

**TOPEKA RESCUE MISSION, INC.**

FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
TOGETHER WITH REPORT OF INDEPENDENT AUDITORS

**TOPEKA RESCUE MISSION, INC.**

**FINANCIAL STATEMENTS  
DECEMBER 31, 2018 and 2017**

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## Independent Auditor's Report

To the Board of Directors  
Topeka Rescue Mission, Inc.

We have audited the accompanying financial statements of Topeka Rescue Mission, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

**Basis for Qualified Opinion**

As more fully described in Note 2 to the financial statements, the Organization has not recorded donated professional contributed services related to construction in process. In our opinion, professional contributed services should be recorded at fair value, if donated or contributed, to conform with accounting principles generally accepted in the United States of America and those amounts should be depreciated over the estimated useful lives of the assets.

**Qualified Opinion**

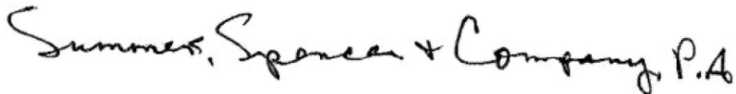
In our opinion, except for the effects of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Topeka Rescue Mission, Inc. as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years ended in accordance with accounting principles generally accepted in the United States of America.

**Substantial Doubt about the Organization's Ability to Continue as a Going Concern**

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. As discussed in Note 14 to the financial statements, the Organization's significant decrease in net assets and its cash flows raise substantial doubt about its ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding those matters are also described in Note 14. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

**Emphasis of Matter**

As discussed in Note 2 to the financial statements, on January 1, 2018, the Organization adopted ASU No. 2016-14, Not-for-profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.



Summers, Spencer & Company, P.A.  
Topeka, Kansas

August 16, 2019

**TOPEKA RESCUE MISSION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**

December 31,	2018	2017
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 1,646,680	\$ 1,835,834
Employee accounts receivable	2,387	724
Contributions receivable	171,792	270,112
Inventory	5,500	5,500
Prepaid expenses	61,976	56,178
Miscellaneous receivable	3,329	8,294
Trade bank	37,376	43,206
<i>Total current assets</i>	<u>1,929,040</u>	<u>2,219,848</u>
Other assets		
Notes receivable	66,188	62,654
Security deposit	7,500	7,500
Property and equipment, net	7,454,132	7,797,237
<i>Total other assets</i>	<u>7,527,820</u>	<u>7,867,391</u>
<i>Total assets</i>	<u>\$ 9,456,860</u>	<u>\$ 10,087,239</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 20,496	\$ 6,810
Credit card payable	36,178	10,061
Payroll liabilities	261,388	260,158
Accrued expenses	2,965	-
<i>Total liabilities</i>	<u>321,027</u>	<u>277,029</u>
Net assets		
Without donor restrictions	8,496,889	8,343,100
With donor restrictions	638,944	1,467,110
<i>Total net assets</i>	<u>9,135,833</u>	<u>9,810,210</u>
<i>Total liabilities and net assets</i>	<u>\$ 9,456,860</u>	<u>\$ 10,087,239</u>

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

**TOPEKA RESCUE MISSION, INC.**

**STATEMENTS OF ACTIVITIES**

For the years ended December 31,	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, support and gains						
Contributions	\$ 3,571,696	\$ 358,482	\$ 3,930,178	\$ 3,255,369	\$ 334,216	\$ 3,589,585
Store sales and distribution center	460,772	-	460,772	377,290	-	377,290
Grant income	141,110	-	141,110	131,479	-	131,479
Interest income	7,762	-	7,762	6,238	-	6,238
Miscellaneous	61,584	-	61,584	27,250	-	27,250
<i>Total revenues, support and gains</i>	<u>4,242,924</u>	<u>358,482</u>	<u>4,601,406</u>	<u>3,797,626</u>	<u>334,216</u>	<u>4,131,842</u>
Net assets released from restrictions						
Restrictions satisfied by payments	<u>1,186,648</u>	<u>(1,186,648)</u>	<u>-</u>	<u>767,468</u>	<u>(767,468)</u>	<u>-</u>
<i>Total revenues, support, gains and reclassifications</i>	<u>5,429,572</u>	<u>(828,166)</u>	<u>4,601,406</u>	<u>4,565,094</u>	<u>(433,252)</u>	<u>4,131,842</u>
Expenses						
Program services	4,621,887	-	4,621,887	4,166,047	-	4,166,047
Management and general	524,509	-	524,509	512,658	-	512,658
Fundraising	129,387	-	129,387	138,530	-	138,530
<i>Total expenses</i>	<u>5,275,783</u>	<u>-</u>	<u>5,275,783</u>	<u>4,817,235</u>	<u>-</u>	<u>4,817,235</u>
Loss on disposal of assets	-	-	-	556	-	556
<i>Total expenses and losses</i>	<u>5,275,783</u>	<u>-</u>	<u>5,275,783</u>	<u>4,817,791</u>	<u>-</u>	<u>4,817,791</u>
Change in net assets	153,789	(828,166)	(674,377)	(252,697)	(433,252)	(685,949)
Net assets, beginning of year	<u>8,343,100</u>	<u>1,467,110</u>	<u>9,810,210</u>	<u>8,595,797</u>	<u>1,900,362</u>	<u>10,496,159</u>
Net assets, end of year	<u>\$ 8,496,889</u>	<u>\$ 638,944</u>	<u>\$ 9,135,833</u>	<u>\$ 8,343,100</u>	<u>\$ 1,467,110</u>	<u>\$ 9,810,210</u>

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

**TOPEKA RESCUE MISSION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**

For the year ended December 31,	2018					
	Program Services			Supporting Services		
	Ministry Services	Thrift Store & Recycling	Total	Management & General	Fundraising	Total
Salaries and housing	\$ 1,959,527	\$ 328,798	\$ 2,288,325	\$ 281,069	\$ 82,199	\$ 2,651,593
Payroll taxes	159,845	28,893	188,738	12,887	6,236	207,861
Retirement benefits	16,709	2,076	18,785	1,028	740	20,552
Health insurance	233,474	10,799	244,274	12,857	-	257,130
Telephone	39,554	8,520	48,074	285	-	48,359
Utilities	214,611	46,226	260,837	1,548	-	262,385
Repairs and maintenance	326,781	70,387	397,167	2,358	-	399,525
Food and supplies	69,743	12,115	81,858	-	-	81,858
Supplies	52,978	15,293	68,271	-	-	68,271
Insurance	117,668	-	117,668	6,193	-	123,861
Direct assistance	118,702	48,720	167,422	-	-	167,422
Indirect program assistance	201,095	-	201,095	-	-	201,095
Postage	10,572	-	10,572	-	-	10,572
Vehicle operating expense	27,269	24,870	52,139	-	-	52,139
Book expense	-	-	-	24,121	-	24,121
Dues and subscriptions	-	-	-	7,232	-	7,232
Staff/volunteer relations	27,102	1,071	28,173	-	-	28,173
Bank service charges	-	-	-	23,846	-	23,846
Public special events	181	-	181	107	-	288
Rescue Run expense	-	-	-	-	5,879	5,879
Operation Street Reach	765	-	765	-	-	765
Advertising/public relations	9,347	1,166	10,513	381	-	10,894
Printing	1,461	1,709	3,170	10,186	427	13,784
Office supplies	6,533	7,642	14,175	45,545	1,911	61,630
Miscellaneous	10,830	364	11,194	10,210	-	21,404
Accounting	-	-	-	56,066	-	56,066
Newsletter	-	-	-	26,177	31,995	58,172
Depreciation	334,408	72,029	406,437	2,413	-	408,850
Mentee	2,056	-	2,056	-	-	2,056
<i>Total expenses</i>	<u>\$ 3,941,211</u>	<u>\$ 680,676</u>	<u>\$ 4,621,887</u>	<u>\$ 524,509</u>	<u>\$ 129,387</u>	<u>\$ 5,275,783</u>

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

**TOPEKA RESCUE MISSION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**

For the year ended December 31,	2017					
	Program Services			Supporting Services		
	Ministry Services	Thrift Store & Recycling	Total	Management & General	Fundraising	Total
Salaries and housing	\$ 1,835,929	\$ 308,059	\$ 2,143,988	\$ 263,340	\$ 77,015	\$ 2,484,343
Payroll taxes	138,693	25,069	163,762	11,182	5,411	180,355
Retirement benefits	16,562	2,057	18,619	1,019	733	20,371
Health insurance	204,808	9,474	214,282	11,278	-	225,560
Telephone	57,350	9,088	66,438	2,410	-	68,848
Utilities	173,022	65,689	238,710	9,172	-	247,882
Repairs and maintenance	377,557	52,599	430,156	15,602	-	445,758
Food and supplies	57,059	16,471	73,530	-	-	73,530
Supplies	75,241	-	75,241	-	-	75,241
Insurance	127,643	-	127,643	6,718	-	134,361
Direct assistance	167,258	-	167,258	-	-	167,258
Postage	6,444	5,877	12,321	-	-	12,321
Vehicle operating expense	44,418	-	44,418	-	-	44,418
Book expense	-	-	-	24,949	-	24,949
Dues and subscriptions	-	-	-	6,367	-	6,367
Staff/volunteer relations	18,084	-	18,084	-	-	18,084
Bank service charges	-	-	-	15,252	-	15,252
Public special events	2,316	-	2,316	1,378	-	3,694
Rescue Run expense	-	-	-	-	11,266	11,266
Property taxes	-	-	-	(13,760)	-	(13,760)
Advertising/public relations	14,636	-	14,636	531	-	15,167
Printing	1,506	1,762	3,268	10,500	440	14,208
Office supplies	12,458	-	12,458	40,029	1,679	54,166
Miscellaneous	16,914	-	16,914	15,426	-	32,341
Accounting	-	-	-	55,958	-	55,958
Newsletter	-	-	-	34,352	41,986	76,338
Depreciation	317,907	-	317,907	957	-	318,864
Mentee	4,096	-	4,096	-	-	4,096
			-			
<i>Total expenses</i>	<u>\$ 3,669,902</u>	<u>\$ 496,145</u>	<u>\$ 4,166,047</u>	<u>\$ 512,658</u>	<u>\$ 138,530</u>	<u>\$ 4,817,236</u>

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



**TOPEKA RESCUE MISSION, INC.**  
**STATEMENTS OF CASH FLOWS**

For the years ended December 31,	2018	2017
Cash flows from operating activities		
Change in net assets	\$ (674,377)	\$ (685,949)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	408,850	318,864
Contributions restricted for long term purposes	(358,482)	(334,216)
Assignment of note receivable	(3,534)	(3,346)
(Increase) decrease in assets		
Accounts receivable	101,622	(98,783)
Prepaid expenses	(5,798)	(14,670)
Trade bank	5,830	(9,490)
Increase (decrease) in liabilities		
Accounts payable	13,686	(113,596)
Credit cards payable	26,117	(14,266)
Payroll liabilities	1,230	47,567
Accrued expenses	2,965	(1,275)
<i>Net cash used in operating activities</i>	<u>(481,891)</u>	<u>(909,160)</u>
Cash flows from investing activities		
Purchase of property and equipment	<u>(65,745)</u>	<u>(162,665)</u>
<i>Net cash used in investing activities</i>	<u>(65,745)</u>	<u>(162,665)</u>
Cash flows from financing activities		
Contributions restricted for expansion	<u>358,482</u>	<u>334,216</u>
<i>Net cash provided by financing activities</i>	<u>358,482</u>	<u>334,216</u>
Net decrease in cash and cash equivalents	(189,154)	(737,609)
Cash and cash equivalents, beginning of year	<u>1,835,834</u>	<u>2,573,443</u>
Cash and cash equivalents, end of year	<u>\$ 1,646,680</u>	<u>\$ 1,835,834</u>

**TOPEKA RESCUE MISSION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 1 – Organization and nature of operations**

Mission statement:

Bringing help and hope through faith with its sleeves rolled up.

Topeka Rescue Mission (TRM) Ministries began its work in 1953 as a small room which provided shelter and food for homeless men. A brand new shelter was constructed in 1991 to house men, women and families. By 2000, an additional new shelter was built to house over 100 additional homeless women and families. In 2004, a Distribution Center was opened which allowed TRM to expand their outreach to meeting the needs of the poor in the community. In 2011, Operation Street Reach was created to reach out to unsheltered homeless individuals not currently receiving TRM services. While helping people in poverty will always be a need, TRM questioned if prevention efforts could decrease the number of individuals in need of shelter. To investigate the possibility, TRM created three additional initiatives - NET Reach (NET) to help empower and transform neighborhoods, Restore Hope to address the high rate of human trafficking and the Children's Palace to provide early childhood development and education to homeless children. TRM believes the effort to understand the root causes of poverty and homelessness will help to empower and transform individuals, families and communities.

The ministries of TRM fall into 4 categories:

1. Homeless Services
  - a. Shelter Services - Providing shelter to those who are experiencing homelessness
  - b. Street Reach - Reaching out to individuals in the city who are unsheltered and homeless
  - c. Food Services - Providing meals to individuals in need
  - d. Education Services – Servants in Training, Career Readiness Education, Center for Biblical Leadership Development, Dare to Dream Mentors
2. Community Stabilization
  - a. NET Reach – Providing help and hope to empower and transform impoverished neighborhoods
  - b. Doxazo Ministries – Equipping leaders to glorify God and proclaim the gospel of Jesus Christ through discipleship, outreach, and biblical training
  - c. Restore Hope: Reaching victims of human trafficking in the community.
3. Trauma Based Initiatives
  - a. Children's Palace – Providing a safe, nurturing, educational, and Christ-centered children's early education program
4. Supportive Services
  - a. Distribution Services – Receiving and distributing donations throughout TRM and to the community, including the Thrift Store and Boutique on the Boulevard
  - b. Volunteer Services – engaging the community to assist in activities across the organization
  - c. Development and Support services – human and financial resources, donation processing, IT, and marketing and communications.

The date to which events occurring after December 31, 2018, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is August 16, 2019, which is the date the financial statements were available to be issued.

**TOPEKA RESCUE MISSION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 2 – Summary of significant accounting policies**

**Method of accounting**

The financial statements of the Organization were prepared in accordance with U.S. generally accepted accounting principles, with the exception of certain donated property and services, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as with or without donor restrictions.

**Basis of presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its FASB ASC Topic 958, Not-for-Profit Entities.

**Net assets**

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows.

Net assets without donor restrictions – net assets available for use in general operations and not subject to donor or certain grantor restricts.

Net assets with donor restrictions – net assets subject to donor or certain grantor restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has passed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**Use of estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles includes the use of estimates that affect the financial statements. Actual results could differ from those estimates.

**Cash and cash equivalents**

For purposes of the statement of financial position and the statement of cash flows, cash is defined as demand deposits including checking and money market accounts and certificates of deposit. The Organization has no noncash financing transactions nor were any cash payments made for income taxes or interest expense.

**Property and equipment**

Property and equipment are carried at cost. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. When assets are retired or otherwise disposed of, the asset and related accumulated depreciation are removed and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is expensed as incurred.

**TOPEKA RESCUE MISSION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

Depreciation of property and equipment is computed on the straight-line method over the estimated useful life of the asset:

Buildings	5 – 39 years
Landscaping	10 – 15 years
Furniture, fixtures and equipment	3 – 15 years
Vehicles	5 – 7 years

**Donated materials, services, and property**

Goods have been donated to the Mission for resale in the economy store. The value of these contributed goods is not reflected in the statements because the donations are not susceptible to independent measurement. As goods are sold from the economy store, the net cash received measures the contribution and is recorded as sales income.

A significant number of unpaid volunteers have made contributions of their time to assist in the Mission's operations. The value of this contributed time is not reflected in these financial statements due to a lack of an objective method of valuation. In accordance with accounting principles generally accepted in the United States of America, routine volunteer services requiring no particular expertise are not to be reported as contribution revenue.

The fair value of donated professional contributed services related to construction in process through December 31, 2016 has not been recorded in the financial statements. Accounting principles generally accepted in the United States of America require professional contributed services, if donated or contributed, to be reported at fair value, and those amounts should be depreciated over the estimated useful lives of the assets.

**Contributions**

Contributions received are recorded as increases in with or without donor restrictions support, depending on the existence and/or nature of any donor restrictions. Donor restricted cash is reported as an increase in with donor restricted net assets. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), with donor restricted net assets are reclassified to without donor restricted net assets and reported in the statements of activities as net assets released from restrictions.

**Inventories**

Inventory is valued at the lower of cost or market on the first-in, first-out method. Inventories include food, linen and clothing, office supplies and supplies.

**Income taxes**

Topeka Rescue Mission, Inc. is a not-for-profit organization exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes have been included in the accompanying financial statements.

**Functional allocation of expenses**

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

**Pending accounting pronouncements**

May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which provides a robust framework for addressing revenue recognition issues and replaces most of the existing revenue recognition

**TOPEKA RESCUE MISSION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

guidance including industry-specific guidance, in current U.S. GAAP.

The standard is effective for nonpublic entities for periods beginning after December 15, 2018. Management is currently evaluating the effect that the standard will have in the financial statements but do not believe adoption of this standard will have a significant impact on the Organization's financial statement.

In February 2017, the FASB issued ASU 2017-02, *Leases* (Topic 842). The guidance in the ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, leases will be classified as either finance or operating with classification affecting the pattern of expense recognition in the statement of activities. The new standard is tentatively effective for fiscal years beginning after December 31, 2020, including interim periods within those fiscal years. Adoption of the standard is not expected to have a significant impact on the Organization's financial statements.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Made*. The guidance should assist entities in (1) evaluating whether transactions should be accounted for as contributions or as exchange transactions and (2) determining whether a contribution is conditional. The new standard is effective for fiscal years beginning after December 31, 2019, including interim period within those fiscal years.

**Recently adopted accounting guidance**

In August 2016, FASB issued ASU 2016-14, *Not-for-profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*, which changes presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: net asset classes, investment return, expenses and liquidity and availability of resources. The standard is effective for not-for-profit organizations for periods beginning after December 15, 2017. The Organization has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively. The new standards change the following aspects of the Organization's financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources (Note 3).

**Note 3 – Liquidity and availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date comprise the following at December 31:

	<u>2018</u>
Cash and cash equivalents	\$ 1,646,680
Employee accounts receivable	2,387
Contributions receivable	171,792
Miscellaneous receivable	<u>3,329</u>
	1,824,188
Less amounts restricted for use included above	<u>(638,944)</u>
	<u>\$ 1,185,244</u>

**TOPEKA RESCUE MISSION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

The Organization receives contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures.

The Organization manages its liquidity following guiding principles: operating within a prudent range of financial soundness and stability, and maintaining adequate liquid assets to fund near-term operating needs. The Organization is developing a liquidity policy to maintain current financial assets less current liabilities at a minimum of 30 days operating expenses. The Organization is also developing a policy to target a year-end balance of undesignated net assets to meet a minimum of 30 days of expected expenditures. To achieve these targets, the entity will forecast its future cash flows and monitor its liquidity no less than two times per year.

**Note 4- Property and equipment**

Property and equipment at December 31 consists of:

	2018	2017
Land	\$ 138,167	\$ 138,167
Landscaping	4,596	4,596
Buildings	9,998,157	9,998,157
Furniture, fixtures and equipment	1,395,309	1,383,510
Security equipment	38,594	31,035
Vehicles	315,065	299,860
Total property and equipment	11,889,888	11,855,325
Less accumulated depreciation	(4,706,893)	(4,329,225)
Construction in progress	271,137	271,137
Net property and equipment	\$ 7,454,132	\$ 7,797,237

Construction in progress is not depreciated. Depreciation expense for the years ended December 31, 2018 and 2017 was \$408,850 and \$318,864, respectively. As described in Note 2, the fair value of donated professional contributed services related to construction in process through December 31, 2016 has not been recorded.

**Note 5 – Note receivable**

During 2015, the Mission received assignment of two promissory notes: Madison Housing Associates Two Limited Partnership and Northrock Housing Associates Two Limited Partnership from the Topeka Community Foundation. These notes were recorded in the financial statements as discounted notes receivable and contribution revenue.

Madison Housing Associates Two Limited Partnership has a balance due at maturity of \$50,000, and is scheduled to mature on September 30, 2021. The note with Northrock Housing Associates Two Limited Partnerships has a balance due at maturity of \$50,000, and is scheduled to mature on December 31, 2032. Both notes bear interest at 5.5 percent.

**TOPEKA RESCUE MISSION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 6 - Operating leases**

The Organization leases much of its equipment for various terms under long-term, non-cancelable operating lease agreements. The leases expire at various dates through 2019 and provide for renewal options for some of the leases.

In the normal course of business, it is expected that these leases will be renewed or replaced by leases on other equipment. Lease expense totaled \$86,815 and \$81,682 in 2018 and 2017, respectively.

Topeka Rescue Mission, Inc. entered into a non-cancelable lease for space which is used for education and training. The term of the lease was for one year commencing July 1, 2015. In July of 2016, the Organization renewed the lease for an additional twelve months. Commencing July 1, 2017, the lease is on a month to month basis with monthly payments of \$6,519, the lease ended in April 2018.

The Organization entered into a non-cancelable lease for retail space. The term of the lease is for one year commencing on December 20, 2016, with annual options to extend. The lease requires monthly payments of \$6,750. The total lease expenses for the years ended December 31, 2018 and 2017 was \$119,075 and \$168,950, respectively.

Following is a schedule by year of future minimum lease payments required under the operating lease agreements:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 81,681
2020	6,593
	<u>\$ 88,274</u>

**Note 7 – Retirement plan**

The Mission adopted a Savings Incentive Match Plan in July of 2001 for eligible employees who choose to participate in the program. Topeka Rescue Mission, Inc. contributes a matching amount up to three percent of each eligible employee’s annual wages toward the retirement plan. Total contributions to the plan were \$20,552 and \$20,371 for the years ended 2018 and 2017, respectively.

**Note 8 – Other resources**

The Topeka Community Foundation received funds by bequest that designate the Mission as the beneficiary of income from these funds. One fund was established in 1995 for the Organization. Income from this fund can be used for operations as needed. During 2003, a second fund was established. Income from this fund can be used by the Mission to assist individuals who have suffered losses due to disaster. The Foundation administers these funds, investing the principal and any undistributed income in pooled investments. The total balance of these funds at December 31, 2018 and 2017 was \$76,299 and \$86,186, respectively. The distributions are recorded as income by the Mission in the year received. Distributions received in 2018 and 2017 were \$3,554 and \$1,971, respectively.

**TOPEKA RESCUE MISSION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 9 - Restricted net assets**

Net assets with donor restrictions were restricted at December 31 as follows:

	2018	2017
Subject to expenditure for specified purpose:		
General expansion	\$ 76,556	\$ 574,270
Children's operations	391,049	557,123
Food	7,487	15,293
Pet Assistance (PANT)	4,380	9,762
Van Net Reach Hi-Crest	-	11,980
Jory Trust	-	223,737
Restore Hope	134,472	49,945
	613,944	1,442,110
Not subject to expenditure	25,000	25,000
	<u>\$ 638,944</u>	<u>\$ 1,467,110</u>

**Note 10 – Concentration of credit risk**

The Organization places its temporary cash investments with high credit quality financial institutions located in the Topeka area. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times such investments may be in excess of the FDIC insurance limit. At December 31, 2018, the amount in excess of FDIC limits was \$437,085. The Organization has a sweep account that covered the remaining balance that would have been over the FDIC limit at December 31, 2018.

**Note 11 – Related party**

Freedom Now was started as a seedling project under the guidance of Topeka Rescue Mission, Inc. and has now become its own 501(c)3 organization. Although it has a separate board, the Executive Director of Topeka Rescue Mission, Inc. serves as the Executive Director for Freedom Now. During 2018, Topeka Rescue Mission, Inc. received restricted contributions of \$201,095 for the Freedom Now program. These funds were distributed to Freedom Now during the year. In addition, Freedom Now shares office space with the Mission and utilizes the credit card of the Mission on a reimbursement basis.

**Note 12 – Reclassification of restricted cash reserve funds**

The presentation of the financial statements have been changed to reflect the change in presentation by management of the reserve funds. Amounts totaling \$1,131,393 were reclassified from other assets to cash and cash equivalents for the year ended December 31, 2017 to conform to the current year presentation.

**Note 13 – Subsequent events**

On March 20, 2019, the Organization donated property located at 1001 NE Michigan Avenue, Topeka, Kansas to First Assembly of God.



**TOPEKA RESCUE MISSION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 14 – Going Concern**

The financial statements were prepared on a going concern basis. The going concern basis assumes that the Organization will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations.

During the year ended December 31, 2018, the Organization had a decrease in net assets of \$674,377 and has exhausted cash funds subsequently in 2019. Whether and when the Organization can attain an increase in net assets and positive cash flows from operating activities is uncertain. In the future, these uncertainties may cast doubt upon the Organization's ability to continue as a going concern.

The Organization will need to obtain donations in order to fund its operations. To address its financing requirements, the Organization has sought donations through a public appeal in August 2019. In addition, management will be closing the thrift store in August 2019 and Boutique by October 2019, there are considerations to sell property, expense reductions and cost-saving measures have been implemented and a giving campaign is expected to launch within the next month. The outcome of these matters cannot be predicted at this time.