



**LONG BEACH RESCUE MISSION AND
LONG BEACH RESCUE MISSION FOUNDATION
COMBINED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2020**

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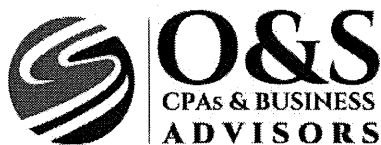
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Certified Public Accountants
5000 E. Spring Street Ste. 200
Long Beach, CA 90815
562.420.3100
www.oniskoschoiz.com
Info@oniskoschoiz.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Long Beach Rescue Mission &
Long Beach Rescue Mission Foundation

We have audited the accompanying combined financial statements of Long Beach Rescue Mission and Long Beach Rescue Mission Foundation (nonprofit organization), which comprise the combined statement of financial position as of June 30, 2020, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Long Beach Rescue Mission and Long Beach Rescue Mission Foundation as of June 30, 2020, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Onisko & Scholz, LLP

Long Beach, California
December 9, 2020

**LONG BEACH RESCUE MISSION AND
LONG BEACH RESCUE MISSION FOUNDATION
COMBINED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 902,862	\$ 46,944	\$ 949,806
Accounts receivable	30,413	-	30,413
Contributions receivable	-	9,150	9,150
Inventories	15,543	-	15,543
Prepaid expenses	20,731	-	20,731
Total Current Assets	<u>969,549</u>	<u>56,094</u>	<u>1,025,643</u>
Investments	<u>5,073,206</u>	<u>-</u>	<u>5,073,206</u>
Property and equipment, net	<u>4,905,706</u>	<u>-</u>	<u>4,905,706</u>
Other Assets			
Loan fees, net	4,216	-	4,216
Funds held for others	51,965	-	51,965
Total Other Assets	<u>56,181</u>	<u>-</u>	<u>56,181</u>
TOTAL ASSETS	<u><u>\$ 11,004,642</u></u>	<u><u>\$ 56,094</u></u>	<u><u>\$ 11,060,736</u></u>
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable	\$ 101,856	\$ -	\$ 101,856
Accrued liabilities	113,663	-	113,663
Current portion of note payable	8,268	-	8,268
Total Current Liabilities	<u>223,787</u>	<u>-</u>	<u>223,787</u>
PPP loan	264,643	-	264,643
Note payable, net of current portion	214,335	-	214,335
Total Long-Term Liabilities	<u>478,978</u>	<u>-</u>	<u>478,978</u>
Total Liabilities	<u>702,765</u>	<u>-</u>	<u>702,765</u>
Net Assets			
Without donor restrictions	10,301,877	-	10,301,877
With donor restrictions	-	56,094	56,094
Total Net Assets	<u>10,301,877</u>	<u>56,094</u>	<u>10,357,971</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 11,004,642</u></u>	<u><u>\$ 56,094</u></u>	<u><u>\$ 11,060,736</u></u>

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

**LONG BEACH RESCUE MISSION AND
LONG BEACH RESCUE MISSION FOUNDATION
COMBINED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 2,657,205	\$ 76,000	\$ 2,733,205
Estates and bequests	36,188	5,000	41,188
Private grants	77,500	-	77,500
In-kind contributions	1,011,985	-	1,011,985
Program service fees	172,894	-	172,894
Special events, net of direct cost	(10,414)	-	(10,414)
Investment income, net	98,093	-	98,093
Rental income	46,705	-	46,705
Thrift store sales	185,899	-	185,899
Other revenue	14,139	-	14,139
Net realized loss on investments	(61,780)	-	(61,780)
Net unrealized gain on investments	186,245	-	186,245
	<u>4,414,659</u>	<u>81,000</u>	<u>4,495,659</u>
Net assets released from restrictions	<u>391,979</u>	<u>(391,979)</u>	<u>-</u>
Total Support and Revenue	<u>4,806,638</u>	<u>(310,979)</u>	<u>4,495,659</u>
EXPENSES			
Program services	3,210,216	-	3,210,216
Management and general	427,088	-	427,088
Fundraising	844,685	-	844,685
Total Expenses	<u>4,481,989</u>	<u>-</u>	<u>4,481,989</u>
CHANGE IN NET ASSETS	<u>324,649</u>	<u>(310,979)</u>	<u>13,670</u>
NET ASSETS, BEGINNING OF YEAR	<u>9,977,228</u>	<u>367,073</u>	<u>10,344,301</u>
NET ASSETS, END OF YEAR	<u>\$ 10,301,877</u>	<u>\$ 56,094</u>	<u>\$ 10,357,971</u>

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

**LONG BEACH RESCUE MISSION AND
LONG BEACH RESCUE MISSION FOUNDATION
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020**

	Program Community Services	Supporting Services Management and General	Fundraising	TOTAL
Salaries and wages	\$ 987,455	\$ 247,202	\$ 102,135	\$ 1,336,792
Payroll taxes	80,136	26,827	3,768	110,731
Employee benefits	150,026	27,330	2,654	180,010
	<u>1,217,617</u>	<u>301,359</u>	<u>108,557</u>	<u>1,627,533</u>
Advertising and newsletter	4,748	-	464,172	468,920
Benevolence	28,216	-	-	28,216
Community development	8,128	-	-	8,128
Depreciation and amortization	170,337	14,809	-	185,146
Facility expense	220,653	4,862	40,392	265,907
Food supply and services	41,607	-	-	41,607
In-kind expense	1,011,985	-	-	1,011,985
Interest	-	12,264	-	12,264
Insurance	99,190	12,824	1,946	113,960
Miscellaneous	727	7,809	14,705	23,241
Office expense	19,594	-	-	19,594
Postage and delivery	19,205	-	157,355	176,560
Printing and reproduction	21,879	-	4,156	26,035
Professional development	20,859	-	-	20,859
Professional fees	52,312	44,300	78,005	174,617
Programs and case management	32,848	-	-	32,848
Taxes and licenses	47,281	14,136	-	61,417
Travel and meals	7,732	-	-	7,732
Utilities and telephone	137,635	14,725	2,835	155,195
Vehicle expense	47,663	-	-	47,663
	<u>3,210,216</u>	<u>427,088</u>	<u>872,123</u>	<u>4,509,427</u>
Total expenses				
Less expenses included with revenues on the combined statement of activities	<u>-</u>	<u>-</u>	<u>(27,438)</u>	<u>(27,438)</u>
Expenses included in the expense section of the combined statement of activities	<u>\$ 3,210,216</u>	<u>\$ 427,088</u>	<u>\$ 844,685</u>	<u>\$ 4,481,989</u>

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

**LONG BEACH RESCUE MISSION AND
LONG BEACH RESCUE MISSION FOUNDATION
COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Change in net assets	\$ 324,649	\$ (310,979)	\$ 13,670
Adjustments to reconcile change in net assets to net cash provided by operating activities			
Depreciation	184,903	-	184,903
Amortization	243	-	243
Net realized loss on investments	61,780	-	61,780
Net unrealized gain on investments	(186,245)	-	(186,245)
Changes in operating assets and liabilities:			
Accounts receivable	(20,464)	-	(20,464)
Contributions receivable	-	325,136	325,136
Inventories	(8,331)	-	(8,331)
Prepaid expenses	20,847	-	20,847
Funds held for others	(19,131)	-	(19,131)
Accounts payable	28,655	-	28,655
Accrued liabilities	21,309	-	21,309
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>408,215</u>	<u>14,157</u>	<u>422,372</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment	(128,195)	-	(128,195)
Proceeds from sale of investments	1,655,158	-	1,655,158
Purchases of investments	(1,632,197)	-	(1,632,197)
NET CASH USED BY INVESTING ACTIVITIES	<u>(105,234)</u>	<u>-</u>	<u>(105,234)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceed from PPP loan	264,643	-	264,643
Principal payments on note payable	(6,334)	-	(6,334)
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>258,309</u>	<u>-</u>	<u>258,309</u>
CHANGE IN CASH AND CASH EQUIVALENTS	561,290	14,157	575,447
CASH AND CASH EQUIVALENTS, beginning of year	<u>341,572</u>	<u>32,787</u>	<u>374,359</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 902,862</u></u>	<u><u>\$ 46,944</u></u>	<u><u>\$ 949,806</u></u>

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

**LONG BEACH RESCUE MISSION AND
LONG BEACH RESCUE MISSION FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Long Beach Rescue Mission ("LBRM", "Mission") was established in 1972 and provides food, clothing, shelter, and spiritual guidance to the homeless people of the community. Temporary housing is provided through facilities owned by the Mission, assisting people primarily in the Long Beach area. Residents are provided with counseling services and work therapy programs to help them obtain permanent housing, employment, financial assistance and to help with substance abuse. The Mission is primarily supported through public donations. The Mission also operates a Thrift Shop in facilities it owns.

The Long Beach Rescue Mission Foundation ("LBRMF", "Foundation") was created in 2000 to facilitate the Mission's investments and provide financial assistance to the Mission. The Foundation is directly funded and is a separate entity.

Principals of Combination

The combined financial statements include the accounts of the Long Beach Rescue Mission and the Long Beach Rescue Mission Foundation. Collectively the entities are referred to as "the Organization" or "the Organizations" throughout these notes. The Mission board of directors has a controlling interest in the Foundation board. Combined financial statements are presented because the entities are under common management and have similar operations. Management believes combined financial statements are more meaningful.

Basis of Accounting

The combined financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP") and follow the recommendations of the Accounting Standards Codification ("ASC") 958-205, Financial Statements of Not for Profit Organizations.

Financial Statement Presentation

GAAP requires that the Organization reports information about its financial position and activities in two classes of net assets: without donor restrictions and with donor restrictions. The net assets, revenues, gains, and losses therefore are classified based on the existence or absence of donor-imposed restrictions as follows:

Without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

With donor restrictions – Net assets subject to donor-imposed restrictions that may be temporary in nature and that may be or will be met by actions of the Organization or the passage of time. Other donor stipulations may be perpetual in nature, where the donor stipulates that the corpus be maintained intact in perpetuity. As the restrictions are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statement of activities as net assets released from restrictions.

**LONG BEACH RESCUE MISSION AND
LONG BEACH RESCUE MISSION FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

For purposes of the statement of financial position and the statement of cash flows, cash and cash equivalents consist of cash and other highly liquid resources, such as investments in certificates of deposit, repurchase agreements, and money market funds, with an original maturity of three months or less when purchased.

The Organization maintains a bank account for its program participants. These funds are not considered cash and cash equivalents and are reported with other asset on the statement of financial position.

Accounts Receivable

The accounts receivable consist primarily of rent due from leased properties and amounts due from the winter shelter contract, and are stated at the amounts that management expects to collect from outstanding balances. Management believes the accounts receivable as of June 30, 2020, are fully collectible and therefore, an allowance for doubtful accounts has not been recorded.

Contributions and Bequests Receivable and Promises to Give

The Organization has been named beneficiary of various estates. Bequests and contributions received under such estates are not recorded until the Organization has a legal right to such assets, the distribution of assets to the Organization is probable, and the amount of the distribution can be reasonably estimated. Unconditional promises to give are recorded at net present value. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Inventories

Inventories consist of gift cards, office supplies and soda machine inventory. Inventories are stated at the lower of cost or net realizable value determined by the first-in, first-out method.

No value is placed on Thrift Store inventory at the time of receipt because the Organization believes that the inventory of contributed goods and materials does not possess an attribute that is easily measurable or verifiable with sufficient reliability to determine an inventory value at the time of donation.

Property and Equipment

Property and equipment are stated at cost, if purchased or at fair value at the date of the gift, if donated and significant. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

The cost of property and equipment purchased in excess of \$1,000 is capitalized. Repairs, maintenance and minor acquisitions are expensed as incurred. Depreciation has been recorded using the straight-line method over the estimated useful life of the specific asset ranging from three to fifteen years for equipment, furniture and improvements, and forty years for buildings.

**LONG BEACH RESCUE MISSION AND
LONG BEACH RESCUE MISSION FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long Lived Assets

The Organization reviews long lived assets such as property and equipment to determine if there has been an impairment of value whenever events or changes occur that indicate the carrying value of the assets have declined and may not be recoverable. No circumstances have occurred during the year causing the Organization to believe there has been any impairment of the carrying value of its long-lived assets. There can be no assurance, however, that market or other conditions will not change in the future resulting in impairment of long lived assets.

Loan Fees

Loan cost of \$6,090, associated with note payable, is being amortized over the term of the loan using a straight-line method. Amortization expense was \$243 for the year ended June 30, 2020.

Revenue Recognition

The Organization recognizes revenue based on the existence or absence of an exchange transaction. The Organization recognizes revenue from exchange transaction when it satisfies a performance obligation by providing a service to a customer or by transferring control over a product to a customer.

Revenue from exchange transactions consist of the following:

Thrift store revenue – performance obligation for retail sale is typically satisfied when customer takes possession of the merchandise, usually at the point of sale. Revenue is recognized once performance obligations have been satisfied. Salvage sales revenue is recognized at the time goods are shipped to the customer.

Contracts for services – performance obligations for contracts for goods and services are typically satisfied when the customer takes possession of the goods or the services are performed. Revenue is recognized once the performance obligations have been satisfied.

Revenue from non-exchange transactions consist of the following:

Contributions of cash and promises to give – gifts received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor-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 restrictions. Contributions that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue and net assets without donor restriction. Conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

Revenue that has characteristics of both exchange and non-exchange transactions consist of the following:

Special event revenue – recognized equal to the cost of direct benefits to donors, and contribution revenue for the difference.

**LONG BEACH RESCUE MISSION AND
LONG BEACH RESCUE MISSION FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed Materials and Services

The Organization receives food donations from various businesses and individuals. Food donations have been recorded as in-kind income and expense based on the fair market value. During the year ended June 30, 2020, the Organization received food inventory with a fair value on the date of donation of \$606,068. No value has been recorded for the remaining food inventory, as the inventory would have no resale value.

The Organization receives periodic donations of materials and supplies from local vendors and from the community, which are recorded at estimated fair market value at the date of donation, if significant. Donated equipment or improvements are recorded at the estimated fair value at the date of donation. Donated stock is recorded at the underlying stock's fair market value at the date of the donation. During the year ended June 30, 2020, the Organization receive donations of various household goods valued at \$405,917.

A substantial number of volunteers have donated significant amounts of their time to the Organization and its programs. The donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

Advertising Costs

Advertising and marketing primarily consist of the Organization's newsletters and seasonal donation solicitations. The Organization expenses advertising production costs the first time the advertising occurs. Advertising expense for the year ended June 30, 2020 was \$468,920.

Income Taxes

The Organizations are exempt from federal and state income taxes related to revenue received in connection with exempt purposes under Section 501(c)(3) of the Internal Revenue Code ("IRC") and Section 23701(d) of the California Tax Code. The Organization qualifies for the charitable contribution deductions under Section 170(c)(2) of the IRC and is classified as an Organization that is not a private foundation under Section 509(a)(1). Income from certain activities not directly related to the Organization's tax-exempt purpose may be subject to taxation as unrelated business income. The Organization uses the same accounting methods for tax and financial reporting.

GAAP provides accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. The Organization evaluates uncertain tax positions whereby the effect of the uncertainty would be recorded if the tax positions will, more likely than not, be sustained upon examination. As of June 30, 2020, management does not believe the Organization has any uncertain tax positions requiring accrual or disclosure.

The Organization is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal and California state purposes is generally three and four years, respectively. There are no returns under examination as of June 30, 2020.

**LONG BEACH RESCUE MISSION AND
LONG BEACH RESCUE MISSION FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value of Financial Instruments

Financial assets and liabilities are recorded at their fair market value in accordance with ASC 820, *Fair Value Measurements*. This standard defines fair value and establishes a hierarchy for reporting the reliability of input measurements used to assess fair value for all assets and liabilities.

ASC 820 defines fair value as the selling price that would be received for an asset, or paid to transfer a liability, in the principal or most advantageous market on the measurement date. The hierarchy prioritizes fair value measurements based on the types of inputs used in the valuation technique. The inputs are categorized in the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly through corroboration with observable market data (market-corroborated inputs).
- Level 3 inputs are unobservable inputs for the asset or liability, that is, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risks) developed based on the best information available in each circumstance.

The Organization's financial instruments, including cash and cash equivalents, accounts receivable and accounts payable are carried at cost, which approximates fair value because of the short-term nature of these instruments. The reported amount of the note payable approximated fair value because of the market value interest rates the instruments bear.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual events and results could differ from those assumptions and estimates. The significant items in these statements that are affected by management estimates are depreciation and allocations of functional expenses.

Expense Allocation

Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service. Expenses that are associated with more than one program or supporting service are allocated based on an evaluation by the Organization's management. The expenses that are allocated are salaries, payroll taxes, professional fees, utilities, employee benefits, and insurance, which are allocated on the basis of estimates of time and effort.

**LONG BEACH RESCUE MISSION AND
LONG BEACH RESCUE MISSION FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (“ASU”) 2014-09, “Revenue from Contracts with Customers (Topic 606)”. This standard replaces nearly all existing U.S. GAAP guidance on revenue recognition. ASU 2014-09 requires entities to recognize revenue in a way that depicts the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. ASU 2014-09 is effective for non-public entities for fiscal years beginning after December 15, 2019, with early adoption permitted.

The Mission adopted this new standard effective July 1, 2019. The adoption of this ASU 2014-09 did not have a significant impact on the Organization’s financial statements. The majority of the Organization’s revenue arrangements generally consist of contributions of cash or goods. Based on the Mission’s evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption.

In February 2016, the FASB issued ASU 2016-02 “Leases (Topic 842)”, which sets out the principles for the recognition measurement, presentation, and disclosure of leases for both lessees and lessors. ASU 2016-02 requires lessees to recognize the following for all leases with terms longer than 12 months: (a) a lease liability, and (b) a right-of-use asset. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. Leases with a term of 12 months or less will be accounted for similarly to existing guidance for operating leases. ASU 2016-02 is effective for non-public entities for fiscal years beginning after December 15, 2021, with early adoption permitted. The Organization is evaluating the impact the pronouncement may have on the financial statements

In June 2018, The FASB issued ASU 2018-08 “Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made”. This update clarifies and improves current guidance about whether a transfer of assets is a contribution or an exchange transaction. The Mission adopted the standard effective July 1, 2019. The adoption of this accounting standard did not materially impact the Mission’s financial statements.

NOTE 2 – CONTRIBUTIONS RECEIVABLE

Contributions receivable as of June 30, 2020 consisted of outstanding bequests receivable and are due in less than one year.

**LONG BEACH RESCUE MISSION AND
LONG BEACH RESCUE MISSION FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 – INVESTMENTS

An analysis of the investments held as of June 30, 2019 is as follows:

	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Gain</u>
Equities	\$ 3,021,766	\$ 2,246,000	\$ 775,766
Fixed income	1,521,626	1,460,216	61,410
Real assets	416,199	387,918	28,281
Agency fund at LBCF	113,615	106,701	6,914
	<u>\$ 5,073,206</u>	<u>\$ 4,200,835</u>	<u>\$ 872,371</u>

The Organization has contributed \$100,000 to the Long Beach Community Foundation (“LBCF”) in order to establish a quasi-endowment agency fund. This fund is administered by the LBCF for the benefit of the Organization. A portion of the fund’s earnings is made available for distribution to the Organization periodically.

The following schedule summarizes the investment return for the year ended June 30, 2020:

	<u>Without Donor Restrictions</u>
Interest and dividends	\$ 148,698
Management fees	(50,605)
Investment income, net	98,093
Realized loss	(61,780)
Unrealized gain	186,245
Total investment return	<u>\$ 222,558</u>

The scheduled maturities for government and corporate bonds are as follows at June 30, 2020:

	<u>Par Value</u>	<u>Fair Value</u>
1 – 5 years	\$ 458,200	\$ 482,206
10 – 15 years	30,000	35,492
	<u>\$ 488,200</u>	<u>\$ 517,698</u>

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Investments are managed by professional investment managers who have responsibility for investing the funds in various investment classes. Due to the level of risk associated with certain securities, it is at least reasonably possible that changes in the near term could materially affect account balances and the amounts reported in the accompanying financial statements.

**LONG BEACH RESCUE MISSION AND
LONG BEACH RESCUE MISSION FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2020, is summarized as follows:

Land	\$3,252,174
Land improvements	31,309
Buildings and improvements	4,454,013
Construction in progress	20,079
Furniture, fixtures, and equipment	857,720
Vehicles	173,855
	<hr/> 8,789,150
Less accumulated depreciation	(3,883,444)
	<hr/> <u>\$ 4,905,706</u>

Construction in progress relates to the design work on a new facade for the Lydia House. Depreciation expense for the year ended June 30, 2020 was \$184,903.

NOTE 5 – ACCRUED LIABILITIES

Accrued liabilities as of June 30, 2020 consisted of the following:

Accrued compensated absences	\$ 100,419
Accrued expenses	11,963
Sales tax payable	1,281
	<hr/> \$ 113,663

NOTE 6 – COMPENSATED ABSENCES

It is the Organization's policy to accrue vacation pay for its employees. Staff may accrue up to a maximum of 360 unused hours, based on years of service, which may be paid out at the end of their employment period. The liability for such absences is included in accrued liabilities on the combined statement of financial position. Employees are also granted sick pay, which is not an earned benefit. No payment of unused sick leave will be made upon termination of employment and, therefore, no liability for accrued sick leave is included in combined financial statements.

NOTE 7 – EMPLOYEE BENEFIT PLANS

The Organization has a tax deferred retirement plan under Internal Revenue Code Section 401(k), in which all eligible employees may participate. The employer makes a 3% match contribution to the plan on behalf of eligible employees. For the year ended June 30, 2020, matching contributions were \$21,283.

The Organization has an Employer Profit Sharing Plan in which all eligible employees receive a contribution based on approval and discretion from the Board. The allocations calculated on calendar year basis. The Board elected not to contribute for the year ended June 30, 2020.

**LONG BEACH RESCUE MISSION AND
LONG BEACH RESCUE MISSION FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 8 – PPP LOAN

On March 11, 2020 the World Health Organization declared the novel strain of coronavirus (“COVID-19”) a global pandemic and recommended containment and mitigation measures worldwide. The Paycheck Protection Program (“PPP”), established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses to help mitigate COVID related risks and support ongoing operations. On April 30, 2020, the Mission received PPP loan proceeds in the amount of \$264,643. The loan and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, employee benefits, rent and utilities, and maintains its payroll levels. The Mission currently believes that its use of the loan proceeds through the issuance date of these financial statements has been in compliance with the conditions for forgiveness. Any unforgiven portion of the PPP loan would be payable over two years at an interest rate of 1%, with a deferral of payments for the first ten months. Due to uncertainty of forgiveness and repayment terms, PPP loan is reported as long-term liability on the combined statement of financial position.

NOTE 9 –NOTE PAYABLE

Note payable to Banc of California, bearing interest at 5.336%, payable in monthly installments of \$1,550, principal and interest, maturing November, 2037, secured by a Deed of Trust on real property and land located at 219 Anaheim St, Long Beach, California.	\$ 222,603
Less portion considered current	<u>(8,268)</u>
Long-term portion	<u>\$ 214,335</u>

Maturities of note payable for the next five years are as follows:

Year Ended June 30,	Amount
2021	\$ 8,268
2022	8,670
2023	9,090
2024	9,532
2025	9,995
Thereafter	<u>177,048</u>
	<u>\$ 222,603</u>

The interest paid on the note for the year ended of June 30, 2020 was \$12,264.

Loan covenants require the Organization to maintain a minimum net worth of \$4,600,000 and a minimum debt coverage ratio of 1.25.

**LONG BEACH RESCUE MISSION AND
LONG BEACH RESCUE MISSION FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 10 – NET ASSETS

Net assets with donors' temporary restrictions at June 30, 2020 are available for the following purposes:

Restricted until collected and available for use	\$ 9,150
Recreation day for women	4,642
COVID-19 for Lydia house	5,000
COVID-19 support	17,100
SCE Classes at Lydia house	2,977
Thrift store security cameras	3,417
Back to society	8,808
Holiday meals	5,000
Total	<u>\$ 56,094</u>

NOTE 11 – SPECIAL EVENTS

Revenue generated from special events for the year ended June 30, 2020 is summarized as follows:

	<u>LB Prayer Breakfast</u>
Ticket sales for event	\$ 16,924
Less: costs of direct benefit to donors	<u>(27,438)</u>
	(10,514)
Contributions received	<u>100</u>
	<u>\$ (10,414)</u>

NOTE 12 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's primary sources of support are contributions from general public and investment income. The Organization manages its liquidity and reserves using the following principles: operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

**LONG BEACH RESCUE MISSION AND
LONG BEACH RESCUE MISSION FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 12 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (continued)

The following represents financial assets that could readily be made available within one year at June 30, 2020 for general expenditures:

Financial assets:	
Cash and cash equivalents	\$ 949,806
Accounts receivable	30,413
Contributions receivable	9,150
Investments	5,073,206
Total financial assets at year-end	6,062,575
Less those unavailable for general expenditures within one year, due to:	
Purpose restriction	(56,094)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 6,006,481</u>

In addition to financial assets available to meet general expenditures over the year, the Organization operates with a balanced budget and anticipates covering its general expenditures by collection of sufficient donations. The Organization reviews its cash position on a regular basis to ensure adequate funds are on hand to meet expenses.

NOTE 13 – CONCENTRATIONS AND CREDIT RISK

Cash

The Organizations maintain cash balances in a financial institution, as well as in money market investments. The balances at the financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. In addition, securities and cash in investment accounts are protected by Securities Investor Protection Corporation (SIPC). SIPC protects the clients against the loss of their securities up to a maximum of \$500,000, including \$250,000 for claims for cash. At various times during the year ended June 30, 2020, there were balances in the financial institutions that were over the FDIC limit. At June 30, 2020, the Organization had uninsured cash balances of \$411,419.

NOTE 14 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

During the year ended June 30, 2020, the Organization paid \$ 12,264 in interest and \$6,142 in income taxes.

**LONG BEACH RESCUE MISSION AND
LONG BEACH RESCUE MISSION FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 15 – FAIR VALUE MEASUREMENTS

Fair values of assets measured at June 30, 2020 are as follows:

	Level 1	Level 2	Level 3	Total
<u>Measured on a Recurring Basis:</u>				
Stocks, options, ETFs, equity funds	\$ 3,021,766	\$ -	\$ -	\$ 3,021,766
Government obligations	146,904	-	-	146,904
Corporate Bonds	-	370,794	-	370,794
Fixed income mutual funds	1,003,928	-	-	1,003,928
Real assets	308,396	107,803	-	416,199
Agency fund at Community Foundation	-	-	113,615	113,615
Total	<u>\$ 4,480,994</u>	<u>\$ 478,597</u>	<u>\$ 113,615</u>	<u>\$ 5,073,206</u>
<u>Measured on a Nonrecurring Basis:</u>				
Contributions and bequests receivable		\$ -	\$ 9,150	\$ 9,150
Non-cash contributions		<u>1,011,985</u>	<u>-</u>	<u>1,011,985</u>
Total		<u>\$ 1,011,985</u>	<u>\$ 9,150</u>	<u>\$ 1,021,135</u>

Equities are measured at fair value using quoted market prices. They are classified as Level 1, as they are traded in active markets for which closing stock prices are readily available.

U.S. Treasures, Mutual funds and Real Assets fund investments are classified as Level 1, as they are listed in over-the-counter markets for which quoted market prices are available from sources such as financial publications.

Corporate bonds and Real Estate Investment Trusts are classified in Level 2 category, as they are valued using significant other observable input, particularly dealer market prices for comparable investment as of the valuation date.

Alternative investments are classified as Level 3, as they are illiquid and may not be valued daily. The fair value of those investments has been estimated using net asset value per share or its equivalents. The valuation is provided as of the most recent date available.

The investments held by Long Beach Community Foundation are valued using Level 3 measurements. Fair value measurements are based on the fair value of the underlying assets, as reported by the fund manager.

The fair value of contributed material, supplies and services has been measured on a non-recurring basis using quoted prices for similar assets (Level 2 inputs).

The fair value of contributions receivable is measured on a nonrecurring basis using an income approach with estimates of future cash flows (Level 3 inputs).

**LONG BEACH RESCUE MISSION AND
LONG BEACH RESCUE MISSION FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 15 – FAIR VALUE MEASUREMENTS (continued)

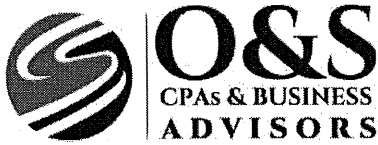
The following summarizes the changes in fair value measurements using significant unobservable inputs (Level 3) for the year ended June 30, 2020:

Balance, June 30, 2019	\$ 271,202
Sale of alternative investments	(164,327)
Investment income, gains and losses	<u>6,740</u>
Balance, June 30, 2020	<u>\$ 113,615</u>

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 9, 2020, the date the financial statements were available to be issued.

ADDITIONAL INFORMATION



Certified Public Accountants
5000 E. Spring Street Ste. 200
Long Beach, CA 90815
562.420.3100
www.oniskoscholz.com
Info@oniskoscholz.com

INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

To the Board of Directors of
Long Beach Rescue Mission and
Long Beach Rescue Mission Foundation

We have audited the combined financial statements of Long Beach Rescue Mission and Long Beach Rescue Mission Foundation as of and for the year ended June 30, 2020, and have issued our report thereon dated December 9, 2020, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the combined financial statements as a whole.

The combining information in schedules I, II, III and IV is presented for the purposes of additional analysis and is not a required part of the 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Onisko & Scholz, LLP

Long Beach, California
December 9, 2020

ASSETS	LBRM		LBRMF		Total	ELIMINATIONS	COMBINED TOTALS
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions			
Current Assets							
Cash and cash equivalents	\$ 504,710	\$ 46,944	\$ 398,152	\$ -	\$ 398,152	\$ -	\$ 949,806
Accounts receivable	30,413	-	-	-	-	-	30,413
Contributions receivable	-	-	-	9,150	9,150	-	9,150
Inventories	15,543	-	-	-	-	-	15,543
Prepaid expenses	18,587	-	2,144	-	2,144	-	20,731
Total Current Assets	569,253	46,944	400,296	9,150	409,446	-	1,025,643
Investments	-	-	5,073,206	-	5,073,206	-	5,073,206
Property and equipment, net	4,905,706.00	-	-	-	-	-	4,905,706
Other Assets							
Loan fees, net	4,216	-	-	-	-	-	4,216
Funds held for others	51,965	-	-	-	-	-	51,965
Total Other Assets	56,181	-	-	-	-	-	56,181
TOTAL ASSETS	\$ 5,531,140	\$ 46,944	\$ 5,473,502	\$ 9,150	\$ 5,482,652	\$ -	\$ 11,060,736
LIABILITIES AND NET ASSETS							
Current Liabilities							
Accounts payable	\$ 101,856	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 101,856
Accrued liabilities	113,588	-	75	-	75	-	113,663
Current portion of note payable	8,268	-	-	-	-	-	8,268
Total Current Liabilities	223,712	-	75	-	75	-	223,787
PPP loan	264,643	-	-	-	-	-	264,643
Note payable, net of current portion	214,335	-	-	-	-	-	214,335
Total Long-Term Debt	478,978	-	-	-	-	-	478,978
Total Liabilities	702,690	-	75	-	75	-	702,765
Net Assets							
Without donor restrictions	4,828,450	-	5,473,427	-	5,473,427	-	10,301,877
With donor restrictions	-	46,944	-	9,150	9,150	-	56,094
Total Net Assets	4,828,450	46,944	5,473,427	9,150	5,482,577	-	10,357,971
TOTAL LIABILITIES AND NET ASSETS	\$ 5,531,140	\$ 46,944	\$ 5,473,502	\$ 9,150	\$ 5,482,652	\$ -	\$ 11,060,736

**LONG BEACH RESCUE MISSION AND
LONG BEACH RESCUE MISSION FOUNDATION
SCHEDULE II - COMBINING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

	LBRM		LBRMF		Eliminations	COMBINED TOTALS
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Contributions	\$ 2,655,925	\$ 76,000	\$ 2,731,925	\$ 1,280	\$ -	\$ 1,280
Estates and bequests	-	-	-	36,188	-	41,188
Private grants	412,956	-	412,956	-	-	-
In-kind contributions	1,011,985	-	1,011,985	-	(335,456)	676,529
Program service fees	172,894	-	172,894	-	-	172,894
Special events, net	(10,414)	-	(10,414)	-	-	(10,414)
Investment income, net	125	-	125	97,968	-	98,093
Rental income	46,705	-	46,705	-	-	46,705
Thrift store sales	185,899	-	185,899	-	-	185,899
Other revenue	14,139	-	14,139	-	-	14,139
Net realized loss on investments	-	-	-	(61,780)	-	(61,780)
Net unrealized gain on investments	4,490,214	-	4,490,214	186,245	-	186,245
				259,901	-	259,901
					5,000	5,000
					(286,136)	(286,136)
Net assets released from restrictions	105,843	(105,843)	-	286,136	-	286,136
					(281,136)	(281,136)
Total Support and Revenue	4,596,057	(29,843)	4,566,214	546,037	-	546,037
EXPENSES						
Program services	3,210,216	-	3,210,216	335,456	-	335,456
Management and general	418,891	-	418,891	8,197	-	8,197
Fund-raising	844,685	-	844,685	-	-	-
					-	-
Total Expenses	4,473,792	-	4,473,792	343,653	-	343,653
CHANGE IN NET ASSETS	122,265	(29,843)	92,422	202,384	(281,136)	(78,752)
NET ASSETS, BEGINNING OF YEAR	4,706,185	76,787	4,782,972	5,271,043	290,286	5,561,329
NET ASSETS, END OF YEAR	\$ 4,828,450	\$ 46,944	\$ 4,875,394	\$ 5,473,427	\$ 9,150	\$ 5,482,577
						\$ 10,357,971

LONG BEACH RESCUE MISSION AND

	LBRM			LBRMF			COMBINED TOTALS
	Program Services	Management and General	Fundraising	Program Services	Management and General	Eliminations	
Salaries and wages	\$ 987,455	\$ 247,202	\$ 102,135	\$ -	\$ -	\$ -	\$ 1,336,792
Payroll taxes	80,136	26,827	3,768	-	-	-	110,731
Employee benefits	150,026	27,330	2,654	-	-	-	180,010
	1,217,617	301,359	108,557	-	-	-	1,627,533
Advertising and newsletter	4,748	-	464,172	-	-	-	468,920
Benevolence	28,216	-	-	-	-	-	28,216
Contributions and grants	-	-	-	335,456	-	(335,456)	-
Community development	8,128	-	-	-	-	-	8,128
Depreciation and amortization	170,337	14,809	-	-	-	-	185,146
Facility expense	220,653	4,787	40,392	-	75	-	265,907
Food supply and services	41,607	-	-	-	-	-	41,607
In-kind expense	1,011,985	-	-	-	-	-	1,011,985
Interest	-	12,264	-	-	-	-	12,264
Insurance	99,190	9,169	1,946	-	3,655	-	113,960
Miscellaneous	727	5,635	14,705	-	2,174	-	23,241
Office expense	19,594	-	-	-	-	-	19,594
Postage and delivery	19,205	-	157,355	-	-	-	176,560
Printing and reproduction	21,879	-	4,156	-	-	-	26,035
Professional development	20,859	-	-	-	-	-	20,859
Professional fees	52,312	42,007	78,005	-	2,293	-	174,617
Programs and case management	32,848	-	-	-	-	-	32,848
Taxes and licenses	47,281	14,136	-	-	-	-	61,417
Travel and meals	7,732	-	-	-	-	-	7,732
Utilities and telephone	137,635	14,725	2,835	-	-	-	155,195
Vehicle expense	47,663	-	-	-	-	-	47,663
Total expenses	3,210,216	418,891	872,123	335,456	8,197	(335,456)	4,509,427
Less expenses included with revenues on the combined statement of activities	-	-	(27,438)	-	-	-	(27,438)
Total expenses included in the expense section of the combined statement of activities	\$ 3,210,216	\$ 418,891	\$ 844,685	\$ 335,456	\$ 8,197	\$ (335,456)	\$ 4,481,989

**LONG BEACH RESCUE MISSION AND
LONG BEACH RESCUE MISSION FOUNDATION
SCHEDULE IV - COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020**

	LBRM		LBRMF		COMBINED	
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Change in net assets	\$ 122,265	\$ (29,843)	\$ 92,422	\$ 202,384	\$ (281,136)	\$ (78,752)
Adjustments to reconcile changes in net assets to net cash provided by operating activities						
Depreciation	184,903	-	184,903	-	-	-
Amortization of loan fees	243	-	243	-	-	-
Net realized loss on investments	-	-	-	61,780	-	61,780
Net unrealized gain on investments	-	-	-	(186,245)	-	(186,245)
Changes in operating assets and liabilities:						
Accounts receivable	(382)	-	(382)	-	-	(20,082)
Contributions receivable	-	44,000	44,000	-	281,136	281,136
Inventories	(8,331)	-	(8,331)	-	-	(8,331)
Prepaid expenses and deposits	19,532	-	19,532	1,315	-	1,315
Funds held for others	(19,131)	-	(19,131)	-	-	-
Accounts payable	28,655	-	28,655	(20,082)	-	(20,082)
Accrued liabilities	21,234	-	21,234	75	-	75
NET CASH PROVIDED BY OPERATING ACTIVITIES:	348,988	14,157	363,145	59,227	-	422,372
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchases of property and equipment	(128,195)	-	(128,195)	-	-	-
Proceeds from sale of investments	-	-	-	1,655,158	-	1,655,158
Purchases of investments	-	-	-	(1,632,197)	-	(1,632,197)
NET CASH USED BY INVESTING ACTIVITIES:	(128,195)	-	(128,195)	22,961	-	(105,234)
CASH FLOWS FROM FINANCING ACTIVITIES:						
Proceed from PPP Loan	264,643	-	264,643	-	-	-
Principal payments on note payable	(6,334)	-	(6,334)	-	-	-
NET CASH PROVIDED BY FINANCING ACTIVITIES:	258,309	-	258,309	-	-	258,309
CHANGE IN CASH AND CASH EQUIVALENTS:	479,102	14,157	493,259	82,188	-	575,447
CASH AND CASH EQUIVALENTS, beginning of year	25,608	32,787	58,395	315,964	-	374,359
CASH AND CASH EQUIVALENTS, end of year	\$ 504,710	\$ 46,944	\$ 551,654	\$ 398,152	\$ -	\$ 949,806