

THE CITY MISSION AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2020 AND 2019



Rea & associates

www.reacpa.com

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To the Board of Trustees
The City Mission
Cleveland, Ohio

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The City Mission and Affiliates, which comprise the consolidated statements of financial position as of September 30, 2020 and 2019, the related consolidated statements of activities and change in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The City Mission and Affiliates as of September 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

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

Rea & Associates, Inc.

Certified Public Accountants

December 16, 2020

THE CITY MISSION AND AFFILIATES

Consolidated Statements of Financial Position

September 30, 2020 and 2019

ASSETS	<u>2020</u>	<u>2019</u>	LIABILITIES	<u>2020</u>	<u>2019</u>
Current			Current		
Cash and cash equivalents	\$ 4,416,361	\$ 1,136,742	Accounts payable	\$ 254,643	\$ 129,150
Accounts receivable	11,039	7,843	Accrued vacation	182,386	143,389
Promises to give	916,136	222,178	Accrued expenses	4,747	46,272
Investments	-	1,290,278	Accrued payroll	37,240	18,038
Prepaid expenses	<u>189,305</u>	<u>428,868</u>	Annuity payment liability	98,077	66,465
			Deferred revenue	<u>96,186</u>	<u>-</u>
Total Current Assets	5,532,841	3,085,909	Total Current Liabilities	673,279	403,314
Property and Equipment, Net	8,369,708	8,784,256	Long-Term Note Payable	695,574	-
Other					
Restricted cash - capital campaign	3,256,169	143,312	Total Liabilities	<u>1,368,853</u>	<u>403,314</u>
Promises to give - long-term	95,050	100,000			
Property held for New Horizons Program	182,034	147,380	NET ASSETS		
Annuity investments	<u>240,975</u>	<u>207,469</u>	Net Assets		
	<u>3,774,228</u>	<u>598,161</u>	Without donor restrictions	12,029,719	11,588,672
			With donor restrictions	<u>4,278,205</u>	<u>476,340</u>
			Total Net Assets	<u>16,307,924</u>	<u>12,065,012</u>
Total Assets	<u><u>\$ 17,676,777</u></u>	<u><u>\$ 12,468,326</u></u>	Total Liabilities and Net Assets	<u><u>\$ 17,676,777</u></u>	<u><u>\$ 12,468,326</u></u>

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

THE CITY MISSION AND AFFILIATES

Consolidated Statements of Activities and Change in Net Assets

For the Years Ended September 30, 2020 and 2019

	2020			2019		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Consolidated Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Consolidated Total
Support and Revenues						
Contributions	\$ 7,628,917	\$ 491,350	\$ 8,120,267	\$ 7,675,316	\$ 293,728	\$ 7,969,044
Contributions- donated marketable securities	772,407	-	772,407	289,714	-	289,714
Contributions- donated materials and services	467,874	-	467,874	389,968	-	389,968
Interest and dividend income	-	-	-	19,209	-	19,209
Realized and unrealized gain (loss) on investments	1,417	-	1,417	(46,380)	-	(46,380)
Other income	138,898	-	138,898	159,161	-	159,161
Special events	48,642	-	48,642	131,726	-	131,726
Net assets released from restrictions	157,592	(157,592)	-	-	-	-
	9,215,747	333,758	9,549,505	8,618,714	293,728	8,912,442
For profit revenue:						
NHP revenue	-	-	-	39,697	-	39,697
Total support and revenues before capital campaign	9,215,747	333,758	9,549,505	8,658,411	293,728	8,952,139
Functional Expenses						
Program expenses	7,520,480	-	7,520,480	6,273,987	-	6,273,987
Development	755,801	-	755,801	484,852	-	484,852
Administrative expenses	427,456	-	427,456	420,406	-	420,406
Total functional expenses	8,703,737	-	8,703,737	7,179,245	-	7,179,245
Other Expenses						
For profit expenses:						
NHP expenses	-	-	-	25,251	-	25,251
Total expenses before capital campaign	8,703,737	-	8,703,737	7,204,496	-	7,204,496
Change in Net Assets before Capital Campaign	512,010	333,758	845,768	1,453,915	293,728	1,747,643
Capital Campaign						
With donor restrictions support and revenues	-	3,774,916	3,774,916	-	343,610	343,610
Capital campaign expenses	(489,514)	-	(489,514)	-	-	-
Net assets released from restrictions	306,809	(306,809)	-	200,298	(200,298)	-
Total capital campaign	(182,705)	3,468,107	3,285,402	200,298	143,312	343,610
Increase in Net Assets from Continuing Operations	329,305	3,801,865	4,131,170	1,654,213	437,040	2,091,253
Discontinued Operations:						
MRA revenues	112,726	-	112,726	952,203	-	952,203
MRA expenses	(984)	-	(984)	(1,316,900)	-	(1,316,900)
Increase (Decrease) in Net Assets from Discontinued Operations	111,742	-	111,742	(364,697)	-	(364,697)
Increase in Net Assets	441,047	3,801,865	4,242,912	1,289,516	437,040	1,726,556
Net Assets - Beginning of Year	11,588,672	476,340	12,065,012	10,299,156	39,300	10,338,456
Net Assets - End of Year	<u>\$ 12,029,719</u>	<u>\$ 4,278,205</u>	<u>\$ 16,307,924</u>	<u>\$ 11,588,672</u>	<u>\$ 476,340</u>	<u>\$ 12,065,012</u>

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

THE CITY MISSION AND AFFILIATES

Consolidated Statements of Cash Flows

For the Years Ended September 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Increase in net assets	\$ 4,242,912	\$ 1,726,556
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	593,516	592,782
Non-cash contributions	(1,240,281)	(679,682)
Non-cash expenses	467,874	389,968
Realized and unrealized loss on investments	1,169	20,550
Loss on disposal of property and equipment	12,427	6,130
Expense on previously capitalized CIP	200,296	-
Bad debt expense	57,173	78,792
Changes in assets and liabilities:		
Accounts receivable	(3,196)	75,002
Deferred obligations	-	264,548
Promises to give	(746,181)	(237,129)
Prepaid expenses	239,563	(342,962)
Property held for affiliates	(34,654)	1,928
Accounts payable	125,493	(651,360)
Accrued vacation	38,997	19,942
Accrued expense	(41,525)	46,272
Accrued payroll	19,202	9,196
Deferred revenue	96,186	-
Total adjustments	(213,941)	(406,023)
Net Cash Provided By Operating Activities	4,028,971	1,320,533
Cash Flows from Investing Activities		
Proceeds from sale of investments	2,059,622	481,688
Purchase of securities	-	(891,448)
Proceeds from sale of property and equipment	14,800	-
Purchase of property and equipment	(406,491)	(386,111)
Net Cash Provided by (Used In) Investing Activities	1,667,931	(795,871)
Cash Flows from Financing Activities		
Proceeds from long-term debt	695,574	-
Net Cash Provided by Financing Activities	695,574	-
Net Increase in Cash and Cash Equivalents and Restricted Cash	6,392,476	524,662
Cash and Cash Equivalents and Restricted Cash - Beginning	1,280,054	755,392
Cash and Cash Equivalents and Restricted Cash - Ending	\$ 7,672,530	\$ 1,280,054
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year:		
Interest	\$ 3,174	\$ -
Non-cash investing activities:		
Donated marketable securities	\$ 772,407	\$ 289,714

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

THE CITY MISSION AND AFFILIATES

Consolidated Statement of Functional Expenses

For the Year Ended September 30, 2020

	Program Expenses				Total Program Expenses	Development	Administrative and General	Total Expenses
	Crossroads Men's Ministry	New Horizons	Laura's Home	TCMSF				
Gross wages	\$ 1,250,827	\$ 219,322	\$ 1,406,730	\$ -	\$ 2,876,879	\$ 261,214	\$ 152,006	\$ 3,290,099
Payroll taxes	80,023	15,125	94,257	-	189,405	18,542	10,039	217,986
Insurance- medical	261,145	42,018	287,945	-	591,108	51,634	28,082	670,824
Pension expense	51,791	15,246	55,319	-	122,356	17,396	14,614	154,366
Staff development	16,608	12,360	22,659	-	51,627	7,504	6,968	66,099
Other employee expenses	8,619	3,317	8,484	-	20,420	2,928	3,394	26,742
Total employee expenses	<u>1,669,013</u>	<u>307,388</u>	<u>1,875,394</u>	<u>-</u>	<u>3,851,795</u>	<u>359,218</u>	<u>215,103</u>	<u>4,426,116</u>
Food	184,695	-	178,689	-	363,384	-	-	363,384
Client programs	102,106	40,011	132,104	-	274,221	-	-	274,221
Total client expenses	<u>286,801</u>	<u>40,011</u>	<u>310,793</u>	<u>-</u>	<u>637,605</u>	<u>-</u>	<u>-</u>	<u>637,605</u>
Gas	21,180	1,749	17,208	-	40,137	998	291	41,426
Electric	77,485	2,831	68,157	-	148,473	4,610	912	153,995
Water / sewer	48,541	1,704	51,692	-	101,937	443	42	102,422
Telephone	8,075	1,154	8,350	-	17,579	-	5,768	23,347
Total utilities	<u>155,281</u>	<u>7,438</u>	<u>145,407</u>	<u>-</u>	<u>308,126</u>	<u>6,051</u>	<u>7,013</u>	<u>321,190</u>
Insurance - building	11,642	3,163	9,553	-	24,358	2,090	955	27,403
Repair and maintenance	84,787	9,708	112,837	-	207,332	4,127	930	212,389
Vehicle expenses	7,866	345	4,482	-	12,693	1,288	620	14,601
Total facility and vehicle expenses	<u>104,295</u>	<u>13,216</u>	<u>126,872</u>	<u>-</u>	<u>244,383</u>	<u>7,505</u>	<u>2,505</u>	<u>254,393</u>
Office and postage	92,697	12,695	105,636	50,044	261,072	15,010	112,413	388,495
Insurance - liability	18,415	-	15,110	1,727	35,252	3,305	1,511	40,068
Professional services	19,796	8,493	19,796	3,740	51,825	-	29,842	81,667
Fundraising	465,787	77,694	698,681	-	1,242,162	310,525	-	1,552,687
Other	8,775	-	8,775	-	17,550	-	-	17,550
Taxes	-	2,530	-	100	2,630	-	-	2,630
Total organizational expenses	<u>605,470</u>	<u>101,412</u>	<u>847,998</u>	<u>55,611</u>	<u>1,610,491</u>	<u>328,840</u>	<u>143,766</u>	<u>2,083,097</u>
Total Cash Expenses	2,820,860	469,465	3,306,464	55,611	6,652,400	701,614	368,387	7,722,401
Food	47,716	-	74,694	-	122,410	-	-	122,410
Client programs (clothing and misc.)	152,279	-	163,728	-	316,007	-	-	316,007
Professional services	9,019	685	14,643	-	24,347	260	2,598	27,205
Total donated goods and services expenses	<u>209,014</u>	<u>685</u>	<u>253,065</u>	<u>-</u>	<u>462,764</u>	<u>260</u>	<u>2,598</u>	<u>465,622</u>
Total Expenses before Depreciation	3,029,874	470,150	3,559,529	55,611	7,115,164	701,874	370,985	8,188,023
Write-offs	-	-	-	-	-	-	57,173	57,173
Depreciation	273,294	-	222,022	-	495,316	53,927	44,273	593,516
Total Functional Expenses before Intercompany Eliminations	3,303,168	470,150	3,781,551	55,611	7,610,480	755,801	472,431	8,838,712
Intercompany eliminations	-	(40,000)	-	(50,000)	(90,000)	-	(44,975)	(134,975)
Total Functional Expenses	<u>\$ 3,303,168</u>	<u>\$ 430,150</u>	<u>\$ 3,781,551</u>	<u>\$ 5,611</u>	<u>\$ 7,520,480</u>	<u>\$ 755,801</u>	<u>\$ 427,456</u>	<u>\$ 8,703,737</u>

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

THE CITY MISSION AND AFFILIATES

Consolidated Statement of Functional Expenses

For the Year Ended September 30, 2019

	Program Expenses				Total Program Expenses	Development	Administrative and General	Total Expenses
	Crossroads Men's Ministry	Inmate Outreach Services Ministry	Laura's Home	TCMSF				
Gross wages	\$ 1,208,605	\$ 96,074	\$ 1,384,148	\$ -	\$ 2,688,827	\$ 211,588	\$ 122,424	\$ 3,022,839
Payroll taxes	77,476	5,651	90,717	-	173,844	14,511	7,846	196,201
Insurance- medical	259,669	13,318	307,935	-	580,922	43,957	30,716	655,595
Pension expense	33,945	3,546	45,940	-	83,431	5,851	4,743	94,025
Staff development	18,636	1,215	26,083	-	45,934	4,584	2,494	53,012
Recruitment and relocation expenses	2,892	249	6,310	-	9,451	1,680	766	11,897
Total employee expenses	1,601,223	120,053	1,861,133	-	3,582,409	282,171	168,989	4,033,569
Food	188,909	-	154,787	-	343,696	-	-	343,696
Client programs	27,106	14,817	50,097	50,000	142,020	-	-	142,020
Total client expenses	216,015	14,817	204,884	50,000	485,716	-	-	485,716
Gas	20,885	-	14,025	-	34,910	-	5,060	39,970
Electric	73,034	-	78,820	-	151,854	-	23,391	175,245
Water / sewer	51,355	-	50,869	-	102,224	-	6,318	108,542
Telephone	15,293	1,038	12,081	-	28,412	-	16,746	45,158
Total utilities	160,567	1,038	155,795	-	317,400	-	51,515	368,915
Insurance - building	12,023	-	10,512	-	22,535	-	3,745	26,280
Custodial expenses	48,093	-	50,506	-	98,599	-	-	98,599
Repair and maintenance	87,794	-	95,198	656	183,648	-	9,815	193,463
Vehicle expenses	6,956	1,041	4,964	-	12,961	-	3,643	16,604
Total facility and vehicle expenses	154,866	1,041	161,180	656	317,743	-	17,203	334,946
Office and postage	107,194	36,995	113,471	1,768	259,428	2,320	72,607	334,355
Insurance - liability	14,427	1,247	14,427	4,515	34,616	-	1,233	35,849
Professional services	258	103	259	13,702	14,322	-	206	14,528
Fundraising - education	295,803	36,975	406,729	-	739,507	-	-	739,507
Fundraising - development	-	-	-	-	-	184,877	-	184,877
Uncollectible promises	-	-	-	-	-	-	722,054	722,054
Other	2,046	2,988	2,478	-	7,512	-	5,977	13,489
Taxes	-	-	-	-	-	-	-	-
Total organizational expenses	419,728	78,308	537,364	19,985	1,055,385	187,197	802,077	2,044,659
Total Cash Expenses	2,552,399	215,257	2,920,356	70,641	5,758,653	469,368	1,039,784	7,267,805
Food	68,252	-	63,002	-	131,254	-	-	131,254
Client programs (clothing and misc.)	201,193	-	45,971	-	247,164	-	-	247,164
Professional services	-	-	-	-	-	-	8,400	8,400
Total donated goods and services expenses	269,445	-	108,973	-	378,418	-	8,400	386,818
Total Expenses before Depreciation	2,821,844	215,257	3,029,329	70,641	6,137,071	469,368	1,048,184	7,654,623
Depreciation	277,104	6,194	273,166	-	556,464	15,484	15,484	587,432
Total Functional Expenses before Intercompany Eliminations	3,098,948	221,451	3,302,495	70,641	6,693,535	484,852	1,063,668	8,242,055
Intercompany eliminations	-	-	-	-	(419,548)	-	(643,262)	(1,062,810)
Total Functional Expenses	\$ 3,098,948	\$ 221,451	\$ 3,302,495	\$ 70,641	\$ 6,273,987	\$ 484,852	\$ 420,406	\$ 7,179,245

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

THE CITY MISSION AND AFFILIATES

Notes to the Consolidated Financial Statements

For the Years Ended September 30, 2020 and 2019

Note 1 - Summary of Significant Accounting Policies

This summary of significant accounting policies of The City Mission (TCM) and Affiliates (collectively referred to as the Organization) is presented to assist in understanding the Organization's consolidated financial statements. The consolidated financial statements and notes are representations of the Organization's management, which is responsible for their integrity and objectivity.

Nature of Operations and Principles of Consolidation

TCM, incorporated in Ohio, is a non-profit organization that provides services, benefits, and activities that positively affect human health and welfare. The goal is to meet people at their point of crisis and move them through recovery so that they can successfully integrate into society as fully participating members. TCM provides food, shelter, clothing, and various programs to men, women, and children in order to break the cycle of poverty and homelessness. Its current operations include: Crossroads Men's Crisis Center; Inmate Outreach Services Ministry (discontinued March 2019); and Laura's Home Women's Crisis Center (crisis home and recovery program for women and children). The City Mission's support comes primarily through donor contributions, which are considered to be available for unrestricted use, unless otherwise specified by the donor.

The City Mission Support Foundation (TCMSF) was formed effective June 2, 2014, and is referred to as the affiliate in the consolidated financial statements. TCMSF is to be operated exclusively for charitable purposes and is organized under Section 501(c)(3) of the Internal Revenue Code (IRC). This entity owns 100% of Mission Resource Alliance, LLC (MRA) and New Horizons Programs, LLC (NHP). TCM and TCMSF are under common control, and there is economic interest among the entities, and therefore, the activities of TCMSF have been consolidated in the financial statements. The activity of TCMSF consists of MRA's accounts and NHP accounts. MRA provides direct mail consulting services to other non-profit organizations, with the income generated being used to support TCM's programs and operations. The majority of direct mail income and direct mail expenses relate to MRA's activities as reported in the consolidated statements of activities and change in net assets. New Horizons Program, LLC (NHP) is a part of a collaborative activity between the Cuyahoga County Land Reutilization Corp, NHP, and TCM, and is 100% owned by TCMSF and is a not-for-profit entity, effective February 18, 2020. Prior to February 18, 2020, NHP was a for-profit entity. The collaborative activity identifies families that are prepared for home ownership, renovates homes, and matches eligible families with homes that are appropriate for their needs. TCMSF funds NHP and collects tax deductible donations on behalf of NHP.

Effective February 1, 2019, the assets of Mission Resource Alliance, LLC were sold to a third party (see Note 14).

Intercompany balances have been eliminated in the consolidated financial statements.

Accounting Method

The financial statements have been prepared on the accrual basis. This summary of significant accounting policies is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles, and have been consistently applied in the preparation of the financial statements.

Note 1 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958). The ASU amends the previous reporting model for not-for-profit organizations and enhances their required disclosures. The major changes relevant to the Organization include; (a) requiring the presentation of only two classes of net assets; net assets without donor restrictions and net assets with donor restrictions, (b) requiring that all not-for-profit organizations present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (c) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (d) presenting investment return net of external and internal investment expenses, and (e) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of not-for-profit financial statements.

The Organization adopted the provision of FASB ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities* (Topic 958). Under this provision, the Organization is required to report information regarding its financial position and activities according to two classes of net assets; net assets without donor restrictions and net assets with donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions – Net assets without donor restrictions are available for use at the discretion of the Board of Trustees (the Board) and / or management for general operating purposes. The Board may designate a portion of these net assets for specific purposes which makes them unavailable for use at management’s discretion.

Net Assets with Donor Restrictions – Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and / or purpose restrictions.

Adoption of a New Accounting Standard

The Financial Accounting Standards Board (“FASB”) Accounting Standards Codification Topic 606, Revenue from Contracts with Customers, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The Organization has retrospectively implemented Topic 606 for the year ended September 30, 2020.

Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

As of September 30, 2020, the Organization adopted Accounting Standard Update (ASU) 2016-18 Statement of Cash Flows: Restricted Cash (Topic 230) to help provide clarification on the presentation of cash, cash equivalents, and restricted cash on the statement of cash flows.

Cash, Cash Equivalents, and Restricted Cash

The Organization considers all highly-liquid investments with an initial maturity of three months or less to be cash equivalents. All money market funds are treated as cash equivalents. The Organization places its cash and cash equivalents with high-credit quality institutions. At times, balances may exceed Federal Deposit Insurance Corporation insurance limits.

Note 1 - Summary of Significant Accounting Policies (Continued)

Investments

The Organization follows FASB ASC 958-320, Accounting for Certain Investments Held by Not-for-Profit Organizations. Under FASB ASC 958-320, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and realized gains and losses are also recorded.

Fair Value Measurement - Definition and Hierarchy

The Organization follows the provisions of FASB ASC 820-10, Fair Value Measurements. Under this standard, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date.

In determining fair value, the Organization uses various valuation approaches, including market, income, and / or cost approaches. FASB ASC 820-10 establishes 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 the Organization. Unobservable inputs are inputs that reflect the Organization's assumptions about the assumptions market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances.

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

- Level 1 - Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.
- Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Contributions

The Organization reports contributions in accordance with FASB ASC 958-605. Contributions are recognized when a donor makes a promise to give that is, in substance, unconditional. Contributions that are restricted by a donor are reported as an increase in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions through a release of restriction.

Note 1 - Summary of Significant Accounting Policies (Continued)

Promises to Give

Unconditional promises to give are recognized as receivables and revenues in the period in which the Organization is notified by the donor of the commitment to make a contribution. Promises to give are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional promises are recognized when the conditions on which they depend are substantially met. There were no conditional promises to give as of both September 30, 2020 and 2019.

Allowance for Doubtful Accounts

Promises to give and accounts receivable are stated at the present value of the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and a credit to a valuation allowance, based on its assessment of the current status of individual accounts. The valuation allowance related to accounts receivable totaled \$-0- as of September 30, 2020 and 2019, respectively. The valuation allowance related to promises to give totaled \$-0- as of September 30, 2020 and 2019, respectively.

Property, Equipment and Depreciation

Property and equipment are recorded at cost. Donated property and equipment are reflected as non-cash contributions at their estimated fair value at the date of receipt. Such donations are reported as without donor restrictions support unless the donor has restricted the donated asset to a specific purpose. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets. The Organization follows a policy that all fixed assets acquired in excess of \$3,000 are capitalized and depreciated.

Maintenance and repairs that do not significantly increase the useful life of an asset are charged directly to operations as incurred. When items of property and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts in the year of disposal. Any resulting gain or loss is reflected in the current year change in net assets.

Annuity Liabilities

The Organization has established a gift annuity plan whereby donors may contribute assets in exchange for the right to receive a fixed dollar annual return during their lifetime. A portion of the transfer is considered to be a charitable contribution for income tax purposes for the donor.

The difference between the amount provided for the gift annuity and the liability for future payments is reported as contributions at the date of the gift. The annuity liability is based upon computed present values using federal discount and mortality tables. Resulting gain or loss is reported in the consolidated statements of activities and change in net assets (see Note 3).

Donated Materials and Services

Donated materials such as food and clothing are reflected as non-cash contributions at their estimated fair value at the date of receipt. The value of contributed services meeting the requirements of FASB ASC 958-605 has been recorded as non-cash contributions. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these particular services do not meet the criteria of FASB ASC 958-605.

Note 1 - Summary of Significant Accounting Policies (Continued)

Taxes

TCM, TCMSF, and NHP are non-profit organizations operating under Section 501(c)(3) of the IRC and TCM also qualifies as a church within the meaning of Sections 509 (a)(1) and 170 (b)(1)(a)(1). All are exempt from federal, state, and city income taxes, and accordingly, are not required to file income tax returns. Also, the Organization is not liable for real estate taxes on property used for its exempt purposes.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Advertising

The Organization expenses advertising costs as incurred. Informational advertising, which provides the stories of men, women, and children whose lives have been changed through the ministry of TCM, is widely distributed, does not actively solicit donations, and is recorded as fundraising expense in the consolidated statements of functional expenses.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the consolidated statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Recently Issued but Not Yet Effective Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02 entitled "Leases (Topic 842)," which may change the Organization's statement of financial position by adding lease-related assets and liabilities. This may affect compliance with contractual agreements. This new standard is effective for the Organization for annual reporting periods beginning after December 15, 2021, with early adoption permitted. Management has not yet determined whether this new standard will have a material effect on its financial statements.

Reclassification

Certain amounts in the September 30, 2019 financial statements have been reclassified to conform to the September 30, 2020 presentation. These reclassifications had no effect on Change in Net Assets as previously reported.

Note 2 - Promises to Give

The Organization recognizes contributions as revenue in the period in which the pledge (promise to give) is received.

	<u>2020</u>	<u>2019</u>
Pledges receivable - current	\$ 655,936	\$ 222,178
Pledges receivable - long term (1-5 years)	-	100,000
Capital campaign pledges - current	260,200	-
Capital campaign pledges - long term (1-5 years)	<u>95,050</u>	<u>-</u>
Total pledges	<u>\$ 1,011,186</u>	<u>\$ 322,178</u>

Current pledges receivable represent a collection period of less than one year, while long-term pledges receivable represent a collection period between one and five years. Bad debt expense for promises to give for the years ended September 30, 2020 and 2019 was \$57,173 and \$78,792, respectively. Management has determined all pledges to be fully collectible, and therefore, no allowance for doubtful pledges is reflected.

Note 3 - Annuity and Annuity Payment Liability

The Organization receives various donations in the form of gift annuities, for which the Organization receives a beneficial interest in the donated assets (split-interest agreements). The Donor essentially receives an annuity payment for their lifetime from the invested assets. The Organization records the assets at their fair value, with a corresponding liability for the estimated annuity pay-outs due to the donors. In addition, there is also an estimated amount recorded with contributions that represent the Organization's estimated charitable gift value at the date of the financial statements. The annuity payment liabilities are recorded at the estimated present value, and assumptions are used to derive an age factor and the discount rate, such as IRS tables for the age factor and applicable federal rate of interest (AFR) to derive the discount rate.

The AFR rates of 0.4% and 2.2% were used as the discount rates in calculating the present value of the liability as of September 30, 2020 and 2019, respectively.

Note 4 - Investments

Investments are stated at fair value and consist of the following:

	<u>2020</u>	<u>2019</u>
Corporate bonds	<u>\$ -</u>	<u>\$ 1,290,278</u>

Note 5 - Fair Value Disclosure and Measurement

The Organization's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy in accordance with FASB ASC 820-10. See Note 1 for a discussion of the Organization's policies regarding this hierarchy.

Note 5 - Fair Value Disclosure and Measurement (Continued)

The following fair value hierarchy table presents information about the Organization's assets and liabilities measured at fair value on a recurring basis as of September 30, 2020:

Description	Fair Value Measurements at Reporting Date Using			Balance as of 9/30/2020
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Annuity investments:				
Equity mutual funds	\$ 140,228	\$ -	\$ -	\$ 140,228
Income mutual funds	100,747	-	-	100,747
	\$ 240,975	\$ -	\$ -	\$ 240,975

The following fair value hierarchy table presents information about the Organization's assets and liabilities measured at fair value on a recurring basis as of September 30, 2019:

Description	Fair Value Measurements at Reporting Date Using			Balance as of 9/30/2019
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Annuity investments:				
Equity mutual funds	\$ 126,163	\$ -	\$ -	\$ 126,163
Income mutual funds	81,306	-	-	81,306
Subtotal	207,469	-	-	207,469
Investments:				
Corporate bonds	-	1,290,278	-	1,290,278
	\$ 207,469	\$ 1,290,278	\$ -	\$ 1,497,747

Note 6 - Line of Credit

The Organization has a demand line of credit agreement with a commercial bank that provided borrowings up to a maximum of \$500,000, at an interest rate at 1.65% over the bank's prime rate. The interest rate was 4.90% and 6.65% as of September 30, 2020 and 2019, respectively. The collateral for the current line of credit includes all assets of the Organization. The outstanding balance as of September 30, 2020 and 2019 was \$-0-, respectively. Effective November 19, 2020, the line of credit has been extended until January 2, 2022. Interest on the line of credit amounted to \$-0- for the years ended September 30, 2020 and 2019, respectively.

Note 7 - Note Payable

On April 14, 2020, the Organization was granted a loan from a bank in the aggregate amount of \$692,400 with a fixed interest rate of 1.00%, pursuant to the Paycheck Protection Program under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Forgiveness of the loan is only available for principal that is used for the limited purposes that qualify for forgiveness under Small Business Administration (SBA) requirements, and that to obtain forgiveness, the Organization must request it and must provide documentation in accordance with the SBA requirements. The loan is expected to be forgiven once the conditions for forgiveness are met. As of September 30, 2020, the loan has not been forgiven.

Note 8 - Defined Contribution Plan

The Organization sponsors a defined contribution retirement plan under Section 403(b) of the IRC, which covers full-time employees with three months or more of service, with matching contributions beginning after six months of service. Eligible participants may make contributions to the maximum allowed by the IRC. During the years ending September 30, 2020 and 2019, the Organization made discretionary matching contributions equal to 100% of the first 4% of the salary contributions of eligible participants. Total contributions for the years ended September 30, 2020 and 2019 were \$89,314 and \$70,539, respectively.

Note 9 - Property and Equipment

Major classifications of property and equipment, their respective costs, and depreciable lives are summarized below:

	2020	2019	Depreciable Lives
Land	\$ 1,607,029	\$ 1,607,029	N/A
Land improvements	277,430	246,056	2 - 20 years
Buildings	12,655,461	12,655,461	5 - 40 years
Building improvements	1,679,486	1,591,119	5 - 40 years
Furniture and equipment	805,212	834,818	3 - 10 years
Vehicles	177,032	126,541	3 - 5 years
Construction in process - Capital Campaign	17,592	200,298	
Construction in process - Other	47,868	-	
Total at cost	17,267,110	17,261,322	
Less: accumulated depreciation	(8,897,402)	(8,477,066)	
Net property and equipment	<u>\$ 8,369,708</u>	<u>\$ 8,784,256</u>	

Depreciation expense for the years ended September 30, 2020 and 2019 was \$593,516 and \$592,782, respectively.

Note 10 - Donated Materials and Services

During the year ended September 30, 2020, The City Mission received donated materials of \$447,787 and donated services of \$20,087. The estimated value of volunteer efforts that did not require specialized skills was \$262,552.

During the year ended September 30, 2019, The City Mission received donated materials of \$381,568 and donated services of \$8,400. The estimated value of volunteer efforts that did not require specialized skills was \$591,521.

Note 11 - Net Assets with Donor Restrictions

Net assets with donor restrictions are summarized as follows:

	<u>2020</u>	<u>2019</u>
Capital campaign	\$ 3,611,419	\$ 143,312
Other	666,786	333,028
	<u><u>\$ 4,278,205</u></u>	<u><u>\$ 476,340</u></u>

Net assets with donor restrictions were released by incurring expenses which satisfied the restricted purposes, or by occurrence of other events specified by donors during year.

Note 12 - Liquidity and Funds Available

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of September 30, 2020 because of contractually imposed or internal designations. Amounts not available include amounts set aside by the Board for growth and sustainability of the Organization that could be drawn upon if the Board approves the action. The Organization's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	<u>2020</u>	<u>2019</u>
Cash	\$ 7,672,530	\$ 1,136,742
Receivables, net	11,039	7,843
Promises to give	1,011,186	322,178
Investments	-	1,290,278
Financial assets, at year-end	<u>8,694,755</u>	<u>2,757,041</u>
Less amounts not available to be used within one year:		
Promises to give - long-term	<u>-</u>	<u>100,000</u>
Less amounts available to be used for the capital campaign:		
Cash - capital campaign	3,256,169	143,312
Promises to give - current - capital campaign	260,200	-
Promises to give - long-term - capital campaign	<u>95,050</u>	<u>-</u>
	<u>3,611,419</u>	<u>143,312</u>
Financial assets available to meet cash needs for general expenditures within one year:	<u><u>\$ 5,083,336</u></u>	<u><u>\$ 2,513,729</u></u>

Note 13 – Capital Campaign

The Organization has begun a capital campaign to add program space at Laura’s Home to serve women and children in crisis. The campaign funds will also be used to renovate and improve existing facilities at both Laura’s Home and Crossroads. Capital campaign contributions amounted to \$3,774,916 and \$343,610 during the years ended September 30, 2020 and 2019, respectively. The contributions are recorded as net assets with donor restrictions and are released from restriction when the funds are spent and related assets are placed in service.

Included in ending net assets with donor restrictions are capital campaign contributions of \$3,611,419 and \$143,312 as of September 30, 2020 and 2019, respectively. In addition, the Organization has gross outstanding pledges of \$355,250 and \$-0- as of September 30, 2020 and 2019, respectively, of which \$260,200 and \$-0- is classified as current and \$95,050 and \$-0- is classified as long term, respectively.

Note 14 – Discontinued Operations

During 2019, the Organization initiated and committed to selling the designated operating assets of Mission Resource Alliance LLC (MRA). The sale was effective February 1, 2019. In consideration of the transfer of the assets of MRA, for a two year period MRA will receive a ten percent (10%) royalty of gross total billings (less postage) for the retained MRA clients and MRA will receive a seven and one / half (7.5%) royalty of gross total billings (less postage) for all donor acquisitions campaigns for the retained MRA clients. Lastly, the buyer shall provide The City Mission and affiliates with favorable pricing on its fundraising and donor acquisition campaign at a rate similar to the prices previously paid to MRA. Accordingly, the amounts in the consolidated financial statements and related notes reflect discontinued operations accounting.

The operating results of MRA have been included in discontinued operations in the consolidated statement of activities and changes in net assets, net of eliminations, as follows:

	2020	2019
Revenue	\$ 112,726	\$ 952,203
Expenses	(984)	(1,316,900)
Net increase (decrease) from discontinued operation:	<u>\$ 111,742</u>	<u>\$ (364,697)</u>

Note 15 – Subsequent Events

The Organization has evaluated subsequent events from the statement of financial position date through December 16, 2020, the date these consolidated financial statements were available to be issued.

Due to national and world-wide disruptions caused by COVID-19 in 2020, the Organization may be adversely impacted. The Organization is adjusting its operations to compensate for disruptions on an ongoing basis. At this time, any financial impact of potential COVID-19 related disruptions are not known.

THE CITY MISSION AND AFFILIATES

Consolidating Statement of Financial Position

September 30, 2020

ASSETS	TCM	MRA	TCMSF	NHP	Eliminations	Consolidated Total
Current						
Cash and cash equivalents	\$ 4,162,887	\$ 11,369	\$ 93,963	\$ 148,142	\$ -	\$ 4,416,361
Accounts receivable	11,039	-	-	-	-	11,039
Promises to give	916,136	-	-	-	-	916,136
Intercompany receivables	97,399	-	101,806	-	(199,205)	-
Investments in affiliates	-	-	94,000	-	(94,000)	-
Prepaid expenses	189,305	-	-	-	-	189,305
Total current assets	5,376,766	11,369	289,769	148,142	(293,205)	5,532,841
Property and Equipment, Net	8,369,708	-	-	-	-	8,369,708
Other						
Restricted cash - capital campaign	3,256,169	-	-	-	-	3,256,169
Promises to give - long-term	95,050	-	-	-	-	95,050
Property held for New Horizons Program	-	-	-	182,034	-	182,034
Annuity investments	240,975	-	-	-	-	240,975
Total Assets	\$ 17,338,668	\$ 11,369	\$ 289,769	\$ 330,176	\$ (293,205)	\$ 17,676,777

THE CITY MISSION AND AFFILIATES

Consolidating Statement of Financial Position (Continued)

September 30, 2020

	<u>TCM</u>	<u>MRA</u>	<u>TCMSF</u>	<u>NHP</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
LIABILITIES						
Current						
Accounts payable	\$ 254,378	\$ -	\$ -	\$ 265	\$ -	\$ 254,643
Accrued vacation	182,386	-	-	-	-	182,386
Accrued expenses	4,747	-	-	-	-	4,747
Accrued payroll	37,240	-	-	-	-	37,240
Annuity payment liability	98,077	-	-	-	-	98,077
Deferred revenue	96,186	-	-	-	-	96,186
Intercompany payable	-	-	-	101,929	(101,929)	-
Liabilities of discontinued operations	-	97,276	-	-	(97,276)	-
	<u>673,014</u>	<u>97,276</u>	<u>-</u>	<u>102,194</u>	<u>(199,205)</u>	<u>673,279</u>
Total current liabilities	673,014	97,276	-	102,194	(199,205)	673,279
Long-Term Note Payable	695,574	-	-	-	-	695,574
Total Liabilities	1,368,588	97,276	-	102,194	(199,205)	1,368,853
NET ASSETS						
Without donor restrictions	11,691,875	(85,907)	289,769	227,982	(94,000)	12,029,719
With donor restrictions	4,278,205	-	-	-	-	4,278,205
	<u>15,970,080</u>	<u>(85,907)</u>	<u>289,769</u>	<u>227,982</u>	<u>(94,000)</u>	<u>16,307,924</u>
Total Liabilities and Net Assets	<u>\$ 17,338,668</u>	<u>\$ 11,369</u>	<u>\$ 289,769</u>	<u>\$ 330,176</u>	<u>\$ (293,205)</u>	<u>\$ 17,676,777</u>

THE CITY MISSION AND AFFILIATES

Consolidating Statement of Activities and Change in Net Assets

For the Year Ended September 30, 2020

	TCM		MRA	TCMSF	NHP	Eliminations	Consolidated Total
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Net Assets Without Donor Restrictions	Net Assets Without Donor Restrictions	Net Assets Without Donor Restrictions		
Support and Revenues							
Contributions	\$ 7,455,266	\$ 491,350	\$ -	\$ 117,977	\$ 145,674	\$ (90,000)	\$ 8,120,267
Contributions- donated marketable securities	772,407	-	-	-	-	-	772,407
Contributions- donated materials and services	465,624	-	-	2,250	-	-	467,874
Realized and unrealized gain on investments	1,417	-	-	-	-	-	1,417
Other income	132,449	-	-	-	6,449	-	138,898
Special events	48,642	-	-	-	-	-	48,642
Net assets released from restrictions	157,592	(157,592)	-	-	-	-	-
Total support and revenues before capital campaign	9,033,397	333,758	-	120,227	152,123	(90,000)	9,549,505
Functional Expenses							
Program expenses	7,531,332	-	-	55,611	23,537	(90,000)	7,520,480
Development	755,801	-	-	-	-	-	755,801
Administrative expenses	472,431	-	-	-	-	(44,975)	427,456
Total functional expenses	8,759,564	-	-	55,611	23,537	(134,975)	8,703,737
Change in Net Assets before Capital Campaign	273,833	333,758	-	64,616	128,586	44,975	845,768
Capital Campaign							
With donor restrictions support and revenues	-	3,774,916	-	-	-	-	3,774,916
Capital campaign expenses	(489,514)	-	-	-	-	-	(489,514)
Net assets released from restrictions	306,809	(306,809)	-	-	-	-	-
Total capital campaign	(182,705)	3,468,107	-	-	-	-	3,285,402
Increase in Net Assets from Continued operations	91,128	3,801,865	-	64,616	128,586	44,975	4,131,170
Discontinued Operations:							
MRA revenues	-	-	157,701	-	-	(44,975)	112,726
MRA expenses	-	-	(984)	-	-	-	(984)
Increase (Decrease) in Net Assets from Discontinued operations	-	-	156,717	-	-	(44,975)	111,742
Increase in Net Assets	91,128	3,801,865	156,717	64,616	128,586	-	4,242,912
Net Assets (Deficit) - Beginning of Year	11,600,747	476,340	(242,624)	225,153	99,396	(94,000)	12,065,012
Net Assets (Deficit) - End of Year	\$ 11,691,875	\$ 4,278,205	\$ (85,907)	\$ 289,769	\$ 227,982	\$ (94,000)	\$ 16,307,924

See Independent Auditors' Report