



TOPEKA RESCUE MISSION, INC.

FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

YEARS ENDED DECEMBER 31, 2021 AND 2020

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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, 2021 and 2020, 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, 2021 and 2020 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 issue 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, misrepresentation, 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

September 26, 2022

TOPEKA RESCUE MISSION, INC.

STATEMENTS OF FINANCIAL POSITION

December 31,	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 5,063,160	\$ 3,568,378
Contributions receivable	250	27,624
Prepaid expenses	72,681	46,700
Grants receivable	121,724	301,543
Trade bank	28,910	28,423
Total current assets	5,286,725	3,972,668
Other assets		
Notes receivable	77,341	73,647
Investments	397,558	38,277
Property and equipment, net	7,063,496	7,134,928
Beneficial interest in perpetual trust	556,416	552,993
Total other assets	8,094,811	7,799,845
TOTAL ASSETS	\$ 13,381,536	\$ 11,772,513
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 34,351	\$ 144,784
Payroll liabilities	162,182	172,782
Total liabilities	196,533	317,566
Net assets		
Without donor restrictions	12,315,550	10,708,301
With donor restrictions	869,453	746,646
Total net assets	13,185,003	11,454,947
TOTAL LIABILITIES AND NET ASSETS	\$ 13,381,536	\$ 11,772,513

TOPEKA RESCUE MISSION, INC.

STATEMENTS OF ACTIVITIES

	For the years ended December 31,					
	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, support and gains						
Contributions	\$ 5,144,962	\$ 430,722	\$ 5,575,684	\$ 3,720,063	\$ 514,405	\$ 4,234,468
Store sales and distribution center	67,494	-	67,494	88,508	-	88,508
Grant income	956,619	-	956,619	1,131,696	-	1,131,696
Investment income	42,896	-	42,896	36,951	-	36,951
Paycheck Protection Program loan forgiveness	521,162	-	521,162	525,297	-	525,297
Miscellaneous	58,701	-	58,701	126,595	-	126,595
Gain on beneficial interest in perpetual trust	-	3,423	3,423	-	6,488	6,488
Total revenues, support and gains	6,791,834	434,145	7,225,979	5,629,110	520,893	6,150,003
Net assets released from restrictions						
Restrictions satisfied by payments	311,338	(311,338)	-	580,702	(580,702)	-
Total revenues, support, gains and reclassifications	7,103,172	122,807	7,225,979	6,209,812	(59,809)	6,150,003
Expenses						
Program services	4,790,675	-	4,790,675	3,802,572	-	3,802,572
Management and general	462,351	-	462,351	523,367	-	523,367
Fundraising	109,223	-	109,223	101,656	-	101,656
Total expenses	5,362,249	-	5,362,249	4,427,595	-	4,427,595
Loss on disposal of assets	133,674	-	133,674	4,864	-	4,864
Total expenses and losses	5,495,923	-	5,495,923	4,432,459	-	4,432,459
CHANGE IN NET ASSETS	1,607,249	122,807	1,730,056	1,777,353	(59,809)	1,717,544
Net assets, beginning of year	10,708,301	746,646	11,454,947	8,930,948	806,455	9,737,403
Net assets, end of year	\$ 12,315,550	\$ 869,453	\$ 13,185,003	\$ 10,708,301	\$ 746,646	\$ 11,454,947

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.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31,		2020					
		Program Services			Supporting Services		
	Ministry Services	Distribution Services & Recycling	Total	Management & General	Fundraising	Total	
Salaries and housing	\$ 1,612,369	\$ 270,546	\$ 1,882,915	\$ 231,273	\$ 67,637	\$ 2,181,825	
Payroll taxes	95,117	17,193	112,310	7,668	3,711	123,689	
Retirement benefits	15,836	1,967	17,803	974	701	19,478	
Health insurance	280,743	12,986	293,729	15,459	-	309,188	
Telephone	30,714	6,616	37,330	221	-	37,551	
Utilities	159,911	34,444	194,355	1,154	-	195,509	
Repairs and maintenance	234,713	50,556	285,269	1,693	-	286,962	
Food and supplies	58,160	10,103	68,263	-	-	68,263	
Supplies	79,559	22,965	102,524	-	-	102,524	
Insurance	124,568	-	124,568	6,556	-	131,124	
Direct assistance	89,349	36,672	126,021	-	-	126,021	
Postage	8,177	-	8,177	-	-	8,177	
Vehicle operating expense	19,188	17,501	36,689	-	-	36,689	
Staff/volunteer relations	10,303	407	10,710	-	-	10,710	
Bank service charges	-	-	-	15,611	-	15,611	
Advertising/public relations	11,964	1,492	13,456	488	-	13,944	
Printing	1,228	1,436	2,664	8,560	359	11,583	
Office supplies	12,176	14,243	26,419	84,886	3,561	114,866	
Miscellaneous	100,072	3,362	103,434	94,336	-	197,770	
Accounting and legal	-	-	-	31,401	-	31,401	
Newsletter	-	-	-	21,016	25,687	46,703	
Depreciation	287,092	61,838	348,930	2,071	-	351,001	
Mentee	7,006	-	7,006	-	-	7,006	
Total expenses	\$ 3,238,245	\$ 564,327	\$ 3,802,572	\$ 523,367	\$ 101,656	\$ 4,427,595	

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

For the years ended December 31,	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,730,056	\$ 1,717,544
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	407,298	351,001
Paycheck Protection Program Loan forgiveness	(521,162)	(525,297)
Noncash donation of property received	(9,281)	(2,780)
Assignment of note receivable	(3,694)	(3,933)
Loss on sale of assets	133,674	4,864
Gain in perpetual trust	(3,423)	(6,488)
(Increase) decrease in assets:		
Accounts receivable	207,193	(323,725)
Prepaid expenses	(25,981)	9,391
Trade bank	(487)	1,743
Increase (decrease) in :		
Accounts payable	(110,433)	115,969
Payroll liabilities	(10,600)	30,035
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,793,160	1,368,324
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(549,540)	(695,300)
Purchase of investments	(350,000)	-
Proceeds from sale of fixed assets	80,000	-
NET CASH USED IN INVESTING ACTIVITIES	(819,540)	(695,300)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	521,162	525,297
NET CASH PROVIDED BY FINANCING ACTIVITIES	521,162	525,297
Net increase in cash and cash equivalents	1,494,782	1,198,321
Cash and cash equivalents, beginning of year	3,568,378	2,370,057
Cash and cash equivalents, end of year	\$ 5,063,160	\$ 3,568,378

TOPEKA RESCUE MISSION, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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.
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.
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

Method of accounting

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

TOPEKA RESCUE MISSION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

Basis of presentation

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

Net assets

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

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

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

Use of estimates

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

Cash and cash equivalents

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

Property and equipment

Property and equipment are carried at cost. Expenditures for major renewals and betterments 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

TOPEKA RESCUE MISSION, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

Donated materials, services, and property

Goods have been donated to TRM for internal use, giving to those in need throughout the community and resale. The value of these contributed goods is not reflected in the statements because the donations are not susceptible to independent measurement. As goods are sold, the net cash received measures the contribution and is recorded as sales income.

A significant number of unpaid volunteers have made contributions of their time to assist in 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 States of America, routine volunteer services requiring no particular expertise are not to be reported as contribution revenue.

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. Donor restricted cash is reported as an increase in donor restricted net assets. When a restriction expires (that is, when a 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.

TOPEKA RESCUE MISSION, INC.
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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.

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

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

Functional allocation of expenses

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

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.

TOPEKA RESCUE MISSION, INC.

NOTES TO THE FINANCIAL STATEMENTS

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Pending accounting pronouncements

In February 2017, the FASB issued ASU 2017-02, *Leases* (Topic 842). The guidance in the ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, leases will be classified as either finance or operating with classification affecting the pattern of expense recognition in the statement of activities. The new standard is tentatively effective for fiscal years beginning after December 31, 2021, including interim periods within those fiscal years. Adoption of the standard is not expected to have a significant impact on the Organization's financial statements.

In 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 the fiscal years that begin after June 15, 2021. Early application is permitted. The standard will not be applied retrospectively in the year adopted. It is management's responsibility to ensure appropriate adoption of ASU 2020-07. Adoption of the standard is not expected to have a significant impact on the Organization's 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:

	2021	2020
Cash and cash equivalents	\$ 5,063,160	\$ 3,568,378
Grants receivable	121,724	301,543
Contributions receivable	250	27,624
	5,185,134	3,897,545
Less amounts restricted for use included above	(313,037)	(193,653)
	\$ 4,872,097	\$ 3,703,892

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

The Organization manages its liquidity following guiding principles: operating within a prudent range of financial soundness and stability and maintaining adequate liquid assets to fund near-term operating needs. The Organization developed a liquidity policy to maintain current financial assets less current liabilities at a minimum of 30 days of operating expenses. The Organization 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 the Topeka Rescue Mission 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

TOPEKA RESCUE MISSION, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

trust's assets when TRM became aware of the gift and the amount could be reasonably estimated. As of December 31, 2021 and 2020, TRM's beneficial interest in the fair value of the trust was estimated to be \$556,416 and \$552,993, respectively. Increases in fair value of \$3,423 and \$6,488 are recognized in 2021 and 2020, respectively, as perpetual restricted gains. 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 statement of financial position. The underlying investments are comprised of cash and mutual funds.

5. INVESTMENTS

Long-term investments represent amounts held for future unrestricted use. 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:

	2021	
	Cost	Fair Value
Cash	\$ 7,886	\$ 7,886
Mutual funds	25,539	40,400
Equity stocks	349,835	349,272
Long-term investments	\$ 383,260	\$ 397,558

	2020	
	Cost	Fair Value
Mutual funds	\$ 30,168	\$ 35,387
Equity stocks	3,471	2,890
Long-term investments	\$ 33,639	\$ 38,277

Investment return is summarized as follows:

	2021	2020
Interest and dividends	\$ 6,510	\$ 7,162
Distributions from perpetual trust	26,270	27,008
Net investments gains	10,116	2,781
Total investment return	\$ 42,896	\$ 36,951

TOPEKA RESCUE MISSION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

6. FAIR VALUE MEASUREMENTS

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

	2021	Fair Value	Fair Value Measurements at Reporting Date		
			Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Using Significant Other Observable Input (Level 2)	Using Significant Unobservable Inputs (Level 3)
Brokerage cash		\$ 7,886	\$ 7,886	\$ -	\$ -
Mutual funds		40,400	40,400	-	-
Equity securities		349,271	349,272	-	-
Beneficial interest in perpetual trust		556,416	-	-	556,416
Total		\$ 953,973	\$ 397,558	\$ -	\$ 556,416

	2020	Fair Value	Fair Value Measurements at Reporting Date		
			Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Using Significant Other Observable Input (Level 2)	Using Significant Unobservable Inputs (Level 3)
Mutual funds		\$ 35,387	\$ 35,387	\$ -	\$ -
Equity securities		2,890	2,890	-	-
Beneficial interest in perpetual trust		552,993	-	-	552,993
Total		\$ 591,270	\$ 38,277	\$ -	\$ 552,993

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.

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Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

January 1, 2020	\$ 546,504
Investment return, net	33,497
Distributions	(27,008)
<hr/>	
December 31, 2020	552,993
Investment return, net	29,693
Distributions	(26,270)
<hr/>	
December 31, 2021	\$ 556,416

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:

	2021	2020
Land	\$ 55,567	\$ 251,385
Buildings and landscaping	10,103,295	9,835,022
Furniture, fixtures and equipment	1,952,006	1,916,522
Vehicles	444,134	289,411
<hr/>		
Total property and equipment	12,555,002	12,292,340
Less accumulated depreciation	(5,491,506)	(5,157,412)
<hr/>		
Net property and equipment	\$ 7,063,496	\$ 7,134,928

Depreciation expense for the years ended December 31, 2021 and 2020 was \$407,298 and \$351,001, 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, however TRM has not received payment. 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. OPERATING LEASES AND MAINTENANCE AGREEMENTS

The Organization leases much of its equipment for various terms under long-term, non-cancelable operating lease agreements. The leases expire at various dates through 2024 and provide for renewal options for some of the leases. In the normal course of business, it is expected that these leases will be renewed or replaced by leases on other equipment. Lease expense totaled \$90,990 and \$86,790 in 2021 and 2020, respectively.

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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 2020. In the normal course of business, these maintenance agreements will be renewed or replaced by new agreements. After renewing the two-year maintenance agreement in August 2019, the Organization ceased its childcare operations in the Children’s Palace building in November 2019. The Organization negotiated a suspension of the current maintenance agreement with the contractor agreeing to provide minimal maintenance on the building systems in-kind until the Organization resumes operations within that building. The maintenance agreement resumed in July of 2020. The total maintenance agreement expense for the years ended December 31, 2021 and 2020 was \$51,709 and \$33,019, respectively.

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

Year Ending December 31,	Amount
2022	\$ 43,044
2023	13,771
2024	4,590
Total	\$ 61,405

10. RETIREMENT PLAN

TRM adopted a Savings Incentive Match Plan in July of 2001 for eligible employees who choose to participate in the program. Topeka Rescue Mission, Inc. contributes a matching amount up to three percent of each eligible employee’s annual wages toward the retirement plan. Total contributions to the plan were \$21,950 and \$19,478 for the years ended 2021 and 2020, 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 the Organization. Income from this fund can be used for operations as needed. During 2003, a second fund was established. Income from this fund can be used by 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, 2021 and 2020 was \$102,503 and \$88,967, respectively. The distributions are recorded as income by TRM in the year received. Distributions received in 2021 and 2020 were \$3,658 and \$3,739, respectively.

12. PAYCHECK PROTECTION PROGRAM LOAN

As a result of significant disruption in the U.S. economy due to the outbreak of the COVID-19 coronavirus in March 2020, Congress passed the CARES Act which allowed for small and medium sized businesses and certain nonprofit organizations to apply for the Paycheck Protection Program (PPP). Businesses and organizations could apply for a forgivable loan based on the average cost of an eight-week payroll cycle. The Organization applied for and received \$525,297 through the PPP in May 2020 and met the requirements for loan forgiveness during 2020. In March 2021, the Organization qualified for and received a second PPP loan totaling \$521,162. The Organization has received full forgiveness and recognized the amount of the loan as revenue in the accompanying statements of activities.

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13. RESTRICTED NET ASSETS

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

	2021	2020
Subject to expenditure for specified purpose:		
General expansion	\$ 194,322	\$ 33,188
Christmas	375	10,590
Restore Hope	93,340	124,876
Total subject to expenditure for specified purpose	288,037	168,654
Not subject to expenditure	581,416	577,992
	\$ 869,453	\$ 746,646

14. CONCENTRATION OF CREDIT RISK

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

15. RELATED PARTY

Freedom Now was started in 2018 as a seedling project under the guidance of Topeka Rescue Mission, Inc. and then became its own 501(c)(3) organization in 2019. Although it has a separate board, the Executive Director of Topeka Rescue Mission, Inc. serves as the Executive Director for Freedom Now. In addition, Freedom Now shares office space with TRM. During 2020, funds were remitted to Freedom Now that were received by TRM for the purpose of Restore Hope in the amount of \$140,000, which is reflected in miscellaneous expense in the statement of functional expenses. Subsequently in 2020, Freedom Now separated the Restore Hope program of the Organization and transferred this program back to TRM. Amounts received back by TRM were \$112,589 and are reflected in miscellaneous revenue in the statement of activities. During the later part of 2021, Freedom now began the process of dissolving the organization.

16. DISCONTINUATION OF SERVICES

Related to financial challenges in 2019 and due to a decrease in sales resulting in expenses exceeding revenue, TRM's Board of Directors determined it was prudent to discontinue retail operations. This resulted in the closing of two retail locations - the sale of one store, and the termination of the lease on the other store during 2020.

17. RISKS AND UNCERTAINTIES

As a result of significant disruption in the U.S. economy due to the outbreak of the COVID-19 coronavirus in 2020, uncertainties have arisen which potentially may impact future operating results. The duration and extent to which COVID-19 may impact financial performance is being monitored closely by management.

TOPEKA RESCUE MISSION, INC.

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18. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through September 26, 2022, 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.

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, the Organization may be eligible for a refundable employee retention credit subject to certain criteria. The Organization is still determining which periods, if any, qualify for the employee retention credits.