

**DOWNTOWN RESCUE MISSION, INC. &
DOWNTOWN RESCUE MISSION TITLE HOLDING CORP.
CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2021**

MERCER & ASSOCIATES, P.C.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Downtown Rescue Mission, Inc. &
Downtown Rescue Mission Title Holding Corporation
Huntsville, Alabama

We have audited the accompanying consolidated financial statements of the Downtown Rescue Mission, Inc. (a nonprofit organization) and affiliates, which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statement of activities, statement of functional expenses, and consolidated statement of cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Downtown Rescue Mission Inc. and affiliates as of June 30, 2021, and the changes in its net assets and their cash flows for the period then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Supplemental Chart of Revenues and Expenses on page 13 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Mercer & Associates, PC

November 15, 2021

**DOWNTOWN RESCUE MISSION, INC. &
DOWNTOWN RESCUE MISSION TITLE HOLDING CORP.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021**

ASSETS	Downtown Rescue Mission, Inc.	Downtown Rescue Mission Title Holding Corp.	Consolidated Total
Current Assets			
Cash and Cash Equivalents	\$ 1,061,809	\$ 26,737	\$ 1,088,546
Resident Savings	9,458	-	9,458
Pledge Receivables	-	-	-
Prepaid Insurance	5,393	-	5,393
Accounts Receivable	-	-	-
Total Current Assets	1,076,660	26,737	1,103,397
Property and Equipment			
Land & Buildings	11,596,480	6,643,680	18,240,160
Vehicles	275,815	-	275,815
Furniture and Equipment	181,945	338,858	520,803
Accumulated Depreciation	(4,229,348)	(506,386)	(4,735,734)
Total Property and Equipment	7,824,892	6,476,152	14,301,044
Other Assets			
Inventory	44,336	-	44,336
NMTC Receivable (USBCDC)	5,481,500	-	5,481,500
Transfer Account	230,871	(230,871)	-
Total Other Assets	5,756,707	(230,871)	5,525,836
TOTAL ASSETS	\$ 14,658,259	\$ 6,272,018	\$ 20,930,277
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts Payable	\$ 399,659	\$ -	\$ 399,659
Deposits for Residents	1,972	-	1,972
Accrued Payroll Expenses	15,976	-	15,976
Accrued Salaries	109,712	-	109,712
Accrued Interest	9,045	-	9,045
Accrued Vacation Payable	135,928	-	135,928
NMTC Unearned Revenue	1,116,932	-	1,116,932
Line of Credit	-	-	-
PPP Loan	-	-	-
Current Portion of Long-Term Debt	105,925	-	105,925
Total current liabilities	1,895,149	-	1,895,149
Long-Term Liabilities			
Long-Term Debt - Less Current Portion	2,790,252	7,500,000	10,290,252
Construction Loan	246,766	-	246,766
Debt Issuance Costs, Net of Accumulated Amortization of \$60,499	(79,514)	(388,396)	(467,910)
Total Long-Term Liabilities	2,957,504	7,111,604	10,069,108
Total liabilities	4,852,653	7,111,604	11,964,257
Net Assets			
Net Assets Without Donor Restrictions/(Deficit)	9,805,606	(839,586)	8,966,020
Net Assets With Donor Restrictions	-	-	-
Total Net Assets	9,805,606	(839,586)	8,966,020
TOTAL LIABILITIES AND NET ASSETS	\$ 14,658,259	\$ 6,272,018	\$ 20,930,277

The accompanying notes to financial statements are an integral part of these financial statements

**DOWNTOWN RESCUE MISSION, INC. &
DOWNTOWN RESCUE MISSION TITLE HOLDING CORP.
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

<u>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</u>	Downtown Rescue Mission, Inc.	Downtown Rescue Mission Title Holding Corp.	Consolidated Total
SUPPORT AND REVENUE			
Donations and Grants	\$ 3,984,530	\$ -	\$ 3,984,530
Contributions In Kind - Misson	1,118,159	-	1,118,159
Thrift Store Proceeds	4,615,407	-	4,615,407
Charges To Residents	59,920	-	59,920
Projects and Other	2,629	-	2,629
Paycheck Protection Program Loan Forgiveness	659,860	-	659,860
Miscellaneous	0	-	-
Interest Income	934	-	934
Transfer of Assets from Downtown Rescue Mission Inc.	-	-	-
TOTAL SUPPORT AND REVENUE	10,441,439	-	10,441,439
 Release of Donor Restricted Assets, Expended	 -	 -	 -
Release of Donor Restricted Assets to Purchase Assets and Loan Costs	 -	 -	 -
 TOTAL SUPPORT, REVENUE & RELEASES	 10,441,439	 -	 10,441,439
FUNCTIONAL EXPENSES			
Program Services			
Food and Shelter Program	3,705,931	-	3,705,931
Thrift Store Program	4,088,878	-	4,088,878
Total program services	7,794,809	-	7,794,809
Support Services			
Fundraising	1,224,502	-	1,224,502
Administrative & General	356,305	-	356,305
Total Support Services	1,580,807	-	1,580,807
TOTAL EXPENSES	9,375,616	-	9,375,616
 INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	 1,065,823	 -	 1,065,823
<u>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS</u>			
DONOR RESTRICTED SUPPORT			
Donations	-	-	-
NET ASSETS RELEASED FROM DONOR RESTRICTIONS			
Release of Donor Restricted Assets, Satisfaction of Purpose	-	(27,870)	(27,870)
Release of Donor Restricted Assets, Depreciation & Amortization Expense	-	(186,449)	(186,449)
 INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	 -	 (214,319)	 (214,319)
INCREASE IN NET ASSETS	1,065,823	(214,319)	851,504
Net Assets, Beginning	8,739,783	(625,267)	8,114,516
NET ASSETS, ENDING	\$ 9,805,606	\$ (839,586)	\$ 8,966,020

The accompanying notes to financial statements are an integral part of these financial statements

DOWNTOWN RESCUE MISSION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Program Services			Support Services			Total All Expenses
	Food and Shelter Program	Thrift Store	Total	General and Administrative	Fund Raising	Total	
Advertising and Public Relations	\$ 0	\$ 66,971	\$ 66,971	\$ 0	\$ 8,037	\$ 8,037	\$ 75,008
Bank Fees & Service Charges	3,352	63,136	66,488	0	48,256	48,256	114,744
Board Expense	329	0	329	111	0	111	440
Building Rent	0	419,130	419,130	0	0	0	419,130
Depreciation	295,684	82,465	378,149	0	0	0	378,149
Dues and Memberships	26,621	0	26,621	1,936	2,660	4,596	31,217
Employee Benefits - Health Insurance	222,733	257,438	480,171	48,633	69,469	118,102	598,273
Employee Benefits - Workmen's Comp	31,890	10,292	42,182	1,170	850	2,020	44,202
Employee Relations	6,012	9,082	15,094	806	1,550	2,356	17,450
Equipment	89,198	80,836	170,034	23,599	71,938	95,537	265,571
Grant Writer	0	0	0	0	11,028	11,028	11,028
Hazard and Liability Insurance	129,556	48,378	177,934	6,148	5,793	11,941	189,875
Interest Expense and Amortization	56,830	26,228	83,058	76,818	0	76,818	159,876
Kitchen and Food Supplies	29,453	14,951	44,404	32	32	64	44,468
Licenses & Permits	619	4,831	5,450	14	28	42	5,492
Loss on Disposal of Assets	0	0	0	2,353	0	2,353	2,353
Maintenance, Building & Grounds	80,068	36,261	116,329	6,410	1,118	7,528	123,857
Miscellaneous Expense	2,562	3,147	5,709	0	5,450	5,450	11,159
Payroll Taxes	92,653	158,190	250,843	10,524	24,353	34,877	285,720
Postage	1,340	0	1,340	1,340	1,717	3,057	4,397
Printing and Reproduction	0	0	0	0	567,786	567,786	567,786
Professional Fees	0	450	450	7,745	8,434	16,179	16,629
Program Expenses	33,574	0	33,574	0	0	0	33,574
Purchases	799	263,815	264,614	0	143	143	264,757
Salaries	1,140,293	1,983,336	3,123,629	146,213	321,243	467,456	3,591,085
Special Events	2,384	0	2,384	24	45,366	45,390	47,774
Supplies	49,937	75,282	125,219	2,434	1,816	4,250	129,469
Telephone and Internet	36,952	99,282	136,234	6,973	15,375	22,348	158,582
Training and Conventions	16,027	1,644	17,671	1,345	963	2,308	19,979
Useage of Contributions In-Kind	1,110,159	0	1,110,159	0	0	0	1,110,159
Utilities	171,763	155,434	327,197	9,882	8,770	18,652	345,849
Vehicle Maintenance and Rental	48,736	111,059	159,795	332	864	1,196	160,991
Waste Disposal	26,407	117,240	143,647	1,463	1,463	2,926	146,573
TOTAL FUNCTIONAL EXPENSES	\$ 3,705,931	\$ 4,088,878	\$ 7,794,809	\$ 356,305	\$ 1,224,502	\$ 1,580,807	\$ 9,375,616

The accompanying notes are an integral part of these financial statements.

**DOWNTOWN RESCUE MISSION, INC. &
DOWNTOWN RESCUE MISSION TITLE HOLDING CORP.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021**

CASH FLOWS FROM OPERATING ACTIVITIES

Reconciliation of Change in Net Assets to Net Cash Provided (Used) by Operating Activities	Downtown Rescue Mission, Inc.	Downtown Rescue Mission Title Holding Corp.	Consolidated Total
Change in net assets	\$ 1,065,823	\$ (214,319)	\$ 851,504
Adjustment to reconcile net income to net cash provided (used) by operating activities:			
Depreciation	378,149	168,794	546,943
Amortization	2,567	17,655	20,222
Loss on disposal of asset	2,353	-	2,353
PPP loan forgiveness	(659,860)	-	(659,860)
Decrease (increase) in:			
Resident Savings	5,436	-	5,436
Accounts Receivable	26,461	-	26,461
Prepaid Expenses	87	-	87
Grants Receivable	-	-	-
Pledges Receivable	59,685	-	59,685
USBCDC Receivable	-	-	-
Inventory	266	-	266
Undeposited Funds	-	-	-
Increase (decrease) in:			
Accounts Payable	182,515	-	182,515
Net Deposits	-	-	-
Payroll Taxes Payable	8,049	-	8,049
Accrued Payroll	12,526	-	12,526
Accrued Vacation	(5,544)	-	(5,544)
Unearned Revenue	-	-	-
Accrued Interest	(812)	-	(812)
Net cash provided (used) by operating activities	<u>1,077,701</u>	<u>(27,870)</u>	<u>1,049,831</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Building and Construction	(1,177,219)	-	(1,177,219)
Net cash provided (used) by investing activities	<u>(1,177,219)</u>	<u>-</u>	<u>(1,177,219)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Mortgage Proceeds	2,979,000	-	2,979,000
Loan Cost Paid	(24,941)	-	(24,941)
Proceeds from PPP loan	-	-	-
Payments to Line of Credit	-	-	-
Construction Loan Proceeds	246,766	-	246,766
Mortgage Principal Payments	(3,016,568)	-	(3,016,568)
Net cash provided (used) by financing activities	<u>184,257</u>	<u>-</u>	<u>184,257</u>

Net increase/(decrease) in cash and cash equivalents

	<u>84,739</u>	<u>(27,870)</u>	<u>56,869</u>
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Cash and cash equivalents at beginning of the year

	<u>977,070</u>	<u>54,607</u>	<u>1,031,677</u>
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Cash and cash equivalents at end of the year

	<u>\$ 1,061,809</u>	<u>\$ 26,737</u>	<u>\$ 1,088,546</u>
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SUPPLEMENTAL DISCLOSURE

Cash paid for interest during the year	<u>\$ 160,688</u>
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NONCASH TRANSACTIONS

Contributed kitchen food, Thrift store items and miscellaneous ministry needs	<u>\$ 1,118,159</u>
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The accompanying notes are an integral part of these financial statements.

**DOWNTOWN RESCUE MISSION, INC. &
DOWNTOWN RESCUE MISSION TITLE HOLDING CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Downtown Rescue Mission, Inc. (the “Mission”) & Downtown Rescue Mission Title Holding Corp. (the “Corporation”) are presented for a fiscal period using the accrual method of accounting. The specific policies concerning depreciation, amortization, and other areas of accounting where there is a choice among acceptable accounting alternatives followed by the Mission and the method of applying those policies which affect the statements of financial position, activities and changes in net assets, cash flows, and functional expenses are discussed in footnotes following this one. The Principles of Consolidation are stated in Note 7.

Nature of the Mission

The Mission provides direct assistance to homeless persons in Huntsville in two forms. Physical assistance is provided in the form of food, clothing, shelter, and small cash stipends to needy persons. Spiritual assistance is provided in the form of religious services, work therapy, and moral support in the effort to resist substance abuse or otherwise change in a positive direction. It is the hope of the Mission that a human being’s physical needs can be met while that person rebuilds his confidence and ability to function autonomously in Mission at large. If that person lives at the Mission, he is called a “resident”.

The support for the Mission comes from donations (either in cash or in kind) from the citizens and businesses of Huntsville and various religious organizations. Non-cash items not used directly in the Mission’s activities are generally liquidated through a “thrift” store. “Work therapy” is the term used to refer to the temporary labor service provided by residents to businesses and others for a fee. Work therapy has produced revenue, a large portion of which is paid out to the resident performing the work. The function of work therapy is to reinforce the work ethic in persons who may be otherwise unemployable.

Basis of Accounting

The financial statements of the Mission have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. Under the provisions of the Audit and Accounting Guide for Not-for-Profit Organizations, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Mission and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Mission. The Mission’s board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Mission or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donated Equipment, Material, and Services

Substantial amounts of support in terms of goods are received from the community. Typically, these items are consumable. These items are reflected separately as increases to unrestricted donations and the appropriate program/line item expense category unless it is determined that the item should be capitalized.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Donated Equipment, Material, and Services (continued)

The value placed on these non-cash items for recording purposes on the books is as follows: If these goods are received from a business, they are recorded at the value the business would have charged a normal customer. These items are recorded upon receipt and expensed. These types of goods are normally foodstuffs. If the goods are received from an individual, they are typically placed in the Thrift store for liquidation. They may, however, be recycled into the hands of a qualified needy person at no charge. At this time, the goods are recorded at the price the Thrift store had placed on the item for sale to any other customer. These items are primarily clothing, appliances, and other household goods.

Unrecorded donations - A substantial number of volunteers have donated significant amounts of their time in the organization's program and support services. The value of this contributed time is not reflected in these statements since it is not susceptible to objective measurement or valuation. Contributions of items to be liquidated through the Thrift store are also not recorded until they are sold for the same reasons.

Support and Revenue Recognition

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09"). The Organization's revenue is largely grants and contributions. The adoption of ASU 2014-09 had no impact on revenue and support or net assets.

The Mission recognizes contributions as support and revenue when the pledged receivable is currently due. Unearned revenues are those revenues collected for specific events that have not occurred and prepaid expenses are expenditures for specific events that have not yet occurred. Contributions received are recorded as support with or without restrictions, depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction. All contributions are considered available for unrestricted use unless specially restricted by the donor or subject to other legal restrictions.

The Mission has elected to report donor-restricted contributions (including contributions of long-lived assets) whose restrictions are met in the same reporting period as support without restrictions.

Valuation of Thrift Store Inventory

Thrift store inventory is valued at the lower of cost (zero) or market (unknown). The typical inventory item is an item, which is no longer useful to its owner, and whose value is unknown until a buyer or beneficiary is found. New furniture items are purchased by the Mission at wholesale price and are sold in the thrift stores for a profit. The balance of this inventory at June 30, 2021 is \$44,336.

Cash and Cash Equivalents

Cash equivalents are defined as demand deposits or investments such as certificates of deposits, treasury bills, or money market accounts with an original maturity of three months or less.

Expenditures or receipts made on behalf of the Mission & Corporation by disbursing agents such as banks, attorneys, leasing companies, closing agents, and the like are considered to be cash transactions made by the Mission. Furthermore, consideration, which the Mission & Corporation are legally obligated to pay or receive, and which may, by mutual agreement, be satisfied by assets other than cash is considered to be a cash transaction.

Use of Estimates

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Functional Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and Payroll Taxes	Time and Effort
Office Expenses, Insurance, Printing, and Website	Square Footage
Depreciation and Donated Facilities	Square Footage
All Other	Time and effort

Property and Equipment

Property and equipment may include assets acquired by non-cancelable leases or by gift, in addition to those acquired by purchase. The Mission's policy is to capitalize items acquired for over \$5,000, projects improving assets that are identifiable costing > \$5,000, or under some circumstances management may choose to capitalize items under the \$5,000 threshold.

If acquired by gift and the value is greater than \$5,000, the equipment or property is recorded at appraised value as evidenced by a qualified appraisal. If less than \$5,000, the recorded value is estimated by management.

Property and equipment are stated at the recorded value, less accumulated depreciation. Leasehold improvements (if any) are stated at cost, less accumulated amortization. Depreciation and amortization are provided at rates intended to distribute the cost over their estimated useful life.

Expenditures for maintenance and repair are charged to operations as incurred; expenditures for renewals and betterments are capitalized and written off by depreciation and amortization charges. Property retired or sold is removed from the asset and related accumulated depreciation accounts and any resulting profit or loss is reflected in the statement of operations.

Depreciation expense for the period ended June 30, 2021 for the Mission was \$378,149. Depreciation expense for the period ended June 30, 2021 for the Downtown Rescue Mission Title Holding Corporation was \$168,795.

Amortizable Costs

Capitalized permanent loan discount expense is being amortized on a straight line basis over a period of twenty-nine years, the life of the mortgage.

Provisions for Income Tax

The Downtown Rescue Mission, Inc. operates as a nonprofit organization under the guidelines of Section 501c(3) of the Internal Revenue Code and as such, is exempt from federal and state income taxes. Tax years after June 30, 2017 remain subject to examination by taxing authorities.

Advertising

Advertising costs are expensed as incurred. Total advertising expense for period ended June 30, 2021 was \$75,008.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

NOTE 2 – LONG-TERM DEBT AND CONSTRUCTION LOAN

The Mission had outstanding debt at June 30, 2021 in various mortgages and notes payable to creditors:

On November 15, 2016, the DRM Title Holding Corporation entered into a loan for \$7,500,000 to finance the construction of a Women’s and Children Shelter as part of a new market tax credit. \$5,481,500 is a receivable for the mission. The new market tax credit requires the mission to be operating as a homeless rescue mission 7 years from the creation of the \$7,500,000 loan. The remaining \$2,018,500 will be recognized as revenue with donor restrictions after new market tax credit requirements are met.

On May 21, 2019, the mission entered into a loan with Synovus Bank for \$550,000 to finance the purchase of the Winchester store for a 4.85% fixed rate loan due May 21, 2024. The loan is payable in a monthly installment of principal and interest in the amount of \$4,327. This loan was paid off June 2021. The balance at June 30, 2021 is \$0.

On October 6, 2018, the mission entered into a line of credit agreement with Synovus Bank for a maximum of \$500,000 for a 3.75% rate. The loan is payable in a monthly installment of interest. The balance at June 30, 2021 is \$0. The entire \$500,000 is available at June 30, 2021.

On September 28, 2020, the mission entered into a loan agreement with Synovus Bank for \$2,979,000 to refinance a previous loan and the purchase of the Madison store’s land for a 3.75% fixed rate loan due September 28, 2027. The loan is payable in a monthly installment of principal and interest in the amount of \$17,746. The balance at June 30, 2021 is \$2,896,177.

On May 11, 2021, the mission entered into a loan agreement with Synovus Bank for \$2,477,651 to finance the construction of the Madison store for a 3.75% fixed rate loan due May 11, 2028. Interest only payments are to be made for the first 18 months of the loan. Beginning December 11, 2022, the mission will pay 65 monthly principal and interest payments in the amount of \$12,812. The balance at June 30, 2021 is \$246,766.

Long-term debt consists of:

	Balance June 30, 2021
New Market Tax Credit Due 11/15/23	7,500,000
Synovus Bank, 1.75% fixed, due 5/22/2027, mortgage	2,896,177
Synovus Bank, 3.75 fixed, due 5/11/28	246,766
Total Debt	10,642,943
Less: Current portion	(105,925)
Long-term debt	\$10,537,018

Maturities of long-term debt are as follows:

	Synovus Loan 1	Synovus Loan 2	New Market Tax Credit	Total
2022	\$105,925	0	0	\$105,925
2023	109,966	43,709	0	153,675
2024	114,162	63,556	0	177,718
2025	118,517	65,981	0	184,498
2026	123,039	68,498	0	191,537
Thereafter	2,324,568	5,022	7,500,000	9,829,590
Total Long term debt	\$2,896,177	\$246,766	\$7,500,000	\$10,642,943

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

NOTE 3 – THRIFT STORE REVENUE

The thrift stores are considered a program of the mission. The total revenue for thrift stores for the period were \$4,615,407 with expenditures of \$4,088,878.

NOTE 4 – COMMITMENTS AND CONTINGENCIES

The Mission & Corporation are a party to certain legal actions arising in the ordinary course of the business. In management’s opinion, the Mission & Corporation have adequate legal defenses and/or insurance coverage respecting each of these actions and does not believe that they will materially affect the Mission & Corporation’s operations or financial position.

NOTE 5 – OPERATING LEASE

An operating lease was entered into for the Huntsville-East store with a lease term ending December 31, 2020. Monthly rent payments were \$12,796. In January 2020, monthly rent payments decreased to \$11,006. The Huntsville-East store closed July 2020. Total lease payments in the current period ending June 30, 2021 are \$11,006.

An operating lease was entered into for the Albertville store with a lease term ending July 31, 2025 and with monthly rent payments of \$8,171. Total lease payments for the Albertville store for the period ended June 30, 2021 were \$96,123.

An operating lease was entered into for the Madison store with a lease term ending of February 28, 2022 and with monthly rent payments of 10,000. Total lease payments for the Madison store for the period ended June 30, 2021 were \$108,000.

An operating lease was entered into for the clothes sorting warehouse with a lease term ending December 31, 2025 and with monthly rent payments of \$3,500 for total lease payments for period ended June 30, 2021 of \$42,000.

Future Lease Payments are as follows:

Fiscal Year End	Huntsville- East	Albertville	Madison	Warehouse	Total
2022	\$162,000	\$98,055	\$79,000	\$42,000	\$381,055
2023	162,000	98,055	0	42,000	302,055
2024	162,000	98,055	0	42,000	302,055
2025	162,000	98,055	0	42,000	302,055
2026	171,720	8,171	0	21,000	200,891
Thereafter	635,040	0	0	0	635,040
Total	\$1,454,760	\$400,390	\$79,000	\$189,000	\$2,123,150

NOTE 6 – RESIDENT SAVINGS ACCOUNTS

The Mission maintains a savings account for program beneficiaries. These deposits are held for the individual discretion of the beneficiaries and a portion is held for the graduate ministry specifically. The balance of these accounts and the related liability are as follows:

	<u>June 30, 2021</u>
Graduate Ministry Funds	\$7,486
Resident Savings	<u>1,972</u>
Total	<u>\$9,458</u>
Deposits held for Residents	<u>\$(1,972)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

NOTE 7 – DRM TITLE HOLDING CORPORATION PRINCIPLES OF CONSOLIDATION

The financial statements are consolidated for Downtown Rescue Mission, Inc. and DRM Title Holding Corporation for 2021. Downtown Rescue Mission Inc. has significant influence over DRM Title Holding Corporation. The mission has the power to participate in the financial and operating policies of the Title Holding Corporation. The Mission has significant representation on the supervisory body of the Title Holding Corporation. For these reasons the financial statements were consolidated for these entities.

NOTE 8 – PROPERTY AND EQUIPMENT

The following schedule details the property and equipment for the Mission and Corporation.

Description	6/30/2020 Balance	Amortization Expense	Added Loan costs	6/30/2021 Balance
Loan Costs, net of amortization	\$ <u>463,191</u>	\$ <u>(20,221)</u>	\$ <u>(24,941)</u>	\$ <u>467,910</u>

	6/30/2020 Balance	Additions	Deletions	6/30/2021 Balance
Land & Buildings	\$ 17,238,801	\$ 1,001,359	\$ 0	\$ 18,240,160
Vehicles	130,314	145,501	0	275,815
Furniture & Equipment	498,350	30,360	(7,907)	520,803
Accumulated depreciation	<u>(4,194,344)</u>	<u>(546,944)</u>	<u>5,554</u>	<u>(4,735,734)</u>
Total	\$ <u>13,673,121</u>	\$ <u>630,276</u>	\$ <u>(2,353)</u>	\$ <u>14,301,044</u>

NOTE 9 – LIQUIDITY

The Mission’s financial assets available within one year of the balance sheet date for general expenditure are as follows:

Cash and cash equivalents	\$1,061,809
Accounts Receivable	0
Pledge Receivable	0
Prepaid Insurance	<u>5,393</u>
Total	\$1,067,202

The Mission’s financial assets have been reduced by amounts not available for general use because of donor imposed restrictions within one year of the balance sheet date.

As part of The Mission’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

NOTE 10 – PAYCHECK PROTECTION PROGRAM LOAN

On April 13, 2020 the Mission was granted a loan (the “Loan”) from Synovus Bank in the aggregate amount of \$659,860, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The loan matures on April 13, 2022 and bears interest at a rate of 1% per annum, payable monthly commencing on October 13, 2020. The loan may be prepaid by the Mission at any time prior to maturity with no prepayment penalties. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. Qualifying expenses include payroll costs, group health care benefit costs, mortgage payments, rent, utilities, and interest on other debt obligations. The Mission used the loan amount for qualifying expenses. The loan was forgiven May 24, 2021 and become a grant resulting in being reported as income in the current year. Any accrued interest has not been recorded and is immaterial.

NOTE 11– RISK AND UNCERTAINTY- COVID-19

The World Health Organization declared the COVID-19 outbreak a public health emergency on January 30, 2020. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen. Anticipating the impact of the pandemic will make budget preparation difficult. At this time, an estimate of the financial statement effect of the event cannot be made.

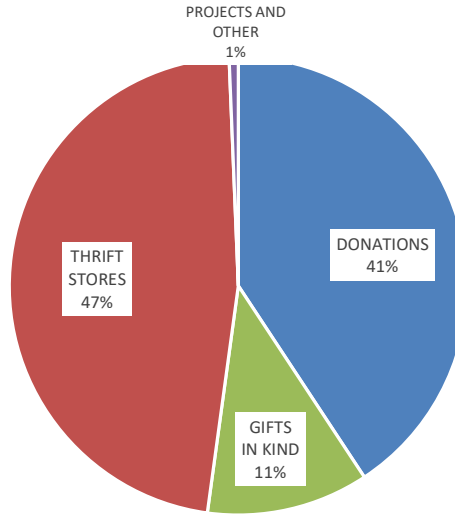
NOTE 12- SUBSEQUENT EVENTS

The date through which subsequent events have been evaluated is November 15, 2021. The consolidated financial statements were available to be issued at that time.

DOWNTOWN RESCUE MISSION, INC.
SUPPLEMENTAL CHART OF REVENUES & EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

Support & Revenues

Donations	\$ 3,984,530
Gifts in Kind	1,118,159
Thrift Stores	4,615,407
Projects and other	<u>63,483</u>
	<u>\$ 9,781,579</u>



Expenditures, Excluding Interest Expense

Food and Shelter	\$ 3,649,101
Programs	4,062,650
G & A	279,487
Fundraising	<u>1,224,502</u>
	<u>\$ 9,215,740</u>

