custodial	222	747	5,976	258	7,203	161	113	274	7,477
Food and supplies	29,878	11,866	138,807	-	180,551	41	-	41	180,592
Office expense	1,500	7,483	4,664	17,873	31,520	21,081	9,842	30,923	62,443
Dues, memberships and subscriptions	22	1,168	40	24	1,254	3,846	858	4,704	5,958
Telephone	1,604	3,550	3,651	3,905	12,710	4,178	2,587	6,765	19,475
Travel and meetings	6	249	309	955	1,519	6,340	4,994	11,334	12,853
Interest and bank charges	-	75	75	43	193	17,668	79	17,747	17,940
Payments to or on behalf of clients	90	19,593	10,858	16,565	47,106	80	2,041	2,121	49,227
Miscellaneous	334	8,916	639	12	9,901	396	9,326	9,722	19,623
TOTAL EXPENSES BEFORE DEPRECIATION	268,906	415,512	761,987	753,381	2,199,786	467,872	904,436	1,372,308	3,572,094
Depreciation and amortization	43,218	19,594	42,716	16,706	122,234	27,757	10,934	38,691	160,925
TOTAL EXPENSES	\$ 312,124	\$ 435,106	\$ 804,703	\$ 770,087	\$ 2,322,020	\$ 495,629	\$ 915,370	\$ 1,410,999	\$ 3,733,019

ALLENTOWN RESCUE MISSION, INC. AND ALLENTOWN RESCUE MISSION FOUNDATION

Notes to Combined Financial Statements Year Ended June 30, 2019 and 2018

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 Year Ended June 30, 2019 and 2018

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's 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 receivables 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, 2019 and 2018, management has determined that no allowance is required.

ALLENTOWN RESCUE MISSION, INC. AND ALLENTOWN RESCUE MISSION FOUNDATION

Notes to Combined Financial Statements Year Ended June 30, 2019 and 2018

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 \$103,891 and \$95,055 for the years ended June 30, 2019 and 2018, respectively.

Investment in Limited Partnership

The Organization is a partner in a limited partnership. The investment in the limited partnership is 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 Year Ended June 30, 2019 and 2018

	<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.

Contributions

Contributions received, including unconditional promises, are recognized as support in the period received and are measured at their fair values. Depending on the form of the benefits received, contributions are either recorded by the Organization as revenues or assets, or as decreases in liabilities or expenses. Contributions with donor-imposed restrictions are recorded as support with donor restrictions, while contributions without donor-imposed restrictions are recorded as support without donor restrictions. The expiration of a donor-imposed restriction on a contribution is recognized in the period in which the restriction expires. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Conditional promises are recorded when donor stipulations are substantially met.

The Mission receives indications of intent to support programs that are commitments to provide monthly, quarterly, or annual gifts of a specified amount. These commitments are open-ended and subject to unilateral change by the donor. Because the commitments do not express a term or period, the amount of the commitment is not measurable. Considering these factors, the commitments are not considered to be unconditional promises to give and are not recognized prior to receipt of the contribution.

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. 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 Year Ended June 30, 2019 and 2018

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 \$64,466 and \$73,461 for the years ended June 30, 2019 and 2018, 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.

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.

ALLENTOWN RESCUE MISSION, INC. AND ALLENTOWN RESCUE MISSION FOUNDATION

Notes to Combined Financial Statements Year Ended June 30, 2019 and 2018

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 year ended June 30, 2017, 2018 and 2019 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.

Adopted Accounting Pronouncements

In August 2016, the FASB issued ASU 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, which makes targeted changes to the not-for-profit financial reporting model. Under the new ASU, the existing three-category classification of net assets (i.e., unrestricted, temporarily restricted, and permanently restricted) is replaced with two classes of net assets - net assets without donor restrictions and net assets with donor restrictions. Differences in the nature of donor restrictions will be disclosed in the notes, with an emphasis on how and when the resources can be used.

New disclosures highlight restrictions on the use of resources that make otherwise liquid assets unavailable for meeting near-term financial requirements. Entities are required to disclose (on the face of the statement or in notes) the extent to which the statement of financial position comprises financial assets, the extent to which those assets can be converted to cash within one year, and any limitations that would preclude their current use.

The Organization adopted ASU 2016-14 in fiscal year 2019. Additionally, the Organization changed the presentation of expenses in the Statement of Activities to reflect the functional categorization as presented on the Statement of Functional Expenses.

The reclassifications associated with the adoption of ASU 2016-14 have had the following effect on net assets as of June 30, 2018:

<u>Net Asset Class</u>	<u>As Originally Presented</u>	<u>After Adoption of ASU 2016-14</u>
Unrestricted net assets	\$ 8,390,948	\$ -
Temporarily restricted net assets	734,719	-
Permanently restricted net assets	551,721	-
Net assets without donor restrictions	-	8,390,948
Net assets with donor restrictions	-	1,286,440
	<u>\$ 9,677,388</u>	<u>\$ 9,677,388</u>

ALLENTOWN RESCUE MISSION, INC. AND ALLENTOWN RESCUE MISSION FOUNDATION

Notes to Combined Financial Statements Year Ended June 30, 2019 and 2018

Management's Review

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 13, 2020, the date the financial statements were available to be issued.

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, 2019:

Financial assets available to fund general operations within one year	
Cash and cash equivalents	\$ 3,200,312
Investments	3,529,241
Accounts receivable	<u>210,899</u>
	6,940,452
Less those unavailable for general expenditures within one year, due to	
Financial assets subject to donor restrictions for specified purpose	<u>(729,902)</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:

	<u>2019</u>	<u>2018</u>
Equity Fund	\$ 658,505	\$ 701,814
Wheaton Bond Fund	1,453,626	1,356,659
Wheaton Stock Fund	<u>1,417,110</u>	<u>1,402,049</u>
Total Investments	<u>\$ 3,529,241</u>	<u>\$ 3,460,522</u>

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

**ALLENTOWN RESCUE MISSION, INC. AND ALLENTOWN RESCUE MISSION
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**Notes to Combined Financial Statements
Year Ended June 30, 2019 and 2018**

	<u>Mission</u>	<u>Foundation</u>	<u>Total</u>
<u>For the Year Ended June 30, 2019</u>			
Interest and Dividend Income	\$ (2,179)	\$ 108,612	\$ 106,433
Investment Management Fees	-	(19,685)	(19,685)
Realized Gain on Investments	4,268	-	4,268
Unrealized Gain on Investments	-	54,446	54,446
	<u> </u>	<u> </u>	<u> </u>
Investment Return	<u>\$ 2,089</u>	<u>\$ 143,373</u>	<u>\$ 145,462</u>
<u>For the Year Ended June 30, 2018</u>			
Interest and Dividend Income	\$ 8,085	\$ 68,108	\$ 76,193
Investment Management Fees	-	(13,799)	(13,799)
Realized Gain (Loss) on Investments	(145)	67,581	67,436
Unrealized Gain on Investments	-	152,318	152,318
	<u> </u>	<u> </u>	<u> </u>
Investment Return	<u>\$ 7,940</u>	<u>\$ 274,208</u>	<u>\$ 282,148</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

ALLENTOWN RESCUE MISSION, INC. AND ALLENTOWN RESCUE MISSION FOUNDATION

Notes to Combined Financial Statements Year Ended June 30, 2019 and 2018

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, 2019 and 2018.

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 on the basis of 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 2019 and 2018. 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, 2019 and 2018:

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**Notes to Combined Financial Statements
Year Ended June 30, 2019 and 2018**

	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>

	Assets at Fair Value as of June 30, 2018			
	Level 1	Level 2	Level 3	Total
Equity Funds	\$ 701,814	\$ -	\$ -	\$ 701,814
Wheaton Stock Funds	-	1,356,659	-	1,356,659
Wheaton Bond Funds	-	1,402,049	-	1,402,049
Outside Perpetual Trusts	-	-	551,721	551,721
	<u>\$ 701,814</u>	<u>\$ 2,758,708</u>	<u>\$ 551,721</u>	<u>\$ 4,012,243</u>

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, 2019 and 2018.

NOTE 6. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30:

	2019	2018
Clean Team Workforce Development Fees	\$ 60,899	\$ 84,623
Other	150,000	1,981
	<u>\$ 210,899</u>	<u>\$ 86,604</u>

NOTE 7. PROPERTY AND EQUIPMENT

Property and equipment as of June 30 is as follows:

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FOUNDATION**

**Notes to Combined Financial Statements
Year Ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Land and Buildings	\$ 4,067,246	\$ 4,029,089
Furniture and Equipment	732,311	607,501
Vehicles	<u>176,821</u>	<u>155,543</u>
	4,976,378	4,792,133
Less: accumulated depreciation	<u>(2,083,789)</u>	<u>(1,916,687)</u>
	<u>\$ 2,892,589</u>	<u>\$ 2,875,446</u>

Depreciation expense was \$167,104 and \$160,925 for the years ended June 30, 2019 and 2018, 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, 2019 and 2018 are as follows:

	<u>% Interest</u>	<u>2019</u>	<u>2018</u>
Trust under agreement of Beuhler Memorial Fund Trust	5%	\$ 165,386	\$ 143,957
Trust under agreement of Charles and Mayme Smith	50%	<u>401,625</u>	<u>407,764</u>
		<u>\$ 567,011</u>	<u>\$ 551,721</u>

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

	<u>2019</u>	<u>2018</u>
Cash Held for Investment	\$ 37,541	\$ 19,366
Real Asset Funds	22,065	56,200
Equity Securities	290,951	279,766
Alternative Investments	83,126	100,232
Fixed Income Securities	<u>133,328</u>	<u>96,157</u>
	<u>\$ 567,011</u>	<u>\$ 551,721</u>

Changes in the trusts consist of the following at June 30:

**ALLENTOWN RESCUE MISSION, INC. AND ALLENTOWN RESCUE MISSION
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**Notes to Combined Financial Statements
Year Ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Unrealized Gains	\$ 39,890	\$ 3,953
Distributions	<u>(24,600)</u>	<u>-</u>
	<u>\$ 15,290</u>	<u>\$ 3,953</u>

NOTE 9. ANNUITIES PAYABLE

Charitable gift annuities and charitable remainder annuity trust consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Charitable Gift Annuity Created in 2001 Requiring Quarterly Payments of \$7,187 to the Donor for his lifetime	\$ 139,008	\$ 140,348
Charitable Gift Annuity Created in 2008 Requiring Quarterly Payments of \$3,300 to the Donor for his lifetime	<u>104,527</u>	<u>106,406</u>
	<u>\$ 243,535</u>	<u>\$ 246,754</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 10. 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 \$53,669 and \$46,268, for 2019 and 2018, respectively. In addition, a tax deferred annuity plan is available to staff members.

NOTE 11. NET ASSETS WITHOUT DONOR RESTRICTIONS

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

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FOUNDATION**

**Notes to Combined Financial Statements
Year Ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Undesignated	\$ 5,609,154	\$ 5,265,502
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	<u>2,892,589</u>	<u>2,875,446</u>
 Total Net Assets Without Donor Restrictions	 <u>\$ 8,751,743</u>	 <u>\$ 8,390,948</u>

NOTE 12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions is comprised of amounts for the following purposes as of June 30:

	<u>2019</u>	<u>2018</u>
Subject to purpose:		
Car Program	\$ 20,000	\$ 20,000
Purchase of a Van	3,140	3,140
Financial Literacy	2,500	2,500
Medical Care for the Needy and Underprivileged	<u>704,262</u>	<u>709,079</u>
	<u>729,902</u>	<u>734,719</u>
 Perpetual in nature:		
Outside perpetual trust	<u>567,011</u>	<u>551,721</u>
	<u>567,011</u>	<u>551,721</u>
 Total Net Assets With Donor Restrictions	 <u>\$ 1,296,913</u>	 <u>\$ 1,286,440</u>

NOTE 13. SPECIAL EVENTS

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

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FOUNDATION**

**Notes to Combined Financial Statements
Year Ended June 30, 2019 and 2018**

<u>June 30, 2019</u>	Event	Cost of	
	<u>Contributions</u>	<u>Direct Benefits</u>	<u>Net Revenue</u>
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>

<u>June 30, 2018</u>	Event	Cost of	
	<u>Contributions</u>	<u>Direct Benefits</u>	<u>Net Revenue</u>
Spaghetti Dinner	\$ 100,504	\$ (10,039)	\$ 90,465
Gala Dinner	85,479	(16,624)	68,855
Other Events	12,292	(3,424)	8,868
	<u>\$ 198,275</u>	<u>\$ (30,087)</u>	<u>\$ 168,188</u>

NOTE 14. 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. As of June 30, 2019 and 2018, the Organization had cash balances in excess of FDIC insurance limits in the amount of approximately \$683,000 and \$1,380,000, respectively. The Organization has not experienced any losses as a result of these uninsured cash balances.

NOTE 15. SUBSEQUENT EVENT

On May 1, 2020, the Organization received loan proceeds in the amount of \$221,850 under the Paycheck Protection Program (PPP) under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The CARES Act provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after a minimum of twenty four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of the loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty four-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Organization intends to use the proceeds for purposes consistent with the PPP and currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan. It is, at least, reasonably possible that this belief could change in the near term and cause the Organization to be ineligible for forgiveness of the loan, in whole or part.