



Financial Statements
Years Ended
September 30, 2011
and 2010



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Independent Auditors' Report

To the Board of Directors of
Portland Rescue Mission

We have audited the accompanying statements of financial position of the Portland Rescue Mission (a nonprofit organization) (the Mission) as of September 30, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Mission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Mission's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Mission as of September 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Delap LLP

November 8, 2011

Portland Rescue Mission
Statements of Financial Position
September 30, 2011 and 2010

	2011	2010
Assets		
Cash and cash equivalents	\$ 270,217	\$ 366,985
Investments	1,993,997	1,624,640
Accounts receivable - net	1,649	7,596
Inventories	131,197	107,486
Prepaid expenses and deposits	292,415	170,586
Charitable remainder unitrust	317,989	338,822
Property and equipment - net	6,656,550	6,753,655
Total Assets	\$ 9,664,014	\$ 9,369,770
 Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 159,658	\$ 119,563
Accrued liabilities and wages	274,049	232,651
Capital lease obligation	61,799	-
Gift annuities payable	52,856	55,445
Total liabilities	548,362	407,659
Net assets		
Unrestricted	8,738,203	8,536,705
Temporarily restricted	377,449	425,406
Total net assets	9,115,652	8,962,111
Total Liabilities and Net Assets	\$ 9,664,014	\$ 9,369,770

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

Portland Rescue Mission

Statement of Activities

Year Ended September 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support and other revenue			
Public support			
General contributions	\$ 4,821,269	\$ 521,114	\$ 5,342,383
In-kind contributions - materials and services	2,391,505	-	2,391,505
In-kind contributions - vehicles	1,126,011	-	1,126,011
Sales of donated vehicles	1,329,369	-	1,329,369
Less other cost of sales	<u>(1,329,369)</u>	<u>-</u>	<u>(1,329,369)</u>
Total public support	8,338,785	521,114	8,859,899
Other income - net	131,033	-	131,033
Investment loss - net	(35,932)	-	(35,932)
Net assets released from restrictions	<u>569,071</u>	<u>(569,071)</u>	<u>-</u>
Total public support and other revenue	<u>9,002,957</u>	<u>(47,957)</u>	<u>8,955,000</u>
Expenses			
Program services	<u>6,472,650</u>	<u>-</u>	<u>6,472,650</u>
Supporting services			
Management and general	797,926	-	797,926
Fundraising	<u>1,530,883</u>	<u>-</u>	<u>1,530,883</u>
Total supporting services	<u>2,328,809</u>	<u>-</u>	<u>2,328,809</u>
Total expenses	<u>8,801,459</u>	<u>-</u>	<u>8,801,459</u>
Change in Net Assets	201,498	(47,957)	153,541
Net assets - beginning of year	<u>8,536,705</u>	<u>425,406</u>	<u>8,962,111</u>
Net Assets - End of Year	<u>\$ 8,738,203</u>	<u>\$ 377,449</u>	<u>\$ 9,115,652</u>

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

Portland Rescue Mission

Statement of Activities

Year Ended September 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support and other revenue			
Public support			
General contributions	\$ 4,767,285	\$ 559,741	\$ 5,327,026
In-kind contributions - materials and services	2,962,875	-	2,962,875
In-kind contributions - vehicles	1,054,192	-	1,054,192
Sales of donated vehicles	1,383,419	-	1,383,419
Less other cost of sales	<u>(1,383,419)</u>	<u>-</u>	<u>(1,383,419)</u>
Total public support	8,784,352	559,741	9,344,093
Other losses - net	(44,572)	-	(44,572)
Investment income - net	149,808	-	149,808
Net assets released from restrictions	<u>538,297</u>	<u>(538,297)</u>	<u>-</u>
Total public support and other revenue	<u>9,427,885</u>	<u>21,444</u>	<u>9,449,329</u>
Expenses			
Program services	<u>7,228,417</u>	<u>-</u>	<u>7,228,417</u>
Supporting services			
Management and general	970,500	-	970,500
Fundraising	<u>1,578,607</u>	<u>-</u>	<u>1,578,607</u>
Total supporting services	<u>2,549,107</u>	<u>-</u>	<u>2,549,107</u>
Total expenses	<u>9,777,524</u>	<u>-</u>	<u>9,777,524</u>
Change in Net Assets	(349,639)	21,444	(328,195)
Net assets - beginning of year	<u>8,886,344</u>	<u>403,962</u>	<u>9,290,306</u>
Net Assets - End of Year	<u>\$ 8,536,705</u>	<u>\$ 425,406</u>	<u>\$ 8,962,111</u>

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

Portland Rescue Mission
Statement of Functional Expenses
Year Ended September 30, 2011

	<u>Supporting Services</u>			<u>Total Supporting Services</u>	<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>		
Salaries and wages	\$ 2,154,995	\$ 263,064	\$ 380,081	\$ 643,145	\$ 2,798,140
Employee benefits and payroll taxes	574,074	58,474	94,850	153,324	727,398
Donor-volunteer solicitation	162,970	3,578	442,326	445,904	608,874
Design, production, and printing	17,960	9,620	250,808	260,428	278,388
Conferences, meetings, and training	29,347	18,123	6,966	25,089	54,436
Depreciation and amortization	255,473	34,177	1,251	35,428	290,901
Cost of donated vehicles	1,329,369	-	-	-	1,329,369
In-kind food, clothing, supplies, materials, and services	2,391,505	-	-	-	2,391,505
Insurance	32,074	54,100	-	54,100	86,174
Interest expense	-	4,646	-	4,646	4,646
Occupancy	422,713	129,367	-	129,367	552,080
Postage and shipping	4,815	40,968	120,512	161,480	166,295
Professional fees	33,601	111,863	208,945	320,808	354,409
Client services and supplies	180,525	-	-	-	180,525
Equipment rental and maintenance	47,782	3,050	6,643	9,693	57,475
Supplies for operations	71,345	33,608	12,956	46,564	117,909
Telephone	15,201	31,018	815	31,833	47,034
Transportation	78,270	2,270	4,730	7,000	85,270
Total expenses by function	7,802,019	797,926	1,530,883	2,328,809	10,130,828
Less expenses included with related revenues in the statement of activities	(1,329,369)	-	-	-	(1,329,369)
Total	\$ 6,472,650	\$ 797,926	\$ 1,530,883	\$ 2,328,809	\$ 8,801,459

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

Portland Rescue Mission
Statement of Functional Expenses
Year Ended September 30, 2010

	<u>Supporting Services</u>			<u>Total Supporting Services</u>	<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>		
Salaries and wages	\$ 2,147,383	\$ 260,808	\$ 311,301	\$ 572,109	\$ 2,719,492
Employee benefits and payroll taxes	587,281	59,935	71,738	131,673	718,954
Donor-volunteer solicitation	233,588	3,813	421,951	425,764	659,352
Design, production, and printing	4,291	8,574	277,702	286,276	290,567
Conferences, meetings, and training	43,567	6,430	2,934	9,364	52,931
Depreciation and amortization	236,470	24,621	956	25,577	262,047
Cost of donated vehicles	1,383,419	-	-	-	1,383,419
In-kind food, clothing, supplies, materials, and services	2,923,163	36,289	3,423	39,712	2,962,875
Insurance	75,050	11,324	-	11,324	86,374
Occupancy	425,795	166,994	1,217	168,211	594,006
Postage and shipping	3,227	5,323	163,841	169,164	172,391
Professional fees	20,142	288,826	291,341	580,167	600,309
Client services and supplies	173,872	70	-	70	173,942
Equipment rental and maintenance	73,998	26,098	7,813	33,911	107,909
Supplies for operations	163,647	52,188	19,263	71,451	235,098
Telephone	44,309	14,111	853	14,964	59,273
Transportation	72,634	5,096	4,274	9,370	82,004
Total expenses by function	8,611,836	970,500	1,578,607	2,549,107	11,160,943
Less expenses included with related revenues in the statement of activities	(1,383,419)	-	-	-	(1,383,419)
Total	\$ 7,228,417	\$ 970,500	\$ 1,578,607	\$ 2,549,107	\$ 9,777,524

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

Portland Rescue Mission
Statements of Cash Flows
Years Ended September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 153,541	\$ (328,195)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Provision for doubtful accounts	(84)	(9,316)
Depreciation and amortization	290,901	262,047
(Gain) loss on investments	62,520	(80,604)
Present value adjustment of charitable remainder unitrust	20,833	(13,421)
Present value adjustment to gift annuities payable	11,041	(11,243)
Donated investments	(7,239)	(8,147)
Loss on disposal of fixed assets	2,232	226,601
Change in assets and liabilities		
Accounts receivable	6,031	48,547
Inventories	(23,711)	63,226
Prepaid expenses and deposits	(121,829)	43,186
Accounts payable	40,095	13,561
Accrued liabilities and wages	41,398	(112,124)
Net cash provided by operating activities	<u>475,729</u>	<u>94,118</u>
Cash Flows From Investing Activities		
Purchase of investments	(457,815)	(475,607)
Proceeds from sale of investments	33,177	209,458
Purchase of property and equipment	(122,821)	(135,893)
Proceeds from sale of property and equipment	1,850	111,882
Net cash used by investing activities	<u>(545,609)</u>	<u>(290,160)</u>
Cash Flows From Financing Activities		
Payments on gift annuities	(13,630)	(11,873)
Payments on capital lease	(13,258)	-
Net cash used by financing activities	<u>(26,888)</u>	<u>(11,873)</u>
Net Decrease in Cash and Cash Equivalents	(96,768)	(207,915)
Cash and cash equivalents - beginning of year	366,985	574,900
Cash and Cash Equivalents - End of Year	<u>\$ 270,217</u>	<u>\$ 366,985</u>

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

Portland Rescue Mission
Statements of Cash Flows (Continued)
Years Ended September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 4,646	\$ -
Supplemental Disclosure of Non-cash Investing and Financing Activities		
Property and equipment financed through capital lease	\$ 75,057	\$ -

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

Portland Rescue Mission

Notes to Financial Statements

Years Ended September 30, 2011 and 2010

1. Nature of Activities and Significant Accounting Policies

Organization

The Portland Rescue Mission (the Mission) is incorporated under provisions of the Oregon Nonprofit Corporation Act. The purpose of the Mission is to provide food, shelter, counseling, and spiritual guidance to homeless and needy individuals in the Portland, Oregon metropolitan area. The Mission also recruits volunteers and provides public information regarding the local needs of the homeless and needy in Oregon. A Christ-centered emphasis is an integral part of all programs and services that the Mission provides so that through spiritual guidance, people in need of the Mission's services can be transformed into productive members of the community.

Financial statement presentation

The Mission reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Accordingly, the net assets of the Mission and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets are not subject to donor-imposed stipulations. The Board of Directors may designate unrestricted net assets for specific purposes.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that will be met either by actions of the Mission and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be permanently maintained.

Expenses are reported as a decrease in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expiration of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Basis of accounting

The Mission follows the accrual basis of accounting applicable to nonprofit organizations. Under the accrual basis of accounting, revenues and support are recorded when earned, and expenses are recorded when incurred.

Use of estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Portland Rescue Mission

Notes to Financial Statements

Years Ended September 30, 2011 and 2010

1. Nature of Activities and Significant Accounting Policies (Continued)

Cash and cash equivalents

For the purpose of reporting cash flows, the Mission considers checking, savings, money market bank accounts, and all highly liquid investments with original maturities of three months or less to be cash and cash equivalents. Money market investment funds are classified with investments.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Accounts receivable

Accounts receivable primarily consist of amounts due for childcare services provided at Shepherd's Door (a recovery center for women). Interest is not charged on past due accounts. The Mission uses the allowance method to account for uncollectible accounts. The allowance is estimated by management based on various factors, including the length of time receivables are past due, the Mission's previous loss history, the customer's current ability to pay its obligation to the Mission, and the condition of the general economy as a whole. The allowance for doubtful accounts was approximately \$600 and \$700 as of September 30, 2011 and 2010, respectively. There were approximately \$600 of receivables delinquent more than 90 days as of September 30, 2011.

Contributions receivable

Contributions receivable represent amounts committed to the Mission by donors that have not been received. There were no contributions receivable as of September 30, 2011 and 2010.

Inventories

Inventories consist of donated vehicles received through the Car Sales and Donation program. The vehicles are valued at estimated fair market value.

Property and equipment

Property and equipment acquired by the Mission is stated at cost, less accumulated depreciation and amortization. Donated assets are recorded at their fair market value on the date received. Maintenance and repairs are charged to operations as incurred; expenditures for additions, improvements, and replacements are capitalized. The threshold for capitalizing assets is \$5,000.

Leasehold improvements are amortized over the lesser of the term of the related lease or the estimated useful life of the asset. Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives as follows for the major classes of assets:

Buildings and improvements	5 - 40 years
Furniture, equipment, and vehicles	2 - 7 years

Portland Rescue Mission

Notes to Financial Statements

Years Ended September 30, 2011 and 2010

1. Nature of Activities and Significant Accounting Policies (Continued)

Contributions

The Mission records contributions received as unrestricted, temporarily restricted, or permanently restricted net assets depending on the nature of any donor restrictions.

Contributions are recognized when the donor makes a promise to give to the Mission that is, in substance, unconditional. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

In-kind contributions

The Mission receives contributions of food, clothing, supplies, materials, and services. These contributions represent a significant portion of the Mission's operations and are reflected as in-kind contributions with offsetting expenses at their estimated fair market values on the date received. With the exception of in-kind vehicles and services donated to the Mission, contributions are valued based upon weight. The Mission classifies the quality of the gifts received depending upon the condition (A for excellent, B for gently used, or C for not usable or spoiled).

No amounts have been reflected in the statements for donated volunteer services as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time to the Mission's program and supporting services.

Expense allocation

The costs of providing various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and support service benefited based upon management's best estimate. Expenses by natural classification are presented in the statements of functional expenses.

Advertising

Advertising costs are expensed as incurred and are included in donor-volunteer solicitation expense. Advertising expenses for the year ended September 30, 2011 were approximately \$600. There were no advertising expenses for the year ended September 30, 2010.

Income taxes

The Mission has been approved as a tax-exempt organization under the Internal Revenue Code Section 501(c)(3) and applicable state laws. Accordingly, no provision for income taxes is included in the accompanying financial statements. The Mission does not believe it has unrelated trade or business income in excess of \$1,000.

Portland Rescue Mission

Notes to Financial Statements

Years Ended September 30, 2011 and 2010

1. Nature of Activities and Significant Accounting Policies (Continued)

Fair value of financial instruments

The Mission estimates the fair value of its financial assets and liabilities based upon existing interest rates related to such assets and liabilities compared to the current market rates of interest for instruments of similar nature and degree of risk. The carrying value reflected in the statement of financial position approximates fair value for the Mission's financial assets and liabilities.

Cash and cash equivalents, receivables, prepaid expenses and deposits, accounts payable, and accrued liabilities and wages are recorded at cost, which approximates fair value. Investments are stated at fair value, based upon market returns and interest rates. The charitable remainder unitrust and the gift annuities payable are stated at their present value based upon mortality tables.

The Mission follows Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, for the measurement of assets and liabilities that are recognized and disclosed at fair value in the financial statements. The guidance establishes a hierarchy that prioritizes fair value measurements based on the types of inputs used for the various valuation techniques (market approach, income approach, and cost approach).

The levels of the hierarchy are described below:

- Level 1: Observable inputs such as quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; these include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
- Level 3: Unobservable inputs in which there is little or no market data available, which require the reporting entity to develop its own assumptions.

The following tables present information about the Mission's financial assets and liabilities measured at fair value as of September 30, 2011 and 2010 and indicate the fair value hierarchy of the valuation techniques utilized by the Mission to determine such fair value.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
September 30, 2011				
Assets				
Money market accounts	\$ 47,698	\$ -	\$ -	\$ 47,698
Mutual funds	1,529,069	-	-	1,529,069
Common and preferred stocks	314,016	-	-	314,016
U.S. government securities	31,624	-	-	31,624
Mortgage securities	<u>71,590</u>	<u>-</u>	<u>-</u>	<u>71,590</u>
Total Assets	\$ 1,993,997	\$ -	\$ -	\$ 1,993,997

Portland Rescue Mission
Notes to Financial Statements
Years Ended September 30, 2011 and 2010

1. Nature of Activities and Significant Accounting Policies (Continued)

Fair value of financial instruments (continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
September 30, 2011				
Liabilities				
Gift annuities payable	\$ -	\$ -	\$ (52,856)	\$ (52,856)
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (52,856)</u>	<u>\$ (52,856)</u>
September 30, 2010				
Assets				
Money market accounts	\$ 68,792	\$ -	\$ -	\$ 68,792
Mutual funds	1,232,808	-	-	1,232,808
Common and preferred stocks	221,978	-	-	221,978
U.S. government securities	93,771	-	-	93,771
Mortgage securities	7,291	-	-	7,291
Total Assets	<u>\$ 1,624,640</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,624,640</u>
Liabilities				
Gift annuities payable	\$ -	\$ -	\$ (55,445)	\$ (55,445)
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (55,445)</u>	<u>\$ (55,445)</u>

The Mission uses significant unobservable inputs including information from fund managers and mortality tables to determine the fair value of gift annuities. Management has reviewed and evaluated the information and agrees with the valuation methods and assumptions used in determining the fair value of the annuities. There have been no changes in valuation techniques and related inputs.

The following table presents the Mission's activity for liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	<u>2011</u>	<u>2010</u>
Beginning Balance	\$ (55,445)	\$ (78,561)
Change in present value of gift annuities payable	(11,041)	11,243
Payments to annuitants	13,630	11,873
Ending Balance	<u>\$ (52,856)</u>	<u>\$ (55,445)</u>

Portland Rescue Mission

Notes to Financial Statements

Years Ended September 30, 2011 and 2010

1. Nature of Activities and Significant Accounting Policies (Continued)

Fair value of financial instruments (continued)

The discount rate and actuarial assumptions used in calculating the annuity obligation are those provided in Internal Revenue Service guidelines and actuarial tables. In accordance with Oregon Revised Statutes 731.038, the Mission maintains reserves in temporarily restricted net assets in amounts sufficient to make all payments as required under each annuity agreement. The actuarial present value of the Mission's interest in the gift annuities was determined by applying fixed interest rates (ranging from 5.7% to 9.2%).

The change in value of the gift annuities payable is attributable to the revaluation of the annuities based on applicable mortality tables and current market conditions and is included in the statements of activities in investment income (loss) – net for the years ended September 30, 2011 and 2010.

Reclassifications

Certain reclassifications have been made to prior year balances to conform with the current year presentation.

Subsequent events

Management has evaluated subsequent events through November 8, 2011, the date that the financial statements were available to be issued.

2. Program and Supporting Services

The following is a description of the program and supporting services provided by the Mission:

Program services

Downtown homeless ministry programs are designed to provide Christian fellowship to homeless individuals in downtown Portland, Oregon. At the homeless individuals' point of need, physical and spiritual services are offered including a safe place to receive meals, clothing, night shelter, day room services, Christian teaching, and other practical essentials. This ministry aims to provide the gospel of Jesus Christ, a message of hope for those who have none, and the use of these services as a beginning point to the ultimate return of the poor, needy, and homeless to society as self-sufficient, productive citizens.

Men's and women's new life ministry programs and services are four phase treatment programs designed to lead individuals to know Jesus Christ and become His disciple. The program teaches participants how to discard their destructive sinful existence and embrace a Christ-centered growth towards spiritual maturity and an addiction-free life. The foundation of the program is based on Four Principles to Life Transformation that are Biblical truths to help create an environment for people to become internally transformed. They are 1) identity, 2) Christ-likeness as a quality standard, 3) complete accountability, and 4) self-evaluation. There are four phases within the program: stabilization, growth, transition, and aftercare. Integrated into these phases are the core components: spiritual development, case management, Christian counseling, literacy and education, and work therapy. In addition, the Mission offers a one year program after completion of the four phase treatment program. This program, which is called the GRAD program, is focused on vocational training to enhance the employment opportunities for those men or women who complete the GRAD program.

Portland Rescue Mission

Notes to Financial Statements

Years Ended September 30, 2011 and 2010

2. Program and Supporting Services (Continued)

Program services (continued)

Vocational and career directional guidance programs provide educational and work environmental opportunities. The Mission provides program participants the basic educational needs to meet high school GED certificates and other basic classroom course work. Also provided to program participants are job search, career guidance, and post-employment support that enables participants to re-enter and continue to be productive members within the employment arena. Program participants work within general Mission related services in work settings that nurture and support the return to a work environment.

The Mission operates a vehicle donation program named Car Sales and Donation (CSD). Vehicles donated to the Mission are prepared for resale and sold to the public, or sold at auction or salvage if determined not to be in resale condition. The CSD program provides an additional opportunity for vocational rehabilitation for those served by the Mission.

Supporting services

Management and general services provide the necessary organizational and management support for the effective operation of programs.

Fundraising services provide the necessary developmental, organizational, and management support for the effective use of volunteers and staff to ensure a successful public fundraising campaign.

3. Investments

Investment income (loss) for the years ended September 30 consists of the following:

	<u>2011</u>	<u>2010</u>
Interest and dividend income - net	\$ 58,462	\$ 44,540
Net realized gains on investments	5,716	8,335
Net unrealized gains (losses) on investments	(68,236)	72,269
Net unrealized gains (losses) on split-interest agreements	(31,874)	24,664
Total	<u>\$ (35,932)</u>	<u>\$ 149,808</u>

Investment advisory expense is included in interest and dividend income and was approximately \$12,200 and \$11,100 for the years ended September 30, 2011 and 2010, respectively.

Portland Rescue Mission

Notes to Financial Statements

Years Ended September 30, 2011 and 2010

4. Property and Equipment

Property and equipment as of September 30 consists of the following:

	<u>2011</u>	<u>2010</u>
Land	\$ 986,458	\$ 986,458
Buildings and improvements	7,433,737	7,398,290
Furniture, equipment, and vehicles	739,950	641,813
Development in progress	43,608	11,372
Total	9,203,753	9,037,933
Less accumulated depreciation and amortization	<u>(2,547,203)</u>	<u>(2,284,278)</u>
Property and equipment – net	<u>\$ 6,656,550</u>	<u>\$ 6,753,655</u>

5. Split-Interest Agreements

Charitable remainder unitrust

The Mission has a charitable remainder unitrust (Unitrust) whereby the gift is a time-restricted contribution not available to the Mission until after the death of the donors. While living, the donors are entitled to receive a quarterly payment from the trust based on a fixed percentage of the market value of the invested funds. Upon the donors' deaths, the remaining assets will be available for the Mission's use. The Unitrust is managed by the donor as trustee. The Mission recorded its initial value in the trust and contribution revenue at fair value, using a valuation technique which calculated the present value of the future benefits expected to be received from the trust. On an annual basis, the Mission determines the fair value of the trust based upon asset valuations, applicable mortality tables, and discount rates.

Gift annuities

The Mission has charitable gift annuity contracts with various individuals whereby in exchange for the gift from the donor, the Mission is obligated to provide an annuity to the donor for a specified number of years. A liability is recognized for the estimated present value of the annuity obligation and the assets are recorded at their fair market value for agreements where the Mission is the trustee. Upon the death of the donor, the annuity assets revert to the Mission and are available for use as specified by the donor.

Assets of the Mission that are derived from split-interest annuity agreements are invested in mutual funds. As of September 30, 2011 and 2010, total assets held under gift annuities were approximately \$73,000 and \$87,800, respectively, and are presented in the statements of financial position at fair value.

6. Line of Credit

The Mission had a line of credit with a bank to provide borrowings up to \$500,000 which expired March 31, 2011 and was not renewed when the Mission changed banking relationships. As of September 30, 2010, there were no outstanding borrowings on the line of credit.

Portland Rescue Mission

Notes to Financial Statements

Years Ended September 30, 2011 and 2010

7. Capital Lease

In October 2010, the Mission began leasing office equipment at several locations under a noncancelable capital lease agreement that expires in 2015. Total equipment and accumulated amortization under the capital lease as of September 30 are as follows:

	<u>2011</u>	<u>2010</u>
Equipment	\$ 75,057	\$ -
Accumulated amortization	<u>(13,415)</u>	<u>-</u>
Equipment - net	<u>\$ 61,642</u>	<u>\$ -</u>

Amortization expense on assets held under capital lease obligations is included in depreciation expense and was \$13,415 for the year ended September 30, 2011.

Future minimum annual payments under capital lease obligations as of September 30, 2011 are as follows:

2012	\$ 17,904
2013	17,904
2014	17,904
2015	<u>17,904</u>
Total minimum payments	71,616
Less amounts representing interest	<u>(9,817)</u>
Present value of minimum lease payments	<u>\$ 61,799</u>

8. Operating Leases

The Mission is leasing real property at several locations under noncancelable lease agreements. The leases are accounted for as operating leases. Future minimum lease commitments under the operating leases as of September 30, 2011 are as follows:

2012	\$ 202,451
2013	109,347
2014	73,328
2015	<u>75,893</u>
Total	<u>\$ 461,019</u>

In addition to the minimum monthly lease payments, the Mission is required to pay a proportionate share of the lessor's operating expenses on several of the leases. Total rent expense under the lease agreements was approximately \$183,200 and \$189,400 for the years ended September 30, 2011 and 2010, respectively.

Portland Rescue Mission

Notes to Financial Statements

Years Ended September 30, 2011 and 2010

9. Temporarily Restricted Net Assets

Temporarily restricted net asset activity for the year ended September 30, 2011 is as follows:

	<u>September 30, 2010</u>	<u>Additions</u>	<u>Releases</u>	<u>September 30, 2011</u>
Men's Shelter				
General outreach and men's care	\$ -	\$ 122,703	\$ (122,703)	\$ -
Food warmer and floor polisher	1,528	-	(1,528)	-
Security upgrade	10,611	-	(10,611)	-
Burnside kitchen and tables	-	22,130	(17,521)	4,609
Learning center upgrade	-	2,000	(2,000)	-
Shepherd's Door				
General women's and children's care	-	294,089	(294,089)	-
Learning center upgrade	-	2,000	(2,000)	-
Children's programs	-	40,042	(38,047)	1,995
Charitable remainder unitrust	338,822	-	(20,833)	317,989
Gift annuities	55,445	-	(2,589)	52,856
AED defibrillators	19,000	-	(19,000)	-
Next step expansion	-	8,150	(8,150)	-
Warehouse truck	-	30,000	(30,000)	-
Total	<u>\$ 425,406</u>	<u>\$ 521,114</u>	<u>\$ (569,071)</u>	<u>\$ 377,449</u>

Portland Rescue Mission

Notes to Financial Statements

Years Ended September 30, 2011 and 2010

9. Temporarily Restricted Net Assets (Continued)

Temporarily restricted net asset activity for the year ended September 30, 2010 is as follows:

	<u>September 30, 2009</u>	<u>Additions</u>	<u>Releases</u>	<u>September 30, 2010</u>
Men's Shelter				
General men's care	\$ -	\$ 92,036	\$ (92,036)	\$ -
Food warmer and floor polisher	-	13,048	(11,520)	1,528
Security upgrade	-	21,724	(11,113)	10,611
Clothes dryer and outreach supplies	-	25,200	(25,200)	-
Shepherd's Door				
General women's and children's care	-	348,846	(348,846)	-
Drywell compliance	-	8,918	(8,918)	-
Children's school supplies	-	3,000	(3,000)	-
Shepherd's Door improvements	-	3,000	(3,000)	-
Charitable remainder unitrust	325,401	13,421	-	338,822
Gift annuities	78,561	-	(23,116)	55,445
AED defibrillators	-	19,000	-	19,000
Warehouse storage containers	-	11,548	(11,548)	-
Total	<u>\$ 403,962</u>	<u>\$ 559,741</u>	<u>\$ (538,297)</u>	<u>\$ 425,406</u>

10. Concentrations of Credit Risk

The Mission maintains its cash and overnight investment accounts in a financial institution. The cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. All non-interest-bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account. Overnight investment accounts are not insured. The Mission has not experienced any losses on its accounts.

The Mission also maintains investments in money market, equity securities, and debt securities in accounts managed by an investment brokerage firm. Such investments are insured by the Securities Insurance Protection Corporation (SIPC) up to \$500,000. The Mission has not experienced any losses on these accounts.

Concentrations of accounts receivable as of September 30, 2011 and 2010 were inconsequential. The Mission does not require collateral on its receivables.

Portland Rescue Mission
Notes to Financial Statements
Years Ended September 30, 2011 and 2010

11. Retirement Savings Plan

The Mission has a 401(k) retirement savings plan (the Plan). The Plan is for the benefit of all eligible employees of the Mission who qualify under the participation requirements. To be eligible under the Plan, an employee must be at least twenty-one years old and work at the Mission for a minimum of one thousand hours during the first year of eligibility. The Plan allows employees to contribute a percentage of their total compensation to the Plan and their contributions are not currently taxable. Employees become fully vested in the Mission's contributions after five years of service.

Until September 2010, the Mission made contributions of 4% of each eligible employee's wages to the Plan. Starting in September 2010, the Mission changed its service provider and also changed its formula for contributing to the retirement plan. The new contribution formula includes a matching contribution of 100% for the first 2% an employee contributes and a 50% match for the next 4%. Employees vest at 20% per year. The Mission can also elect to make discretionary profit sharing contributions. For the year ended September 30, 2011, a 2% discretionary contribution was made. The Mission made contributions to the plan of approximately \$98,000 and \$77,800 for the years ended September 30, 2011 and 2010, respectively. The Mission may also make non-elective contributions to the Plan at its discretion. No non-elective contributions were made for the years ended September 30, 2011 and 2010.