

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

FINANCIAL REPORT

June 30, 2021

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Certified Public Accountants | Business Consultants

ALLENTOWN RESCUE MISSION, INC. AND ALLENTOWN RESCUE MISSION FOUNDATION

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June 30, 2021 and 2020

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Certified Public Accountants | Business Consultants

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying combined financial statements of Allentown Rescue Mission, Inc. and Allentown Rescue Mission Foundation (nonprofit organization), which comprise the combined statements of financial position as of June 30, 2021 and 2020, 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.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Allentown Rescue Mission, Inc. and Allentown Rescue Mission Foundation as of June 30, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Allentown Rescue Mission, Inc. and Allentown Rescue Mission Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Allentown Rescue Mission, Inc. and Allentown Rescue Mission Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

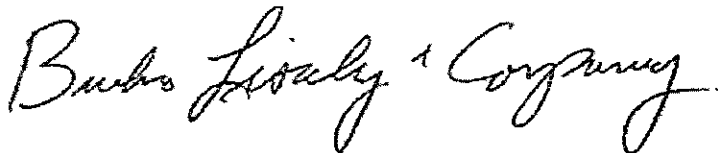
Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Allentown Rescue Mission, Inc. and Allentown Rescue Mission Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Allentown Rescue Mission, Inc. and Allentown Rescue Mission Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Allentown, Pennsylvania
May 9, 2022

ALLENTOWN RESCUE MISSION, INC. AND ALLENTOWN RESCUE MISSION FOUNDATION

Combined Statements of Financial Position

June 30, 2021 and 2020

	June 30, 2021		June 30, 2020	
	Allentown Rescue Mission	Foundation	Allentown Rescue Mission	Foundation
		Total		Total
ASSETS				
Cash and cash equivalents	\$ 751,212	\$ 7,008,133	\$ 988,070	\$ 5,412,889
Certificates of deposit	-	500,175	-	660,105
Investments	-	1,142,805	-	1,079,709
Accounts and grants receivable	75,092	-	94,280	-
Accrued interest	-	7,081	-	-
Notes receivable	-	420,000	-	-
Prepaid expenses	65,798	-	53,110	-
Inventory	37,393	-	39,163	-
Property and equipment, net	2,649,418	-	2,784,454	-
Investments in outside perpetual trusts	676,914	-	561,005	-
	\$ 4,255,827	\$ 9,078,194	\$ 4,520,082	\$ 7,152,703
TOTAL ASSETS	\$ 4,255,827	\$ 13,334,021	\$ 4,520,082	\$ 11,672,785

LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	\$ 72,426	\$ 1,680	\$ 89,544	\$ -
Refundable advances	-	-	240,825	-
Deferred service revenue	-	-	4,793	-
Liability to clients, custodial funds	12,117	-	47,953	-
Accrued retirement	28,086	-	27,731	-
Accrued expenses	61,804	30,000	54,632	-
Annuities payable	210,782	-	230,318	-
TOTAL LIABILITIES	385,215	31,680	695,796	-
NET ASSETS				
Without donor restrictions	2,464,728	9,046,514	2,534,281	7,152,703
With donor restrictions	1,405,884	-	1,290,005	-
TOTAL NET ASSETS	3,870,612	9,046,514	3,824,286	7,152,703
TOTAL LIABILITIES AND NET ASSETS	\$ 4,255,827	\$ 9,078,194	\$ 4,520,082	\$ 7,152,703

See Notes to Financial Statements.

ALLENTOWN RESCUE MISSION, INC. AND ALLENTOWN RESCUE MISSION FOUNDATION

Combined Statement of Activities
Years Ended June 30, 2021 and 2020

	Year Ending June 30, 2021				Year Ending June 30, 2020			
	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 and grants, private	\$ 1,909,840	\$ 2,082,275	\$ 51,000	\$ 4,043,115	\$ 1,324,828	\$ 1,540,068	\$ 61,000	\$ 2,925,896
Grants, government	371,763	-	-	371,763	148,445	-	-	148,445
Clean team workforce development fees	665,134	-	-	665,134	725,048	-	-	725,048
Donated materials and services	364,314	-	-	364,314	217,255	-	-	217,255
Special events, net	13,423	-	-	13,423	114,842	-	-	114,842
Miscellaneous income	4,047	-	-	4,047	2,543	-	-	2,543
Net assets released from restrictions	51,030	-	(51,030)	-	61,902	-	(61,902)	-
TOTAL OPERATING REVENUE AND SUPPORT	3,379,551	2,082,275	(30)	5,461,796	2,594,863	1,540,068	(902)	4,134,029
OPERATING EXPENSES:								
Program services:								
Graduate program	337,172	-	-	337,172	302,089	-	-	302,089
Christian living transition program	270,165	-	-	270,165	293,614	-	-	293,614
Gateway center	668,281	-	-	668,281	638,583	-	-	638,583
Clean team workforce development	666,609	-	-	666,609	733,161	-	-	733,161
Supporting services:								
Management and general	540,483	116,303	-	656,786	456,167	31,055	-	487,222
Fundraising	460,003	646,214	-	1,106,217	399,350	436,572	-	835,922
TOTAL OPERATING EXPENSES	2,942,713	762,517	-	3,705,230	2,822,964	467,627	-	3,290,591
INCREASE (DECREASE) FROM OPERATIONS	436,838	1,319,758	(30)	1,756,566	(228,101)	1,072,441	(902)	843,438
NON-OPERATING REVENUES (EXPENSES)								
Gain on disposal of property and equipment	15,108	-	-	15,108	6,500	-	-	6,500
Investment return	-	74,968	-	74,968	9,323	103,811	-	113,134
Change in value of outside perpetual trusts	-	-	115,909	115,909	-	-	(6,006)	(6,006)
Change in value of annuity payable	(22,414)	-	-	(22,414)	(28,733)	-	-	(28,733)
Inter-organization transfers	(499,085)	499,085	-	-	(397,559)	397,559	-	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	(506,391)	574,053	115,909	183,571	(410,469)	501,370	(6,006)	84,895

See Notes to Financial Statements.

ALLENTOWN RESCUE MISSION, INC. AND ALLENTOWN RESCUE MISSION FOUNDATION

Combined Statement of Activities
 Years Ended June 30, 2021 and 2020

	Year Ending June 30, 2021			Year Ending June 30, 2020		
	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	(69,553)	1,893,811	115,879	(638,570)	1,573,811	(6,908)
NET ASSETS, BEGINNING	2,534,281	7,152,703	1,290,005	3,172,851	5,578,892	1,296,913
NET ASSETS, ENDING	\$ 2,464,728	\$ 9,046,514	\$ 1,405,884	\$ 2,534,281	\$ 7,152,703	\$ 1,290,005
			Total			Total
			1,940,137			928,333
			10,976,989			10,048,656
			\$ 12,917,126			\$ 10,976,989

See Notes to Financial Statements.

ALLENTOWN RESCUE MISSION, INC. AND ALLENTOWN RESCUE MISSION FOUNDATION

**Combined Statements of Cash Flows
Years Ended June 30, 2021 and 2020**

	Year Ending June 30, 2021			Year Ending June 30, 2020		
	Allentown		Total	Allentown		Total
	Mission	Foundation		Mission	Foundation	
CASH FLOWS FROM OPERATING ACTIVITIES						
Change in net assets	\$ 46,326	\$ 1,893,811	\$ 1,940,137	\$ (645,478)	\$ 1,573,811	\$ 928,333
Adjustments to reconcile change in net assets to net cash provided by (used in) by operating activities:						
Depreciation and amortization	164,471	-	164,471	170,519	-	170,519
Unrealized gain on investments	-	(2,139)	(2,139)	-	(4,953)	(4,953)
(Gain) loss on sale of investments	-	13	13	-	(10)	(10)
Gain on sale of property and equipment	(15,108)	-	(15,108)	(6,500)	-	(6,500)
Change in value of outside perpetual trusts	(115,909)	-	(115,909)	6,006	-	6,006
(Increase) decrease in assets:						
Accrued interest	-	(7,081)	(7,081)	-	-	-
Accounts and grants receivable	19,188	-	19,188	(37,950)	-	(37,950)
Accrued interest	-	-	-	154,569	-	154,569
Prepaid expenses	(12,688)	-	(12,688)	9,289	-	9,289
Inventory	1,770	-	1,770	2,248	-	2,248
Increase (decrease) in liabilities:						
Accounts payable	(17,118)	1,680	(15,438)	(30,668)	-	(30,668)
Liability to clients, custodial funds	(35,836)	-	(35,836)	27,126	-	27,126
Accrued retirement	355	-	355	1,054	-	1,054
Accrued expenses	7,172	30,000	37,172	10,677	-	10,677
Annuities payable	(19,536)	-	(19,536)	(13,217)	-	(13,217)
Deferred service revenue	(4,793)	-	(4,793)	4,793	-	4,793
Refundable advances	(240,825)	-	(240,825)	240,825	-	240,825
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(222,531)	1,916,284	1,693,753	(106,707)	1,568,848	1,462,141

See Notes to Financial Statements.

ALLENTOWN RESCUE MISSION, INC. AND ALLENTOWN RESCUE MISSION FOUNDATION

**Combined Statements of Cash Flows
Years Ended June 30, 2021 and 2020**

	Year Ending June 30, 2021			Year Ending June 30, 2020		
	Allentown Rescue Mission	Foundation	Total	Allentown Rescue Mission	Foundation	Total
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of certificates of deposit	-	-	-	-	(900,000)	(900,000)
Maturity of certificates of deposit	-	150,000	150,000	-	250,000	250,000
Issuance of notes receivable	-	(420,000)	(420,000)	-	-	-
Purchase of investments	-	(99,484)	(99,484)	-	(400,000)	(400,000)
Proceeds from the sale of investments	-	48,444	48,444	-	2,844,390	2,844,390
Proceeds from the sale of property and equipment	15,108	-	15,108	6,500	-	6,500
Purchase of property and equipment	(29,435)	-	(29,435)	(62,384)	-	(62,384)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(14,327)	(321,040)	(335,367)	(55,884)	1,794,390	1,738,506
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(236,858)	1,595,244	1,358,386	(162,591)	3,363,238	3,200,647
CASH AND CASH EQUIVALENTS, BEGINNING	988,070	5,412,889	6,400,959	1,150,661	2,049,651	3,200,312
CASH AND CASH EQUIVALENTS, ENDING	\$ 751,212	\$ 7,008,133	\$ 7,759,345	\$ 988,070	\$ 5,412,889	\$ 6,400,959

See Notes to Financial Statements.

ALLENTOWN RESCUE MISSION, INC. AND ALLENTOWN RESCUE MISSION FOUNDATION

Combined Statement of Functional Expenses

Year Ended June 30, 2021

	Program Services				Supporting Activities			TOTAL
	Graduate Program	Christian Living Program	Gateway Center	Clean Team Workforce Development	Management and General		Total Supporting Activities	
					Fund Raising	Activities		
Salaries and wages	\$ 90,986	\$ 87,247	\$ 305,265	\$ 431,666	\$ 312,142	\$ 185,561	\$ 497,703	\$ 1,412,867
Employee benefits	19,281	18,081	31,733	24,685	82,404	31,055	113,459	207,239
Payroll taxes	5,181	19,392	18,004	44,137	10,481	17,004	27,485	114,199
Professional services	2,920	2,549	4,130	4,317	123,846	16,982	140,828	154,744
Employee training and recruitment	110	82	279	87	1,993	621	2,614	3,172
Advertising	18	8	41	-	3,531	111,665	115,196	115,263
Fundraising, materials and printing	-	-	-	-	5,087	483,961	489,048	489,048
Postage	419	319	530	752	6,774	219,402	226,176	228,196
Transportation	17	2,829	117	11,143	31	1	32	14,138
Rent	4,001	1,759	6,051	9,233	576	204	780	21,824
Utilities	15,188	6,801	15,012	14,891	3,613	1,275	4,888	56,780
Property and liability insurance	13,676	6,735	16,894	31,114	8,472	4,777	13,249	81,668
Taxes and licenses	81	36	146	2,922	6,206	25	6,231	9,416
Repairs and maintenance	10,937	4,828	16,402	38,719	8,788	636	9,423	80,309
Building custodial	975	500	1,763	8,468	186	83	269	11,975
Food and supplies	119,524	89,005	192,676	2,508	4,573	4,113	8,686	412,399
Office expense	1,448	1,481	1,993	5,826	16,269	18,161	34,430	45,078
Dues, memberships and subscriptions	-	-	-	229	974	2,446	3,420	3,649
Telephone	3,583	2,549	5,317	1,288	6,148	2,063	8,211	20,948
Travel and meetings	1	-	2	3	978	1,963	2,941	2,947
Interest and bank charges	-	-	-	519	40,231	-	40,231	40,750
Payments to or on behalf of clients	-	4,100	3,765	2,782	1,868	120	1,988	12,635
Bad debt expense	-	-	-	1,515	-	-	-	1,515
TOTAL EXPENSES BEFORE DEPRECIATION	288,346	248,301	620,020	636,804	645,171	1,102,117	1,747,288	3,540,759
Depreciation and amortization	48,826	21,864	48,261	29,805	11,615	4,100	15,715	164,471
TOTAL EXPENSES	\$ 337,172	\$ 270,165	\$ 668,281	\$ 666,609	\$ 656,786	\$ 1,106,217	\$ 1,763,003	\$ 3,705,230

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	6,161	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

Notes to Combined Financial Statements Years Ended June 30, 2021 and 2020

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 ARM Events, 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, 2021 and 2020

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, 2021 and 2020, 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, 2021 and 2020**

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 \$115,263 and \$121,529 for the years ended June 30, 2021 and 2020, respectively.

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:

	<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

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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'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>2021</u>	<u>2020</u>
Services transferred over time	\$ 665,134	\$ 725,048

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Accounts receivable	\$ 75,092	\$ 56,330	\$ 60,899
Deferred service revenue	-	(4,793)	-

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, 2021 and 2020.

A portion the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements

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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 \$371,763 and \$148,445 for the years ended June 30, 2021 and 2020. The Organization has refundable advances related to these grants of \$0 and \$18,975 as of June 30, 2021 and 2020, 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 and income included in grants, government at June 30, 2021. See Note 10 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 event revenue equal to the fair value of direct benefit 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, clothing, supplies and equipment. The Mission's policy related to gifts-in-kind is to utilize the assets given to carry out the purpose of the Organization. Thus, the fair market value of contributed materials is reported as support and expense in the period which they were received. 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 fair market value of contributed professional services is reported as support and expense in the period in which the services are performed. The table below summarizes the fair market value of contributed materials and services:

	2021	2020
Donated equipment	\$ 6,649	\$ -
Donated food and supplies	246,080	81,221
Donated clothing	83,000	90,000
Donated services	28,585	46,034
	<u>\$ 364,314</u>	<u>\$ 217,255</u>

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

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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, 2019, 2020 and 2021 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 9, 2022, the date the financial statements were available to be issued.

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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, 2021 and 2020:

Financial assets available to fund general operations within one year

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 7,759,345	\$ 6,400,959
Certificates of deposit	500,175	660,105
Investments	1,142,805	1,079,709
Accounts and grants receivable	<u>75,092</u>	<u>94,280</u>
	9,477,417	8,235,053
Less those unavailable for general expenditures within one year due to:		
Financial assets subject to donor restrictions for specified purpose	<u>(728,970)</u>	<u>(729,000)</u>
	<u>\$ 8,748,447</u>	<u>\$ 7,506,053</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>2021</u>	<u>2020</u>
Schwab Bond Fund	<u>\$ 1,142,805</u>	<u>\$ 1,079,709</u>

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

	<u>Mission</u>	<u>Foundation</u>	<u>Total</u>
<u>For the Year Ended June 30, 2021</u>			
Interest and dividend income	\$ -	\$ 77,019	\$ 77,019
Investment management fees	-	(4,177)	(4,177)
Realized loss on investments	-	(13)	(13)
Unrealized gain on investments	-	2,139	2,139
	<u>\$ -</u>	<u>\$ 74,968</u>	<u>\$ 74,968</u>

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	<u>Mission</u>	<u>Foundation</u>	<u>Total</u>
<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>

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, 2021 and 2020.

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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.

Schwab 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 2021 and 2020. 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, 2021 and 2020:

	Assets at Fair Value as of June 30, 2021			
	Level 1	Level 2	Level 3	Total
Bond Funds	\$ 1,142,805	\$ -	\$ -	\$1,142,805
Outside Perpetual Trusts	-	-	676,914	676,914
	<u>\$ 1,142,805</u>	<u>\$ -</u>	<u>\$ 676,914</u>	<u>\$1,819,719</u>

	Assets at Fair Value as of June 30, 2020			
	Level 1	Level 2	Level 3	Total
Bond Funds	\$ 1,079,709	\$ -	\$ -	\$1,079,709
Outside Perpetual Trusts	-	-	561,005	561,005
	<u>\$ 1,079,709</u>	<u>\$ -</u>	<u>\$ 561,005</u>	<u>\$1,640,714</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, 2021 and 2020.

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NOTE 6. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Clean Team service fees	\$ 75,092	\$ 56,330

NOTE 7. PROPERTY AND EQUIPMENT

Property and equipment as of June 30 is as follows:

	<u>2021</u>	<u>2020</u>
Land and buildings	\$ 4,131,436	\$ 4,118,031
Furniture and equipment	752,134	738,911
Vehicles	133,469	156,474
Construction in progress	<u>3,500</u>	<u>-</u>
	5,020,539	5,013,416
Less: accumulated depreciation	<u>(2,371,121)</u>	<u>(2,228,962)</u>
	<u>\$ 2,649,418</u>	<u>\$ 2,784,454</u>

Construction in progress related to building improvements as of June 30, 2021 and 2020 is not depreciated. Depreciation expense was \$167,471 and \$170,519 for the years ended June 30, 2021 and 2020, 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, 2021 and 2020 are as follows:

	<u>% Interest</u>	<u>2021</u>	<u>2020</u>
Trust under agreement of Beuhler Memorial Fund Trust	5%	\$ 205,083	\$ 167,133
Trust under agreement of Charles and Mayme Smith	50%	<u>471,831</u>	<u>393,872</u>
		<u>\$ 676,914</u>	<u>\$ 561,005</u>

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Investments of the trusts, at fair value, consist of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Cash held for investment	\$ 19,396	\$ 23,412
Real asset funds	176,285	17,348
Equity securities	453,822	314,258
Alternative investments	12,905	15,988
Fixed income securities	14,506	189,999
	<u>\$ 676,914</u>	<u>\$ 561,005</u>

Changes in the trusts consist of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Unrealized gains	\$ 141,159	\$ 19,244
Distributions	<u>(25,250)</u>	<u>(25,250)</u>
	<u>\$ 115,909</u>	<u>\$ (6,006)</u>

NOTE 9. NOTES RECEIVABLE

The Mission issued a collateralized short term note receivable with interest receivable monthly at a rate of 5%. As of June 30, 2021 and 2020, the Mission had a collateralized short term note receivable of \$420,000 and \$0, respectively.

NOTE 10. 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.

On December 3, 2020, the Mission was notified that the full amount of the PPP loan was forgiven. The forgiven loan was recognized as a governmental grant on the Statement of Activities for the year ended June 30, 2021.

NOTE 11. ANNUITIES PAYABLE

Charitable gift annuities and charitable remainder annuity trust consist of the following as of June 30, 2021 and 2020:

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	<u>2021</u>	<u>2020</u>
Charitable Gift Annuity created in 2001 requiring quarterly payments of \$7,187 to the donor for his lifetime .	\$ 113,339	\$ 129,841
Charitable Gift Annuity created in 2008 requiring quarterly payments of \$3,300 to the donor for his lifetime .	97,443	100,477
	<u>\$ 210,782</u>	<u>\$ 230,318</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 12. 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 \$59,288 and \$47,508, for the years ended June 30, 2021 and 2020, respectively. In addition, a tax deferred annuity plan is available to staff members.

NOTE 13. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions is comprised of amounts for the following purposes as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Undesignated	\$ 8,611,824	\$ 6,652,530
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	2,649,418	2,784,454
	<u>\$ 11,511,242</u>	<u>\$ 9,686,984</u>

NOTE 14. 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, 2021 and 2020:

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	<u>2021</u>	<u>2020</u>
<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	703,330	703,360
	<u>728,970</u>	<u>729,000</u>
<i>Perpetual in nature:</i>		
Outside perpetual trust	676,914	561,005
	<u>676,914</u>	<u>561,005</u>
	<u>\$ 1,405,884</u>	<u>\$ 1,290,005</u>

Net assets which were released from donor restrictions for the years ended June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
<i>Satisfaction of purpose restriction:</i>		
Clean Team Operations	\$ 51,000	\$ 61,000
Medical care for the underprivileged	30	902
	<u>\$ 51,030</u>	<u>\$ 61,902</u>

NOTE 15. SPECIAL EVENTS

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

<u>June 30, 2021</u>	Event Contributions	Cost of Direct Benefits	Net Revenue
Other events	\$ 26,372	\$ (12,949)	\$ 13,423
	<u>\$ 26,372</u>	<u>\$ (12,949)</u>	<u>\$ 13,423</u>
<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>

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NOTE 16. 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 17. CONTINGENCY

The Organization's operations have been affected by the 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.