

**ALLENTOWN RESCUE MISSION, INC.
AND
ALLENTOWN RESCUE MISSION FOUNDATION
(Not-for-Profit Corporations)**

**Combined Financial Statements and
Independent Auditor's Report**

June 30, 2017

**ALLENTOWN RESCUE MISSION, INC.
AND
ALLENTOWN RESCUE MISSION FOUNDATION
(Not-for-Profit Corporations)
TABLE OF CONTENTS**

	Page(s)
Independent Auditor's Report	1 - 2
<i>Combined Financial Statements:</i>	
Combined Statement of Financial Position	3
Combined Statement of Activities	4
Combined Statement of Cash Flows	5
Combined Statement of Functional Expenses	6 - 7
Notes to Combined Financial Statements	8 - 22

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Allentown Rescue Mission, Inc. and
Allentown Rescue Mission Foundation
Allentown, PA

We have audited the accompanying combined financial statements of Allentown Rescue Mission, Inc. and Allentown Rescue Mission Foundation (not-for-profit corporations) which comprise the combined statement of financial position as of June 30, 2017, and the related combined statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

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

Report on Summarized Comparative Information

We have previously audited the Allentown Rescue Mission, Inc. and Allentown Rescue Mission Foundation's 2016 combined financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated April 25, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Allentown Rescue Mission, Inc. and Allentown Rescue Mission Foundation as of June 30, 2017, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Congbell, Rappold & Yasuta LLP

February 9, 2018

**ALLENTOWN RESCUE MISSION, INC. AND
ALLENTOWN RESCUE MISSION FOUNDATION
(Not-for-Profit Corporations)
COMBINED STATEMENT OF FINANCIAL POSITION
June 30, 2017
With Summarized Totals for June 30, 2016**

-ASSETS-	Allentown Rescue Mission	Foundation	2017	2016
Cash and Cash Equivalents	\$ 3,186,199	\$ 19,627	\$ 3,205,826	\$ 2,142,406
Certificates of Deposit	-	111,707	111,707	111,596
Investments (Note 3 and 4)	-	2,566,102	2,566,102	2,196,453
Accounts Receivable, Net (Note 5)	109,644	-	109,644	70,892
Loans Receivable (Note 6)	32,440	-	32,440	36,858
Prepaid Expenses	24,222	-	24,222	64,519
Inventory	29,464	-	29,464	17,111
Other Asset	4,578	-	4,578	4,578
Land, Building and Equipment (Net of Accumulated Depreciation) (Note 7)	2,977,213	-	2,977,213	2,989,900
Investment in Limited Partnership	90,167	-	90,167	86,473
Investments in Outside Perpetual Trusts (Note 8)	547,768	-	547,768	522,215
Total Assets	<u>\$ 7,001,695</u>	<u>\$ 2,697,436</u>	<u>\$ 9,699,131</u>	<u>\$ 8,243,001</u>
-LIABILITIES AND NET ASSETS-				
<u>Liabilities:</u>				
Accounts Payable	\$ 42,749	\$ 21,516	\$ 64,265	\$ 28,455
Liability to Clients - Custodial Funds	42,983	-	42,983	34,042
Accrued Retirement (Note 10)	31,131	-	31,131	30,773
Accrued Expenses	47,526	-	47,526	42,192
Annuities Payable (Note 9)	256,042	-	256,042	265,133
Total Liabilities	<u>420,431</u>	<u>21,516</u>	<u>441,947</u>	<u>400,595</u>
<u>Net Assets:</u>				
Unrestricted	5,047,234	1,922,112	6,969,346	5,579,317
Unrestricted and Designated by the Governing Board for:				
Working Capital	150,000	-	150,000	150,000
Operating Reserves	60,000	-	60,000	60,000
Emergencies	40,000	-	40,000	40,000
Endowment (Note 14)	-	753,808	753,808	753,808
Total Unrestricted	<u>5,297,234</u>	<u>2,675,920</u>	<u>7,973,154</u>	<u>6,583,125</u>
Temporarily Restricted (Note 11)	736,262	-	736,262	737,066
Permanently Restricted (Note 8)	547,768	-	547,768	522,215
Total Net Assets	<u>6,581,264</u>	<u>2,675,920</u>	<u>9,257,184</u>	<u>7,842,406</u>
Total Liabilities and Net Assets	<u>\$ 7,001,695</u>	<u>\$ 2,697,436</u>	<u>\$ 9,699,131</u>	<u>\$ 8,243,001</u>

See independent auditor's report and accompanying notes to the financial statements.

**ALLENTOWN RESCUE MISSION, INC. AND
ALLENTOWN RESCUE MISSION FOUNDATION
(Not-for-Profit Corporations)
COMBINED STATEMENT OF ACTIVITIES
Year Ended June 30, 2017
With Summarized Totals for the Year Ended June 30, 2016**

	Unrestricted		Temporarily	Permanently	Total	
	Allentown	Foundation	Restricted	Restricted	2017	2016
	Rescue Mission		Allentown Rescue Mission	Allentown Rescue Mission		
Revenues, Gains and Other Support:						
Contributions	\$ 2,465,176	\$ -	\$ -	\$ -	\$ 2,465,176	\$ 2,326,501
Government Grants	60,705	-	-	-	60,705	32,057
Bequests	921,896	-	-	-	921,896	229,501
Program Fees	15,950	-	-	-	15,950	31,600
Clean Team Workforce Development Fees	552,684	-	-	-	552,684	516,161
Foundations	169,015	-	-	-	169,015	113,411
In-Kind Contributions	145,025	-	-	-	145,025	126,580
Special Events, Net (Note 13)	163,993	-	-	-	163,993	108,089
Investment Return	12,476	325,900	-	-	338,376	(35,186)
Gain on Disposal of Land, Building and Equipment	-	-	-	-	-	2,033
Loss on Sale of Investments	(102)	-	-	-	(102)	-
Miscellaneous Income	2,223	-	-	-	2,223	3,337
Change in Value of Outside Perpetual Trusts	-	-	-	25,553	25,553	(47,705)
Change in Value of Split-Interest Agreements (Note 9)	(32,859)	-	-	-	(32,859)	(30,493)
Net Assets Released from Restrictions:						
Satisfaction of Program and Time Restrictions (Note 11)	804	-	(804)	-	-	-
Total Revenues, Gains and Other Support	4,476,986	325,900	(804)	25,553	4,827,635	3,375,886
Expenses:						
Program Services:						
Christian Living Transitional Program	340,531	-	-	-	340,531	439,105
Gateway Center	826,454	-	-	-	826,454	633,888
Graduate Program	289,089	-	-	-	289,089	258,927
Clean Team Workforce Development	577,537	-	-	-	577,537	545,152
Total Program Services	2,033,611	-	-	-	2,033,611	1,877,072
Supporting Services:						
Management & General	475,556	-	-	-	475,556	420,206
Fundraising	903,689	-	-	-	903,689	868,121
Total Supporting Services	1,379,246	-	-	-	1,379,246	1,288,327
Total Expenses	3,412,857	-	-	-	3,412,857	3,165,399
Change in Net Assets	1,064,129	325,900	(804)	25,553	1,414,778	210,487
Net Assets at Beginning of Year	4,233,105	2,350,020	737,066	522,215	7,842,406	7,631,919
Net Assets at End of Year	<u>\$ 5,297,234</u>	<u>\$ 2,675,920</u>	<u>\$ 736,262</u>	<u>\$ 547,768</u>	<u>\$ 9,257,184</u>	<u>\$ 7,842,406</u>

See independent auditor's report and accompanying notes to the financial statements.

**ALLENTOWN RESCUE MISSION, INC. AND
ALLENTOWN RESCUE MISSION FOUNDATION
(Not-for-Profit Corporations)
COMBINED STATEMENT OF CASH FLOWS
Year Ended June 30, 2017
With Summarized Totals for the Year Ended June 30, 2016**

	Allentown Rescue Mission	Foundation	Total Year Ended June 30,	
			2017	2016
<i><u>Cash Flows from Operating Activities:</u></i>				
Change in Net Assets	\$ 1,088,878	\$ 325,900	\$ 1,414,778	\$ 210,487
Adjustments to Reconcile Change in Net Assets to Net Cash				
Provided by Operating Activities:				
Depreciation and Amortization	148,109	-	148,109	139,542
Unrealized (Gain) Loss on Investments	-	(289,649)	(289,649)	82,475
Gain on Disposal of Land, Building and Equipment	-	-	-	(2,032)
Loss on Sale of Investments	102	-	102	-
Contributed Investments	(6,446)	-	(6,446)	(21,392)
Change in Value of Limited Partnership	(3,694)	-	(3,694)	(8,874)
Change in Value of Outside Perpetual Trusts	(25,553)	-	(25,553)	47,705
Changes in Assets and Liabilities:				
(Increase) in Receivables, Prepaids and Other Assets	(10,808)	-	(10,808)	(38,745)
(Decrease) Increase in Payables, Accruals and Other Liabilities	19,836	21,516	41,352	(9,733)
Net Cash Provided by Operating Activities	<u>1,210,424</u>	<u>57,767</u>	<u>1,268,191</u>	<u>399,433</u>
<i><u>Cash Flows from Investing Activities:</u></i>				
Decrease in Loans Receivable	4,418	-	4,418	8,807
(Purchase) of Certificates of Deposit	-	(111)	(111)	(112)
(Purchase) of Investments	-	(120,000)	(120,000)	(698,000)
Sale of Investments	6,344	40,000	46,344	21,392
(Purchase) of Land, Building and Equipment	(135,422)	-	(135,422)	(35,091)
Proceeds from Sale of Land, Building and Equipment	-	-	-	2,500
Net Cash (Used) by Investing Activities	<u>(124,660)</u>	<u>(80,111)</u>	<u>(204,771)</u>	<u>(700,504)</u>
<i><u>Cash Flows from Financing Activities:</u></i>				
Repayment of Long-Term Debt	-	-	-	-
Net Cash (Used) by Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,085,764	(22,344)	1,063,420	(301,071)
Cash and Cash Equivalents, Beginning of Year	<u>2,100,435</u>	<u>41,971</u>	<u>2,142,406</u>	<u>2,443,477</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,186,199</u>	<u>\$ 19,627</u>	<u>\$ 3,205,826</u>	<u>\$ 2,142,406</u>
Noncash Donation of Marketable Securities	<u>\$ 6,446</u>	<u>\$ -</u>	<u>\$ 6,446</u>	<u>\$ -</u>

See independent auditor's report and accompanying notes to the financial statements.

**ALLENTOWN RESCUE MISSION, INC. AND
ALLENTOWN RESCUE MISSION FOUNDATION
(Not-for-Profit Corporations)
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2017
With Summarized Totals for the Year Ended June 30, 2016**

	Program Services				Total
	Christian Living Transitional Program	Gateway Center	Graduate Program	Clean Team Workforce Development	
Salaries and Casual Labor	\$ 180,773	\$ 419,112	\$ 135,670	\$ 374,901	\$ 1,110,456
Employee Benefits	43,166	67,889	34,574	28,794	174,423
Payroll Taxes	11,729	28,872	8,717	48,999	98,318
Total Salaries and Related Expenses	235,668	515,873	178,961	452,694	1,383,197
Professional Services	3,214	6,342	1,480	8,201	19,236
Employee Training and Recruitment	2,145	620	-	614	3,379
Advertising	-	22,935	-	26,252	49,187
Fundraising Materials and Printing	354	587	158	-	1,099
Postage	8	25	2	171	206
Transportation	2,530	832	481	13,224	17,068
Rent	5,107	5,278	3,064	5,362	18,811
Utilities	19,464	20,112	11,679	5,190	56,445
Property and Liability Insurance	7,739	17,714	13,508	13,863	52,824
Taxes and Licenses	1,157	3,552	429	2,676	7,815
Repairs and Maintenance	13,345	24,703	9,429	13,031	60,508
Building Custodial	962	2,309	308	137	3,716
Food and Supplies	9,720	153,094	23,328	-	186,142
Office Expense	2,853	3,586	1,684	8,661	16,784
Dues, Memberships & Subscriptions	84	21	11	4	120
Telephone	3,797	4,852	2,692	2,450	13,791
Travel and Meetings	667	482	168	755	2,072
Interest and Bank Charges	-	-	-	31	31
Payments to or On Behalf of Clients	13,355	2,312	375	10,552	26,594
Miscellaneous	285	256	13	1,404	1,959
Total Expenses Before Depreciation	322,456	785,485	247,769	565,273	1,920,983
Depreciation and Amortization	18,075	40,969	41,320	12,264	112,628
TOTAL EXPENSES FOR 2017	<u>\$ 340,531</u>	<u>\$ 826,454</u>	<u>\$ 289,089</u>	<u>\$ 577,537</u>	<u>\$ 2,033,611</u>
TOTAL EXPENSES FOR 2016	<u>\$ 439,105</u>	<u>\$ 633,888</u>	<u>\$ 258,927</u>	<u>\$ 545,152</u>	<u>\$ 1,877,072</u>

See independent auditor's report and accompanying notes to the financial statements.

Supporting Activities			Total Year Ended June 30,	
Management and General	Fund Raising	Total	2017	2016
\$ 235,896	\$ 150,685	\$ 386,581	\$ 1,497,037	\$ 1,353,003
65,878	33,524	99,402	273,825	255,717
21,062	10,366	31,428	129,746	121,599
322,836	194,575	517,411	1,900,607	1,730,319
45,743	68,522	114,265	133,501	132,924
1,413	175	1,588	4,967	2,267
-	45,869	45,869	95,056	102,757
385	401,005	401,390	402,490	377,939
1,149	162,121	163,270	163,475	156,482
1,496	167	1,663	18,730	16,318
1,702	511	2,213	21,024	17,024
6,488	1,946	8,434	64,880	62,992
5,868	4,945	10,813	63,637	71,538
2,390	502	2,892	10,707	11,765
4,291	1,607	5,898	66,406	58,325
543	62	605	4,321	6,182
4,026	2,331	6,357	192,498	164,776
18,038	6,443	24,481	41,265	35,626
4,263	367	4,630	4,750	3,950
6,868	2,146	9,014	22,804	20,942
3,698	484	4,182	6,254	10,899
15,514	151	15,664	15,695	20,807
193	97	290	26,883	23,169
2,614	223	2,837	4,796	(1,144)
449,515	894,249	1,343,765	3,264,748	3,025,857
26,041	9,440	35,481	148,109	139,542
<u>\$ 475,556</u>	<u>\$ 903,689</u>	<u>\$ 1,379,246</u>	<u>\$ 3,412,857</u>	
<u>\$ 420,206</u>	<u>\$ 868,121</u>	<u>\$ 1,288,327</u>		<u>\$ 3,165,399</u>

**ALLENTOWN RESCUE MISSION, INC. AND
ALLENTOWN RESCUE MISSION FOUNDATION
(Not-for-Profit Corporations)
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2017
With Comparative Information as of June 30, 2016**

1. Nature of Organization

Allentown Rescue Mission, Inc. (the "Mission"), is a not-for-profit corporation organized under the laws of the Commonwealth of Pennsylvania, with a mission of "Rescue, rehabilitation and restoration for men in crisis." For those in need, the Mission will meet physical, spiritual, emotional, social and intellectual needs to the best of its capabilities. The Mission provides a safe and disciplined environment, teaching, counseling, rehabilitation, work and referrals so that each person in need can work to achieve self-sufficiency.

The Mission is the sole member of four limited liability companies (Allentown Rescue Mission Clean Team, LLC, Allentown Rescue Mission Workforce Development, LLC, Brighter Future of the Allentown Rescue Mission, LLC and Cars to the Rescue, LLC) the operations of which are included under the activities of the Mission.

The Allentown Rescue Mission Foundation (the "Foundation") is a not-for-profit corporation organized under the laws of the Commonwealth of Pennsylvania for the sole purpose of providing funds to support the programs, services and capital needs of the Allentown Rescue Mission, Inc.

The Organization is exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code.

Allentown Rescue Mission, Inc. and Allentown Rescue Mission Foundation are collectively referred to as the "Organization" for purposes of these combined financial statements.

Descriptions of the Mission's programs are as follows:

Gateway Center

Our Gateway Center (emergency shelter) is the most basic of our programs and is often the entry-point into our long-term programs. Emergency Shelter receives clients - literally - off the street, who have exhausted all support and typically have multiple and long-term problems.

The Mission provides 66 beds for homeless men; the shelter is open seven days a week.

Christian Living Transitional Program

The Christian Living and Values Transitional Program is a Christ-centered, residential program for the restoration of homeless men to God and the community. The program offers the Good News about Jesus Christ and spiritual growth opportunities, transitional housing and housing assistance, meals and clothing, life skills education, and referrals to other service providers.

**ALLENTOWN RESCUE MISSION, INC. AND
ALLENTOWN RESCUE MISSION FOUNDATION
(Not-for-Profit Corporations)
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2017
With Comparative Information as of June 30, 2016**

1. Nature of Organization (Continued)

Christian Living Graduate Program

The Graduate Program provides transitional housing for Christian Living Program graduates in a safe, clean, supportive environment that helps clients transition back into society. While in this program, clients receive structured support to obtain employment and permanent housing.

Clean Team Workforce Development

Clean Team Workforce Development is an innovative project of the Allentown Rescue Mission, employing men who are working their way out of homelessness. Clean Team Workforce Development is a training program, teaching men transferrable workplace skills, such as: promptness, safety, attentiveness, cooperation and productivity. The goal for each participant is more than getting a job; it's to be a solid entry level worker, and a valued employee.

2. Summary of Significant Accounting Policies

Principles of Combination

The combined financial statements include the accounts of the Allentown Rescue Mission, Inc. and the Allentown Rescue Mission Foundation.

Basis of Accounting

The combined financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and reflect all material receivables and payables.

**ALLENTOWN RESCUE MISSION, INC. AND
ALLENTOWN RESCUE MISSION FOUNDATION
(Not-for-Profit Corporations)
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2017
With Comparative Information as of June 30, 2016**

2. Summary of Significant Accounting Policies (Continued)

Basis of Presentation

The Organization classifies resources for accounting and report purposes into three net asset categories according to externally (donor) imposed restrictions.

A description of the three net asset categories follows:

Unrestricted Net Assets

Unrestricted net assets include funds not subject to donor-imposed stipulations. In general, the revenues received and expenses incurred in conducting the Organization's charitable mission are included in this category.

Temporarily Restricted Assets

Temporarily restricted net assets include gifts, grants and pledges whose use by the Organization has been limited by donors to later periods of time or after specified dates, or to specified purpose.

Permanently Restricted Net Assets

Permanently restricted net assets include gifts, trusts and pledges which are required by donor-imposed restrictions to be invested in perpetuity and only income be made available for operations in accordance with donor restrictions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Accounts Receivable

Accounts receivable related to amounts due from various organizations for program services. All amounts are current and management has determined that all amounts are collectible; accordingly, no allowance for doubtful accounts is recorded.

**ALLENTOWN RESCUE MISSION, INC. AND
ALLENTOWN RESCUE MISSION FOUNDATION
(Not-for-Profit Corporations)
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2017
With Comparative Information as of June 30, 2016**

2. Summary of Significant Accounting Policies (Continued)

Investments

Investments in equity securities with readily determinable fair values and all investment in debt securities are measured at fair value in the combined statement of financial position. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the combined statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

Inventory

Purchased food is valued at cost. Donated food inventory is valued at an average of the national wholesale prices as determined by Feeding America.

As of June 30, 2017 donated food and supplies inventory, consisting of approximately 17,643 pounds at an average value of \$1.67/lb totaled, \$29,464.

Outside Perpetual Trusts

The Mission is a beneficiary of two perpetual irrevocable trusts held and administered by independent trustees. Under the terms of the trusts, the Mission has the irrevocable right to receive a portion of the income earned on trust assets in perpetuity. The fair value of the beneficial interest in a trust is recognized as an asset and as a permanently restricted contribution at the date the trust is established. The Mission's estimate of fair value at each reporting date is based on fair value information about the trust's assets received from the trustees. Trust assets consist of, but are not limited to, cash held for investment, real assets funds, equity securities, alternative investments and fixed income securities. These assets are not subject to control or direction by the Mission. Distributions of income from the trusts are reported as investment income. Gains and losses, which are not distributed by the trusts, are reflected as the change in value of outside perpetual trusts in the statement of activities.

Property and Equipment

Property and equipment, other than contributed property and equipment, is stated at cost. Depreciation is computed by use of the straight-line method based on estimated useful lives.

Such assets and lives are generally as follows:

	<u>Years</u>
Land Improvements	45
Building and Improvements	39 - 45
Equipment	5 - 7
Vehicles	5

**ALLENTOWN RESCUE MISSION, INC. AND
ALLENTOWN RESCUE MISSION FOUNDATION
(Not-for-Profit Corporations)
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2017
With Comparative Information as of June 30, 2016**

2. Summary of Significant Accounting Policies (Continued)

Property and Equipment (Continued)

The Organization reports gifts of land, building, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Additions and betterments of \$500 or more are capitalized while normal repair and maintenance expenditures are not capitalized because they neither add to the value of the property nor materially prolong its useful life.

Contributions

Contributions received, including unconditional promises, are recognized as support in the period received and are measured at their fair values. Depending on the form of the benefits received, contributions are either recorded by the Organization as revenues or assets, or as decreases in liabilities or expenses. Contributions with donor-imposed restrictions are recorded as restricted support, while contributions without donor-imposed restrictions are recorded as unrestricted support. The expiration of a donor-imposed restriction on a contribution is recognized in the period in which the restriction expires. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Conditional promises are recorded when donor stipulations are substantially met.

The Mission receives indications of intent to support programs that are commitments to provide monthly, quarterly, or annual gifts of a specified amount. These commitments are open-ended and subject to unilateral change by the donor. Because the commitments do not express a term or period, the amount of the commitment is not measurable. Considering these factors, the commitments are not considered to be unconditional promises to give and are not recognized prior to receipt of the contribution.

Contributed services are recorded if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Time has been donated by volunteers and board members of the Organization; however, such services are typically not recorded.

The Mission receives in-kind donations for medical and other services for individuals in need of care. The value of donated services totaled \$97,808 and \$69,555 for the years ended June 30, 2017 and 2016, respectively. The fair market value of contributed professional services is reported as support and expense in the period in which the services are performed.

**ALLENTOWN RESCUE MISSION, INC. AND
ALLENTOWN RESCUE MISSION FOUNDATION
(Not-for-Profit Corporations)
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2017
With Comparative Information as of June 30, 2016**

2. Summary of Significant Accounting Policies (Continued)

Allocation of Expenses by Function

The Organization's method for allocating expenses among the functional reporting classifications which cannot be specifically identified as program services or supporting activities are based on estimates made for time spent by key personnel between functions, space occupied by function, consumption of supplies and postage by function, and other objective bases.

Cash Equivalents

For purpose of the Statement of Cash Flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Certificates of Deposit are not considered to be cash equivalents if their maturity date is greater than three months even though their callable date is three months or less.

Advertising Costs

Advertising costs are expensed as incurred.

Concentration of Risk

As of June 30, 2017, the Organization had approximately \$2,694,000 of cash balances which exceed federally insured limits. They historically have not experienced any credit related losses.

Reclassifications

It is the Organization's policy to reclassify, where appropriate, prior year financial statements to conform to the current year presentation.

Taxes on Income

The Organization is a nonprofit organization incorporated in the Commonwealth of Pennsylvania and exempt from federal income taxes under 501(c)(3) of the Internal Revenue Code.

The Organization follows the accounting guidance as codified in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, *Income Taxes - Uncertainty in Income Taxes*. FASB ASC 740 clarifies the accounting for uncertainties in income taxes recognized in the Organization's financial statements. The standard prescribes a recognition threshold of more likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. The standard also provides guidance on derecognition, classification, interest and penalties and disclosure.

**ALLENTOWN RESCUE MISSION, INC. AND
ALLENTOWN RESCUE MISSION FOUNDATION
(Not-for-Profit Corporations)
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2017
With Comparative Information as of June 30, 2016**

2. Summary of Significant Accounting Policies (Continued)

Taxes on Income (Continued)

The Organization has no material unrecognized tax benefits or accrued interest or penalties. The Organization has filed tax returns in the U.S. and Commonwealth of Pennsylvania. The years ended June 30, 2015, 2016, and 2017 are open for examination by taxing authorities generally for three years after filing.

3. Investments

The Foundation has investments at year end as follows:

	6/30/2017		6/30/2016	
	Cost	Market	Cost	Market
Wheaton Bond Fund	\$ 977,000	\$ 968,470	\$ 917,000	\$ 931,033
Wheaton Stock Fund	1,391,000	1,597,632	1,371,000	1,265,420
Total Investments	<u>\$ 2,368,000</u>	<u>\$ 2,566,102</u>	<u>\$ 2,288,000</u>	<u>\$ 2,196,453</u>

Investment return and its classification in the statement of activities is as follows:

	Mission	Foundation	For the Years Ended June 30,	
			2017 Total	2016 Total
Interest and Dividend Income	\$ 12,476	\$ 44,720	\$ 57,196	\$ 57,711
Investment Management Fees	-	(8,468)	(8,468)	(9,780)
Realized Gain (Loss) on Investments	(102)	-	(102)	(642)
Unrealized Gain (Loss) on Investments	-	289,648	289,648	(82,475)
Investment Return	<u>\$ 12,374</u>	<u>\$ 325,900</u>	<u>\$ 338,274</u>	<u>\$ (35,186)</u>

4. Fair Value Measurements

The Organization adopted FASB ASC 820-10, *Fair Value Measurements and Disclosures*, as it pertains to its financial assets and liabilities. ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, based on assumptions that market participants at the measurement date, based on assumptions that market participants would use, including consideration for non-performance risk.

**ALLENTOWN RESCUE MISSION, INC. AND
ALLENTOWN RESCUE MISSION FOUNDATION
(Not-for-Profit Corporations)
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2017
With Comparative Information as of June 30, 2016**

4. Fair Value Measurements (Continued)

Management assesses the inputs used to measure fair value using a three-tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market. The three levels of the fair value hierarchy under FASB ASC 820-10 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- 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 (contractual) 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 Organization has an investment in a Limited Partnership and Outside Perpetual Trusts classified as Level 3 assets.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2017 and 2016.

Outside Perpetual Trusts: Measured based on quoted market prices of the underlying securities and other relevant information generated by market transactions, divided by the Mission's share based on its pro-rata share of distributable income of the Trusts.

Investment in Limited Partnership: Valued at the Organization's investment in the Partnership and their share of the Partnership annual income or loss.

**ALLENTOWN RESCUE MISSION, INC. AND
ALLENTOWN RESCUE MISSION FOUNDATION
(Not-for-Profit Corporations)
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2017
With Comparative Information as of June 30, 2016**

4. Fair Value Measurements (Continued)

Wheaton Stock Fund and Wheaton Bond Fund: Valued by the Funds custodian at market prices obtained from recognized automated pricing services, records of any exchange, standard financial periodicals, or any newspaper of general circulation, subject to review and approval by the trustee. Pricing services utilized by the custodian include FT active data, Standard & Poor's and Bloomberg. In those instance where there are no readily obtainable fair values from any of these sources, investments are valued on the basis of estimated fair values obtained from bankers, brokers, dealers or other qualified appraisers.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, with the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

There were no transfers between Level, 1, Level 2 and Level 3 investments in 2017 and 2016.

The following table sets forth by level, within the fair value hierarchy, the Organizations' assets at fair value as of June 30, 2017 and 2016:

	Assets at Fair Value as of June 30, 2017			
	Level 1	Level 2	Level 3	Total
Wheaton Stock Fund	\$ -	\$ 1,597,632	\$ -	\$ 1,597,632
Wheaton Bond Fund	-	968,470	-	968,470
Outside Perpetual Trusts	-	-	547,768	547,768
Investment in Limited Partnership	-	-	90,167	75,084
Total Assets at Fair Value	<u>\$ -</u>	<u>\$ 2,566,102</u>	<u>\$ 637,935</u>	<u>\$ 3,188,954</u>
	Assets at Fair Value as of June 30, 2016			
	Level 1	Level 2	Level 3	Total
Wheaton Stock Fund	\$ -	\$ 1,265,420	\$ -	\$ 1,265,420
Wheaton Bond Fund	-	931,033	-	931,033
Outside Perpetual Trusts	-	-	522,215	522,215
Investment in Limited Partnership	-	-	86,473	86,473
Total Assets at Fair Value	<u>\$ -</u>	<u>\$ 2,196,453</u>	<u>\$ 608,688</u>	<u>\$ 2,805,141</u>

**ALLENTOWN RESCUE MISSION, INC. AND
ALLENTOWN RESCUE MISSION FOUNDATION
(Not-for-Profit Corporations)
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2017
With Comparative Information as of June 30, 2016**

4. Fair Value Measurements (Continued)

The following table sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the year ended June 30, 2017 and 2016.

Year ended June 30, 2017:

	Investment in Limited Partnership	Outside Perpetual Trusts	Total
Balance, Beginning of Year	\$ 86,473	\$ 522,215	\$ 608,688
Share of Partnership Income	5,772	-	5,772
Unrealized Gains (Losses)	-	25,553	25,553
Withdrawals and Distributions	<u>(2,078)</u>	<u>-</u>	<u>(2,078)</u>
Balance, End of Year	<u>\$ 90,167</u>	<u>\$ 547,768</u>	<u>\$ 637,935</u>

Year ended June 30, 2016:

	Investment in Limited Partnership	Outside Perpetual Trusts	Total
Balance, Beginning of Year	\$ 77,599	\$ 569,920	\$ 647,519
Share of Partnership Income	9,726	-	9,726
Unrealized Gains (Losses)	-	(47,705)	(47,705)
Withdrawals and Distributions	<u>(852)</u>	<u>-</u>	<u>(852)</u>
Balance, End of Year	<u>\$ 86,473</u>	<u>\$ 522,215</u>	<u>\$ 608,688</u>

5. Accounts Receivable

Accounts receivable consist of:

	<u>6/30/2017</u>	<u>6/30/2016</u>
Government Grants	\$ 14,883	\$ 13,803
Clean Team Work Force Development Fees	91,437	54,016
Other	<u>3,324</u>	<u>3,073</u>
	<u>\$ 109,644</u>	<u>\$ 70,892</u>

**ALLENTOWN RESCUE MISSION, INC. AND
ALLENTOWN RESCUE MISSION FOUNDATION
(Not-for-Profit Corporations)
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2017
With Comparative Information as of June 30, 2016**

6. Loans Receivable

In December of 2013, the Organization sold real property and issued a mortgage to the buyer for \$61,900, bearing 3.5% interest rate. The loan is due in 60 equal monthly payments of \$1,119 plus interest beginning January 2014 and is secured by the real property in Allentown, PA. The loan receivable balance was \$32,440, and \$36,858, for the years ending June 30, 2017 and 2016, respectively.

7. Land, Building and Equipment

Land, building and equipment consist of the following:

	6/30/2017	6/30/2016
Land and Buildings	\$ 4,010,183	\$ 3,997,634
Furniture and Equipment	596,863	489,691
Vehicles	128,729	113,029
	4,735,775	4,600,354
Less: Accumulated Depreciation	(1,758,562)	(1,610,454)
	<u>\$ 2,977,213</u>	<u>\$ 2,989,900</u>

Depreciation charged to expense was \$148,109 and \$139,542 for the years ended June 30, 2017 and 2016, respectively.

8. Outside Perpetual Trusts

Allentown Rescue Mission, Inc. has two perpetual trusts that provide for annual distributions of income to the Organization as beneficiary. The trusts at June 30, 2017 and 2016 are as follows:

Trust	% Interest	Share of Net Assets	
		6/30/2017	6/30/2016
Trust under agreement of Beuhler Memorial Fund Trust	5%	\$ 141,040	\$ 132,462
Trust under agreement of Charles and Mayme Smith	50%	406,728	389,753
		<u>\$ 547,768</u>	<u>\$ 522,215</u>

**ALLENTOWN RESCUE MISSION, INC. AND
ALLENTOWN RESCUE MISSION FOUNDATION
(Not-for-Profit Corporations)
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2017
With Comparative Information as of June 30, 2016**

8. Outside Perpetual Trusts (Continued)

Investments of the trusts consist of:

	As of June 30, 2017		As of June 30, 2016	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Cash Held for Investment	\$ 18,680	\$ 18,680	\$ 25,202	\$ 25,202
Real Asset Funds	48,633	51,910	50,144	56,019
Equity Securities	205,977	261,889	246,755	270,044
Alternative Investments	99,250	98,015	46,480	58,161
Fixed Income Securities	<u>113,838</u>	<u>117,274</u>	<u>110,007</u>	<u>112,789</u>
	<u>\$486,378</u>	<u>\$547,768</u>	<u>\$478,588</u>	<u>\$522,215</u>

9. Annuities Payable

Charitable gift annuities and charitable remainder annuity trust consist of the following:

	<u>Liability to Donors Under Charitable Gift Annuities June 30,</u>	
<u>Unrestricted:</u>	<u>2017</u>	<u>2016</u>
Charitable Gift Annuity Created in 2002 Requiring Quarterly Payments of \$2,187 to the Donor for his Lifetime	\$ 46,470	\$ 48,515
Charitable Gift Annuity Created in 2001 Requiring Quarterly Payments of \$5,000 to the Donor for his Lifetime	100,152	104,281
Charitable Gift Annuity Created in 2008 Requiring Quarterly Payments of \$3,300 to the Donor for his Lifetime	<u>109,420</u>	<u>112,337</u>
Total	<u>\$ 256,042</u>	<u>\$ 265,133</u>

**ALLENTOWN RESCUE MISSION, INC. AND
ALLENTOWN RESCUE MISSION FOUNDATION
(Not-for-Profit Corporations)
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2017
With Comparative Information as of June 30, 2016**

9. Annuities Payable (Continued)

On an annual basis, the Mission revalues the liabilities/asset of the split-interest agreements based on applicable mortality tables and discount rates, which vary from 4% to 6.6%.

10. Retirement Plan

The Mission offers a 401(k) profit sharing plan whereby they contribute 6% of eligible wages to the plan annually. The Organization also offers a 401(k) plan whereby they will match up to 3% of eligible wages. Retirement expense was \$64,869 and \$77,219, for 2017 and 2016, respectively. In addition, a tax deferred annuity plan is available to staff members.

11. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following:

	June 30,	
	2017	2016
Car Program	\$ 20,000	\$ 20,000
Purchase of a Van	3,140	3,140
Financial Literacy	2,500	2,500
Medical Care for the Needy and Underprivileged	710,622	711,426
	\$ 736,262	\$ 737,066

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors:

	June 30,	
	2017	2016
Medical Care for the Needy and Underprivileged	\$ 804	\$ 832
	\$ 804	\$ 832

**ALLENTOWN RESCUE MISSION, INC. AND
ALLENTOWN RESCUE MISSION FOUNDATION
(Not-for-Profit Corporations)
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2017
With Comparative Information as of June 30, 2016**

12. Operating Leases

The Organization is obligated under various leases for equipment rentals, accounted for as operating leases. The following is a schedule of future minimum rental payments required under operating leases that have initial or remaining non-cancellable lease terms in excess of one year as of June 30, 2017:

Year Ending June 30,	
2018	\$ 5,362
2019	<u>1,366</u>
	<u>\$ 6,728</u>

Rent expense under these operating leases for the years ended June 30, 2017 and 2016 was \$6,141.

13. Special Events

Special events revenues and expenses were as follows:

	<u>2017</u>	<u>2016</u>
Revenue	\$ 190,266	\$ 146,883
Expense	<u>(26,273)</u>	<u>(38,794)</u>
Net	<u>\$ 163,993</u>	<u>\$ 108,089</u>

14. Board Designated Endowment

The Organization's endowment consists of a \$753,808 board designated endowment. As required by Generally Accepted Accounting Principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. As of June 30, 2017 and 2016, the Board of Directors had designated endowment funds of \$753,808 that are classified and reported as unrestricted net assets.

Return Objectives and Risk Parameters

The board designated endowment funds of the Organization are invested within the pool of investments held by the Foundation. Per the board designation, the Organization maintains a balance of \$753,808 of the investment pool for endowment purposes. Accordingly, no gain or loss has been recognized in the Changes in Endowment Net Assets schedule. The Board of the Foundation has adopted an investment policy whereby it seeks to achieve a "satisfactory" total rate of return on invested funds. The satisfactory total rate of return will vary over time as a function of the overall economic and investment market environment.

**ALLENTOWN RESCUE MISSION, INC. AND
ALLENTOWN RESCUE MISSION FOUNDATION
(Not-for-Profit Corporations)
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2017
With Comparative Information as of June 30, 2016**

14. Board Designated Endowment (Continued)

Endowment net asset composition by type of fund is as follows:

<u>2017</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board Designated Endowment Funds	<u>\$ 753,808</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$753,808</u>
<u>2016</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board Designated Endowment Funds	<u>\$ 753,808</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$753,808</u>

Changes in endowment net assets, all of which are unrestricted, for the fiscal years ended June 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Endowment Net Assets, Beginning of Year	\$ 753,808	\$ 753,808
Contributions	-	-
Investment Income	-	-
Net Appreciation (Depreciation)	<u>-</u>	<u>-</u>
Endowment Net Assets, End of Year	<u>\$ 753,808</u>	<u>\$ 753,808</u>

15. Advertising

Advertising costs are expensed as incurred and were \$95,055 and \$102,758 for the years ended June 30, 2017 and 2016, respectively.

16. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 9, 2018, the date the financial statements were available to be issued.

17. Summarized Totals for Year Ended June 30, 2016

The financial statements include certain prior-year summarized comparative information in total, but not by function or net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the financial statements for the year ended June 30, 2016, from which summarized information was derived.