



Winston-Salem Rescue Mission, Inc.

Financial Statements

Year Ended June 30, 2020

Winston-Salem Rescue Mission, Inc.

Year Ended June 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Winston-Salem Rescue Mission, Inc.

We have audited the accompanying financial statements of Winston-Salem Rescue Mission Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Winston-Salem Rescue Mission, Inc. as of June 30, 2020, 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.

Report on Summarized Comparative Information

We have previously audited the Winston-Salem Rescue Mission, Inc.'s 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 11, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Duncan Ashe, P.A.".

Greensboro, North Carolina
March 8, 2021

Winston-Salem Rescue Mission, Inc.
Statement of Financial Position
June 30, 2020
with Comparative Totals for 2019

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	2020	(Restated) 2019
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 605,522	\$ 152,111
Inventory		
Thrift store inventory	7,541	9,368
Furniture and appliance inventory	33,731	40,705
Food and groceries inventory	83,787	159,478
Accounts receivable	5,515	6,432
Sales tax receivable	4,849	5,228
Total current assets	<u>740,945</u>	<u>373,322</u>
Restricted deposits:		
Cash - client savings accounts	<u>22,666</u>	<u>12,674</u>
Noncurrent assets:		
Property and equipment, at cost, net of accumulated depreciation of \$2,520,413 and \$2,370,159	<u>4,908,450</u>	<u>5,041,482</u>
Total assets	<u><u>\$ 5,672,061</u></u>	<u><u>\$ 5,427,478</u></u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 48,923	\$ 48,948
Accrued salaries and wages	22,459	24,191
Accrued employee benefits and taxes	28	480
Sales tax payable	4,086	3,258
Current portion of long-term debt	<u>291,133</u>	<u>145,608</u>
Total current liabilities	<u>366,629</u>	<u>222,485</u>
Deposit liabilities:		
Client savings accounts	<u>22,666</u>	<u>12,712</u>
Noncurrent liabilities:		
Long-term debt	<u>495,716</u>	<u>544,829</u>
Total noncurrent liabilities:	<u>495,716</u>	<u>544,829</u>
Total liabilities	<u>885,011</u>	<u>780,026</u>
Net assets:		
Net assets without donor restrictions	4,772,465	4,632,370
Net assets with donor restrictions	<u>14,585</u>	<u>15,082</u>
Total net assets	<u>4,787,050</u>	<u>4,647,452</u>
Total liabilities and net assets	<u><u>\$ 5,672,061</u></u>	<u><u>\$ 5,427,478</u></u>

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

Winston-Salem Rescue Mission, Inc.
Statement of Activities
For the Year Ended June 30, 2020
with Comparative Totals for 2019

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	Without Donor Restrictions	With Donor Restrictions	2020 Totals	2019 Totals
Revenues, Gains and Other Support:				
Contributions	\$ 1,612,147	11,757	\$ 1,623,904	\$ 1,553,203
Donations in-kind (See Note 6)	1,276,517	-	1,276,517	1,742,207
Contributed services	2,005	-	2,005	14,292
Sales to public:				
Sale of donated inventory	492,580	-	492,580	613,751
Sale of donated automobiles	2,685	-	2,685	430
Total sales to public	<u>495,265</u>	<u>-</u>	<u>495,265</u>	<u>614,181</u>
Fundraising events (net of expenses)	59,157	-	59,157	67,895
Program fees	73,740	-	73,740	68,611
Realized gain/(loss) on sale of assets	5,102	-	5,102	(2,473)
Other income	1,168	-	1,168	5,987
Insurance proceeds net of restoration expenses	116,774	-	116,774	-
Net assets released from restriction	<u>12,254</u>	<u>(12,254)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>3,654,129</u>	<u>(497)</u>	<u>3,653,632</u>	<u>4,063,903</u>
Functional Expenses				
Program services	2,972,933	-	2,972,933	3,726,145
Management and general	315,154	-	315,154	168,557
Fundraising	225,947	-	225,947	274,000
Total functional expenses	<u>3,514,034</u>	<u>-</u>	<u>3,514,034</u>	<u>4,168,702</u>
Change in net assets	140,095	(497)	139,598	(104,799)
Net assets - beginning of year	<u>4,632,370</u>	<u>15,082</u>	<u>4,647,452</u>	<u>4,357,251</u>
Prior period adjustments (Note 14)	<u>-</u>	<u>-</u>	<u>-</u>	<u>395,000</u>
Net assets - beginning of year (restated)	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,752,251</u>
Net assets - end of year	<u>\$ 4,772,465</u>	<u>14,585</u>	<u>\$ 4,787,050</u>	<u>\$ 4,647,452</u>

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

Winston-Salem Rescue Mission, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2020
with Comparative Totals for 2019

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	Program Services	Management and General	Fundraising	2020 Totals	2019 Totals
Salaries	\$ 861,454	248,948	19,630	\$ 1,130,032	\$ 1,287,981
Employee benefits	21,623	6,799	353	28,775	31,541
Payroll taxes	44,329	19,018	1,502	64,849	93,978
Total salaries and related expenses	927,406	274,765	21,485	1,223,656	1,413,500
Bank fees	19,575	-	-	19,575	20,868
Bad debts	20	-	-	20	1,618
Computer expenses	35,145	1,850	-	36,995	37,620
Depreciation	167,915	8,838	-	176,753	172,346
Dues and subscriptions	6,197	326	-	6,523	6,921
Educational expenses	451	-	-	451	7,790
Farm expenses	1,533	-	-	1,533	2,940
Store expenses	11,823	-	-	11,823	17,841
Food	9,477	-	-	9,477	23,363
Client expenses - other	5,896	-	-	5,896	8,676
Fundraising - consultant and other	-	-	204,462	204,462	168,590
Gas and oil	18,892	-	-	18,892	26,860
Insurance	75,919	3,996	-	79,915	80,111
Interest	24,172	-	-	24,172	30,323
Kitchen expenses	2,451	-	-	2,451	16,891
Garbage disposal	18,581	978	-	19,559	23,103
Office supplies	6,121	322	-	6,443	10,656
Postage	9,162	482	-	9,644	9,586
Professional fees	-	14,500	-	14,500	14,900
Promotional expenses	21,032	-	-	21,032	44,134
Repairs and maintenance - facilities	41,272	736	-	42,008	64,517
Repairs and maintenance - vehicles	9,682	-	-	9,682	9,846
Repairs and maintenance - other	17,306	-	-	17,306	21,314
Staff expenses	1,249	415	-	1,664	2,484
Taxes and licenses	1,813	-	-	1,813	2,143
Travel	113	38	-	151	987
Utilities	150,252	7,908	-	158,160	171,200
Vehicle rentals and leases	26,464	-	-	26,464	27,000
	<u>1,609,919</u>	<u>315,154</u>	<u>225,947</u>	<u>2,151,020</u>	<u>2,438,128</u>
Non-cash distributions (See Note 6):					
Thrift store - merchandise	495,265	-	-	495,265	617,208
Distributions of food and clothing	865,744	-	-	865,744	1,098,514
Contributed services	2,005	-	-	2,005	14,292
	<u>1,363,014</u>	<u>-</u>	<u>-</u>	<u>1,363,014</u>	<u>1,730,014</u>
Total functional expenses	\$ <u>2,972,933</u>	<u>315,154</u>	<u>225,947</u>	\$ <u>3,514,034</u>	\$ <u>4,168,142</u>
Functional expenses by percent	<u>85%</u>	<u>9%</u>	<u>6%</u>	<u>100%</u>	

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

Winston-Salem Rescue Mission, Inc.
Statement of Cash Flows for the Year Ended June 30, 2020
with Comparative Totals for 2019

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	2020	(Restated) 2019
Cash flows from operating activities:		
Cash received from donations	\$ 1,623,905	\$ 1,572,399
Store sales and other receipts	630,611	780,856
Interest and dividend income	15	27
Interest paid	(24,172)	(30,323)
Cash paid to suppliers and employees	(1,941,523)	(2,290,512)
Net cash provided (used) by operating activities	288,836	32,447
Cash flows from investing activities:		
Purchases of property and equipment	(61,546)	(87,909)
Proceeds from sale of property and equipment	20,325	2,401
Net casualty claims	119,375	-
Net cash provided (used) by investing activities	78,154	(85,508)
Cash flows from financing activities:		
Proceeds from PPP loan	255,600	-
Payments to reduce long-term debt	(159,187)	(153,159)
Net cash provided (used) by financing activities	96,413	(153,159)
Net increase (decrease) in cash	463,403	(206,220)
Cash, cash equivalents, and restricted cash - beginning of period	164,785	371,005
Cash, cash equivalents, and restricted cash - end of period	\$ 628,188	\$ 164,785
<u>Reconciliation of Decrease in Net Assets</u>		
<u>to Net Cash Provided (Used) by Operating Activities:</u>		
Increase (decrease) in net assets	\$ 139,598	\$ (104,799)
Adjustments:		
Depreciation	176,753	172,346
Net casualty claims	(116,774)	-
Gain/(Loss) from sale of property and equipment	(5,102)	2,473
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Inventory	84,493	(26,488)
Accounts receivable	917	(803)
Pledges receivable	-	20,000
Sales tax receivable	379	2,682
Increase (decrease) in:		
Accounts payable	(63)	(25,690)
Accrued payroll	(1,734)	(311)
Accrued employee benefits and taxes	(452)	(6)
Resident savings deposits	9,990	(6,648)
Sales tax payable	829	(309)
Net cash provided (used) by operating activities	\$ 288,834	\$ 32,447

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

Winston-Salem Rescue Mission, Inc.
Notes to Financial Statements
June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Winston-Salem Rescue Mission, Inc. (the "Organization", "Mission") was formed on June 19, 1967 under the laws of the state of North Carolina. The Organization is a non-profit, non-denominational, Christian social service organization established as a response to the hundreds of homeless men wandering the streets of the Triad area of North Carolina seeking food, shelter, and spiritual help. Since 1967, the Mission has been actively involved in meeting the physical, spiritual, emotional, and social needs of destitute people. Through services and programs offered, the Organization is able to reach out and effectively enrich men's lives with nurturing and rehabilitative services. Services provided by the Mission include providing residents with shelter, food, clothing, and other programs. Such programs include Christian counseling and recovery sessions, work therapy and training, chapel services, and financial and life skills classes. The Mission also provides emergency food and clothing, and is a host site of the Samaritan Clinic, who provides medical and dental clinics free of charge to other needy individuals in the Triad area.

The Mission operates primarily on volunteer contributions. The vast majority of support comes from individual donors; the balance from churches, organizations, and businesses. In addition to cash donations, the Organization receives gifts-in-kind donations, including food, furniture, clothing, appliances, household items, and vehicles. While many of these items are given to the needy in the community, other donated items are sold in the Mission's thrift store. The sale of vehicles and merchandise sold in the thrift store provides income for the Mission as well as work therapy opportunities for the residents.

New Accounting Pronouncements

In November 2016, the FASB issued ASU 2016-18 - Statement of Cash Flows (Topic 230): Restricted Cash. The update addresses the diversity of nomenclature, classification, and presentation of changes in restricted cash or restricted cash equivalents in the financial statements and the changes in the statement of cash flows in particular. The Organization adopted this standard effective July 1, 2019, and has adjusted the presentation of these statements accordingly with the ASU applied retrospectively to all periods presented.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and liabilities.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures at the date of the financial statements. Accordingly, actual results could differ from those estimates.

Winston-Salem Rescue Mission, Inc.
Notes to Financial Statements
June 30, 2020

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment are stated at cost and have assigned lives ranging from three to forty years. Improvements and betterments are capitalized, while repairs and maintenance costs are expensed in the statement of activities. The Organization uses the straight-line method to record depreciation over the assets' useful lives. Estimated useful lives for various categories of property and equipment range between three and ten years, while buildings and improvements lives range between fifteen and forty years. Depreciation expense for the years ended June 30, 2020 and 2019 was \$176,753 and \$172,347, respectively.

Contributions

Contributions are reported as without donor restrictions unless the donor has restricted the donation to a particular use. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions. If the donor has imposed two or more restrictions on a contribution, the expiration of those restrictions shall be recognized in the period in which the last remaining restriction has expired.

Advertising

Advertising costs are charged to operations when incurred. Advertising expense for the years ended June 30, 2020 and 2019 was \$14,500 and \$30,770, respectively.

Income Taxes

The Organization is exempt from federal income tax under Internal Revenue Code Section 501(c)(3) and is not a private foundation under Section 170(b)(1)(A)(vi). The Organization is also exempt from state income tax and, therefore, no provision for income tax has been made in the accompanying statement of activities. The Organization's federal *Return of Organization Exempt From Income Tax* (Form 990) for 2016 - 2019 are subject to examination by the IRS, generally for three years after they were filed.

The Organization accounts for income taxes in accordance with ASC 740, *Accounting for Uncertainty in Income Taxes*. ASC 740 requires that a tax position be recognized or derecognized based on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return where there is uncertainty about whether a tax position will ultimately be sustained upon examination.

The Organization has evaluated its tax positions and determined that it does not have any uncertain tax positions that meet the criteria under ASC 740. Accordingly, the provisions of ASC 740 did not have any impact on the accompanying financial statements.

Winston-Salem Rescue Mission, Inc.
Notes to Financial Statements
June 30, 2020

Donated Goods and Services

The Mission reports the fair value of gifts of food and grocery products over which it has control as unrestricted public support.

In addition, a number of individuals and organizations have made in-kind donations or volunteered their services to the Mission. For those services that do not require special expertise, the estimated value of such donated services has not been recorded in the financial statements. In-kind donations and services for which fair value can be validated and meet the criterion for recognition under ASC Topic 958 have been reflected in the financial statements at their fair value. Volunteer services were valued at \$2,005 for the year ended June 30, 2020 and \$14,292 for the year ended June 30, 2019.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based upon estimates developed by management. These expenses include cash and non-cash distributions (See Note 5).

2. CONCENTRATION OF RISK

The Organization maintains in high quality financial institutions deposits that at times exceed the insured amounts of \$250,000 provided by the U.S. Federal Deposit Insurance Corporation (FDIC). There were no cash deposits in excess of the limit insured by the Federal Deposit Insurance Corporation at June 30, 2019. The excess amounts at June 30, 2020 were \$380,885. The Mission believes that credit risk to cash is remote and mitigated by the use of nationally recognized banking institutions.

3. AVAILABILITY AND LIQUIDITY

The Organization's goal is to maintain financial assets to meet 60 days of operating expenses. In addition to the following liquid assets at June 30, 2020 and 2019, the Organization has a \$250,000 line of credit available to meet cash flow needs.

Financial assets at June 30,	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 628,188	\$ 164,785
Accounts receivable	<u>10,364</u>	<u>11,660</u>
Total financial assets	638,552	176,445
Less:		
Restricted deposits	(22,666)	(12,674)
Amounts with donor restrictions	<u>(14,585)</u>	<u>(15,082)</u>
Financial assets available to meet general, short-term cash needs	<u>\$ 601,301</u>	<u>\$ 148,689</u>

Winston-Salem Rescue Mission, Inc.
Notes to Financial Statements
June 30, 2020

4. CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

Restricted cash amounts are restricted from general corporate use and consist of client savings. The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the balance sheet that sum to the total of the amounts shown in the statement of cash flows.

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 605,522	\$ 152,111
Restricted deposits	<u>22,666</u>	<u>12,674</u>
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	<u>\$ 628,188</u>	<u>\$ 164,785</u>

5. FAIR VALUE MEASUREMENTS

The Organization's financial instruments are cash and cash equivalents, accounts payable, accrued expenses, and long-term debt. The recorded value of cash and cash equivalents, accounts payable, and accrued expenses approximate their fair values based on their short-term nature. Management believes that the recorded values of long-term debt approximate fair value, as they believe interest rates approximate market rates based upon consideration of the issuer, purpose and repayment terms of the instruments held. There are no assets or liabilities of the Organization that are reported at fair value on a recurring basis.

6. INVENTORY AND DISTRIBUTIONS OF DONATED GOODS

The Mission recognized donations in-kind and contributed services revenue of \$1,294,928 and \$1,758,499 for the years ended June 30, 2020 and 2019, respectively. The Mission recorded total program non-cash distributions in the statement of functional expense amounting to \$1,379,422 and \$1,730,014 for the years ended June 30, 2020 and 2019, respectively.

Inventory activity for the years ended June 30, 2020 and 2019 was as follows:

	<u>Thrift Store Operations</u>	<u>Food and Clothing</u>	<u>Totals</u>
Inventory at June 30, 2018	\$ 37,298	145,768	\$ 183,066
In-kind donations	629,983	1,112,224	1,742,207
Retail value of inventory, scrap and vehicles sold to customers	(617,208)	-	(617,208)
Distributions of food and clothing	<u>-</u>	<u>(1,098,514)</u>	<u>(1,098,514)</u>
Inventory at June 30, 2019	50,073	159,478	209,551
In-kind donations	486,464	790,053	1,276,517
Retail value of inventory, scrap and vehicles sold to customers	(495,265)	-	(495,265)
Distributions of food and clothing	<u>-</u>	<u>(865,744)</u>	<u>(865,744)</u>
Inventory at June 30, 2020	<u>\$ 41,272</u>	<u>83,787</u>	<u>\$ 125,059</u>

Winston-Salem Rescue Mission, Inc.
Notes to Financial Statements
June 30, 2020

Non-cash program expense distributions presented in the statement of functional expenses for the years ended June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Thrift store	\$ 495,265	\$ 617,208
Donated food and clothing distribution	865,744	1,098,514
Contributed services	<u>2,005</u>	<u>14,292</u>
	<u>\$ 1,363,014</u>	<u>\$ 1,730,014</u>

7. PROPERTY AND EQUIPMENT

Property and equipment was comprised of the following at June 30, 2020 and June 30, 2019:

	<u>2020</u>	(Restated) <u>2019</u>
Land	\$ 931,645	\$ 931,645
Building	5,959,104	5,960,785
Machinery and equipment	263,175	227,249
Furniture and fixtures	191,026	191,026
Automotive and transportation equipment	<u>83,913</u>	<u>100,936</u>
Property and equipment	7,428,863	7,411,641
Less, accumulated depreciation	<u>(2,520,413)</u>	<u>(2,370,159)</u>
Property and equipment, net	<u>\$ 4,908,450</u>	<u>\$ 5,041,482</u>

8. LINE OF CREDIT

In addition to the debt described in Note 10, the Organization maintains a line of credit of \$250,000 with Truist Bank (known as BB&T and SunTrust Banks prior to their merger in December 2019) that bears a variable interest rate of prime plus 0.4 percent. Payments of interest due on the outstanding balance are payable on a monthly basis. A second deed of trust on Winston-Salem Rescue Mission, Inc. property is assigned as collateral to the credit line and termination of the line is at the discretion of the Mission or the lender. There was a brief period in 2019 when the Organization carried two \$250,000 lines of credit as it transitioned from its prior banking partner to BB&T (now known as Truist). There was not a balance outstanding for the years ended June 30, 2020 and 2019.

9. PENSION PLAN

The Organization has an Internal Revenue Code section 403(b) pension plan. Participation in the Plan is available on the first day of employment. Eligible employees elect to contribute a certain percentage of their salary to the plan. After 90 days of full-time service, the Mission matches 50% of employee contributions, up to a maximum matching contribution equal to 3% of their salary. For the years ended June 30, 2020 and 2019, the Mission's contributions to the 403(b) plan were \$11,213 and \$12,314, respectively.

Winston-Salem Rescue Mission, Inc.
Notes to Financial Statements
June 30, 2020

10. NET ASSET CLASSIFICATION

At June 30, 2020 and 2019, the net assets with donor restrictions were available for the following purposes or periods:

	<u>2020</u>	<u>2019</u>
Scholarships	\$ 6,244	\$ 6,423
Christmas Gifts	430	220
CSAC Training Grant	-	7,685
Kitchen and Pantry Equipment	513	232
Learning Lab/GED Program	121	-
Mayor Arts Project Proposal	150	150
Mission Refurbishment Projects	405	-
Pantry Food	5,535	-
Postage for Grant Application	17	-
Resident Recreation	345	372
Staff Outings	<u>825</u>	<u>-</u>
	<u>\$ 14,585</u>	<u>\$ 15,082</u>

11. LONG-TERM DEBT

Long-term debt at June 30, 2020 and June 30, 2019, consisted of the following:

	<u>2020</u>	<u>2019</u>
Note payable to First Citizens Bank, bearing interest at a fixed rate of 3.85 percent, with monthly installments of principal and interest of \$15,279 with the final installment due of all unpaid interest and principal on August 5, 2023. The note was secured by all land and improvements owned by the Mission except for Alpha Acres in Yadkinville, North Carolina.	\$ 531,249	\$ 690,437
Note payable to Truist Bank, bearing interest at a fixed rate of 1.00 percent, with equal monthly installments of principal and interest beginning seven months after date of loan, or November 21, 2020 with the final installment due of all unpaid interest and principal on April 21, 2022. This note, which the Mission expects to be fully or partially forgiven, is part of the Paycheck Protection Program funded by the CARES Act.	<u>\$ 255,600</u>	<u>\$ -</u>
Total long-term debt	786,849	690,437
Less: current portion of long-term debt	<u>291,133</u>	<u>145,608</u>
Total long-term debt, less current portion	<u>\$ 495,716</u>	<u>\$ 544,829</u>

Winston-Salem Rescue Mission, Inc.
Notes to Financial Statements
June 30, 2020

Scheduled principal maturities of long-term debt as of June 30, 2020 are as follows:

Year ending June 30,

2021	291,133
2022	312,741
2023	180,813
2024	<u>2,162</u>
Total	\$ <u>786,849</u>

On August 25, 2020, subsequent to year end but before the issuance date of these financial statements, the note payable to First Citizens Bank was refinanced to lower the interest rate to 2.5%.

12. RECLASSIFICATION

Certain amounts in the June 30, 2019 financial statements have been reclassified for comparative purposes to conform with the presentation in the June 30, 2020 financial statements.

13. CASUALTY LOSS, DAMAGES, AND OTHER EXTRAORDINARY EVENTS

On July 24, 2019 a fire occurred inside the thrift store mattress sterilizer unit, causing irreparable damage to the equipment. Mattress sterilizations ceased until the equipment was replaced, and it became operational again March 12, 2020.

The Mission paid \$51,451 to purchase and install the new sterilizer unit. The Mission received \$124,286 from Selective Insurance Company of America for claims made. Business income loss was estimated to be \$66,694 for the days the thrift store was closed. The resulting revenue from the insurance claim is shown as "Insurance proceeds net of restoration expenses" on the Statement of Activities.

In January 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a "Public Health Emergency of International Concern," which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The coronavirus outbreak and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown.

On March 27, 2020, a Statewide Quarantine began. The Mission's non-essential employees pay was continued while they were not working by using two weeks of Emergency Paid Sick Leave ("EPSL") and granting additional paid time-off. EPSL hours were also paid to essential employees as applicable, as afforded under the Families First Coronavirus Response Act ("FFCRA"). All EPSL hours paid resulted in a corresponding payroll tax credit. Under restructuring, only two positions were eliminated. Except for these two positions, non-essential employees began returning to work beginning in May. Concurrently, the Mission applied for, and was awarded, Payroll Protection Program ("PPP") funding in April 2020 totaling \$255,600, which the Organization expects to be fully or partially forgiven. The 90-day and 1-year addiction recovery programs have remained operational as has the food pantry and food trailer. Following a period of closure, the clothing ministry, Thrift Store, and medical/dental clinic reopened. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the coronavirus outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to the Mission, its performance, and its financial results.

Winston-Salem Rescue Mission, Inc.
Notes to Financial Statements
June 30, 2020

14. RECLASSIFICATION

Certain reclassifications have been made to the prior year's summarized comparative information to conform to the presentation of the current year financial statements. The reclassifications have no effect on net income for the prior year.

15. PRIOR PERIOD ADJUSTMENT

Net assets without donor restrictions for the year ended June 30, 2019 have been adjusted for the following:

The Mission has elected to restate, for comparative purposes, its June 30, 2019 financial statements to reflect the ownership of property in Yadkin County, North Carolina in order to facilitate comparison between the two years. The effect of this change in basis of accounting is presented as a restatement of beginning net assets. The total effect of this change is an increase in net assets of \$395,000 at June 30, 2019.

During the year ended June 30, 2020, it was determined that the Alpha Acres land, purchased in 1997, had not previously been reported in the financial statements, though the buildings and improvements had been. The total effect of adding this land is an increase in property and equipment and unrestricted net assets of \$395,000. The Mission has elected to restate the June 30, 2019 financial statements for comparative purposes.

16. SUBSEQUENT EVENTS

In February 2020, the Mission made the prayerful decision to pursue selling Alpha Acres, the mission property in Yadkinville, North Carolina. The sale was completed in August 2020 for \$517,757.

In response to the COVID-19 pandemic, the Mission's annual fundraising golf tournament, which is normally held in the spring, was deferred until September 2020. Accordingly, the revenues and expenses associated with the event will be reflected in the subsequent fiscal year financial statements.

At the November 2020 board meeting, the board of directors elected the interim director, Lou Carrico, to the position of Executive Director of the Winston-Salem Rescue Mission.

At the December 2020 board meeting, the board voted to follow the recommendation of the Planning Committee to demolish Bethel Hall, which had been damaged in the September fire. Prior to beginning demolition, asbestos was discovered throughout the building, which caused delays until the necessary remediation could be determined. Demolition is expected to resume in February 2021.

The Organization has performed an evaluation of subsequent events through March 8, 2021 which is the date the financial statements were available to be issued.