San Diego Rescue Mission
Financial Statements

September 30, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
San Diego Rescue Mission

We have audited the accompanying financial statements of San Diego Rescue Mission (a nonprofit organization), which comprise the statements of financial position as of September 30, 2020 and 2019, and the related statements of activities, functional expenses, 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 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 San Diego Rescue Mission as of September 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Swenson Advisors, LLP

SWENSON ADVISORS, LLP
San Diego, California
December 17, 2020

San Diego Rescue Mission
Statements of Financial Position
September 30, 2020 and 2019

	2020	2019
Assets		
Current assets		
Cash and cash equivalents	**$ 4,979,445**	$ 548,207
Investments in marketable securities	**1,547,131**	1,440,249
Accounts receivable	**33,210**	7,663
Prepaid expenses	**354,624**	515,335
Other current assets	**9,187**	17,865
Inventory, net	**85,593**	192,036
	7,009,190	2,721,355
Property and equipment, net	**18,336,047**	16,343,698
Other assets		
Scholarship fund	**113,799**	83,018
Construction in progress	**678,642**	30,543
Other long-term assets	**43,155**	42,179
	835,596	155,740
Total assets	**$ 26,180,833**	$ 19,220,793
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	**$ 621,772**	$ 497,891
Compensated absences	**181,159**	123,070
Deferred revenue	**29,100**	-
Deposits	**5,150**	6,480
Current portion of capital lease obligations	**95,626**	73,423
Current portion of notes payable, net	**1,013,597**	155,755
	1,946,404	856,619
Long-term liabilities		
Notes payable, net	**6,257,967**	6,416,888
Interest payable	**1,254,123**	1,158,067
Deferred rent	**105,268**	98,948
Capital lease obligations	**373,158**	377,193
	7,990,516	8,051,096
Total liabilities	**9,936,920**	8,907,715
Commitments (Note 9)	**-**	-
Net assets		
Net assets without donor restrictions	**16,074,772**	10,196,325
Net assets with donor restrictions	**169,141**	116,753
Total net assets	**16,243,913**	10,313,078
Total liabilities and net assets	**$ 26,180,833**	$ 19,220,793

See accompanying notes to the financial statements

San Diego Rescue Mission
Statements of Activities
For the Years Ended September 30, 2020 and 2019

	2020	2019
Changes in net assets without donor restrictions		
Revenues and support		
Donated food	$ 6,752,779	$ 6,660,952
Contributions	8,559,927	8,176,410
Gain on sales of fixed assets	6,086,822	24,000
Donated material	702,115	1,976,878
Thrift stores	603,218	1,155,611
Grants and contracts	427,577	296,823
Rental income	204,156	198,106
Recuperative care unit	-	67,080
Program fees	47,348	125,245
Special events	-	53,685
Vehicle donation sales	4,075	49,975
Miscellaneous income	90,128	210,825
Total revenues without donor restrictions	23,478,145	18,995,590
Net assets released from restrictions	102,428	470,467
Total revenues and support without donor restrictions	23,580,573	19,466,057
Expenses		
Program services		
Men, women, and children's services	9,671,928	8,204,350
Partners for Hunger Relief	2,858,148	2,868,105
Thrift stores	1,262,643	1,964,521
Transitional housing	-	1,731,801
Recuperative care unit	-	278,636
Children's center	582,215	576,486
Total program services	14,374,934	15,623,899
Support services		
Fundraising and development	2,101,100	1,977,442
Management and general	1,178,952	1,015,481
Total supporting services	3,280,052	2,992,923
Total program and supporting expenses	17,654,986	18,616,822
Special events expenses	47,140	167,482
Total expenses	17,702,126	18,784,304
Increase in net assets without donor restrictions	5,878,447	681,753
Changes in net assets with donor restrictions		
Contributions	149,035	116,753
Investment income	5,781	12,193
Net assets released from restrictions	(102,428)	(470,467)
Increase (decrease) in net assets with donor restrictions	52,388	(341,521)
Increase in net assets	5,930,835	340,232
Net assets at beginning of period	10,313,078	9,972,846
Net assets at end of period	$ 16,243,913	$ 10,313,078

See accompanying notes to the financial statements

San Diego Rescue Mission
Statements of Cash Flows
For the Years Ended September 30, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Change in net assets	$ **5,930,835**	$ 340,232
Adjustments to reconcile the change in net assets to net cash used in operating activities:		
Depreciation and amortization	**649,180**	647,426
Gain on sale of warehouse	**(6,095,150)**	-
Loss on sale of other property and equipment	**8,328**	-
Beneficial interest in charitable gift annuity	**(976)**	12,502
In-kind contribution of inventory, net	**106,443**	67,060
Net unrealized and realized gains on investments	**(85,580)**	(71,559)
Net unrealized and realized gains on scholarship fund	**(5,781)**	(8,018)
Transfer from investment account to operations	**-**	600,000
Transfer from endowment fund to operations	**-**	147,000
Decrease (increase) in assets:		
Accounts receivable	**(25,547)**	95,545
Prepaid expenses	**160,711**	(286,721)
Other current assets	**8,678**	(4,101)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	**123,881**	182,214
Compensated absences	**58,089**	(39,358)
Deferred revenue	**29,100**	(84,983)
Deposits	**(1,330)**	(6,178)
Interest payable	**96,056**	93,220
Deferred rent	**6,320**	8,977
Net cash provided by operating activities	**963,257**	1,693,258
Cash flows from investing activities:		
Investment in marketable securities	**(21,302)**	(11,485)
Investment in scholarship fund	**(25,000)**	(75,000)
Construction in progress	**(648,099)**	(30,543)
Purchase of property and equipment	**(3,911,598)**	(189,890)
Proceeds from sale of warehouse	**7,459,656**	-
Proceeds from sale of other property and equipment	**4,500**	-
Net cash provided by (used in) investing activities	**2,858,157**	(306,918)
Cash flows from financing activities:		
Principal payments on notes payable	**(155,672)**	(150,921)
Proceeds from PPP loan	**850,000**	-
Forgiveness of debt	**-**	(1,000,000)
Principal payments on capital lease obligation	**(84,504)**	(69,201)
Net cash provided by (used in) financing activities	**609,824**	(1,220,122)
Net increase in cash	**4,431,238**	166,218
Cash and cash equivalents - beginning of year	**548,207**	381,989
Cash and cash equivalents - end of year	$ **4,979,445**	$ 548,207
Supplemental disclosures of cash flow information:		
Acquisition of equipment under capital lease	$ **102,672**	$ -
Cash paid during the year for interest	$ **236,695**	$ 262,271
In-kind contributions:		
Stock	$ **86,958**	$ 47,053

See accompanying notes to the financial statements

NOTE 1 – SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization
The accompanying financial statements of the San Diego Rescue Mission (the “Organization” or the “Mission”) include the accounts of the following entities:

San Diego Rescue Mission, Inc.
San Diego Rescue Mission, Inc. (“SDRM”) is a Christian nonprofit organization dedicated to caring for the homeless and destitute men, women and children of San Diego since 1955, by providing shelter, food, clothing, medical care, education, counseling, rehabilitation and spiritual guidance. SDRM operates a donation processing center and two thrift store ministries dedicated to the rehabilitation of men and women in the workplace. They are trained at pricing, sorting, receiving and distributing donated materials.

The following is a list of descriptions of the Organization’s programs.

Men, Women and Children’s Services
The four programs within the Men, Women and Children’s Services are described as follows:

Men’s Center
The residential program is designed to incorporate biblical principles into lives of residents, empowering them to live victoriously through Christ. Practical life skills and Bible classes are taught to transform men to both live independently in our society and to depend fully on Jesus Christ. This is accomplished through a one year discipleship program that helps individuals with their needs though scripture-based lessons, support group/classes, pastoral guidance, a structured work ethic, and education program. The program culminates with a formal graduation at the end of the twelve month program. The SDRM graduates participants four times a year. A six-month transition period is then available to assist graduates in obtaining work and housing and to help them successfully move back into the everyday world.

Nueva Vida Haven
Nueva Vida Haven provides for the increasing need for emergency shelter services for homeless families. Each night, up to 60 women and children use Nueva Vida Haven facility for a warm, safe place to sleep, a place to shower and obtain clean clothes and a nutritious breakfast. Residents also have access to therapists and social workers to help them to determine the best course of action for life improvement. This often includes entry into the SDRM’s long-term recovery Women and Children’s Center.

Haven of Hope - Women and Children’s Center
The Women and Children’s Center is a long-term treatment community program designed to incorporate Biblical principles into the lives of residents, empowering them to live sober and victorious lives through Jesus Christ. This is accomplished in part through support groups, classes, pastoral guidance, the work therapy program, and individual therapy. Practical skills and Bible study classes are also offered to help transform residents and enable them to overcome addictions and unhealthy relationships. Specialized programs are also provided for children living in the Women and Children’s Center. Infants and toddlers find a warm, stimulating environment in the children’s nursery. Older children participate in a variety of programs, including school support, after-school tutoring and recreation, and individual counseling from specially trained therapists.

Outpatient Psychotherapy Clinic
The outpatient clinic provides free, quality counseling to individuals, families, children, and couples who are homeless, at risk of homelessness, or unable to afford therapy. Treatment is provided by licensed Marriage and Family therapists, or by interns and trainees under their supervision.

NOTE 1 – SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

Children's Center
The Children's Center is a program of SDRM that was formed in fiscal year 2014 and provides licensed childcare to children ages 2-5 for the children of Nueva Vida Haven and Women's and Children's Center of San Diego Rescue Mission. The center provides a child-initiated, play-based curriculum that includes inside and outside activities, teacher-directed and child-directed activities, and restful and active times each weekday.

Transitional Housing
Effective October 2019, the Transitional Housing program restructured its purpose to cater to graduated men and women from the men's and women's program. The purpose of the program focuses on assisting them with budgeting, interviewing for employment and outside housing applications. It is a steppingstone to offer support for those in the program to become a part of society and to live on their own responsibly.

Partners for Hunger Relief
Partners for Hunger Relief is a program of SDRM which was formed to bolster food recovery efforts in San Diego and serve a broad base of agencies and people. SDRM has developed a successful system of locating, recovering, and distributing donated food. This food is not only used by SDRM program members, but a large percentage of this food is shared at no cost with a network of nonprofit feeding programs and food pantries throughout San Diego County.

Thrift Stores
SDRM operates thrift stores located in North Park, City Heights (closed in March 2020), and the Sports Arena areas. The thrift stores offer "gently" used clothing, sports equipment, furniture, and other household items for sale. All items in the thrift stores have been donated by people and businesses from throughout the San Diego community. The Mission's new warehouse in National City to receive and distribute goods for the thrift stores began operations effective in November 2020 (Note 13).

SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation
The financial statements have been prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The significant accounting policies followed are described below:

Principles of Consolidation
The consolidated financial statements include the accounts of San Diego Rescue Mission, Inc. and Sleepless America, a wholly-owned subsidiary prior to dissolution. All material intercompany balances and transactions have been eliminated in consolidation.

Net Assets
Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported in the following two classes:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations, including those resources currently available for use in the Organization's operations and those designated by the board for specific future uses.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations which have not yet been met, including those that have been restricted in perpetuity, such that they are maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

NOTE 1 – SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

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 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.

Reclassifications

Certain amounts presented in the prior year financial statements have been reclassified to conform to the current year presentation. Such reclassifications had no effect on the reported results of operations.

Accounts Receivable

Management believes that all accounts receivables are fully collectible, and therefore no allowance for doubtful accounts was recorded as of September 30, 2020 and 2019.

Inventories

Inventories of in-kind contributions are valued at thrift store values based on published guidelines for donated goods. Management has applied a fifty percent reserve for obsolescence on the inventory, resulting in a balance of $85,593 and $192,036 in net inventory at September 30, 2020 and 2019, respectively.

Land, Buildings and Equipment and Depreciation

Land, buildings, and equipment are recorded at cost. The Organization capitalizes items with a value in excess of $5,000 and an expected life of three years or more. Donations of land, buildings, and equipment are recorded as support at their estimated fair value in the statements of activities. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire buildings and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Assets under construction are not depreciated until placed into service. Buildings and equipment are depreciated using the straight-line method over the estimated useful asset lives as follows:

	Years
Building and improvements	5-40
Equipment	5-7
Furniture and fixtures	5-7
Autos and truck	5-7
Software	5

Maintenance, repairs, and minor renewals are charged to operations as incurred. Upon sale or disposition of land, buildings, and equipment, the asset and the related accumulated depreciation taken prior to the sale are removed from the Organization’s records and any gain or loss is credited or charged to revenue and support.

NOTE 1 – SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

Impairment of Real Estate

The Organization reviews its investment in real estate for impairment whenever events and changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted net cash flows expected to be generated by the rental property and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of real estate exceeds the fair value of such property. There were no impairment losses recognized in 2020 or 2019.

Loan Costs and Amortization

Loan costs related to the commercial bank note payable (Note 7) of $36,749 and $41,342, net of accumulated amortization of $32,151 and $27,558 as of September 30, 2020 and 2019, respectively, are presented as a contra-liability offsetting the note payable balance in the statements of financial position. These loan costs are being amortized on a straight-line basis over the term of the associated debt. GAAP requires that the effective yield method be used to amortize loan costs; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective yield method. Amortization expense for the years ended September 30, 2020 and 2019 related to the loan costs associated with the note was $4,593 and is presented as interest expense in the statements of functional expenses, in accordance with ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. Estimated interest expense for each of the five years following September 30, 2020 is approximately $4,600 per year.

Deferred Rent

Rent expense for operating leases, which have fixed escalating rentals over the life of the lease and free rent periods, is recorded on a straight-line basis over the initial lease term. The difference between rent expense and rent paid is recorded as deferred rent and is classified as long-term at September 30, 2020 as the liability is not expected to settle in the coming year.

Fair Value of Financial Instruments

Financial instruments include cash and cash equivalents, accounts receivable, investments in marketable securities, accounts payable, deposits and notes payable. The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, and deposits approximate fair market value because of the short maturity of those instruments. The carrying value of the Organization's notes payable approximate fair market value based on the current rates offered to the Company for debt with similar terms or maturities. The investments in marketable securities are measured at fair value on a recurring basis.

Topic 820 in the FASB's Accounting Standards Codification, *Fair Value Measurements and Disclosures*, establishes a three-tier valuation hierarchy for classification of fair value measurements as follows:

Level 1 – Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 – Inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, at the measurement date.

Level 3 – Inputs are unobservable for the asset or liability and usually reflect the reporting entity's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

The Organization's statements of financial position include investments in mutual funds that are considered Level 1 assets and are reported at fair value based on quoted prices in active markets for identical assets at the measurement date.

NOTE 1 – SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

Revenue Recognition

When monies or other assets are received, the Organization classifies the transaction as either a contribution (i.e. a nonreciprocal transaction) or an exchange (i.e. a reciprocal transaction).

Contributed Revenue – In accordance with ASU 2016-14, *Not for Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* ("ASU 2016-14"), when a transaction is determined to be a contribution, the Organization then determines whether it is conditional or unconditional. According to ASU 2018-08, *Not for Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08"), conditional contributions contain i) donor-imposed barrier(s) that must be overcome before the Organization is entitled to the assets transferred or promised and ii) a right of return to the contributor for assets transferred or a right of release of the promisor from its obligation to transfer assets. When the condition(s) are substantially met, the contribution becomes unconditional. Unconditional contributions are those that are absent of any indication that the Organization is only entitled to the transfer of assets or a future transfer of assets if it has overcome a barrier, or that the agreement does not contain a right of return of assets transferred or a right of release from obligation. Unconditional contributions are classified as either net assets with donor restrictions or net assets without donor restrictions and are recorded in accordance with the guidelines outlined in Subtopic 958-605, *Not-for- Profit Entities – Revenue Recognition*. Unconditional contributions are recognized when the donor makes a promise to give to the Organization. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. All contributions are considered available for unrestricted use unless specifically restricted by the donor or subject to other legal restrictions. Expenses are recorded when incurred in accordance with the accrual basis of accounting. Contributions received with restrictions that are met in the same reporting period as received are reported as unrestricted support and increase net assets without donor restrictions.

Grant revenue is recognized in the period that the related work is performed in accordance with the terms of the grant. Grants receivable are recorded when revenue earned under a grant exceeds the cash received. Deferred revenue is recorded when cash received under a grant exceeds the revenue earned.

Donated property and equipment are recorded at fair market value at the date of gift. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

The Organization receives substantial donations of materials, clothing, and food at the National City Warehouse where they are sorted and distributed. The Organization values the materials, clothing and food based on comparable cost estimates.

The nature and extent of donated and contributed services received by the Organization range from the limited participation of many individuals in fundraising activities to active participation in the Organization's management and service programs during 2020 and 2019. The valuation of contributed time is not reflected in these statements since they do not require specialized skills.

NOTE 1 – SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

Revenue Recognition, Continued

Contributed Revenue, Continued

The following is a summary of revenue and expenses related to donated items for the years ended September 30:

	2020	2019
Revenue:		
Donated food	**$ 6,752,779**	$ 6,660,952
Donated material	**702,115**	1,976,878
Total revenue	**$ 7,454,894**	$ 8,637,830
Expenses:		
Food services	**$ 6,752,779**	$ 6,660,952
Distribution center	**808,558**	2,043,939
Depreciation	**-**	10,270
Total expenses	**$ 7,561,337**	$ 8,715,161

Exchange Transactions – The Organization accounts for exchange transactions in accordance with ASU No. 2014-09 (ASC Topic 606), *Revenue from Contracts with Customers* (“Topic 606”).

Special event revenues are recognized when the event is presented. Ticket sales or entry fees for admission into events are the identified contracts between the Organization and its special event participants, which specify the transaction price for admission. The Organization’s performance obligation for these tickets is to provide participants with access to the events. Additionally, organizations can purchase sponsorships for the special events held by the Mission. Sponsors determine the level of sponsorship they would like to participate in. Levels vary based on the amount purchased and the corresponding perks exchanged for each level of sponsorship. The Organization’s performance obligations for the sponsorships are to provide the related perk based on the level of sponsorship purchased, such as to present the sponsor’s logo at the event. Special events revenue is recognized at the point in time that the event takes place. Tickets and sponsorships that have been purchased as of September 30 for which events have not yet taken place are recorded as deferred revenues in the statements of financial position. Special event revenue amounted to $0 and $53,685 for the years ended September 30, 2020 and 2019, respectively. Deferred revenue for special events was $29,100 and $0 as of September 30, 2020 and 2019, respectively.

The Organization receives monthly fees from clients in Transitional Housing, the Men’s Center, and the Women and Children’s Center. The agreements made between the Organization and its clients are the identified contracts, which specify the amount of fees the clients will pay the Organization based on the related program. The Transitional Housing program utilizes a sliding scale that calculates monthly rent using the clients’ salaries and other factors, depending on the program. The Mission’s performance obligations for these agreements are to provide the clients with various resources based on the specific program as listed in the descriptions of the Organization’s programs in Note 1, including housing, meals, practical skills classes, various forms of therapy, support groups, Bible study classes, and employment preparation training. Since program fee revenue is recorded on the first of the month for services to be provided throughout that month, there are no incomplete performance obligations as of September 30. Program fee revenue amounted to $47,348 and $125,245 for the years ended September 30, 2020 and 2019, respectively. Deferred revenue for program fees was $0 as of September 30, 2020 and 2019.

NOTE 1 – SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

Revenue Recognition, Continued

Exchange Transactions, Continued – Before the RCU was discontinued in January 2019, the Organization negotiated agreements with hospitals to provide patients with post-hospital care and medical attention. These negotiated agreements were the identified contracts between the Mission and the hospitals, which specified the fees to be received for care of patients referred to the Organization by the hospitals. The Mission's performance obligation for these contracts was to provide patients with a safe and supportive environment, meals, oversight of medical treatment, and follow-up treatment for around 1 – 14 days. RCU revenue was recognized for the period of time that the Mission was treating the patient, which was not for a period of longer than a few weeks. Due to the discontinuation of the RCU program, there were no incomplete performance obligations as of September 30, 2020 or 2019. RCU revenue amounted to $0 and $67,080 for the years ended September 30, 2020 and 2019, respectively. Deferred revenue for RCU was $0 as of September 30, 2020 and 2019.

The Mission sells donated merchandise at its thrift store locations. The Organization recognizes sales revenue at the time it sells merchandise to the customer, based on the price stated on each item for sale. Revenue generated from the thrift stores amounted to $603,218 and $1,155,611 for the years ended September 30, 2020 and 2019, respectively.

Rental income is recognized on a monthly basis in accordance with the lease agreements. The difference between recognizing actual rents received and recognizing rental income using the straight-line method under which contractual rent increases are recognized equally over the lease term are immaterial for financial statement presentation purposes. Rental income for lease contracts is recognized in accordance with Topic ASC 840: *Leases* (Note 9).

The Mission maintains investments in marketable securities, a capital project funds, and a scholarship fund. The Organization recognizes investment returns based on the fair value of the funds in accordance with ASU 2016-01, *Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*. Investment returns for the marketable securities and the capital project funds are classified as without donor restrictions in the statements of activities (Notes 2 and 3). Investment returns for the scholarship fund are classified as with donor restrictions in the statements of activities (Note 4).

Allocated Expenses

Expenses by function have been allocated among program and supporting services classifications on the basis of internal records and estimates made by the Organization's management. Facility costs are allocated on the basis of square footage occupied. Warehouse costs are allocated 50% to the various departments based on square footage occupied and 50% to the thrift stores. 40% of food services costs are allocated first to Partners for Hunger Relief and the remaining costs are allocated to the programs based on meals served. See appendix A for the statements of functional expenses for the years ended September 30, 2020 and 2019.

Income Tax Status

San Diego Rescue Mission is a nonprofit organization and is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Mission is not a private foundation.

The Organization uses a loss contingencies approach for evaluating uncertain tax positions and continually evaluates changes in tax law and new authoritative rulings. No loss contingencies were recognized for the years ended September 30, 2020 or 2019.

The Organization's federal exempt organization returns for tax years 2016 and beyond remain subject to examination by the Internal Revenue Service. The Organization's exempt organization returns of the tax years 2015 and beyond remain subject to examination by the Franchise Tax Board.

NOTE 1 – SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

Income Tax Status, Continued

The Organization did not have unrecognized tax benefits as of September 30, 2020 or 2019 and does not expect this to change significantly over the next 12 months. The Organization recognizes interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. As of September 30, 2020 and 2019, the Organization has not accrued interest or penalties related to uncertain tax positions.

Concentration of Credit Risk

The Organization's accounts at each financial institution are insured by the Federal Deposit Insurance Corporation ("FDIC"). At various times during the year cash balances may exceed the amount of insurance provided by the FDIC, which provides basic deposit coverage with limits up to $250,000 per owner. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Organization considers all investment instruments purchased with the maturity of three months or less to be cash equivalents.

Recent Authoritative Guidance, Adopted

In June 2018, the FASB issued Accounting Standards Update ("ASU") 2018-08, *Not for Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08"). This new guidance was in response to diversity among not-for-profit entities with characterizing grants and similar contracts with government agencies and others as reciprocal transactions (exchanges) or nonreciprocal transactions (contributions) and with distinguishing between conditional and unconditional contributions. The amendments in this ASU provide a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction by clarifying how a not-for-profit organization determines whether a resource provider is participating in an exchange transaction. The ASU also clarifies how to evaluate whether contributions are conditional and better distinguishes a donor-imposed condition from a donor-imposed restriction. The Organization adopted the provisions of ASU 2018-08 effective October 1, 2019, which had no effect on the Organization's existing procedures for recognizing contributions.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*. ASU 2016-01 requires equity investments to be measured at fair value with changes in fair value recognized in net income; simplifies the impairment assessment of equity investments without readily determinable fair values; requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset; and provides other updates related to equity investments. This ASU was effective for the Organization on October 1, 2019, and had no effect on the Organization's procedures for recognizing the value and gains/losses of its investments.

In November 2016, the FASB issued ASU No. 2016-15 on Topic 230, *Statement of Cash Flows*. ASU No. 2016-15 provides guidance on classifying eight categories of cash flows payments and receipts, such as debt prepayment and extinguishment, proceeds from settlements of insurance claims, distributions received from equity method investors, and other specific types of transactions. This ASU was effective for the Organization on October 1, 2019. The Organization received $186,977 from insurance proceeds for flood damage during the year ended September 30, 2020. However, since all the insurance proceeds were utilized for their intended use during the year, there was a $0 net cash flow effect. As such, the required updates in ASU 2016-15 were not applicable for disclosure in the statements of cash flows for the years ended September 30, 2020 or 2019.

NOTE 1 – SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

Recent Authoritative Guidance, Adopted, Continued

In November 2016, the FASB issued ASU No. 2016-18 on Topic 230, *Statement of Cash Flows*. ASU No. 2016-18 requires amounts generally described as restricted cash and restricted cash equivalents to be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This ASU was effective for the Organization on October 1, 2019. The required updates in ASU 2016-18 are not applicable to the Organization for the years ended September 30, 2020 or 2019.

Recent Authoritative Guidance, Not yet adopted

In February 2016, the FASB issued new lease accounting guidance in ASU No. 2016-02, *Leases* (“Topic 842"). This new guidance was initiated as a joint project with the IASB to simplify lease accounting and improve the quality of and comparability of financial information for users. This new guidance would eliminate the concept of off-balance sheet treatment for “operating leases” for lessees for the vast majority of lease contracts. Under Topic 842, at inception, a lessee must classify all leases with a term of over one year as either finance or operating, with both classifications resulting in the recognition of a defined “right-of-use” asset and a lease liability on the balance sheet. However, recognition in the income statement will differ depending on the lease classification, with finance leases recognizing the amortization of the right-of-use asset separate from the interest on the lease liability and operating leases recognizing a single total lease expense. Lessor accounting under ASU No. 2016-02 would be substantially unchanged from the previous lease requirements under U.S. GAAP. On April 8, 2020, in response to the coronavirus pandemic, the FASB voted to defer the effective date for Topic 842 for private companies and private nonprofit companies to fiscal years beginning after December 15, 2021. Early adoption is permitted and for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, lessees and lessors must apply a modified retrospective transition approach. The Organization is evaluating ASU No. 2016-02 and its effect on the presentation of its financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not for Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU requires organizations to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash and other financial assets, and disclose the disaggregation of the various types of contributed nonfinancial assets by category. Each disaggregated category requires further qualitative disclosures, including whether the assets were monetized or utilized by certain programs, the organization’s policy for monetizing versus utilizing assets, any donor-imposed restrictions associated with the assets, descriptions of the valuation techniques for fair value measures, and the principal market used to arrive at fair value. ASU 2020-07 must be applied on a retrospective basis, will take effect in fiscal years beginning after June 15, 2021, and early adoption is permitted. The Organization is evaluating ASU 2020-07 and its effect on the presentation of its financial statements.

NOTE 2 – INVESTMENTS IN MARKETABLE SECURITIES

Investments in marketable securities are stated at fair value and consist of $1,084,868 in open-ended mutual funds and $119,826 in ETF’s and CEF’s at September 30, 2020 and of $1,041,885 in open-ended mutual funds and $74,896 in ETF’s and CEF’s at September 30, 2019. The following schedule summarizes the investment return and is classified as net assets without donor restrictions in the statements of activities for the years ended September 30, 2020 and 2019.

	2020	2019
Interest and dividend income	**$ 4**	$ 28
Realized and unrealized gains	**66,611**	59,366
	$ 66,615	$ 59,394

NOTE 3 – Capital Project Funds

The capital project funds are presented with investments in marketable securities in the statement of financial position as of September 30, 2020. The accounts are stated at fair value and consist of the following at September 30:

	2020	2019
Money Market Fund	**$ (313)**	$ 5,432
ETFs & CEFs	**34,168**	21,123
Mutual Funds	**308,581**	296,912
	$ 342,436	$ 323,467

The following schedule summarizes the investment return for the years ended September 30, 2020 and 2019. The gain on capital project funds is classified as net assets without donor restrictions in the statements of activities for the year ended September 30, 2020 and 2019.

	2020	2019
Realized and unrealized gains	**$ 18,970**	$ 12,193
	$ 18,970	$ 12,193

NOTE 4 – BARBARA LEE SCHOLARSHIP FUND

In December 2018, the Organization received a donation of $75,000 from a related party to be invested as a scholarship fund. In November 2019, the same donor contributed an additional $25,000 to the fund. The scholarship fund is stated at fair value, is classified as net assets with donor restriction in the statements of activities for the years ended September 30, 2020 and 2019, and consists of the following at September 30:

	2020	2019
Money Market Fund	**$ 106**	$ 3,896
ETFs & CEFs	**11,141**	5,422
Mutual Funds	**102,551**	73,700
	$ 113,798	$ 83,018

The following schedule summarizes the investment return, which is classified as net assets with donor restrictions in the statements of activities for the years ended September 30, 2020 and 2019.

	2020	2019
Realized and unrealized gains	**$ 5,781**	$ 8,018
	$ 5,781	$ 8,018

NOTE 5 – LAND, BUILDINGS AND EQUIPMENT

On November 14, 2019, the Mission entered into an agreement to sell the City Heights warehouse for $7,750,000, which included a non-refundable deposit of $150,000, which the Organization received on December 17, 2019. Concurrently, the Mission entered into a purchase agreement to buy the National City warehouse on November 15, 2019 for $3,600,000, which included a non-refundable deposit of $100,000 that was paid by the Mission on November 26, 2019.

The concurrent sale and purchase of the warehouses closed on February 5, 2020. Proceeds from the sale of the City Heights warehouse, net of commissions and fees, amounted to $7,459,656. The net book value of the warehouse was $1,364,506, resulting in a gain on the sale of the warehouse of $6,095,150.

The Mission capitalized the purchase price of the National City warehouse, including escrow and other fees, in the amount of $3,612,380, of which $650,000 was capitalized to land and $2,962,380 was capitalized to buildings.

Land, buildings and equipment consist of the following at September 30:

	2020	2019
Land	**$ 5,557,642**	$ 5,886,842
Building and improvements	**19,920,519**	17,558,883
Equipment	**314,579**	212,937
Furniture and fixtures	**497,510**	497,510
Autos and trucks	**183,880**	178,512
Equipment under capital lease	**653,781**	551,109
Software	**219,401**	172,759
	27,347,312	25,058,552
Less: accumulated depreciation and amortization	**(9,011,265)**	(8,714,854)
	$ 18,336,047	$ 16,343,698

Depreciation and amortization expense for land, buildings and equipment was $644,587 and $624,833 for the years ended September 30, 2020 and 2019, respectively.

NOTE 6 – LINE-OF-CREDIT

The Organization has a line-of-credit available in the amount of $500,000. Bank advances are payable on demand at an interest rate of prime plus 0.5% or 4% at September 30, 2020. The outstanding balances were $0 at September 30, 2020 and 2019. The line-of-credit is secured by a commercial security agreement. Interest expense was $0 for the years ended September 30, 2020 and 2019. The Mission obtained a new line-of-credit in November 2020 (Note 13).

NOTE 7 – NOTES PAYABLE

Notes payable consist of the following at September 30:

	2020	2019
Note payable to a commercial bank dated October 11, 2013 in the original amount of $6,827,000 bears interest at 4.5% per annum and is secured by a deed of trust. Principal and interest are payable in monthly installments of $30,295 and one last payment estimated at $2,944,637 will be due on September 30, 2028. Accrued interest payable totaled $0 at September 30, 2020 and 2019.	**$ 4,458,313**	$ 4,613,985
Note payable to the Redevelopment Agency of the City of San Diego dated May 19, 2004 in the original amount of $2,000,000 bears interest at 3% per annum. Interest is deferred over the term of the loan, and the note and accrued interest will be deemed paid in full at maturity if all covenants, conditions and restrictions included in the loan agreement are complied with. The note is due May 2059 and is secured by a deed of trust. Accrued interest totaled $1,254,123 and $1,158,067 at September 30, 2020 and 2019, respectively.	**2,000,000**	2,000,000
Paycheck Protection Program promissory note to a commercial bank dated May 6, 2020 in the original amount of $850,000 bears interest at a fixed rate of 1% per annum. The note has a six month payment deferral period and is due in May 2022. Since the note is expected to be forgiven in full, no interest accrual has been recorded as of September 30, 2020.	**850,000**	-
Total notes payable	**7,308,313**	6,613,985
Less: current portion	**(1,013,597)**	(155,755)
Less: unamortized loan costs	**(36,749)**	(41,342)
	$ 6,257,967	$ 6,416,888

The Mission applied for a loan through the Paycheck Protection Program ("PPP") to assist in potential liquidity issues related to the coronavirus outbreak (Note 11). On May 6, 2020, the Organization received $850,000 from the PPP, which was created by the Coronavirus Aid, Relief, and Economic Security ("CARES") Act to provide certain small businesses with liquidity to support their operations during the COVID-19 pandemic. These SBA-approved loans have a 1% fixed interest rate, have payment deferral periods for 6 months after commencement, and are due in two years from commencement, but are eligible for forgiveness, either in full or in part, under certain conditions. The Mission recorded the loan as debt in the full amount received. Since the Organization expects the full loan amount to be forgiven, it has not accrued interest as of September 30, 2020. Upon forgiveness of the debt, the Organization will recognize the debt extinguishment as a government grant on the statements of activities. As of December 17, 2020, the Mission plans to file for loan forgiveness and expects the loan to be forgiven in full.

Interest expense was $303,920 and $307,456 for the years ended September 30, 2020 and 2019, respectively. As of September 30, 2020, the Organization was in substantial compliance with the covenants, conditions, and restrictions included in the loan agreements.

NOTE 7 – NOTES PAYABLE, (CONTINUED)

The future principal payments on the notes payable are as follows:

Years ending September 30,		
2021	$	1,013,597
2022		171,219
2023		179,197
2024		187,047
2025		196,260
Thereafter		5,560,993
	$	7,308,313

NOTE 8 – NET ASSETS

In January 2019, the Organization's board of directors voted to release the entire balance of the previously restricted endowment fund to net assets without donor restriction to be used for capital projects such as building renovations. Since the board has determined the appropriate use for the released funds, the capital project funds are classified as board-designated net assets without donor restrictions as of September 30, 2020 and 2019.

Net assets consist of the following at September 30, 2020 and 2019:

		2020		2019
Without donor restriction:				
Designated by the board for capital projects	**$**	**342,436**	$	323,467
Undesignated		**15,732,336**		9,872,858
		16,074,772		10,196,325
With donor restriction:				
Zinngrabe warehouse improvements		**7,000**		33,735
Barbara Lee scholarship fund		**112,654**		83,018
Children's playground		**31,952**		-
Walk With Me program		**8,781**		-
Perdue laundry project		**5,913**		-
Nueva Vida Haven plaza project		**2,141**		-
Flooring project		**700**		-
		169,141		116,753
Total net assets	**$**	**16,243,913**	$	10,313,078

NOTE 9 – LEASE AGREEMENTS

Facility and Equipment Leases

The Organization leases commercial space for the administrative offices and the Sports Arena thrift store in San Diego. The term of the administrative office lease is from March 1, 2016 to July 31, 2026. The term of the lease for the Sports Arena thrift store in San Diego was from February 1, 2014 to May 30, 2019, and was extended upon expiration from June 1, 2019 to January 31, 2023. Rent expense under the commercial leases totaled $390,092 and $333,054 for the years ended September 30, 2020 and 2019, respectively.

NOTE 9 – LEASE AGREEMENTS, (CONTINUED)

The Organization has entered into various noncancelable operating equipment leases.

Future minimum rental payments under the leases are as follows:

Years ending September 30,	Equipment leases	Facility leases	Total minimum lease payments
2021	$ 43,788	$ 337,684	$ 381,472
2022	43,788	355,940	399,728
2023	32,841	240,370	273,211
2024	-	174,218	174,218
2025	-	179,445	179,445
Thereafter	-	153,645	153,645
	$ 120,417	$ 1,441,302	$ 1,561,719

Capital leases

Equipment under capital lease consists of six and five delivery trucks with total capitalized costs of $653,781 and $551,109 as of September 30, 2020 and 2019, respectively. The assets and liabilities under capital leases are recorded at the lower of present value of the minimum lease payment or the fair value of the asset. The asset is amortized over its estimated productive life. Amortization of assets under capital leases was $92,495 and $81,435 for the years ended September 30, 2020 and 2019, respectively, and is included in depreciation and amortization expense. Interest on the capital lease was $28,830 and $30,207 for the years ended September 30, 2020 and 2019, respectively. Future minimum lease payments are as follows:

Years ending September 30,	
2021	$ 120,876
2022	120,876
2023	115,509
2024	99,408
2025	80,969
	537,638
Amount representing interest	(68,854)
	$ 468,784

Rental Income

The Organization owns the buildings located at 120 Elm Street and 1840 First Avenue, San Diego, California and leases space to others in these buildings under operating leases which expire on various dates through December 2021.

Rental income under lease agreements totaled $204,156 and $198,106 for the years ended September 30, 2020 and 2019, respectively.

NOTE 9 – LEASE AGREEMENTS, (CONTINUED)

Rental Income, Continued

The related future minimum lease income is as follows for the years ended September 30:

2021	$	117,480
2022		29,370
	$	146,850

NOTE 10 – PENSION PLAN

The Organization adopted a 403(b) Thrift Plan (the “Thrift Plan”) in 1998. The Thrift Plan is available to all full-time employees and employees may elect to make voluntary contributions to it. The Organization has no obligation to match employee contributions and made no matching contributions for the years ended September 30, 2020 and 2019.

NOTE 11 – EFFECTS OF THE CORONAVIRUS PANDEMIC

In December 2019, an outbreak of a novel strain of coronavirus (“COVID-19”) occurred and has since spread worldwide. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, several states in the U.S., including California, where the Mission is headquartered, have declared a state of emergency. COVID-19 has caused a severely negative impact on the world economy, and has contributed to significant declines and volatility in financial markets.

The Mission has had to cancel their Sleepless event in 2020, but still held its annual Corporate Golf Tournament event in November 2020. In March, the Mission closed its Thrift Stores and receiving centers for donation pick up and processing. Additionally, the Mission shut down the intake process for the Nueva Vida Haven emergency shelter for women and children and the Preschool. The Nueva Vida Haven guests were transferred to the city’s convention center that the city opened to the homeless. The Mission also closed its doors to volunteers and stopped allowing donor tours of the facilities. In April 2020, the Mission cancelled the graduation ceremony and the Easter Homeless feeding event.

In March 2020, all administrative staff, apart from the leadership team, began working from home. The Mission provided its staff with laptops and secure access to allow uninterrupted workflows. Staff members from the Thrift Stores and warehouse were repositioned to help with residential programs that had new Coronavirus-related protocols. While no staff members were furloughed in response to the pandemic, the Mission accommodated a few employees who requested to stay at home due to school closures. All in-person meetings were transitioned to virtual platforms, including job interviews and regular business meetings. The leadership team and CEO began intensive communication with all staff through virtual meetings three times per week, and the board of directors’ meetings continued to be held virtually.

While certain program revenues experienced a decline due to the pandemic, donor contributions increased to help offset the disruption in normal program operations.

NOTE 12 – LIQUIDITY AND FUNDS AVAILABLE

The following table reflects the Organization's financial assets as of September 30, 2020, reduced by amounts not available for general expenditure within one year. Financial assets include assets that are considered unavailable when illiquid or not convertible to cash within one year and receivables not available for general expenditure.

		2020
Financial assets:		
Cash and cash equivalents	$	4,979,445
Investments in marketable securities		1,547,131
Accounts receivable		33,210
Financial assets, at year-end		6,559,786
Less those unavailable for general expenditure within one year		-
Financial assets available to meet cash needs for general expenditures within one year	$	6,559,786

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 13 – SUBSEQUENT EVENTS (UNAUDITED)

During the year ended September 30, 2020, the San Diego Rescue Mission invested in building improvements of $393,426 to the National City warehouse, as well as renovations of $223,419 to the 120 Elm Street building, which were recorded as construction in progress in the statements of financial position as of September 30, 2020. On November 1, 2020, the construction in progress for both buildings was placed into service, along with the National City warehouse.

On November 5, 2020, the Mission entered into a loan agreement for $5,000,000 with a fixed interest rate of 3.1% and a maturity date of November 5, 2030. Payments are interest only through November 2022, and then principal and interest payments of $58,976 are payable in monthly installments. Loan costs of $12,500 were recorded as a contra-liability to offset the note payable balance and will be amortized on a straight-line basis over the term of the associated debt. At the time of the new loan's commencement, the proceeds from the new loan paid off the outstanding balance of the 2013 note payable (Note 7) of $4,445,294. The Mission wrote-off the loan costs related to the 2013 note of $68,900 and accumulated amortization of $32,534.

On November 5, 2020, the Mission entered into a new revolving line-of-credit agreement in the amount of $2,300,000. Interest of LIBOR plus 2.25% shall accrue from the date of each advance until the repayment of each advance. Accrued unpaid interest will be due in regular monthly payments, and all outstanding principal and interest shall be due on November 5, 2023. The line-of-credit is secured by a commercial security agreement.

Effective October 1, 2020, San Diego Rescue Mission acquired Bread of Life Rescue Mission ("BOL"), an exempt organization under section 501(c)(3) of the Internal Revenue Code. The Mission will record the acquisition to combine the financial position of the organizations as of October 1, 2020.

NOTE 13 – SUBSEQUENT EVENTS (UNAUDITED), (CONTINUED)

Upon recording the acquisition of BOL as of October 1, 2020, the combined statement of financial position will include increases in cash of $219,915, prepaid assets of $1,106, other long-term assets of $14,000, property and equipment, net, of $29,236, and total net assets of $264,257. For the year ended September 30, 2021, the combined organizations will record the amount of BOL's assets acquired in excess of liabilities assumed in the acquisition as a change in net assets in the statements of activities.

The pro forma statement of financial position for the combined organizations as of October 1, 2020 is as follows:

UNAUDITED

	2020
Assets	
Current assets	
Cash and cash equivalents	$ 5,199,360
Investments in marketable securities	1,547,131
Accounts receivable	33,210
Prepaid expenses	355,730
Other current assets	9,187
Inventory, net	85,593
	7,230,211
Property and equipment, net	18,365,283
Other assets	
Scholarship fund	113,799
Construction in progress	678,642
Other long-term assets	57,155
	849,596
Total assets	$ 26,445,090
Liabilities and Net Assets	
Current liabilities	
Accounts payable and accrued liabilities	$ 621,772
Compensated absences	181,159
Deferred revenue	29,100
Deposits	5,150
Current portion of capital lease obligations	95,626
Current portion of notes payable	1,013,597
	1,946,404
Long-term liabilities	
Notes payable	6,257,967
Interest payable	1,254,123
Deferred rent	105,268
Capital lease obligations	373,158
	7,990,516
Total liabilities	9,936,920
Net assets	
Net assets without donor restrictions	16,339,029
Net assets with donor restrictions	169,141
Total net assets	16,508,170
Total liabilities and net assets	$ 26,445,090

NOTE 13 – SUBSEQUENT EVENTS (UNAUDITED), (CONTINUED)

Continued adverse effects of health epidemics including the recent coronavirus outbreak

The COVID-19 pandemic (Note 11) has continued to affect the Mission's programs and operations through December 17, 2020. While the Mission has utilized the PPP loan proceeds received in May 2020 (Note 7) to help with payroll needs, the Mission may need to turn to other means of funding to continue operations as the pandemic progresses. If needed, the Mission is able to obtain additional funds by drawing from its cash reserve or line-of-credit, or by selling real properties. Additionally, the Mission is able to limit its spending if needed by reducing staff, reducing or deferring salaries, and operating remotely.

Due to its cash position as of December 17, 2020, and due to its ability to obtain additional funding if needed, the Mission does not believe the pandemic will have a significant long-term effect on its financial condition. The Mission expects its donors to continue providing generous support, and does not expect significant decreases in its cash position through December 2021. The Mission cannot anticipate all the ways in which health epidemics such as COVID-19 could adversely impact its operating results. Although the Mission is continuing to monitor and assess the effects of the COVID-19 pandemic on its programs and operations, the ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain and subject to change.

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 17, 2020, the date the financial statements were available to be issued, and determined that no additional subsequent events have occurred that would require recognition or disclosure in the financial statements or disclosure in the notes thereto.

Appendix A

San Diego Rescue Mission
Statement of Functional Expenses
For the Year Ended September 30, 2020

	Program Services						Supporting Services			
	Men, Women and Children's Services	Partners for Hunger Relief	Thrift Stores	Children's Center	Special Events	Total Program Services	Fundraising	Management and General	Total Supporting Services	2020 Total
Salaries and wages	$ 1,781,802	$ 249,478	$ 180,929	$ 319,397	$ -	**$ 2,531,606**	$ 445,091	$ 584,944	**$ 1,030,035**	**$ 3,561,641**
Employee benefits	284,091	49,286	41,860	60,993	-	**436,230**	54,371	111,533	**165,904**	**602,134**
Payroll tax expense	147,691	20,295	15,810	25,335	-	**209,131**	36,265	27,942	**64,207**	**273,338**
Donated food and materials	4,371,509	2,701,112	404,279	55,330	-	**7,532,230**	14,554	14,554	**29,108**	**7,561,338**
Fundraising	-	-	-	-	47,140	**47,140**	1,403,968	-	**1,403,968**	**1,451,108**
Utilities	-	3,920	29,655	-	-	**33,575**	-	-	**-**	**33,575**
Rent	-	-	219,903	-	-	**219,903**	-	-	**-**	**219,903**
Outside services	16,333	973	1,869	4,302	-	**23,477**	-	3,742	**3,742**	**27,219**
Auto expense	8,120	46,671	-	-	-	**54,791**	-	-	**-**	**54,791**
Supplies	27,406	1,696	2,460	3,763	-	**35,325**	3,576	6,073	**9,649**	**44,974**
Repairs and maintenance	-	-	11,189	-	-	**11,189**	-	-	**-**	**11,189**
Public relations	-	-	14,308	-	-	**14,308**	39,000	-	**39,000**	**53,308**
Communications	3,771	1,624	9,783	542	-	**15,720**	794	12,285	**13,079**	**28,799**
Equipment rental	-	2,899	-	-	-	**2,899**	-	-	**-**	**2,899**
Professional fees	-	-	-	-	-	**-**	-	55,683	**55,683**	**55,683**
Permit/license	54,092	1,754	-	784	-	**56,630**	-	1,248	**1,248**	**57,878**
Bank fees	-	-	8,878	-	-	**8,878**	-	25,603	**25,603**	**34,481**
Client services	25,931	-	-	5,605	-	**31,536**	-	-	**-**	**31,536**
Postage	119	-	-	10	-	**129**	601	1,968	**2,569**	**2,698**
Dues and subscriptions	1,477	-	-	46	-	**1,523**	148	12,132	**12,280**	**13,803**
Meal, travel, and entertainment	1,809	-	-	94	-	**1,903**	6,688	16,731	**23,419**	**25,322**
Other	695	-	10,869	123	-	**11,687**	-	208,470	**208,470**	**220,157**
Security	-	-	6,167	-	-	**6,167**	-	-	**-**	**6,167**
Depreciation	447,494	-	5,124	20,021	-	**472,639**	19,480	19,480	**38,960**	**511,599**
Interest	251,342	13,995	-	11,245	-	**276,582**	10,941	10,941	**21,882**	**298,464**
Facilities allocated costs	1,259,777	-	-	56,362	-	**1,316,139**	54,839	54,839	**109,678**	**1,425,817**
Distribution center allocated costs	248,036	-	299,560	10,784	-	**558,380**	10,784	10,784	**21,568**	**579,948**
Food services allocated costs	740,433	(235,555)	-	7,479	-	**512,357**	-	-	**-**	**512,357**
Total program and supporting services expenses	**$ 9,671,928**	**$ 2,858,148**	**$ 1,262,643**	**$ 582,215**	**$ 47,140**	**$ 14,422,074**	**$ 2,101,100**	**$ 1,178,952**	**$ 3,280,052**	**$ 17,702,126**

San Diego Rescue Mission
Statement of Functional Expenses
For the Year Ended September 30, 2019

	Program Services								Supporting Services			
	Men, Women and Children's Services	Partners for Hunger Relief	Thrift Stores	Transitional Housing	Recuperative Care Unit	Children's Center	Special Events	**Total Program Services**	Fundraising	Management and General	**Total Supporting Services**	**2019 Total**
Salaries and wages	$ 1,327,243	$ 216,300	$ 255,080	$ 348,709	$ 111,171	$ 283,394	$ -	**$ 2,541,897**	$ 322,807	$ 540,814	**$ 863,621**	**$ 3,405,518**
Employee benefits	309,290	53,277	53,398	73,942	18,887	80,714	-	**589,508**	54,689	130,062	**184,751**	**774,259**
Payroll tax expense	113,008	18,483	22,622	29,908	9,891	23,966	-	**217,878**	25,284	34,346	**59,630**	**277,508**
Donated food and materials	3,920,252	2,705,000	1,021,969	843,572	63,103	77,411	-	**8,631,307**	36,791	36,791	**73,582**	**8,704,889**
Fundraising	-	-	-	-	-	-	167,482	**167,482**	1,401,264	-	**1,401,264**	**1,568,746**
Utilities	-	3,525	34,374	-	-	-	-	**37,899**	-	-	**-**	**37,899**
Rent	-	-	167,527	-	-	-	-	**167,527**	-	-	**-**	**167,527**
Outside services	20,452	1,158	3,161	2,583	2,967	3,674	-	**33,995**	-	19,740	**19,740**	**53,735**
Auto expense	13,274	72,357	-	-	163	219	-	**86,013**	-	-	**-**	**86,013**
Supplies	5,966	2,199	4,860	675	205	333	-	**14,238**	1,305	3,035	**4,340**	**18,578**
Repairs and maintenance	-	-	12,434	-	-	-	-	**12,434**	-	-	**-**	**12,434**
Public relations	-	-	12,412	-	-	-	-	**12,412**	36,000	-	**36,000**	**48,412**
Communications	2,137	2,196	7,591	501	190	344	-	**12,959**	687	9,975	**10,662**	**23,621**
Equipment rental	-	4,454	-	-	-	-	-	**4,454**	-	-	**-**	**4,454**
Professional fees	-	-	-	-	-	-	-	**-**	-	50,901	**50,901**	**50,901**
Permit/license	34,428	347	-	1,178	181	-	-	**36,134**	-	116	**116**	**36,250**
Bank fees	-	-	15,391	-	-	-	-	**15,391**	-	23,892	**23,892**	**39,283**
Client services	26,294	-	-	3,833	943	3,564	-	**34,634**	-	-	**-**	**34,634**
Postage	15	-	-	-	-	-	-	**15**	853	1,187	**2,040**	**2,055**
Dues and subscriptions	381	-	-	-	-	-	-	**381**	1,278	13,797	**15,075**	**15,456**
Meal, travel, and entertainment	1,504	326	-	151	270	80	-	**2,331**	4,105	16,205	**20,310**	**22,641**
Other	669	-	18,927	180	6,194	147	-	**26,117**	-	42,241	**42,241**	**68,358**
Security	12,374	-	8,372	-	-	-	-	**20,746**	-	-	**-**	**20,746**
Depreciation	374,384	-	5,124	59,255	11,851	19,931	-	**470,545**	19,393	19,393	**38,786**	**509,331**
Interest	213,682	13,098	-	33,820	6,764	11,376	-	**278,740**	11,068	11,068	**22,136**	**300,876**
Facilities allocated costs	972,071	-	-	153,853	30,771	51,750	-	**1,208,445**	50,352	50,352	**100,704**	**1,309,149**
Distribution center allocated costs	223,610	-	321,279	35,341	7,068	11,566	-	**598,864**	11,566	11,566	**23,132**	**621,996**
Food services allocated costs	633,316	(224,615)	-	144,300	8,017	8,017	-	**569,035**	-	-	**-**	**569,035**
Total program and supporting services expenses	**$ 8,204,350**	**$ 2,868,105**	**$ 1,964,521**	**$ 1,731,801**	**$ 278,636**	**$ 576,486**	**$ 167,482**	**$ 15,791,381**	**$ 1,977,442**	**$ 1,015,481**	**$ 2,992,923**	**$ 18,784,304**