



TOPEKA RESCUE MISSION, INC.

FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

YEARS ENDED DECEMBER 31, 2020 AND 2019

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Independent Auditor's Report

To the Board of Directors
Topeka Rescue Mission, Inc.

We have audited the accompanying financial statements of Topeka Rescue Mission, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

Auditor's Responsibility

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 for the years ended December 31, 2020 and 2019. In addition, we conducted our audit for the year ended December 31, 2020 with the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Topeka Rescue Mission, Inc. as of December 31, 2020 and 2019, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for 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 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2021, on our consideration of Topeka Rescue Mission, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Topeka Rescue Missions, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Topeka Rescue Mission, Inc.'s internal control over financial reporting and compliance.

SSC CPAs, P.A.

SSC CPAs, P.A.
Topeka, Kansas

October 21, 2021

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

December 31,	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,568,378	\$ 2,370,057
Contributions receivable	27,624	5,442
Prepaid expenses	46,700	56,091
Grants receivable	301,543	-
Trade bank	28,423	30,166
Total current assets	3,972,668	2,461,756
Other assets		
Notes receivable	73,647	69,714
Investments	38,277	35,497
Property and equipment, net	7,134,928	6,795,494
Beneficial interest in perpetual trust	552,993	546,504
Total other assets	7,799,845	7,447,209
TOTAL ASSETS	\$ 11,772,513	\$ 9,908,965
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 144,784	\$ 28,815
Payroll liabilities	172,782	142,747
Total liabilities	317,566	171,562
Net assets		
Without donor restrictions	10,708,301	8,930,948
With donor restrictions	746,646	806,455
Total net assets	11,454,947	9,737,403
TOTAL LIABILITIES AND NET ASSETS	\$ 11,772,513	\$ 9,908,965

TOPEKA RESCUE MISSION, INC.
STATEMENTS OF ACTIVITIES

For the years ended December 31,

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, support and gains						
Contributions	\$ 3,720,063	\$ 514,405	\$ 4,234,468	\$ 4,237,110	\$ 875,297	\$ 5,112,407
Store sales and distribution center	88,508	-	88,508	311,173	-	311,173
Grant income	1,131,696	-	1,131,696	88,517	-	88,517
Investment income	36,951	-	36,951	38,290	-	38,290
Paycheck Protection Program loan forgiveness	525,297	-	525,297	-	-	-
Miscellaneous	126,595	-	126,595	105,928	-	105,928
Gain on beneficial interest in perpetual trust	-	6,488	6,488	-	27,597	27,597
Total revenues, support and gains	5,629,110	520,893	6,150,003	4,781,018	902,894	5,683,912
Net assets released from restrictions						
Restrictions satisfied by payments	580,702	(580,702)	-	735,383	(735,383)	-
Total revenues, support, gains and reclassifications	6,209,812	(59,809)	6,150,003	5,516,401	167,511	5,683,912
Expenses						
Program services	3,802,570	-	3,802,570	4,204,181	-	4,204,181
Management and general	523,370	-	523,370	576,314	-	576,314
Fundraising	101,655	-	101,655	116,821	-	116,821
Total expenses	4,427,595	-	4,427,595	4,897,315	-	4,897,315
Loss on disposal of assets	4,864	-	4,864	185,027	-	185,027
Total expenses and losses	4,432,459	-	4,432,459	5,082,342	-	5,082,342
CHANGE IN NET ASSETS	1,777,353	(59,809)	1,717,544	434,059	167,511	601,570
Net assets, beginning of year	8,930,948	806,455	9,737,403	8,496,889	638,944	9,135,833
Net assets, end of year	\$ 10,708,301	\$ 746,646	\$ 11,454,947	\$ 8,930,948	\$ 806,455	\$ 9,737,403

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

For the year ended December 31,			2020				
	Program Services			Supporting Services			
	Ministry Services	Distribution Services & Recycling	Total	Management & General	Fundraising	Total	
Salaries and housing	\$ 1,612,369	\$ 270,546	\$ 1,882,915	\$ 231,273	\$ 67,637	\$ 2,181,825	
Payroll taxes	95,117	17,193	112,310	7,669	3,711	123,689	
Retirement benefits	15,836	1,967	17,803	974	701	19,478	
Health insurance	280,743	12,986	293,729	15,459	-	309,188	
Telephone	30,714	6,616	37,329	222	-	37,551	
Utilities	159,911	34,444	194,355	1,154	-	195,509	
Repairs and maintenance	234,713	50,556	285,269	1,693	-	286,962	
Food and supplies	58,160	10,103	68,263	-	-	68,263	
Supplies	79,559	22,965	102,524	-	-	102,524	
Insurance	124,568	-	124,568	6,556	-	131,124	
Direct assistance	89,349	36,672	126,021	-	-	126,021	
Postage	8,177	-	8,177	-	-	8,177	
Vehicle operating expense	19,188	17,501	36,689	-	-	36,689	
Staff/volunteer relations	10,303	407	10,710	-	-	10,710	
Bank service charges	-	-	-	15,611	-	15,611	
Advertising/public relations	11,964	1,492	13,456	488	-	13,944	
Printing	1,228	1,436	2,664	8,560	359	11,583	
Office supplies	12,176	14,243	26,419	84,886	3,561	114,866	
Miscellaneous	100,072	3,362	103,434	94,336	-	197,770	
Accounting and legal	-	-	-	31,401	-	31,401	
Newsletter	-	-	-	21,016	25,687	46,703	
Depreciation	287,092	61,838	348,930	2,071	-	351,001	
Mentee	7,006	-	7,006	-	-	7,006	
Total expenses	\$ 3,238,243	\$ 564,327	\$ 3,802,570	\$ 523,370	\$ 101,655	\$ 4,427,595	

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

For the year ended December 31,		2019					
	Program Services			Supporting Services			
	Ministry Services	Distribution Services & Recycling	Total	Management & General	Fundraising	Total	
Salaries and housing	\$ 1,779,426	\$ 298,577	\$ 2,078,003	\$ 255,236	\$ 74,644	\$ 2,407,883	
Payroll taxes	155,290	28,069	183,360	12,520	6,058	201,938	
Retirement benefits	18,176	2,258	20,434	1,118	805	22,357	
Health insurance	257,767	11,923	269,690	14,194	-	283,884	
Telephone	48,617	10,472	59,088	351	-	59,439	
Utilities	214,990	46,308	261,298	1,551	-	262,849	
Repairs and maintenance	382,754	82,443	465,197	2,761	-	467,958	
Food and supplies	66,830	11,609	78,439	-	-	78,439	
Supplies	60,083	17,344	77,427	-	-	77,427	
Insurance	110,813	-	110,813	5,832	-	116,645	
Direct assistance	88,127	36,170	124,297	-	-	124,297	
Indirect program assistance	7,440	-	7,440	-	-	7,440	
Postage	9,894	-	9,894	-	-	9,894	
Vehicle operating expense	17,832	16,264	34,096	-	-	34,096	
Book expense	-	-	-	8,480	-	8,480	
Dues and subscriptions	-	-	-	7,067	-	7,067	
Staff/volunteer relations	25,923	1,024	26,947	-	-	26,947	
Bank service charges	-	-	-	23,499	-	23,499	
Public special events	981	-	981	584	-	1,565	
Rescue Run expense	-	-	-	-	3,948	3,948	
Operation Street Reach	268	-	268	-	-	268	
Advertising/public relations	5,665	707	6,372	231	-	6,603	
Printing	1,531	1,791	3,322	10,674	448	14,444	
Office supplies	3,365	3,936	7,300	23,457	984	31,741	
Miscellaneous	22,179	745	22,924	20,908	-	43,832	
Accounting and legal	-	-	-	50,707	-	50,707	
Newsletter	-	-	-	24,491	29,934	54,425	
Fines and penalties	-	-	-	110,552	-	110,552	
Depreciation	291,165	62,715	353,880	2,101	-	355,981	
Mentee	2,710	-	2,710	-	-	2,710	
Total expenses	\$ 3,571,826	\$ 632,355	\$ 4,204,181	\$ 576,314	\$ 116,821	\$ 4,897,315	

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

For the years ended December 31,	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,717,544	\$ 601,570
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	351,001	355,981
Paycheck Protection Program Loan forgiveness	(525,297)	-
Prior year fixed asset reclassification (See Note 15)	-	(12,147)
Loss of deposit on Boutique	-	7,500
Contributions restricted for long term purposes	-	(320,889)
Noncash donation of property received	(2,780)	(35,497)
Noncash donation of beneficial interest	-	(518,907)
Assignment of note receivable	(3,933)	(3,526)
Loss on sale of assets	4,864	185,027
Gain in perpetual trust	(6,488)	(27,597)
(Increase) decrease in assets:		
Accounts receivable	(323,725)	172,066
Prepaid expenses	9,391	5,885
Inventory	-	5,500
Trade bank	1,743	7,210
Increase (decrease) in :		
Accounts payable	115,969	8,320
Credit cards payable	-	(36,179)
Payroll liabilities	30,035	(118,641)
Accrued expenses	-	(2,965)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,368,324	272,711
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(695,300)	(29,149)
Proceeds from sale of fixed assets	-	158,926
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(695,300)	129,777
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	525,297	-
Contributions restricted for expansion	-	320,889
NET CASH PROVIDED BY FINANCING ACTIVITIES	525,297	320,889
Net increase in cash and cash equivalents	1,198,321	723,377
Cash and cash equivalents, beginning of year	2,370,057	1,646,680
Cash and cash equivalents, end of year	\$ 3,568,378	\$ 2,370,057

TOPEKA RESCUE MISSION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

1. ORGANIZATION AND NATURE OF OPERATIONS

Mission statement:

Bringing help and hope through faith with its sleeves rolled up.

Topeka Rescue Mission (TRM) Ministries began its work in 1953 as a small room which provided shelter and food for homeless men. A brand-new shelter was constructed in 1991 to house men, women and families. By 2000, an additional new shelter was built to house over 100 additional homeless women and families. In 2004, a Distribution Center was opened which allowed TRM to expand their outreach to meeting the needs of the poor in the community. In 2011, Operation Street Reach was created to reach out to unsheltered homeless individuals not currently receiving TRM services. While helping people in poverty will always be a need, TRM questioned if prevention efforts could decrease the number of individuals in need of shelter. TRM believes the effort to understand the root causes of poverty and homelessness will help to empower and transform individuals, families and communities.

During 2019, TRM realized and overcame significant financial challenges. This was done through a tremendous response from the community and the restructuring of the organization while continuing to focus on the core areas of sheltering the homeless, feeding the hungry and sharing the Gospel. Key programming is focused on stabilizing the community through the following efforts:

1. Homeless Services
 - a. Shelter Services - Providing shelter to those who are experiencing homelessness
 - b. Street Reach - Reaching out to individuals in the city who are unsheltered and homeless
 - c. Food Services - Providing meals to individuals in need
 - d. Education Services – Servants in Training, Career Readiness Education, Center for Biblical Leadership Development, Dare to Dream Mentors
 - e. Assisting those escaping human trafficking
 - f. Educational programs focused on helping guests establish behavior and soft skills targeted toward increasing their ability to be successful in our community.
2. Trauma Based Initiatives
 - a. Programming targeted at recognizing the trauma all TRM guests have experienced and considering that trauma when working with guests daily and while developing goals to assist guests in moving out of TRM and successfully reentering the community.
3. Supportive Services
 - a. Distribution Services – Receiving and distributing donations throughout TRM and to the community, including food box distribution to the community and organizations across the community addressing hunger.
 - b. Volunteer Services – engaging the community to assist in activities across the organization
 - c. Development and Support services – human and financial resources, donation processing, IT, and marketing and communications.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of accounting

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

TOPEKA RESCUE MISSION, INC.
NOTES TO THE FINANCIAL STATEMENTS
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Basis of presentation

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

Net assets

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

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

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

Use of estimates

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

Cash and cash equivalents

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

Property and equipment

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

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

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

Donated materials, services, and property

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

TOPEKA RESCUE MISSION, INC.
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A significant number of unpaid volunteers have made contributions of their time to assist in TRM's operations. The value of this contributed time is not reflected in these financial statements due to a lack of an objective method of valuation. In accordance with accounting principles generally accepted in the United States of America, routine volunteer services requiring no particular expertise are not to be reported as contribution revenue.

Revenue recognition

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

Revenue with and without restrictions

Contributions received are recorded as increases in support with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Donor restricted cash is reported as an increase in donor restricted net assets. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), donor restricted net assets are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Investments

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

Fair value measurements – definition and hierarchy

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

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

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

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

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in inactive markets;

TOPEKA RESCUE MISSION, INC.
NOTES TO THE FINANCIAL STATEMENTS
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inputs other than quoted market prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

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

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

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

Income taxes

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

Functional allocation of expenses

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

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

Recently adopted accounting pronouncements

Effective January 1, 2020, the Organization adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. Results for reporting the years ending December 31, 2020 and 2019 are presented under FASB ASC Topic 606. The ASU has been applied retrospectively to all period presented, with no effect on net assets or previously issued financial statements.

TOPEKA RESCUE MISSION, INC.
NOTES TO THE FINANCIAL STATEMENTS
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Pending accounting pronouncements

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

3. LIQUIDITY AND AVAILABILITY

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

	2020	2019
Cash and cash equivalents	\$ 3,568,378	\$ 2,370,057
Grants receivable	301,543	-
Contributions receivable	27,624	5,442
	3,897,545	2,375,499
Less amounts restricted for use included above	(193,653)	(284,950)
	\$ 3,703,892	\$ 2,090,549

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

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

4. BENEFICIAL INTEREST IN PERPETUAL TRUST

During 2019, management became aware of a donor-established perpetual trust with CoreFirst Bank and Trust naming the Topeka Rescue Mission as the beneficiary. Under the terms of the perpetual agreement, TRM is to receive the income from the trust annually for its unrestricted use. The income is calculated as 5% of a rolling 12 quarter average. During the year ended December 31, 2019, TRM recorded its beneficial interest in the trust by recognizing a perpetually restricted contribution representing the fair value of the trust's assets when TRM became aware of the gift and the amount could be reasonably estimated. As of December 31, 2020 and 2019, TRM's beneficial interest in the fair value of the trust was estimated to be \$552,993 and \$546,504, respectively. Increases in fair value of \$6,488 and \$27,597 are recognized in 2020 and 2019, respectively, as perpetual restricted gains. Distributions of trust earnings are recorded as undesignated investment income when received.

Due to the level of risk associated with the underlying investments included in the Trust, it is at least reasonably possible that changes in the value of the Beneficial Interest in Perpetual Trust could occur in the

TOPEKA RESCUE MISSION, INC.
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near term and could materially affect the amounts reported in the statement of financial position. The underlying investments are comprised of cash and mutual funds.

5. INVESTMENTS

Long-term investments represent amounts held for future unrestricted use. These investments are stated at fair value based on quoted market prices in active markets (Level 1) and are comprised of the following at December 31:

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

	2019	
	Cost	Fair Value
Mutual funds	\$ 30,168	\$ 32,026
Equity stocks	3,471	3,471
Long-term investments	\$ 33,639	\$ 35,497

Investment return is summarized as follows:

	2020	2019
Interest and dividends	\$ 7,162	\$ 9,593
Distributions from perpetual trust	27,008	26,840
Net investments gains	2,781	1,857
Total investment return	\$ 36,951	\$ 38,290

6. FAIR VALUE MEASUREMENTS

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

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

TOPEKA RESCUE MISSION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

2019	Fair Value	Fair Value Measurements at Reporting Date		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Using Significant Other Observable Input (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	\$ 32,026	\$ 32,026	\$ -	\$ -
Equity securities	3,471	3,471	-	-
Beneficial interest in perpetual trust	546,504	-	-	546,504
Total	\$ 638,944	\$ 35,497	\$ -	\$ 546,504

Level 3 measurements

TRM's beneficial interest in a perpetual trust is valued based on the fair value of the underlying trust assets as reported by the trustees. The trustees use multiple approaches to determine the fair value of the underlying assets, primarily, quoted prices for identical assets in active markets when available. This beneficial interest has been categorized as a Level 3 fair value measurement because TRM will never receive the trust's assets.

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

January 1, 2019	\$ 518,907
Total gains or losses (realized/unrealized)	27,597
December 31, 2019	546,504
Total gains or losses (realized/unrealized)	6,489
December 31, 2020	\$ 552,993

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

7. PROPERTY AND EQUIPMENT

Property and equipment at December 31 consists of:

	2020	2019
Land	\$ 251,385	\$ 251,385
Buildings and landscaping	9,835,022	9,780,845
Furniture, fixtures and equipment	1,916,522	1,434,853
Vehicles	289,411	315,065
Total property and equipment	12,292,340	11,782,148
Less accumulated depreciation	(5,157,412)	(4,986,654)
Net property and equipment	\$ 7,134,928	\$ 6,795,494

Depreciation expense for the years ended December 31, 2020 and 2019 was \$351,001 and \$355,981, respectively.

TOPEKA RESCUE MISSION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

8. NOTE RECEIVABLE

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

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

9. OPERATING LEASES AND MAINTENANCE AGREEMENTS

The Organization leases much of its equipment for various terms under long-term, non-cancelable operating lease agreements. The leases expire at various dates through 2024 and provide for renewal options for some of the leases. In the normal course of business, it is expected that these leases will be renewed or replaced by leases on other equipment. Lease expense totaled \$86,790 and \$93,957 in 2020 and 2019, respectively.

The Organization entered into a noncancelable lease for retail space located at 3400 S. Topeka Blvd. The term of the lease is for one year commencing on December 20, 2016, with annual options to extend. The lease requires monthly payments of \$6,750. During September 2019, the retail location was closed. The Organization negotiated with the lessor and was released from the lease without further obligation. The total lease expense for the year ended December 31, 2019 was \$60,750.

The Organization maintains the heating, ventilation and air conditioning equipment in its buildings through long term maintenance agreements for various terms under non-cancelable service contracts. The agreements expire at various dates through 2020. In the normal course of business, these maintenance agreements will be renewed or replaced by new agreements. After renewing the two-year maintenance agreement in August 2019, the Organization ceased its childcare operations in the Children's Palace building in November 2019. The Organization negotiated a suspension of the current maintenance agreement with the contractor agreeing to provide minimal maintenance on the building systems in-kind until the Organization resumes operations within that building. The maintenance agreement resumed in July of 2020. The total maintenance agreement expense for the years ended December 31, 2020 and 2019 was \$33,019 and \$45,720, respectively.

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

Year Ending December 31,	Amount
2021	\$ 123,183
2022	23,759
2023	13,771
2024	4,590
Total	\$ 165,303

TOPEKA RESCUE MISSION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

10. RETIREMENT PLAN

TRM adopted a Savings Incentive Match Plan in July of 2001 for eligible employees who choose to participate in the program. Topeka Rescue Mission, Inc. contributes a matching amount up to three percent of each eligible employee's annual wages toward the retirement plan. Total contributions to the plan were \$19,478 and \$22,357 for the years ended 2020 and 2019, respectively.

11. OTHER RESOURCES

The Topeka Community Foundation received funds by bequest that designate TRM as the beneficiary of income from these funds. One fund was established in 1995 for the Organization. Income from this fund can be used for operations as needed. During 2003, a second fund was established. Income from this fund can be used by TRM to assist individuals who have suffered losses due to disaster. The Foundation administers these funds, investing the principal and any undistributed income in pooled investments. The total balance of these funds at December 31, 2020 and 2019 was \$88,967 and \$86,274, respectively. The distributions are recorded as income by TRM in the year received. Distributions received in 2020 and 2019 were \$3,739 and \$3,699, respectively.

12. PAYCHECK PROTECTION PROGRAM LOAN

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

13. RESTRICTED NET ASSETS

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

	2020	2019
Subject to expenditure for specified purpose:		
General expansion	\$ 33,188	\$ 86,848
Christmas	10,590	-
Restore Hope	124,876	148,102
Total subject to expenditure for specified purpose	168,654	234,950
Not subject to expenditure	577,992	571,505
	<u>\$ 746,646</u>	<u>\$ 806,455</u>

14. CONCENTRATION OF CREDIT RISK

The Organization places its temporary cash investments with high credit quality financial institutions located in the Topeka area. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times such investments may be in excess of the FDIC insurance limit. At December 31, 2020, the amount in excess of FDIC limits was \$518,196.

TOPEKA RESCUE MISSION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

15. RELATED PARTY

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

Doxazo was started as a seedling project under the guidance of Topeka Rescue Mission, Inc. In April 2019, Doxazo became its own 501(c)(3) organization. During 2019, Topeka Rescue Mission, Inc. received restricted contributions of \$19,677 for the Doxazo program. Unspent funds of \$7,400 were distributed to Doxazo during 2019 and are reflected in the indirect program assistance on the statement of functional expenses.

16. DISCONTINUATION OF SERVICES

Related to the financial challenges described in Note 1 and due to a decrease in sales resulting in expenses exceeding revenue, TRM's Board of Directors determined it was prudent to discontinue retail operations. This resulted in the closing of two retail locations - the sale of one store, and the termination of the lease on the other store.

Due to the significant revenue shortfall that occurred during the first half of 2019, TRM reviewed all operations and determined that the programing occurring in the Children's Palace would be indefinitely suspended. The cost of the program, primarily due to State regulations, made it impossible to scale down to a level that would be manageable under the current revenue short falls.

17. CONTINGENT LIABILITIES

During 2019, TRM was assessed an employer's shared responsibility payment by the Internal Revenue Service (IRS) in accordance with the Affordable Care Act for not offering affordable minimal essential health coverage to at least 95% of its staff in 2017. TRM has not offered affordable minimal essential health coverage to at least 95% of its staff in 2018, 2019 and 2020. It is possible that the IRS will assess an employer's shared responsibility payment for those years in the future, but has not assessed at this time. It is estimated that the potential assessments could be \$127,791 and \$126,248 for 2018 and 2019 respectively, which have not been reflected in the accompanying financial statements. The 2017 employer's shared responsibility payment paid by TRM during the year ended December 31, 2019 was \$110,552 as reflected in fines and penalties in the statement of functional expenses.

It was discovered in early 2020 that TRM failed to file the appropriate Forms 1095C and 1094C informational returns with the Internal Revenue Service for the payroll year ended December 31, 2018 in accordance with provisions in the Affordable Care Act. TRM has subsequently filed the appropriate forms. Although it has not been assessed at this time, it is possible that the IRS will assess a late filing penalty for these forms in the future, however, TRM received a letter from the IRS on October 4, 2021 that they do not need to do anything further at this time and TRM does not expect to pay anything additional on this matter.

TOPEKA RESCUE MISSION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

18. RISKS AND UNCERTAINTIES

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

19. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through October 21, 2021, the date these financial statements were available to be issued, and determined that no subsequent events have occurred that would require recognition or disclosure in the financial statements.

Management has applied for and received round 2 of the Paycheck Protection Program (PPP) funding. Amounts have subsequently been forgiven for the PPP funds.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of Topeka Rescue Mission, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Topeka Rescue Mission, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 21, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Topeka Rescue Mission, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Topeka Rescue Mission, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Topeka Rescue Mission, Inc.'s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questions costs as item 2020-001 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2020-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Topeka Rescue Mission, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests

disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Topeka Rescue Mission, Inc.'s Response to Findings

Topeka Rescue Mission, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. There were disagreements concerning the audit findings noted in the auditee's response as described within the schedule of findings and questioned costs. The response of Topeka Rescue Mission, Inc. was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SSC CPAs, P.A.

SSC CPAs, P.A.

Topeka, Kansas

October 21, 2021



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of Topeka Rescue Mission, Inc.

Report on Compliance for Each Major Federal Program

We have audited Topeka Rescue Mission, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Topeka Rescue Mission, Inc.'s major federal programs for the year ended December 31, 2020. Topeka Rescue Mission, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Topeka Rescue Mission, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Topeka Rescue Mission, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Topeka Rescue Mission, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Topeka Rescue Mission, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2020-003. Our opinion on each major federal program is not modified with respect to this matter.

Topeka Rescue Mission, Inc.'s response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Topeka Rescue Mission, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Topeka Rescue Mission, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Topeka Rescue Mission, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Topeka Rescue Mission, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2020-003, that we consider to be a significant deficiency.

Topeka Rescue Mission, Inc.'s response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questions costs. Topeka Rescue Mission, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

SSC CPAs, P.A.

SSC CPAs, P.A.
Topeka, Kansas

October 21, 2021

TOPEKA RESCUE MISSION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Topeka Rescue Mission, Inc. were prepared in accordance with U.S. GAAP.
2. A material weakness and a significant deficiency were identified in the design or operation of internal control over financial reporting.
3. No instances of noncompliance material to the financial statements of Topeka Rescue Mission, Inc. required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. A significant deficiency disclosed during the audit of the major federal award program is reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance. No material weaknesses are reported.
5. The auditor's report on compliance for each major federal program for Topeka Rescue Mission, Inc. expresses an unmodified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this schedule.
7. The program tested as a major program was: CFDA No. 21.019 Coronavirus Relief Fund (COVID-19).
8. The threshold for distinguishing Type A and Type B programs was \$750,000 for major Federal programs.
9. Topeka Rescue Mission, Inc. was determined to not be a low-risk auditee.

TOPEKA RESCUE MISSION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FINDINGS – FINANCIAL STATEMENTS

2020-001 Ineffective controls over financial statement preparation (Material Weakness)

Criteria: An effective internal control system exists if controls are effective in preventing or detecting material misstatements in the preparation of the financial statements. It provides reasonable assurance for the safeguarding of assets, the reliability of financial information and compliance with laws and regulations.

Condition: We have determined that there was an inadequate design of internal control over the preparation of the financial statements during the fiscal year ended December 31, 2020. The current financial reporting process does not ensure conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Cause: The Organization's policies and procedures were not designed to prepare the financial statements in conformity with U.S. GAAP.

Effect: The Organization's financial statements required significant and material adjustments to increase grant receivables and revenue, as well as to adjust the classification between net asset classes.

Recommendation: We recommend the Board of Directors and management review the impact of the current year adjustments on the financial reporting process. Once this review is complete, the Organization should perform a risk assessment to determine the best way to implement appropriate internal controls over financial reporting to ensure conformity with U.S. GAAP.

Views of Responsible Officials and Planned Corrective Actions: The issue is related to the timing of recording reimbursements from the grant. TRM submits reimbursement requests each month for the previous month's expenditures. The January request for December 2020 expenditures was not included as a receivable and revenue in our 2020 financial statements. TRM will ensure that the appropriate receivable and corresponding revenue are recorded for future financial reporting periods. TRM does not agree that the level of this issue merits a material weakness.

2020-002 Ineffective controls over Federal grant administration (Significant Deficiency)

Criteria: An effective system over grant administration exists if the grant expenditures can be systematically tracked and controls are in place to ensure that all related grant income and expenses are adequately segregated from other organization records.

Condition: We have determined that there was an inadequate design of internal control over the grant administration of the COVID grants during the fiscal year ended December 31, 2020. The current financial reporting process is a manual process to report grant transactions, which provides room for error and does not segregate grant activity from other organizational transactions as required by the grant.

Cause: The Organization's process for segregating COVID grant funds is a manual process outside of the accounting software.

Effect: The Organization's Schedule of Federal Expenditures and Awards (SEFA) required significant adjustment as there was no grant tracking mechanism within the accounting system to ensure all expenditures were captured separately.

Recommendation: We recommend that each grant received by the Organization be tracked separately within the accounting system. Current practice for other programs and grants is to utilize classes within the accounting system. Using a class for each of the COVID grants, and coding expenses to these classes would be an example of adequately segregating the records from other activity. Reports could then be generated from the accounting system to compare total expenditures by grant to the SEFA for accuracy.

Views of Responsible Officials and Planned Corrective Actions: TRM is not in full agreement with this

TOPEKA RESCUE MISSION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

finding. 2020 was the first time TRM received federal dollars TRM tracked all grant expenses via the grantor-provided detailed Excel spreadsheet, including vendor information, check information, dates as well as descriptions of how the monies were used and how it tied to Covid. Additionally, the grant name was noted in the memo section of the bill entry in QuickBooks. For the Cares Act SPARK grant, applied for and received in October 2020, administered by Shawnee County, we were allowed to claim expenses incurred from March through September of 2020. This further complicated how expenses were tracked in QuickBooks against a grant we had yet to know was available or that we would receive. We tracked expenses both in the grantor-provided Excel Spreadsheet as well as in the memo section of bill entry. Going forward, we will consider creating a specific class for federal grant expenses to facilitate the ease of tracking eligible expenses. However, we believe our “manual” tracking in conjunction with the memo information in our accounting software are adequate.

2020-003 Written Procedures of Internal Control over Compliance (Significant Deficiency)

Criteria: According to 2 CFR 200, Subparts D and E an organization is required to maintain written policies for the internal control over compliance of federal awards.

Condition: The Organization does not maintain these written policies for the internal control over compliance of federal awards.

Cause: The Organization’s policies and procedures were not designed to include written policies for the internal control over compliance of federal awards.

Effect: The absence of these written policies and procedures increases the risk that noncompliance of federal awards could occur and go undetected.

Recommendation: We recommend that the Organization develop written policies for the internal control over compliance of federal awards.

Views of Responsible Officials and Planned Corrective Actions: 2020 was the first time TRM had received federal dollars and the requirements related to those monies. Additionally, the City of Topeka and Shawnee County had to quickly distribute these monies targeted at addressing the challenges due to Covid. Instructions from our grantors was minimal and did not include the requirement of specific written policies related to the tracking and reporting of income and expenses. TRM will develop accounting policies and procedures specifically addressing the internal controls needed for compliance with federal awards.

TOPEKA RESCUE MISSION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FINDINGS AND QUESTIONS COSTS – MAJOR FEDERAL PROGRAMS

2020-003 Written Procedures of Internal Control over Compliance (Significant Deficiency)

Criteria: According to 2 CFR 200, Subparts D and E an organization is required to maintain written policies for the internal control over compliance of federal awards.

Condition: The Organization does not maintain these written policies for the internal control over compliance of federal awards.

Cause: The Organization's policies and procedures were not designed to include written policies for the internal control over compliance of federal awards.

Effect: The absence of these written policies and procedures increases the risk that noncompliance of federal awards could occur and go undetected.

Recommendation: We recommend that the Organization develop written policies for the internal control over compliance of federal awards.

Views of Responsible Officials and Planned Corrective Actions: 2020 was the first time TRM had received federal dollars and the requirements related to those monies. Additionally, the City of Topeka and Shawnee County had to quickly distribute these monies targeted at addressing the challenges due to Covid. Instructions from our grantors was minimal and did not include the requirement of specific written policies related to the tracking and reporting of income and expenses. TRM will develop accounting policies and procedures specifically addressing the internal controls needed for compliance with federal awards.

SUPPLEMENTARY INFORMATION

TOPEKA RESCUE MISSION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2020

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Grantor and Number	Federal Expenditures
EXPENDITURES OF FEDERAL AWARDS			
Department of Housing and Urban Development			
Emergency Solutions Grant Program (COVID-19)			
		City of Topeka	
Emergency Solutions Grant Program (COVID-19)	14.231	Kansas, Contract 48822	\$ 265,848
<i>Total Emergency Solutions Grant Program (COVID-19)</i>			265,848
Total Department of Housing and Urban Development			265,848
Department of the Treasury			
Coronavirus Relief Fund (COVID-19)			
		Shawnee County	
		Kansas, SPARK 359-	
Coronavirus Relief Fund (COVID-19)	21.019	2020	786,813
<i>Total Coronavirus Relief Fund (COVID-19)</i>			786,813
Total Department of the Treasury			786,813
Total Expenditures of Federal Awards			\$ 1,052,661

TOPEKA RESCUE MISSION, INC.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Topeka Rescue Mission, Inc. (the Organization) and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Association, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. DE MINIMIS INDIRECT COST RATE

In accordance with Section 2 U.S. *Code of Federal Regulations* Part 200.412 the Organization is allowed to elect to use the ten percent de minimis indirect cost rate. The Organization did not elect to use the 10% de minimis indirect cost rate.