

**Detroit Rescue Mission Ministries
and Lakeview Farms Mission**

Financial Statements

September 30, 2019 and 2018



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Independent Auditors' Report

To the Board of Directors
Detroit Rescue Mission Ministries
and Lakeview Farms Mission
Detroit, MI

Report on the Financial Statements

We have audited the accompanying combined financial statements of Detroit Rescue Mission Ministries and Lakeview Farms Mission (collectively, the Organization) which comprise the combined statement of financial position as of September 30, 2019 and 2018, and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Detroit Rescue Mission Ministries and Lakeview Farms Mission as of September 30, 2019 and 2018, 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.

Adoption of New Accounting Standards

As described in Note 1 to the combined financial statements, Detroit Rescue Mission Ministries and Lakeview Farms Mission changed its method of accounting for net assets and functional expenses in 2019 as required by the provisions of FASB Accounting Standards Update 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2020 on our consideration of Detroit Rescue Mission Ministries and Lakeview Farms Mission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Detroit Rescue Mission Ministries and Lakeview Farms Mission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Detroit Rescue Mission Ministries and Lakeview Farms Mission's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Ann Arbor, MI
August 18, 2020

**Detroit Rescue Mission Ministries
and Lakeview Farms Mission
Combined Statement of Financial Position
September 30, 2019 and 2018**

	2019	2018
Assets		
Current assets		
Cash and cash equivalents	\$ 900,805	\$ 340,710
Investments	70,000	63,832
Accounts receivable		
Federal and other governmental programs, net of allowance for doubtful accounts	1,321,026	2,017,108
Related party receivables	263,464	401,832
Other receivables	-	585
Inventories - contributed goods	356,809	614,139
Prepaid expenses	55,448	209,671
Total current assets	2,967,552	3,647,877
Land, building and equipment - net	15,480,318	16,594,377
Other assets		
Cash surrender value of life insurance	311,958	312,683
Other assets	4,784	3,012
Total other assets	316,742	315,695
Total assets	\$ 18,764,612	\$ 20,557,949
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 1,168,504	\$ 1,366,234
Accrued payroll and employee benefits	451,867	421,888
Incurred but not reported health claims	93,612	181,390
Line of credit	-	563,219
Current portion of cost settlement payable	26,310	113,745
Current portion of long-term debt	47,814	88,116
Total current liabilities	1,788,107	2,734,592
Long-term liabilities		
Cost settlement payable - net of current portion	-	46,610
Long-term debt - net of current portion	892,524	120,232
Total long-term liabilities	892,524	166,842
Total liabilities	2,680,631	2,901,434
Net assets		
Without donor restrictions		
Undesignated	1,544,001	1,262,341
Invested in property of equipment, net of related debt	14,539,980	16,386,029
Total without donor restrictions	16,083,981	17,648,370
With donor restrictions		
Purpose restrictions	-	8,145
Total net assets	16,083,981	17,656,515
Total liabilities and net assets	\$ 18,764,612	\$ 20,557,949

See Accompanying Notes to the Combined Financial Statements

**Detroit Rescue Mission Ministries
and Lakeview Farms Mission
Combined Statement of Activities
For the Years Ended September 30, 2019 and 2018**

	2019			2018		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
Support and Revenue						
Contributions	\$ 5,682,610	\$ -	\$ 5,682,610	\$ 5,321,765	\$ 67,500	\$ 5,389,265
Gifts in-kind	4,071,116	-	4,071,116	8,047,693	-	8,047,693
Federal, state and local program revenue	8,365,901	-	8,365,901	9,170,989	-	9,170,989
Rental income	138,555	-	138,555	151,962	-	151,962
Other income	157,759	-	157,759	422,058	-	422,058
Gain (loss) on disposal of land, building and equipment	(7,949)	-	(7,949)	4,723	-	4,723
Investment gain	6,168	-	6,168	-	-	-
Net assets released from restrictions	8,145	(8,145)	-	90,911	(90,911)	-
Total support and revenue	18,422,305	(8,145)	18,414,160	23,210,101	(23,411)	23,186,690
Expenses						
Program services						
Detroit Rescue Mission Ministries						
Housing	5,849,075	-	5,849,075	6,903,023	-	6,903,023
Shelter	3,187,686	-	3,187,686	3,547,850	-	3,547,850
Treatment	2,966,692	-	2,966,692	3,678,732	-	3,678,732
Spiritual life	20,367	-	20,367	18,335	-	18,335
Outreach	1,393,927	-	1,393,927	1,827,427	-	1,827,427
Community distribution	1,871,387	-	1,871,387	3,400,989	-	3,400,989
Lakeview Farms Mission	956,876	-	956,876	997,810	-	997,810
Total program services	16,246,010	-	16,246,010	20,374,166	-	20,374,166
Supporting activities						
Administration	2,437,819	-	2,437,819	2,095,031	-	2,095,031
Development	1,302,865	-	1,302,865	1,019,086	-	1,019,086
Total supporting activities	3,740,684	-	3,740,684	3,114,117	-	3,114,117
Total functional expenses	19,986,694	-	19,986,694	23,488,283	-	23,488,283
Change in net assets	(1,564,389)	(8,145)	(1,572,534)	(278,182)	(23,411)	(301,593)
Net assets - beginning of the year	17,648,370	8,145	17,656,515	17,926,552	31,556	17,958,108
Net assets - end of the year	\$ 16,083,981	\$ -	\$ 16,083,981	\$ 17,648,370	\$ 8,145	\$ 17,656,515

See Accompanying Notes to the Combined Financial Statements

**Detroit Rescue Mission Ministries
and Lakeview Farms Mission
Combined Statement of Functional Expenses
For the Year Ended September 30, 2019**

	Program Services							Supporting Activities					
	Detroit Rescue Mission Ministries							Lakeview Farms Mission	Total Program Services	Administration	Development	Total Supporting Activities	Total
	Housing	Shelter	Treatment	Spiritual Life	Outreach	Community Distribution	Total DRMM						
Salaries	\$ 1,887,688	\$ 1,222,826	\$ 1,406,032	\$ 15,515	\$ 376,152	\$ -	\$ 4,908,213	\$ 483,287	\$ 5,391,500	\$ 1,136,849	\$ 81,175	\$ 1,218,024	\$ 6,609,524
Employee benefits	716,753	492,559	282,768	2,153	156,419	-	1,650,652	82,647	1,733,299	400,092	11,596	411,688	2,144,987
Operating expenses	173,966	128,359	96,124	2,034	115,112	103,375	618,970	90,758	709,728	441,916	14,682	456,598	1,166,326
Utilities	485,491	180,582	147,094	577	112,672	-	926,416	79,361	1,005,777	64,346	-	64,346	1,070,123
Direct mail, radio, TV, and newspapers	-	-	-	-	35	-	35	1,896	1,931	3,750	1,195,362	1,199,112	1,201,043
Depreciation	903,234	-	167,555	-	69,851	-	1,140,640	33,010	1,173,650	88,440	-	88,440	1,262,090
Food/kitchen	712,679	790,400	639,874	-	429,543	1,768,012	4,340,508	41,124	4,381,632	50,728	-	50,728	4,432,360
Repairs and maintenance	684,001	340,988	154,777	8	107,606	-	1,287,380	110,879	1,398,259	100,079	50	100,129	1,498,388
Insurance	62,652	14,575	28,127	-	10,845	-	116,199	17,697	133,896	44,166	-	44,166	178,062
Office expense	222,611	17,397	44,141	80	15,692	-	299,921	16,217	316,138	66,679	-	66,679	382,817
Interest expense	-	-	-	-	-	-	-	-	-	36,794	-	36,794	36,794
Miscellaneous	-	-	200	-	-	-	200	-	200	3,980	-	3,980	4,180
Total functional expenses	\$ 5,849,075	\$ 3,187,686	\$ 2,966,692	\$ 20,367	\$ 1,393,927	\$ 1,871,387	\$ 15,289,134	\$ 956,876	\$ 16,246,010	\$ 2,437,819	\$ 1,302,865	\$ 3,740,684	\$ 19,986,694

See Accompanying Notes to the Combined Financial Statements

**Detroit Rescue Mission Ministries
and Lakeview Farms Mission
Combined Statement of Functional Expenses
For the Year Ended September 30, 2018**

	Program Services							Supporting Activities					
	Detroit Rescue Mission Ministries							Lakeview Farms Mission	Total Program Services	Administration	Development	Total Supporting Activities	Total
Housing	Shelter	Treatment	Spiritual Life	Outreach	Community Distribution	Total DRMM							
Salaries	\$ 2,232,754	\$ 1,148,525	\$ 1,420,829	\$ 16,689	\$ 369,835	\$ -	\$ 5,188,632	\$ 559,757	\$ 5,748,389	\$ 1,016,923	\$ 79,861	\$ 1,096,784	\$ 6,845,173
Employee benefits	777,208	366,809	500,579	1,646	50,916	-	1,697,158	78,806	1,775,964	187,396	13,154	200,550	1,976,514
Operating expenses	230,558	136,556	106,690	-	205,974	138,876	818,654	88,927	907,581	341,015	10,945	351,960	1,259,541
Utilities	532,669	122,581	111,787	-	135,960	-	902,997	77,795	980,792	79,779	-	79,779	1,060,571
Direct mail, radio, TV, and newspapers	-	-	-	-	55,280	-	55,280	1,090	56,370	18,199	914,681	932,880	989,250
Depreciation	908,608	-	168,265	-	70,147	-	1,147,020	33,149	1,180,169	88,815	-	88,815	1,268,984
Food/kitchen	1,354,627	1,393,631	1,149,781	-	700,005	3,262,113	7,860,157	57,893	7,918,050	70,310	-	70,310	7,988,360
Repairs and maintenance	624,102	178,265	154,475	-	191,831	-	1,148,673	66,661	1,215,334	120,689	-	120,689	1,336,023
Bad debt	86	132,083	11,025	-	109	-	143,303	-	143,303	4,255	-	4,255	147,558
Insurance	58,797	12,903	36,840	-	9,143	-	117,683	13,024	130,707	46,255	-	46,255	176,962
Office expense	183,614	56,497	18,461	-	36,327	-	294,899	20,708	315,607	66,231	445	66,676	382,283
Interest expense	-	-	-	-	-	-	-	-	-	51,637	-	51,637	51,637
Miscellaneous	-	-	-	-	1,900	-	1,900	-	1,900	3,527	-	3,527	5,427
Total functional expenses	\$ 6,903,023	\$ 3,547,850	\$ 3,678,732	\$ 18,335	\$ 1,827,427	\$ 3,400,989	\$ 19,376,356	\$ 997,810	\$ 20,374,166	\$ 2,095,031	\$ 1,019,086	\$ 3,114,117	\$ 23,488,283

See Accompanying Notes to the Combined Financial Statements

**Detroit Rescue Mission Ministries
and Lakeview Farms Mission
Combined Statement of Cash Flows
For the Years Ended September 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (1,572,534)	\$ (301,593)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Change in cash surrender value of life insurance	725	-
Depreciation	1,262,090	1,268,984
Net realized and unrealized gain on investments	(6,168)	-
Loss (gain) on disposal of land, building and equipment	7,949	(4,723)
Bad debt expense	-	147,558
Inventories - contributed goods	257,330	(53,217)
Contribution of marketable securities	-	(34,049)
Increase (decrease) in		
Accounts receivable	835,035	702,799
Prepaid expenses	154,223	83,429
Other assets	(1,772)	1,551
Accounts payable	(197,730)	(429,594)
Accrued payroll and employee benefits	29,979	(21,291)
Cost settlement payable	(134,045)	(113,251)
Incurred but not reported health claims	(87,778)	(75,632)
Net cash provided by operating activities	<u>547,304</u>	<u>1,170,971</u>
Cash Flows from Investing Activities		
Purchase of land, building and equipment	<u>(155,980)</u>	<u>(879,223)</u>
Cash Flows from Financing Activities		
Net (payments) borrowings on line of credit	(563,219)	48,691
Proceeds from long-term debt	956,276	-
Payments on long-term debt	<u>(224,286)</u>	<u>(78,527)</u>
Net cash provided (used) by financing activities	<u>168,771</u>	<u>(29,836)</u>
Change in cash and cash equivalents	560,095	261,912
Cash and cash equivalents, beginning of year	<u>340,710</u>	<u>78,798</u>
Cash and cash equivalents, end of year	<u>\$ 900,805</u>	<u>\$ 340,710</u>
Supplemental Data		
Cash paid for interest	<u>\$ 36,794</u>	<u>\$ 51,637</u>

See Accompanying Notes to the Combined Financial Statements

**Detroit Rescue Mission Ministries
and Lakeview Farms Mission
Notes to the Combined Financial Statements
September 30, 2019 and 2018**

Note 1 - Summary of Significant Accounting Policies

Nature of Activities

Detroit Rescue Mission Ministries and Lakeview Farms Mission (collectively, the Organization) are non-profit organizations that provide food, shelter and counseling to underprivileged individuals in the Detroit inner-city area. In addition to the traditional homeless shelter activities, the Organization also operates transitional housing facilities, drug and alcohol rehabilitation programs, and a camp. The Organization's revenue is derived principally from governmental grants and public contributions. The organizations comprising the Organization share a common Board of Directors.

Basis of Accounting

The combined financial statements of the Organization have been prepared using the accrual basis of accounting. The preparation of combined financial statements is in accordance with accounting principles generally accepted in the United States of America.

Principles of Combination

The combined financial statements include the operations of Detroit Rescue Mission Ministries and Lakeview Farms Mission. All significant intercompany balances and transactions have been eliminated.

Basis of Presentation

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

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

Net assets with donor restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

The Organization considers all cash on deposit and highly liquid investments purchased with an original maturity of three months or less as cash and cash equivalents. As of September 30, 2019, \$538,690 of the balance of cash and cash equivalents was in excess of the amount insured by the FDIC.

Investments

Investments are stated at fair value based on quoted prices in active markets. Realized gains and losses on sales of investments represent the difference between the net sales price and the cost of securities sold. Unrealized gains and losses on investments represent the net change for the reported year in unrealized appreciation between the balance at the beginning and the end of the year. Donated investments are reflected as contributions at their fair values at date of receipt.

**Detroit Rescue Mission Ministries
and Lakeview Farms Mission
Notes to the Combined Financial Statements
September 30, 2019 and 2018**

Accounts Receivable

The Organization's accounts receivable are related to various programs and grants and are due within one year. Management uses historical collection and aging of receivables to estimate allowances for doubtful accounts. The allowance for doubtful accounts for the years ended September 30, 2019 and 2018 was \$98,804 and \$62,000, respectively.

Management's policy for determining when receivables should be included in the allocation for doubtful accounts is on a case by case basis. Accounts are written-off when a funding agency indicates that funds are no longer available. Additionally, if an amount is deemed uncollectible due to the age of the receivable, it will be written-off at that time. Due to the nature of the receivables, balances are unsecured, interest is not charged, and accounts are not turned over to collection.

Inventory

Inventories are stated at the lower of net realizable value or cost determined by the first-in, first-out method. Contributions of inventory are reported at estimated net realizable value at the date of donation. Donated goods inventory consists primarily of nonperishable food, used furniture, clothing and other household goods.

Prepaid Expenses

Prepaid expenses are amounts paid in advance for future expenses. All amounts are expected to be utilized in one year.

Land, Building and Equipment

Land, buildings and equipment are reported at cost, or, if donated, at the estimated fair value at the date of the donation. Property and equipment purchases over \$5,000 are capitalized. Purchases less than \$5,000 are expensed as incurred. Depreciation of the buildings and equipment is reported using the straight-line method over the estimated useful lives of the assets, which range from five to thirty years. Certain assets purchased with federal funds may be restricted as to their use and may revert back to the funding agency upon dissolution of the Organization or the related program.

Gifts of land, buildings, equipment and other long-lived assets are also reported as revenue without donor restrictions and net assets, unless subject to time restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations or restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.

Donated Services and Goods

The Organization records the value of donated goods as contributions using estimated fair values at the date of receipt. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills and would typically need to be purchased if not provided by donation are recorded at their value values in the period received. The Organization recognized donated supplies and services of \$4,071,116 and \$8,047,693 for the years ended September 30, 2019 and 2018, respectively.

While a significant amount of volunteered services were received, many of those services do not meet the criteria to record as donated services.

Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the combined statement of activities. The combined statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the

**Detroit Rescue Mission Ministries
and Lakeview Farms Mission
Notes to the Combined Financial Statements
September 30, 2019 and 2018**

programs and supporting services benefited. Those expenses include primarily salaries and benefits, depreciation, occupancy and insurance. Salaries and benefits are allocated based on a time and cost study of where efforts are made, depreciation, occupancy and insurance are allocated based on a square footage basis.

Income Tax Status

The Organization is qualified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and is classified as an organization other than a private foundation, as described in Section 509(a).

Use of Estimates

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

Subsequent Events

Management has evaluated subsequent events through August 18, 2020, which is the date the combined financial statements were available to be issued.

Change in Accounting Principle

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addressed the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Note 2 - Liquidity

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 900,805	\$ 340,710
Investments	70,000	63,832
Accounts receivable	<u>1,584,490</u>	<u>2,419,525</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,555,295</u>	<u>\$ 2,824,067</u>

The Organization's goal is generally to maintain liquid cash of \$800,000. The Organization has a \$1,000,000 line of credit available to meet cash flow needs.

**Detroit Rescue Mission Ministries
and Lakeview Farms Mission
Notes to the Combined Financial Statements
September 30, 2019 and 2018**

Note 3 - Land, Building and Equipment

Major classes of assets and related accumulated depreciation thereon are summarized as follows:

	<u>2019</u>	<u>2018</u>
Land	\$ 1,027,710	\$ 1,027,710
Land improvements	574,120	574,120
Buildings and building improvements	28,293,032	28,088,302
Furniture and equipment	3,254,607	3,254,607
Vehicles	232,959	557,208
Livestock	3,300	3,300
	<u>33,385,728</u>	33,505,247
Less accumulated depreciation	<u>(17,905,410)</u>	<u>(16,959,620)</u>
	15,480,318	16,545,627
Construction in progress	-	48,750
Net land, building and equipment	<u>\$ 15,480,318</u>	<u>\$ 16,594,377</u>

Depreciation expense for September 30, 2019 and 2018 was \$1,262,090 and \$1,268,984, respectively.

Note 4 - Line of Credit

The Organization has a revolving line of credit agreement providing for maximum borrowings of \$1,000,000, collateralized with a blanket lien on all assets. The interest rate is variable and based on LIBOR plus 2 percent. The approximate interest rate was 4.03 percent and 5.25 percent at September 30, 2019 and 2018, respectively. Total outstanding borrowings from this line of credit at both September 30, 2019 and 2018, were \$0 and \$563,219, respectively.

Note 5 - Notes Payable

	<u>2019</u>	<u>2018</u>
Mortgage payable, secured by the real properties of Lakeview Farms Mission, due in monthly installments of \$7,520, including interest at the bank's prime rate (effective rate of 1.33% per annum at September 30, 2018), maturing December 1, 2020	\$ -	\$ 208,348
Mortgage payable, secured by the equipment and fixtures, real property, inventory and accounts receivable, due in monthly installments of \$3,984, including interest at LIBOR plus 2.0% per year (effective LIBOR rate of 2.03% at September 30, 2019), maturing May 15, 2029	940,338	-
Less current portion	<u>(47,814)</u>	<u>(88,116)</u>
Long term note payable	<u>\$ 892,524</u>	<u>\$ 120,232</u>

**Detroit Rescue Mission Ministries
and Lakeview Farms Mission
Notes to the Combined Financial Statements
September 30, 2019 and 2018**

Interest expenses for 2019 and 2018, amounted to \$36,794 and \$51,637, respectively.

Annual note maturities for the years ended September 30 are scheduled as follows:

2020	\$	47,814
2021		47,814
2022		47,814
2023		47,814
2024		47,814
Thereafter		<u>701,268</u>
	<u>\$</u>	<u>940,338</u>

Note 6 - Cost Settlement Payable

	2019	2018
Cost settlement payable due to funder in monthly installments of \$6,665, interest free, maturing March 2020. Unsecured, failure to pay may result in additional sanctions including cancellation of grants and/or loss of future funding.	\$ -	\$ 119,979
Cost settlement payable due to funder in monthly installments of \$2,813, interest free, maturing October 2019. Unsecured, failure to pay may result in additional sanctions including cancellation of grants and/or loss of future funding.	<u>26,310</u>	<u>40,376</u>
Total cost settlement payable	26,310	160,355
Less current portion	<u>(26,310)</u>	<u>(113,745)</u>
	<u>\$ -</u>	<u>\$ 46,610</u>

Annual cost settlement maturities for the years ended September 30 are scheduled as follows:

2020	\$	<u>26,310</u>
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Note 7 - Retirement Plan

The Organization has a defined contribution plan (the Plan) as defined under Section 403(b) of the U.S. Internal Revenue Code covering all employees normally working 20 hours or more per week. Eligible employees are able to begin contributing on their first day of employment with the Organization. Employees may not receive matching contributions until they complete 1,000 hours of service during the plan year and are employed on the last day of the plan year. The Organization may contribute a discretionary matching contribution each year. The match percentage includes only elective deferrals up to 100% match up to \$250

**Detroit Rescue Mission Ministries
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Notes to the Combined Financial Statements
September 30, 2019 and 2018**

per year of each employee's compensation. Employees are 100% invested in all accounts at all times. The total expense for the years ended September 30, 2019 and 2018 was approximately \$28,938 and \$36,362, respectively.

Note 8 - Operating Leases

The Organization leases office equipment under an operating lease agreement that expires in 2023 and a vehicle under an operating lease agreement that expires in 2021. Future minimum lease payments consist of the following:

2020	\$	4,680
2021		3,120
2022		2,340
2023		1,950
Total	\$	<u>12,090</u>

Lease expense for 2019 and 2018 was \$34,040 and \$39,924, respectively.

Note 9 - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes and periods at September 30:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Detroit Rescue Mission - various projects	\$ -	\$ 4,521
Oasis	-	668
Women's Shelter (Genesis House II)	-	<u>2,956</u>
Total net assets with donor restrictions	<u>\$ -</u>	<u>\$ 8,145</u>

Note 10 - Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Satisfaction of purpose restrictions		
Detroit Rescue Mission - various projects	\$ 4,521	\$ 90,911
Oasis	668	-
Women's Shelter (Genesis House II)	<u>2,956</u>	<u>-</u>
Total net assets released from donor restrictions	<u>\$ 8,145</u>	<u>\$ 90,911</u>

**Detroit Rescue Mission Ministries
and Lakeview Farms Mission
Notes to the Combined Financial Statements
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Note 11 - Related Party Transactions

The Organization's president is one of ten board members of SAY Detroit. The purpose of SAY Detroit is to help the homeless population in Detroit and assist the agencies who take care of them, with the goal of protecting, feeding, and sheltering the homeless, and ultimately returning them to everyday society as independent and productive individuals.

The Organization provides for the operations of the SAY Detroit Clinic and these expenses are reimbursed by the SAY Detroit Foundation (Foundation). Total reimbursable operating expenses incurred by the Organization and billed to the Foundation for the years ended September 30, 2019 and 2018, were \$407,344 and \$279,000, respectively. Related receivables from SAY Detroit for the years ended September 30, 2019 and 2018, were \$263,464 and \$401,832, respectively.

Note 12 - Concentration

The Organization receives approximately half of its revenue from governmental entities, including federal, state, and local units. The majority of its services are provided to individuals located in the City of Detroit. Many of its programs are funded in part upon successful reaffirmation from its accreditation agency, Commission on Accreditation of Rehabilitation Facilities (CARF). In 2016, the Organization received a renewed reaffirmation for three years, which is the longest period of time allowed by CARF. Due to this substantial government funding, the Organization is subject to a risk that the program funds will be reduced or eliminated. A significant reduction in funding from these sources could have a materially adverse financial impact in the near term.

Note 13 - Subsequent Events – Coronavirus Pandemic

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. There has been no immediate impact to the Organization's operations. Future potential impacts may include disruptions to funding or restrictions on our employees' ability to work in the office. The Organization was approved for a SBA Payroll Protection Program Loan in the amount of \$1,572,789 to aid in the cash flow impact of the pandemic.