



**San Diego Rescue Mission**  
Financial Statements

**September 30, 2021 and 2020**

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the  
San Diego Rescue Mission

### **Opinion**

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, 2021 and 2020, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, and the changes in their net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

### **Responsibilities of Management for the Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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



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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of San Diego Rescue Mission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about San Diego Rescue Mission's ability to continue as a going concern for a reasonable period of time.

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

SWENSON ADVISORS, LLP  
San Diego, CA  
December 20, 2021

**San Diego Rescue Mission**  
**Statements of Financial Position**  
**September 30, 2021 and 2020**



	2021	2020
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 6,506,229	\$ 4,979,445
Investments in marketable securities	2,763,954	1,547,131
Accounts receivable	-	33,210
Prepaid expenses	390,251	354,624
Other current assets	5,091	9,187
Inventory, net	41,655	85,593
	9,707,180	7,009,190
<b>Property and equipment, net</b>	<b>17,369,767</b>	<b>18,336,047</b>
<b>Other assets</b>		
Scholarship fund	131,313	113,799
Construction in progress	460,989	678,642
Note receivable (Note 6)	2,300,000	-
Other long-term assets	63,487	43,155
	2,955,789	835,596
<b>Total assets</b>	<b>\$ 30,032,736</b>	<b>\$ 26,180,833</b>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 552,258	\$ 621,772
Compensated absences	194,470	181,159
Deferred revenue	36,657	29,100
Deposits	5,480	5,150
Current portion of capital lease obligations	57,123	95,626
Current portion of notes payable, net	-	1,013,597
	845,988	1,946,404
<b>Long-term liabilities</b>		
Notes payable, net	6,988,646	6,257,967
Interest payable	1,353,100	1,254,123
Deferred rent	101,023	105,268
Capital lease obligations	131,642	373,158
	8,574,411	7,990,516
<b>Total liabilities</b>	<b>9,420,399</b>	<b>9,936,920</b>
<b>Commitments (Note 10)</b>	-	-
<b>Net assets</b>		
Net assets without donor restrictions	20,351,345	16,074,772
Net assets with donor restrictions	260,992	169,141
<b>Total net assets</b>	<b>20,612,337</b>	<b>16,243,913</b>
<b>Total liabilities and net assets</b>	<b>\$ 30,032,736</b>	<b>\$ 26,180,833</b>

See accompanying notes to the financial statements

**San Diego Rescue Mission**  
**Statements of Activities**  
**For the Years Ended September 30, 2021 and 2020**



	2021	2020
<b>Changes in net assets without donor restrictions</b>		
<b>Revenues and support</b>		
Contributions	\$ 10,175,255	\$ 8,559,927
Donated food	9,264,017	6,752,779
Gain on sales of fixed assets, net	1,876,495	6,086,822
Donated material	775,769	702,115
Thrift stores	707,307	603,218
Grants and contracts	636,749	427,577
Paycheck Protection Program loan proceeds	858,594	-
Rental income	209,431	204,156
Program fees	22,237	47,348
Vehicle donation sales	5,600	4,075
Unrealized investment income and other	314,955	90,128
Total revenues without donor restrictions	24,846,409	23,478,145
<b>Net assets released from restrictions</b>	336,694	102,428
<b>Total revenues and support without donor restrictions</b>	25,183,103	23,580,573
<b>Expenses</b>		
Program services		
Men, women, and children's services	10,766,966	10,254,143
Partners for Hunger Relief	3,290,004	2,858,148
Thrift stores	1,246,873	1,262,643
Bread of Life (Note 2)	1,843,301	-
Church Partnership	327,557	-
Total program services	17,474,701	14,374,934
Support services		
Fundraising and development	2,593,422	2,101,100
Management and general	1,045,160	1,178,952
Total supporting services	3,638,582	3,280,052
Total program and supporting expenses	21,113,283	17,654,986
Special events expenses	57,504	47,140
<b>Total expenses</b>	21,170,787	17,702,126
<b>Increase in net assets without donor restrictions</b>	4,012,316	5,878,447
<b>Changes in net assets with donor restrictions</b>		
Contributions	411,030	149,035
Investment income	17,515	5,781
Net assets released from restrictions	(336,694)	(102,428)
<b>Increase in net assets with donor restrictions</b>	91,851	52,388
<b>Increase in net assets</b>	4,104,167	5,930,835
<b>Net assets acquired in excess of net liabilities assumed in acquisition (Note 2)</b>	264,257	-
<b>Net assets at beginning of period</b>	16,243,913	10,313,078
<b>Net assets at end of period</b>	\$ 20,612,337	\$ 16,243,913

See accompanying notes to the financial statements

**San Diego Rescue Mission**  
**Statements of Cash Flows**  
**For the Years Ended September 30, 2021 and 2020**



	2021	2020
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 4,104,167	\$ 5,930,835
Adjustments to reconcile the change in net assets to net cash used in operating activities:		
Assets acquired in excess of liabilities assumed in acquisition	264,257	-
Depreciation and amortization	803,078	649,180
Gain on sale of thrift store/warehouse	(1,922,940)	(6,095,150)
Disposal of other property and equipment	234,395	8,328
Beneficial interest in charitable gift annuity	(6,332)	(976)
In-kind contribution of inventory, net	43,938	106,443
Net unrealized and realized gains on investments	(268,764)	(85,580)
Net unrealized and realized gains on scholarship fund	(17,514)	(5,781)
Transfer to investment account from operations	(1,000,000)	-
Termination of capital lease liability	(187,950)	-
Decrease (increase) in assets:		
Note receivable	(2,300,000)	-
Accounts receivable	33,210	(25,547)
Prepaid expenses	(35,627)	160,711
Other current assets	4,096	8,678
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	(69,514)	123,881
Compensated absences	13,311	58,089
Deferred revenue	7,557	29,100
Deposits	(13,670)	(1,330)
Interest payable	98,977	96,056
Deferred rent	(4,245)	6,320
<b>Net cash (used in) provided by operating activities</b>	<b>(219,570)</b>	<b>963,257</b>
<b>Cash flows from investing activities:</b>		
Investment in marketable securities	51,941	(21,302)
Investment in scholarship fund	-	(25,000)
Construction in progress	(399,192)	(648,099)
Purchase of property and equipment	(212,504)	(3,911,598)
Proceeds from sale of thrift store/warehouse	2,718,990	7,459,656
Proceeds from sale of other property and equipment	-	4,500
<b>Net cash provided by investing activities</b>	<b>2,159,235</b>	<b>2,858,157</b>
<b>Cash flows from financing activities:</b>		
Mortgage payoff	(4,458,312)	-
Proceeds from refinance of mortgage, net of loan fees	4,987,500	-
Principal payments on notes payable	-	(155,672)
Proceeds from PPP loan	(850,000)	850,000
Principal payments on capital lease obligation	(92,069)	(84,504)
<b>Net cash (used in) provided by financing activities</b>	<b>(412,881)</b>	<b>609,824</b>
<b>Net increase in cash</b>	<b>1,526,784</b>	<b>4,431,238</b>
<b>Cash and cash equivalents - beginning of year</b>	<b>4,979,445</b>	<b>548,207</b>
<b>Cash and cash equivalents - end of year</b>	<b>\$ 6,506,229</b>	<b>\$ 4,979,445</b>
<b>Supplemental disclosures of cash flow information:</b>		
Acquisition of equipment under capital lease	\$ -	\$ 102,672
Cash paid during the year for interest	\$ 183,522	\$ 236,695
In-kind contributions:		
Stock	\$ 118,840	\$ 86,958

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. (See Notes 6 and 14). 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:

**Mission Academy**

The residential program is a holistic year long program. It serves single men, women and single parents. Those in the program are referred to as students. It is structured around three semesters and five goals. Semester one is focused on wellness. Semester two is focused on job training and placement and semester three is designed for the student to find housing and prepare to transition to a life of stability. The five goals are to encounter God, experience recovery, engage in job training, establish housing and enlist a support network. Upon graduation they are invited to participate in an Alumni program where they are invited to volunteer and serve in the community.

**Nueva Vida Haven**

Nueva Vida Haven provides 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 Organization’s Mission Academy.

**Therapy Services**

Therapeutic services are offered to people served in all the Mission’s programs. Treatment is provided by licensed therapists, or by interns and trainees under their supervision.

**Children’s Center**

The Children’s Center is a program of the Mission 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.

**Church Partnership**

The Church Partnerships department engages with hundreds of churches to carry out a vision to unite the local Church around healing our region from homelessness. Churches give financially, hold donation drives, lead chapel services, and volunteer both on and off-site. The Church Partnerships department has grown since its inception in 2019 to include oversight of our volunteer program, Chapel services, Chaplaincy program, holiday outreach meals, Walk With Me outreach initiative and our new Mobile Shower Ministry.

**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.



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

**Bread of Life**

For 20 years, Bread of Life has served Oceanside, California by meeting tangible, short-term needs and providing a welcoming, loving community for those in need of hope and compassion. Bread of Life started with a few volunteers distributing bagged meals and clothing in parks and on the streets, and has become a multifaceted resource for those facing hardship. Now, the program operates with over 60 volunteers weekly to get people off the streets permanently. Each unique service provided is an opportunity for guests to encounter the love of God and get the help they need. Effective October 1, 2020, the Mission acquired Bread of Life (Note 2) to serve the most vulnerable population in the city of Oceanside, to serve the hurting, hungry, and poor with the love and grace of Jesus Christ, and to get people off the streets permanently. In April 2022, Bread of Life will be relocated and restructured to be part of the Oceanside Navigation Center (Note 14).

**Thrift Stores**

SDRM operated thrift stores located in North Park (sold in June 2021, see Note 6), City Heights (closed in March 2020), and the Sports Arena areas. The thrift stores offered “gently” used clothing, sports equipment, furniture, and other household items for sale. All items in the thrift stores had been donated by people and businesses from throughout the San Diego community. The Mission’s warehouse in National City to receive and distribute goods for the thrift stores began operations effective in November 2020. The Rescue Mission discontinued its thrift store program effective October 1, 2021 (see Notes 6 and 14).

**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:

**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.

**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.



**San Diego Rescue Mission  
Notes to Financial Statements  
September 30, 2021 and 2020**



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

**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**

Since there were no accounts receivable as of September 30, 2021, there is no allowance for doubtful accounts as of September 30, 2021. Management believed that all accounts receivables were fully collectible as of September 30, 2020, and therefore no allowance for doubtful accounts was recorded as of the period then ended.

**Inventories**

Inventories of in-kind contributions are valued at thrift store values based on published guidelines for donated goods. The value of inventory on hand as of September 30, 2021 is \$41,655. Management has applied a fifty percent reserve for obsolescence on the inventory as of September 30, 2020, resulting in a balance of \$85,593 in net inventory.

**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:

	<u>Years</u>
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.

**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 2021 or 2020.



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

**Loan Costs and Amortization**

Loan costs related to the refinanced commercial bank note payable (Note 8) of \$11,354, net of accumulated amortization of \$1,146 as of September 30, 2021, are presented as a contra-liability offsetting the note payable balance in the statements of financial position. Loan costs related to the commercial bank note payable prior to refinance on November 5, 2020 were \$36,366, net of accumulated amortization of \$32,534. These loan costs were closed out upon recording the refinanced loan. Loan costs related to the commercial bank loan payable of \$36,749, net of accumulated amortization of \$32,151 as of September 30, 2020 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, 2021 and 2020 related to the loan costs associated with the note was \$37,894 and \$4,593, respectively, 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, 2021 is approximately \$1,250 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, 2021 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 Mission 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 Mission receives contributions from sponsors for the Organization’s special events. Unless specified as restricted at the time of donation, these contributions are recorded as without donor restrictions at the point in time the event takes place. 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. Sponsorship revenue for special events amounted to \$142,855 and \$53,685 for the years ended September 30, 2021 and 2020, respectively, and is recorded as contribution revenue in the statements of activities. Deferred sponsorship revenue for special events was \$36,657 and \$29,100 as of September 30, 2021 and 2020, respectively.

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 2021 and 2020. The valuation of contributed time is not reflected in these statements since they do not require specialized skills.

**San Diego Rescue Mission  
Notes to Financial Statements  
September 30, 2021 and 2020**



**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:

	2021	2020
Revenue:		
Donated food	\$ 9,264,017	\$ 6,752,779
Donated material	775,769	702,115
Total revenue	\$ 10,039,786	\$ 7,454,894
Expenses:		
Food services	\$ 9,231,995	\$ 6,752,779
Distribution center	851,728	808,558
Total expenses	\$ 10,083,723	\$ 7,561,337

**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”).

The Organization receives monthly bed fees from graduate students of Mission Academy. The agreements made between the Organization and its students are the identified contracts, which specify the amount of fees the students will pay the Organization based on the related program. The program utilizes a sliding scale that calculates monthly rent using the students’ salaries and other factors, depending on the program. This program was discontinued in May 2021. The Mission’s performance obligations for these agreements were 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 the program was discontinued in May 2021, there are no incomplete performance obligations as of September 30, 2021. Since program fee revenue is recorded on the first of the month for services to be provided throughout that month, there were no incomplete performance obligations as of September 30, 2020. Program fee revenue amounted to \$22,237 and \$47,348 for the years ended September 30, 2021 and 2020, respectively. Deferred revenue for program fees was \$0 as of September 30, 2021 and 2020.

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 \$707,307 and \$603,218 for the years ended September 30, 2021 and 2020, respectively. (See Note 14).

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 10).

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 3 and 4). Investment returns for the scholarship fund are classified as with donor restrictions in the statements of activities (Note 5).



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

**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, 2021 and 2020.

**Advertising**

Advertising expense for the years ended September 30, 2021 and 2020 was approximately \$82,000 and \$53,000, respectively. Advertising costs are spent to promote the programs of the Organization and are expensed as incurred.

**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, 2021 or 2020.

The Organization's federal exempt organization returns for tax years 2017 and beyond remain subject to examination by the Internal Revenue Service. The Organization's exempt organization returns of the tax years 2016 and beyond remain subject to examination by the Franchise Tax Board.

The Organization did not have unrecognized tax benefits as of September 30, 2021 or 2020 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, 2021 and 2020, 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, Not yet adopted**

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

**Recent Authoritative Guidance, Not yet adopted, Continued**

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.

**NOTE 2 – ACQUISITION**

On October 1, 2020, the Mission acquired Bread of Life Rescue Mission (“Bread of Life”), an exempt organization under section 501(c)(3) of the Internal Revenue Code, by recognizing its assets and liabilities as of October 1, 2020. The Mission has continued operating Bread of Life’s programs and members of Bread of Life’s governing body joined the governing body of the San Diego Rescue Mission. Since no consideration was transferred in the acquisition of Bread of Life, Bread of Life did not have noncontrolling interests, and there was no goodwill recorded in the acquisition, the resulting bargain purchase of the acquired organization was recorded as an increase in net assets in the amount that assets acquired exceeded the liabilities assumed. As of October 1, 2020, Bread of Life’s assets acquired by the Mission exceeded the liabilities assumed in the amount of \$264,257.

**NOTE 3 – INVESTMENTS IN MARKETABLE SECURITIES**

Investments in marketable securities are stated at fair value and consist of \$2,071,469 in open-ended mutual funds and \$297,337 in ETF’s and CEF’s at September 30, 2021 and of \$1,084,868 in open-ended mutual funds and \$119,826 in ETF’s and CEF’s at September 30, 2020. 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, 2021 and 2020.

	2021	2020
Interest and dividend income	\$ 13	\$ 4
Realized and unrealized gains	<b>216,052</b>	66,611
	<b>\$ 216,065</b>	<b>\$ 66,615</b>

**San Diego Rescue Mission  
Notes to Financial Statements  
September 30, 2021 and 2020**



**NOTE 4 – CAPITAL PROJECT FUNDS**

The capital project funds are presented with investments in marketable securities in the statement of financial position as of September 30, 2021 and 2020. The accounts are stated at fair value and consist of the following at September 30:

	<u>2021</u>	<u>2020</u>
Money Market Fund	\$ 1,760	\$ (313)
ETFs & CEFs	50,492	34,168
Mutual Funds	342,896	308,581
	<u>\$ 395,148</u>	<u>\$ 342,436</u>

The following schedule summarizes the investment return for the years ended September 30, 2021 and 2020. The gains on capital project funds are classified as net assets without donor restrictions in the statements of activities for the years ended September 30, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
Realized and unrealized gains	\$ 52,712	\$ 18,970
	<u>\$ 52,712</u>	<u>\$ 18,970</u>

**NOTE 5 – 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, 2021 and 2020, and consists of the following at September 30:

	<u>2021</u>	<u>2020</u>
Money Market Fund	\$ 429	\$ 106
ETFs & CEFs	16,943	11,141
Mutual Funds	113,941	102,552
	<u>\$ 131,313</u>	<u>\$ 113,799</u>

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, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
Realized and unrealized gains	\$ 17,515	\$ 5,781
	<u>\$ 17,515</u>	<u>\$ 5,781</u>

**NOTE 6 – 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.



**NOTE 6 – LAND, BUILDINGS AND EQUIPMENT, (CONTINUED)**

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, which is recorded in the statements of activities for the year ended September 30, 2020.

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.

On June 3, 2021, the Mission finalized the sale of its North Park thrift store for \$2,800,000. The buyer paid an initial deposit of \$20,000 in April 2021 and \$396,050 in June 2021 upon settlement of the sale. After deducting the commissions and fees, the remaining balance due from the buyer was \$2,300,000. The Mission entered into a note receivable agreement with the buyer, whereby the buyer will make interest-only payments at a rate of 5.5% through the maturity of the note on July 1, 2023, when the entire principal and any remaining interest due will be paid. The buyer has the option to exercise an extension through July 1, 2024, whereby the buyer will make interest-only payments at a rate of 6.5% through the maturity of the note on July 1, 2024, when the entire principal and any remaining interest due will be paid. The Mission received \$41,464 of interest income from the note receivable, which is recorded as miscellaneous income in the statements of activities for the year ended September 30, 2021. Proceeds from the sale of the thrift store, net of commissions and fees, amounted to \$2,718,990. The net book value of the thrift store was \$796,050, resulting in a gain on the sale of the thrift store of \$1,922,940, which is recorded with gain on sale of fixed assets, net in the statements of activities for the year ended September 30, 2021.

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

	2021	2020
Land	\$ 4,907,642	\$ 5,557,642
Building and improvements	20,383,569	19,920,519
Equipment	350,635	314,579
Furniture and fixtures	452,212	497,510
Autos and trucks	250,350	183,880
Equipment under capital lease	344,973	653,781
Software	261,872	219,401
	<b>26,951,253</b>	<b>27,347,312</b>
Less: accumulated depreciation and amortization	(9,581,486)	(9,011,265)
	<b>\$ 17,369,767</b>	<b>\$ 18,336,047</b>

Depreciation and amortization expense for land, buildings and equipment was \$765,183 and \$644,587 for the years ended September 30, 2021 and 2020, respectively.

**NOTE 7 – LINE-OF-CREDIT**

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% accrues from the date of each advance until the repayment of each advance. Accrued unpaid interest is 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. The outstanding balance was \$0 as of September 30, 2021. Interest expense was \$0 for the year ended September 30, 2021.



**San Diego Rescue Mission  
Notes to Financial Statements  
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**NOTE 7 – LINE-OF-CREDIT, (CONTINUED)**

Prior to the new revolving line-of-credit, the Organization had a line-of-credit available in the amount of \$500,000. Bank advances were payable on demand at an interest rate of prime plus 0.5% or 4% at September 30, 2020. The outstanding balance was \$0 at September 30, 2020. The line-of-credit was secured by a commercial security agreement. Interest expense was \$0 for the year ended September 30, 2020.

**NOTE 8 – NOTES PAYABLE**

Notes payable consist of the following at September 30:

	2021	2020
<p>Note payable to a commercial bank dated October 11, 2013, secured by a deed of trust, in the original amount of \$6,827,000, which bore interest at 4.5% per annum until the note was refinanced in November 2020 for \$5,000,000 with an interest rate of 3.1%. Payments are interest only until December 2022, at which time principal and interest are payable in monthly installments of \$58,976. The note will be due on November 5, 2030. Accrued interest payable totaled \$0 at September 30, 2021 and 2020.</p>	<b>\$ 5,000,000</b>	\$ 4,458,313
<p>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 \$1,353,100 and \$1,254,123 at September 30, 2021 and 2020, respectively.</p>	<b>2,000,000</b>	2,000,000
<p>Paycheck Protection Program promissory note to a commercial bank dated May 6, 2020 in the original amount of \$850,000, bore interest at a fixed rate of 1% per annum. The note had a six month payment deferral period and was due in May 2022. The note and its accrued interest of \$8,594 was forgiven in full on May 11, 2021.</p>	-	850,000
<p>Total notes payable</p>	<b>7,000,000</b>	7,308,313
<p>Less: current portion</p>	-	(1,013,597)
<p>Less: unamortized loan costs</p>	<b>(11,354)</b>	(36,749)
	<b>\$ 6,988,646</b>	\$ 6,257,967

During the year ended September 30, 2020, the Mission applied for a loan through the Paycheck Protection Program (“PPP”) to assist in potential liquidity issues related to the coronavirus outbreak (Note 12). 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. The SBA-approved loan had a 1% fixed interest rate, a payment deferral period for 6 months after commencement, and was due two years after commencement, but was 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 expected the full loan amount to be forgiven, the Mission has not accrued interest as of September 30, 2020. On May 11, 2021, the \$850,000 principal balance, along with accrued interest of \$8,594, was forgiven in full. Upon forgiveness, the Organization recognized the debt extinguishment as Paycheck Protection Program loan proceeds on the statements of activities for the year ended September 30, 2021.

**San Diego Rescue Mission  
Notes to Financial Statements  
September 30, 2021 and 2020**



**NOTE 8 – NOTES PAYABLE, (CONTINUED)**

In November 2020, the Mission entered into a promissory note agreement with a commercial bank for a principal amount of \$5,000,000 and an interest rate of 3.1%. Payments are interest-only through December 2022, after which monthly principal and interest payments are \$58,976 through the note's maturity on November 5, 2030. The note paid off the outstanding principal and interest of the prior note payable through the date of the refinance.

Interest expense was \$258,188 and \$303,920 for the years ended September 30, 2021 and 2020, respectively. As of September 30, 2021, the Organization was in substantial compliance with the covenants, conditions, and restrictions included in the loan agreements.

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

Years ending September 30,

2022	\$	-
2023		464,345
2024		573,018
2025		591,666
2026		610,533
Thereafter		4,760,438
		<u>7,000,000</u>
	\$	<u>7,000,000</u>

**NOTE 9 – NET ASSETS**

Net assets consist of the following at September 30:

	2021	2020
Without donor restriction:		
Designated by the board for capital projects	\$ 395,148	\$ 342,436
Undesignated	19,956,197	15,732,336
	<u>20,351,345</u>	<u>16,074,772</u>
With donor restriction:		
Barbara Lee scholarship fund	129,566	112,654
Walk With Me program	25,368	8,781
Mobile Shower Ministry	65,000	-
Nueva Vida Haven improvements	23,513	-
Lobby renovation project	17,545	-
Zinngabe warehouse improvements	-	7,000
Children's playground	-	31,952
Perdue laundry project	-	5,913
Nueva Vida Haven plaza project	-	2,141
Flooring project	-	700
	<u>260,992</u>	<u>169,141</u>
Total net assets	<u>\$ 20,612,337</u>	<u>\$ 16,243,913</u>



**NOTE 10 – LEASE AGREEMENTS**

**Facility and Equipment Leases**

The Organization leases commercial space for its administrative offices, the Sports Arena thrift store, and the Bread of Life program in San Diego County. 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 is from June 1, 2019 to January 31, 2023. The term of the Bread of Life program space is from July 1, 2019 through June 30, 2022. Rent expense under the commercial leases totaled \$509,452 and \$390,092 for the years ended September 30, 2021 and 2020, respectively.

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
2022	\$ 43,788	\$ 490,747	\$ 534,535
2023	32,841	240,370	273,211
2024	-	174,218	174,218
2025	-	179,445	179,445
2026	-	153,645	153,645
	<u>\$ 76,629</u>	<u>\$ 1,238,425</u>	<u>\$ 1,315,054</u>

**Capital leases**

Equipment under capital lease consists of three and six delivery trucks with total capitalized costs of \$344,974 and \$653,781 as of September 30, 2021 and 2020, respectively. The assets and liabilities under capital leases are recorded at the lower of the present value of minimum lease payments or the fair value of the asset. The asset is amortized over its estimated productive life. Amortization of assets under capital leases was \$96,719 and \$92,495 for the years ended September 30, 2021 and 2020, respectively, and is included in depreciation and amortization expense. Interest on the capital leases was \$24,310 and \$28,830 for the years ended September 30, 2021 and 2020, respectively. Future minimum lease payments are as follows:

Years ending September 30,	
2022	\$ 66,912
2023	61,545
2024	45,444
2025	35,998
	<u>209,899</u>
Amount representing interest	(21,134)
	<u>\$ 188,765</u>

**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 \$209,431 and \$204,156 for the years ended September 30, 2021 and 2020, respectively.

**San Diego Rescue Mission  
Notes to Financial Statements  
September 30, 2021 and 2020**



**NOTE 10 – LEASE AGREEMENTS, (CONTINUED)**

**Rental Income, Continued**

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

Years ending September 30,		
2022	\$	29,370
	<u>\$</u>	<u>29,370</u>

**NOTE 11 – RETIREMENT PLAN**

The Mission has a defined contribution plan covering employees aged 18 years or over with at least one year of service. The Mission matches employees' contributions equal to 100% of employees' elective deferral contributions which are not over 3% of their pay, plus 50% of their elective deferral contributions which are over 3% of their pay but are not over 5% of their pay. Total employer contributions were approximately \$60,000 the year ended September 30, 2021.

**NOTE 12 – 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.

During 2021, the Mission resumed its normal operations after postponing or reducing certain events, programs, and operations upon initial impact of the pandemic in the prior year. The Mission's thrift stores gradually began reopening in January 2021 and operated at 25% capacity until June 2021. While certain program revenues experienced a decline due to the pandemic, donor contributions increased to help offset the disruption in normal program operations.

**NOTE 13 – LIQUIDITY AND FUNDS AVAILABLE**

The following table reflects the Organization's financial assets as of September 30, 2021 and 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.

	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 6,506,229	\$ 4,979,445
Investments in marketable securities	2,763,954	1,547,131
Accounts receivable	-	33,210
Financial assets, at year-end	9,270,183	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	\$ 9,270,183	\$ 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 14 – SUBSEQUENT EVENTS (UNAUDITED)**

Beginning in October 2021, to support Operation Navigation and Mission renovation projects, a Capital Campaign feasibility study was launched using the services of a consulting firm. The Capital Campaign's goal is to fully fund upcoming projects, including opening Navigation Centers to provide resources to guests. As of December 20, 2021, the Mission received \$250,000 from a single donor restricted for the Capital Campaign.

In November 2021, the Mission entered into a property use agreement with the City of Oceanside to use a property as a Navigation Center for unsheltered individuals and families with the objective of providing safe, low-barrier bridge housing and emergency shelter, as well as stabilization and supportive services, to connect persons experiencing homelessness to income, public benefits, health services, and appropriate housing solutions. The term of the agreement is for three years, with two one-year extension options. The City has determined the Mission's use of the property related to the agreed upon programs is commensurate consideration for use of the property.

The Mission has entered into a \$6.1M contract to purchase an 8-acre parcel in National City to house a proposed South Bay Navigation Center. The parcel includes 30,000 square feet of building space as well as a 4-acre vacant lot. To close escrow, a \$1,375,000 cash payment is due on or before February 1, 2022. The church that previously occupied the property has agreed to carry the \$4,600,000 balance of the loan for up to 4 years at 3% interest. The South Bay Navigation Center will house guests for 30 days while determining the next course of action that would best address the specific needs of the individuals. This shelter has an anticipated opening date of December 2022 and will have a 160-bed capacity. As of December 20, 2021, the National City property is still in escrow.

On October 1, 2021, the Mission entered into a contract service agreement with Little Italy Association of San Diego to provide outreach services to engage people experiencing homelessness in the San Diego neighborhood of Little Italy, offer resources and information to them, determine their interest in entering a shelter or enrolling in a program, and assist in enabling businesses to continue operating by encouraging relocation of disruptive behavior. The term of the agreement is for 12 months, and compensation is \$6,000 per month.

On October 1, 2021, the Mission discontinued its thrift store program. The Mission entered into a sublease for the Sports Arena operating lease on November 30, 2021 and received \$30,000 on December 17, 2021 for the first month's rent and security deposit. The Mission is determining the appropriate use of the National City warehouse.

**Continued adverse effects of health epidemics including the recent coronavirus outbreak**

The COVID-19 pandemic (Note 12) has not continued to have a significant effect the Mission's programs and operations through December 20, 2021.

Due to its cash position as of December 20, 2021, and due to its ability to obtain additional funding if needed by drawing from its cash reserve or line-of-credit, 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 2022. 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 20, 2021, 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, 2021**



	Program Services						Supporting Services			2021 Total	
	Men, Women and Children's Services	Partners for Hunger Relief	Thrift Stores	Bread of Life	Church Partnership	Special Events	Total Program Services	Fundraising	Management and General		Total Supporting Services
Salaries and wages	\$ 1,997,678	\$ 225,143	\$ 159,266	\$ 79,892	\$ 229,258	\$ -	\$ 2,691,237	\$ 680,898	\$ 463,407	\$ 1,144,305	\$ 3,835,542
Employee benefits	280,858	42,333	29,937	1,697	23,482	-	378,307	79,515	63,338	142,853	521,160
Payroll tax expense	174,134	19,288	13,845	4,984	13,975	-	226,226	54,302	25,157	79,459	305,685
Donated food and materials	5,071,801	3,128,184	409,854	1,443,556	2,459	-	10,055,854	13,935	13,935	27,870	10,083,724
Fundraising	-	-	-	9,845	-	57,504	67,349	1,579,921	-	1,579,921	1,647,270
Utilities	-	6,944	25,842	19,733	-	-	52,519	-	-	-	52,519
Rent	-	-	186,430	156,000	-	-	342,430	-	-	-	342,430
Outside services	36,458	916	2,496	39,824	6,450	-	86,144	849	179,992	180,841	266,985
Auto expense	12,423	33,279	28	16,308	-	-	62,038	-	-	-	62,038
Supplies	41,207	2,015	3,119	8,707	14,399	-	69,447	1,838	2,063	3,901	73,348
Food	-	-	-	7,899	-	-	7,899	-	-	-	7,899
Repairs and maintenance	-	1,071	10,085	13,839	-	-	24,995	-	-	-	24,995
Public relations	-	-	4,400	25,641	16,075	-	46,116	36,000	-	36,000	82,116
Communications	6,142	1,905	6,795	1,962	540	-	17,344	2,516	8,792	11,308	28,652
Equipment rental	-	9,431	-	1,094	-	-	10,525	-	-	-	10,525
Professional fees	-	-	-	-	-	-	-	9,765	68,486	78,251	78,251
Permit/license	8,881	800	-	100	-	-	9,781	-	42	42	9,823
Bank fees	-	-	9,234	1,439	-	-	10,673	-	27,556	27,556	38,229
Client services	25,005	-	-	7,262	3,645	-	35,912	-	-	-	35,912
Postage	72	-	-	409	300	-	781	1,447	1,753	3,200	3,981
Dues and subscriptions	3,695	-	22	-	816	-	4,533	3,021	12,740	15,761	20,294
Meal, travel, and entertainment	4,431	236	276	1,950	2,376	-	9,269	15,450	16,342	31,792	41,061
Other	1,069	-	13,589	1,160	90	-	15,908	23,289	62,286	85,575	101,483
Security	-	-	10,168	-	-	-	10,168	-	-	-	10,168
Depreciation	513,647	48,359	3,646	-	2,976	-	568,628	20,236	20,236	40,472	609,100
Interest	215,400	12,827	-	-	1,248	-	229,475	8,486	17,081	25,567	255,042
Loan fees	32,703	-	-	-	189	-	32,892	1,288	1,288	2,576	35,468
Facilities allocated costs	1,231,025	-	-	-	7,132	-	1,238,157	48,499	48,499	96,998	1,335,155
Distribution center allocated costs	308,459	-	357,841	-	2,147	-	668,447	12,167	12,167	24,334	692,781
Food services allocated costs	801,878	(242,727)	-	-	-	-	559,151	-	-	-	559,151
<b>Total program and supporting services expenses</b>	<b>\$ 10,766,966</b>	<b>\$ 3,290,004</b>	<b>\$ 1,246,873</b>	<b>\$ 1,843,301</b>	<b>\$ 327,557</b>	<b>\$ 57,504</b>	<b>\$ 17,532,205</b>	<b>\$ 2,593,422</b>	<b>\$ 1,045,160</b>	<b>\$ 3,638,582</b>	<b>\$ 21,170,787</b>

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



	Program Services				Supporting Services			2020 Total	
	Men, Women and Children's Services	Partners for Hunger Relief	Thrift Stores	Special Events	Total Program Services	Fundraising	Management and General		Total Supporting Services
Salaries and wages	\$ 2,101,199	\$ 249,478	\$ 180,929	\$ -	\$ 2,531,606	\$ 445,091	\$ 584,944	\$ 1,030,035	\$ 3,561,641
Employee benefits	345,084	49,286	41,860	-	436,230	54,371	111,533	165,904	602,134
Payroll tax expense	173,026	20,295	15,810	-	209,131	36,265	27,942	64,207	273,338
Donated food and materials	4,426,839	2,701,112	404,279	-	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	20,635	973	1,869	-	23,477	-	3,742	3,742	27,219
Auto expense	8,120	46,671	-	-	54,791	-	-	-	54,791
Supplies	31,169	1,696	2,460	-	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	4,313	1,624	9,783	-	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	54,876	1,754	-	-	56,630	-	1,248	1,248	57,878
Bank fees	-	-	8,878	-	8,878	-	25,603	25,603	34,481
Client services	31,536	-	-	-	31,536	-	-	-	31,536
Postage	129	-	-	-	129	601	1,968	2,569	2,698
Dues and subscriptions	1,523	-	-	-	1,523	148	12,132	12,280	13,803
Meal, travel, and entertainment	1,903	-	-	-	1,903	6,688	16,731	23,419	25,322
Other	818	-	10,869	-	11,687	-	208,470	208,470	220,157
Security	-	-	6,167	-	6,167	-	-	-	6,167
Depreciation	467,515	-	5,124	-	472,639	19,480	19,480	38,960	511,599
Interest	262,587	13,995	-	-	276,582	10,941	10,941	21,882	298,464
Facilities allocated costs	1,316,139	-	-	-	1,316,139	54,839	54,839	109,678	1,425,817
Distribution center allocated costs	258,820	-	299,560	-	558,380	10,784	10,784	21,568	579,948
Food services allocated costs	747,912	(235,555)	-	-	512,357	-	-	-	512,357
<b>Total program and supporting services expenses</b>	<b>\$ 10,254,143</b>	<b>\$ 2,858,148</b>	<b>\$ 1,262,643</b>	<b>\$ 47,140</b>	<b>\$ 14,422,074</b>	<b>\$ 2,101,100</b>	<b>\$ 1,178,952</b>	<b>\$ 3,280,052</b>	<b>\$ 17,702,126</b>