



TOPEKA RESCUE MISSION, INC.

FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

YEARS ENDED DECEMBER 31, 2022 AND 2021

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Independent Auditor's Report

To the Board of Directors
Topeka Rescue Mission, Inc.

Opinion

We have audited the accompanying financial statements of Topeka Rescue Mission, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows 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 Topeka Rescue Mission, Inc. as of December 31, 2022 and 2021 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.

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 Topeka Rescue Mission, Inc. 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 these 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 Topeka Rescue Mission, Inc.'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 objective is 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 issues an auditor's 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 statement, 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 Topeka Rescue Mission, Inc.'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Topeka Rescue Mission, Inc.'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.

SSC CPAs, P.A.

SSC CPAs, P.A.
Topeka, Kansas

November 16, 2023

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

December 31,	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,556,203	\$ 5,063,160
Employee Retention Tax Credit receivable	217,308	-
Contributions and other receivables	19,569	250
Prepaid expenses	35,357	72,681
Grants receivable	53,531	121,724
Trade bank	30,272	28,910
Total current assets	2,912,240	5,286,725
Other assets		
Notes receivable	28,884	77,341
Investments	1,342,449	397,558
Property and equipment, net	6,921,918	7,063,496
Beneficial interest in perpetual trust	461,243	556,416
Total other assets	8,754,494	8,094,811
TOTAL ASSETS	\$ 11,666,734	\$ 13,381,536
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 74,922	\$ 34,351
Payroll liabilities	169,054	162,182
Total liabilities	243,976	196,533
Net assets		
Without donor restrictions	10,629,391	12,315,550
With donor restrictions	793,367	869,453
Total net assets	11,422,758	13,185,003
TOTAL LIABILITIES AND NET ASSETS	\$ 11,666,734	\$ 13,381,536

TOPEKA RESCUE MISSION, INC.**STATEMENTS OF ACTIVITIES**

For the years ended December 31,

2022**2021**

	Without Donor Restrictions		With Donor Restrictions		Total	Without Donor Restrictions		With Donor Restrictions		Total
Revenues, support and gains										
Contributions of cash and other financial assets	\$	3,166,085	\$	141,734	\$ 3,307,819	\$	5,074,963	\$	430,722	\$ 5,505,685
Contributions of nonfinancial assets		51,198		-	51,198		137,494		-	137,494
Grant income		310,872		-	310,872		956,619		-	956,619
Investment income (loss)		(19,016)		-	(19,016)		42,896		-	42,896
Paycheck Protection Program loan forgiveness		-		-	-		521,162		-	521,162
Employee Retention Tax Credit		217,308		-	217,308		-		-	-
Miscellaneous		58,837		-	58,837		58,700		-	58,700
Gain (loss) on beneficial interest in perpetual trust		-		(95,173)	(95,173)		-		3,423	3,423
Total revenues, support and gains		3,785,284		46,561	3,831,845		6,791,834		434,145	7,225,979
Net assets released from restrictions										
Restrictions satisfied by payments		122,647		(122,647)	-		311,338		(311,338)	-
Total revenues, support, gains and reclassifications		3,907,931		(76,086)	3,831,845		7,103,172		122,807	7,225,979
Expenses										
Program services		5,034,583		-	5,034,583		4,790,675		-	4,790,675
Management and general		530,686		-	530,686		462,351		-	462,351
Fundraising		102,700		-	102,700		109,223		-	109,223
Total expenses		5,667,969		-	5,667,969		5,362,249		-	5,362,249
Gain (loss) on disposal of assets		(73,879)		-	(73,879)		133,674		-	133,674
Total expenses and losses		5,594,090		-	5,594,090		5,495,923		-	5,495,923
CHANGE IN NET ASSETS		(1,686,159)		(76,086)	(1,762,245)		1,607,249		122,807	1,730,056
Net assets, beginning of year		12,315,550		869,453	13,185,003		10,708,301		746,646	11,454,947
Net assets, end of year	\$	10,629,391	\$	793,367	\$ 11,422,758	\$	12,315,550	\$	869,453	\$ 13,185,003

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

For the year ended December 31,				2022			
Program Services				Supporting Services			
	Ministry Services	Distribution Services & Recycling	Total	Management & General	Fundraising	Total	
Salaries and housing	\$ 1,880,904	\$ 315,605	\$ 2,196,509	\$ 269,791	\$ 78,901	\$ 2,545,201	
Payroll taxes	157,700	28,505	186,205	12,715	6,152	205,072	
Retirement benefits	15,937	1,980	17,917	980	706	19,603	
Health insurance	467,327	21,616	488,943	25,734	-	514,677	
Telephone	31,511	6,787	38,298	228	-	38,526	
Utilities	205,432	44,249	249,681	1,482	-	251,163	
Repairs and maintenance	268,171	57,762	325,933	1,935	-	327,868	
Food and supplies	148,989	25,881	174,870	-	-	174,870	
Supplies	144,301	41,654	185,955	-	-	185,955	
Insurance	129,966	-	129,966	6,840	-	136,806	
Direct assistance	40,627	16,675	57,302	-	-	57,302	
Postage	11,314	-	11,314	-	-	11,314	
Vehicle operating expense	25,514	23,270	48,784	-	-	48,784	
Dues and subscriptions	-	-	-	1,802	-	1,802	
Staff/volunteer relations	38,824	1,534	40,358	-	-	40,358	
Bank service charges	-	-	-	18,165	-	18,165	
Advertising/public relations	19,144	2,387	21,531	781	-	22,312	
Printing	2,477	2,898	5,375	17,271	725	23,371	
Office supplies	2,739	3,204	5,943	19,094	801	25,838	
Miscellaneous	110,295	3,706	114,001	103,974	-	217,975	
Accounting and legal	-	-	-	34,772	-	34,772	
Newsletter	-	-	-	12,612	15,415	28,027	
Depreciation	347,957	74,948	422,905	2,510	-	425,415	
Mentee	312,793	-	312,793	-	-	312,793	
Total expenses	\$ 4,361,922	\$ 672,661	\$ 5,034,583	\$ 530,686	\$ 102,700	\$ 5,667,969	

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

For the year ended December 31,			2021				
			Program Services		Supporting Services		
	Ministry Services	Distribution Services & Recycling	Total	Management & General	Fundraising	Total	
Salaries and housing	\$ 1,812,526	\$ 304,132	\$ 2,116,658	\$ 259,983	\$ 76,033	\$ 2,452,674	
Payroll taxes	149,927	27,100	177,027	12,088	5,849	194,964	
Retirement benefits	17,845	2,217	20,062	1,098	790	21,950	
Health insurance	362,374	16,762	379,136	19,954	-	399,090	
Telephone	39,017	8,404	47,421	282	-	47,703	
Utilities	169,938	36,604	206,542	1,226	-	207,768	
Repairs and maintenance	263,878	56,838	320,716	1,904	-	322,620	
Food and supplies	378,127	65,684	443,811	-	-	443,811	
Supplies	96,364	27,816	124,180	-	-	124,180	
Insurance	113,754	-	113,754	5,987	-	119,741	
Direct assistance	72,733	29,852	102,585	-	-	102,585	
Postage	11,086	-	11,086	-	-	11,086	
Vehicle operating expense	37,608	34,301	71,909	-	-	71,909	
Book expense	-	-	-	163	-	163	
Dues and subscriptions	-	-	-	469	-	469	
Staff/volunteer relations	23,025	910	23,935	-	-	23,935	
Bank service charges	-	-	-	8,007	-	8,007	
Advertising/public relations	14,946	1,864	16,810	609	-	17,419	
Printing	947	1,108	2,055	6,601	277	8,933	
Office supplies	4,840	5,662	10,502	33,744	1,415	45,661	
Miscellaneous	53,705	1,804	55,509	50,627	-	106,136	
Accounting and legal	-	-	-	36,867	-	36,867	
Newsletter	-	-	-	20,339	24,859	45,198	
Depreciation	333,139	71,756	404,895	2,403	-	407,298	
Mentee	142,082	-	142,082	-	-	142,082	
Total expenses	\$ 4,097,861	\$ 692,814	\$ 4,790,675	\$ 462,351	\$ 109,223	\$ 5,362,249	

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

For the years ended December 31,	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,437,143)	\$ 1,730,056
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	425,415	407,298
Paycheck Protection Program Loan forgiveness	-	(521,162)
Writeoff of note receivable	50,000	-
Realized and unrealized (gain) loss on investments	55,109	(9,281)
Noncash donation of property received	-	(70,000)
Assignment of note receivable	(1,543)	(3,694)
Gain (loss) on disposal of assets	(73,879)	133,674
Gain (loss) on beneficial interest in perpetual trust	95,173	(3,423)
(Increase) decrease in assets:		
Accounts receivable	(493,536)	207,193
Prepaid expenses	37,324	(25,981)
Trade bank	(1,362)	(487)
Increase (decrease) in :		
Accounts payable	40,571	(110,433)
Payroll liabilities	6,872	(10,600)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(1,296,999)	1,723,160
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(377,436)	(479,540)
Purchase of investments	(1,000,000)	(350,000)
Proceeds from sale of property and equipment	167,478	80,000
NET CASH USED IN INVESTING ACTIVITIES	(1,209,958)	(749,540)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	-	521,162
NET CASH PROVIDED BY FINANCING ACTIVITIES	-	521,162
Net increase (decrease) in cash and cash equivalents	(2,506,957)	1,494,782
Cash and cash equivalents, beginning of year	5,063,160	3,568,378
Cash and cash equivalents, end of year	\$ 2,556,203	\$ 5,063,160

TOPEKA RESCUE MISSION, INC.

NOTES TO THE FINANCIAL STATEMENTS

1. ORGANIZATION AND NATURE OF OPERATIONS

Topeka Rescue Mission Ministries (TRM) began its work in 1953 as a small room which provided shelter and food for homeless men. A brand-new shelter was constructed in 1991 to house men, women and families. By 2000, an additional new shelter was built to house over 100 additional homeless women and families. In 2004, a Distribution Center was opened which allowed TRM to expand their outreach to meeting the needs of the poor in the community. In 2011, Operation Street Reach was created to reach out to unsheltered homeless individuals not currently receiving TRM services. While helping people in poverty will always be a need, TRM questioned if prevention efforts could decrease the number of individuals in need of shelter. TRM believes the effort to understand the root causes of poverty and homelessness will help to empower and transform individuals, families and communities. During 2020 and 2021, TRM realized significant changes due to the pandemic. This required TRM to put in measures to keep staff, guests and volunteers safe and mitigate the risk of contracting Covid 19. This included changes to programming, where and how guests were sheltered, how food was distributed, as well as setting up quarantine and isolation area for people experiencing Covid symptoms or exposure.

Key programming is focused on stabilizing the community through the following efforts:

1. Homeless Services
 - a. Shelter Services - Providing shelter to those who are experiencing homelessness.
 - b. Street Reach - Reaching out to individuals in the city who are unsheltered and homeless.
 - c. Food Services - Providing meals to individuals in need.
 - d. Education Services – Career Readiness Education and programming to help guests establish behavior and soft skills targeted toward increasing their ability to be successful in the community.
 - e. Assisting those escaping human trafficking.
 - f. Homeless rehousing and stabilization services.
2. Trauma Based Initiatives
 - a. Training for all staff and key volunteers targeted at recognizing the trauma all TRM guests and neighbors have experienced, as well as the secondhand trauma experience by serving our guests and neighbors.
 - b. Training for guests targeted as helping them recognize trauma in their past as well as tools to assist them with managing emotions.
3. Supportive Services
 - a. Distribution Services – Receiving and distributing donations throughout TRM and to the community, including food box distribution to the community and organizations across the community addressing hunger.
 - b. Volunteer Services – Engaging the community to assist in activities across the organization.
 - c. Development and Support services – Human and financial resources, donation processing, IT, and marketing and communications.
 - d. Facilities and security

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

TRM prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

TOPEKA RESCUE MISSION, INC.

NOTES TO THE FINANCIAL STATEMENTS

Net assets

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

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

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

Use of estimates

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

Cash and cash equivalents

For purposes of the statement of financial position and the statement of cash flows, cash is defined as demand deposits including checking accounts, money market accounts and certificates of deposit not included in brokerage accounts . TRM has no noncash financing transactions nor were any cash payments made for income taxes or interest expense.

Property and equipment

Property and equipment are carried at cost. Expenditures for major renewals and betterments with useful lives of more than one year and a unit acquisition cost of \$5,000 or more are capitalized. When assets are retired or otherwise disposed of, the asset and related accumulated depreciation are removed, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is expensed as incurred.

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

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

Revenue recognition

Contributions are recognized when cash, other assets, unconditional promises to give; or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction.

Revenue with and without restrictions

Contributions received are recorded as increases in support with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a

TOPEKA RESCUE MISSION, INC.

NOTES TO THE FINANCIAL STATEMENTS

stipulated time restriction ends or purpose restriction is accomplished), donor restricted net assets are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Investments

Investments are reported at fair value. Gains and losses, whether realized or unrealized, are included in investment income. Investments are exposed to various risks such as significant world events, interest rate, credit and overall market volatility risks. Due to the level of risks associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Fair value measurements – definition and hierarchy

The FASB established a framework for measuring fair value and disclosing fair value measurements to financial statement users. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market, or if none exists, the most advantageous market, for specific assets or liabilities at the measurement dates. The fair value should be based on assumptions that market participants would use, including consideration on nonperformance risk.

In determining fair value, TRM uses various valuation approaches. The FASB established a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of TRM. Unobservable inputs are inputs that reflect TRM's assumptions about assumptions market participants would use in pricing the assets or liabilities developed based on the best information available in the circumstances.

The hierarchy is broken down into three levels based on the observability of inputs as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets to which TRM has access.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in inactive markets; inputs other than quoted market prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The availability of observable inputs can vary and is affected by a wide variety of factors, including, for example, the type of asset or liability, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree for judgment exercised by TRM in determining fair value is greatest for instruments categorized in Level 3.

TOPEKA RESCUE MISSION, INC.

NOTES TO THE FINANCIAL STATEMENTS

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Fair value is a market-based measure considered from the perspective of a market participant rather than on organization-specific measure. Therefore, even when market assumptions are not readily available, TRM's own assumptions are set to reflect those that TRM believes market participants would use in pricing the asset or liability at the measurement date.

Income taxes

TRM is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code as provided by a determination letter received from the Internal Revenue Service.

TRM has adopted the provisions of FASB ASC 740-10, *Accounting for Income Taxes*. This standard clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. The standard prescribes recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized. TRM has not identified any uncertain tax positions.

TRM's income tax returns are subject to review and examination by federal, state, and local authorities. TRM is not aware of any activities that are subject to tax on unrelated business income or excise or other taxes.

Recently adopted accounting pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The guidance in the ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, leases will be classified as either finance or operating with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2021. TRM adopted and retrospectively applied ASU 2016-02 as of January 1, 2022. No changes were necessary for the adoption of ASU 2016-02.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard provides additional guidance on how to record in-kind contributions and includes expanded disclosure requirements. ASU 2020-07 is effective for annual reporting periods in fiscal years that begin after June 15, 2021. TRM adopted and retrospectively applied ASU 2020-07 as of January 1, 2022. Other than expanded disclosure requirements, no changes were necessary for the adoption of ASU 2020-07.

TOPEKA RESCUE MISSION, INC.**NOTES TO THE FINANCIAL STATEMENTS****3. LIQUIDITY AND AVAILABILITY**

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

	2022	2021
Cash and cash equivalents	\$ 2,556,203	\$ 5,063,160
Grants receivable	53,531	121,724
Employee Retention Tax Credit receivable	542,410	-
Contributions and other receivable	19,569	250
	3,171,713	5,185,134
Less amounts restricted for use included above	(332,124)	(313,037)
	\$ 2,839,589	\$ 4,872,097

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

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

4. BENEFICIAL INTEREST IN PERPETUAL TRUST

During 2019, management became aware of a donor-established perpetual trust with CoreFirst Bank and Trust naming TRM as the beneficiary. Under the terms of the perpetual agreement, TRM is to receive the income from the trust annually for its unrestricted use. The income is calculated as 5% of a rolling 12 quarter average. During the year ended December 31, 2019, TRM recorded its beneficial interest in the trust by recognizing a perpetually restricted contribution representing the fair value of the trust's assets when TRM became aware of the gift and the amount could be reasonably estimated. As of December 31, 2022 and 2021, TRM's beneficial interest in the fair value of the trust was estimated to be \$461,243 and \$556,416, respectively. Decreases in fair value of \$95,173 and increases in fair value of \$3,423 are recognized in 2022 and 2021, respectively, as perpetual restricted gains or losses. Distributions of trust earnings are recorded as undesignated investment income when received.

Due to the level of risk associated with the underlying investments included in the Trust, it is at least reasonably possible that changes in the value of the beneficial interest in perpetual trust could occur in the near term and could materially affect the amounts reported in the statements of financial position. The underlying investments are comprised of cash and mutual funds.

5. INVESTMENTS

Long-term investments represent amounts held for future use without restrictions. These investments are stated at fair value based on quoted market prices in active markets (Level 1) and are comprised of the following at December 31:

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

	2022	2021
Cash	\$ 6,191	\$ 7,866
Certificates of deposit	500,475	-
Mutual funds	537,273	40,400
Equity stocks	298,510	349,272
Long-term investments	\$ 1,342,449	\$ 397,558

6. FAIR VALUE MEASUREMENTS

Fair value of assets measured on a recurring basis at December 31 are as follows:

		<u>Fair Value Measurements at Reporting Date</u>		
		<u>Using</u>		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Input (Level 2)	Significant Unobservable Inputs (Level 3)
2022	Fair Value			
Brokerage cash	\$ 6,191	\$ 6,191	\$ -	\$ -
Cerificates of deposit	500,475	500,475	-	-
Mutual funds	537,273	537,273	-	-
Equity securities	298,510	298,510	-	-
Beneficial interest in perpetual trust	461,243	-	-	461,243
Total	\$ 1,803,692	\$ 1,342,449	\$ -	\$ 461,243

		<u>Fair Value Measurements at Reporting Date</u>		
		<u>Using</u>		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Input (Level 2)	Significant Unobservable Inputs (Level 3)
2021	Fair Value			
Brokerage cash	\$ 7,886	\$ 7,886	\$ -	\$ -
Mutual funds	40,400	40,400	-	-
Equity securities	349,272	349,272	-	-
Beneficial interest in perpetual trust	556,416	-	-	556,416
Total	\$ 953,974	\$ 397,558	\$ -	\$ 556,416

Level 3 measurements

TRM's beneficial interest in a perpetual trust is valued based on the fair value of the underlying trust assets as reported by the trustees. The trustees use multiple approaches to determine the fair value of the underlying assets, primarily, quoted prices for identical assets in active markets when available. This beneficial interest has been categorized as a Level 3 fair value measurement because TRM will never receive the trust's assets. Activity in assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) are as follows:

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

January 1, 2021	\$ 552,993
Investment return, net	29,693
Distributions	(26,270)
December 31, 2021	556,416
Investment return, net	(67,558)
Distributions	(27,615)
December 31, 2022	\$ 461,243

Gains or losses related to the Level 3 investments are included in perpetual in nature restricted net assets attributable to the overall change in the fair value of TRM's interest in perpetual trust.

7. PROPERTY AND EQUIPMENT

Property and equipment at December 31 consists of:

	2022	2021
Land	\$ 55,567	\$ 55,567
Buildings and landscaping	10,324,163	10,103,295
Furniture, fixtures and equipment	1,989,707	1,952,006
Vehicles	444,134	444,134
Total property and equipment	12,813,571	12,555,002
Less accumulated depreciation	(5,891,653)	(5,491,506)
Property and equipment, net	\$ 6,921,918	\$ 7,063,496

Depreciation expense for the years ended December 31, 2022 and 2021 was \$425,415 and \$407,298, respectively.

8. NOTE RECEIVABLE

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

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

9. MAINTENANCE AGREEMENTS

The Organization maintains the heating, ventilation and air conditioning equipment in its buildings through long term maintenance agreements for various terms under non-cancelable service contracts. The agreements expire at various dates through 2023. In the normal course of business, these maintenance agreements will be renewed or replaced by new agreements. The total maintenance agreement expense for the years ended December 31, 2022 and 2021 was \$51,709.

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Future minimum payments required under the maintenance agreements for the year ended December 31, 2023 total \$34,067.

10. RETIREMENT PLAN

TRM adopted a Savings Incentive Match Plan in July of 2001 for eligible employees who choose to participate in the program. TRM contributes a matching amount up to three percent of each eligible employee's annual wages toward the retirement plan. Total contributions to the plan were \$19,603 and \$21,950 for the years ended 2022 and 2021, respectively.

11. OTHER RESOURCES

The Topeka Community Foundation received funds by bequest that designate TRM as the beneficiary of income from these funds. One fund was established in 1995 for TRM. Income from this fund can be used for operations as needed. During 2003, a second fund was established. Income from this fund can be used by TRM to assist individuals who have suffered losses due to disaster. The Foundation administers these funds, investing the principal and any undistributed income in pooled investments. The total balance of these funds at December 31, 2022 and 2021 was \$73,198 and \$102,503, respectively. The distributions are recorded as income by TRM in the year received. Distributions received in 2022 and 2021 were \$3,834 and \$3,658, respectively.

12. CONTRIBUTED NONFINANCIAL ASSETS

Contributed nonfinancial assets recognized within the statements of activities include the following for the years ended December 31:

	2022	2021
Building	\$ -	\$ 70,000
Inventory sales	51,198	67,494
Total	\$ 51,198	\$ 137,494

TRM recognized contributed nonfinancial assets within revenues, support and gains. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

The donated building was subsequently sold by TRM to support operations of TRM's programs. In valuing the donated building, TRM estimated the fair value on the basis of an independent appraisal of the building.

It is TRM's policy to sell inventory as part of its operations of its distribution center. In valuing inventory, TRM estimated the fair value on the basis of subsequent sales. As a result, TRM estimated the contributed financial assets at the same amount of its sales of donated inventory.

Certain goods have been donated to TRM for internal use, giving to those in need throughout the community. The value of these contributed goods is not reflected in the statements because the donations are not susceptible to independent measurement.

A significant number of unpaid volunteers have made contributions of their time to assist in TRM's operations. The value of this contributed time is not reflected in these financial statements due to a lack of an objective method of valuation. In accordance with accounting principles generally accepted in the United

TOPEKA RESCUE MISSION, INC.
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States of America, routine volunteer services requiring no particular expertise are not to be reported as contribution revenue.

13. RESTRICTED NET ASSETS

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

	2022	2021
Subject to expenditure for specified purpose:		
General expansion	\$ 197,474	\$ 194,322
Christmas	16,310	375
Restore Hope	93,340	93,340
Total subject to expenditure for specified purpose	307,124	288,037
Not subject to expenditure	486,243	581,416
	\$ 793,367	\$ 869,453

14. PAYCHECK PROTECTION PROGRAM LOAN

In December 2020, Congress passed the Consolidated Appropriations Act 2021, which allowed for certain nonprofit organizations to apply for the Paycheck Protection Program round two (PPP2). Businesses and organizations could apply for a forgivable loan based on its average monthly payroll. TRM applied and received \$521,162 through the PPP2 in March 2021. Under the terms of the PPP2, certain amounts of the loan may be forgiven if they are used for qualifying expenses. The Organization has received full forgiveness and recognized the amount of the loan as revenue in the accompanying statements of activities.

15. EMPLOYER RETENTION TAX CREDIT

Under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") signed into law on March 27, 2020 and the subsequent extension of the CARES Act, TRM was eligible for an employee retention tax credit subject to certain criteria. TRM has qualified for \$542,410 of credits during 2022. TRM has filed for payment of the credits and recorded the full amount as of December 31, 2022 as an Employee Retention Tax Credit receivable. On March 20, 2023, TRM received an IRS notice that the ERTC credit for 2021 was adjusted by \$325,102. Although TRM is working with the consultant to receive the remaining credit amount, the receivable has been written down to \$217,308.

16. CONCENTRATION OF CREDIT RISK

TRM places its temporary cash investments with high credit quality financial institutions located in the Topeka area. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times such cash investments may be in excess of the FDIC insurance limit. At December 31, 2022 and 2021, the amount in excess of FDIC limits was \$520,181 and \$1,677,009, respectively.

17. FUNCTIONAL EXPENSES

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

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The basis for allocation of expenses to a specific program is determined by management. Costs that are not directly associated with providing specific services have been allocated based upon the usage of square footage of the buildings.

18. PENDING ACCOUNTING PRONOUNCEMENTS

In June 2016, FASB issued ASU 2016-13, *Financial Instruments – Credit Losses*, which, among other things requires the measurement of credit losses on financial instruments. ASU 2016-13 is effective for not-for-profit entities for fiscal years beginning after December 15, 2022. The Standard will need to be applied retrospectively in the year adopted. It is management's responsibility to ensure appropriate adoption of ASU 2016-13. Adoption of the standard is not expected to have a significant impact on TRM's financial statements.

19. RECLASSIFICATIONS

Certain amounts in the 2021 financial statements have been reclassified to conform to the 2022 presentation.

20. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 16, 2023, the date these financial statements were available to be issued, and determined that no subsequent events have occurred that would require recognition in the financial statements except for a notice from the IRS on March 20, 2023 that the ERTC for 2021 had been adjusted as noted in Note 15.