

# The City Mission and Affiliates

## *Consolidated Financial Statements*

As of and for the Years Ended  
September 30, 2021 and 2020



Rea & associates

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## INDEPENDENT AUDITOR'S REPORT

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, 2021 and 2020, and the related consolidated statements of activities and changes 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.

### Auditor's 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 auditor's 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, 2021 and 2020, 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.*

Rea & Associates, Inc.  
Cleveland, Ohio  
November 29, 2021

THE CITY MISSION AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS OF SEPTEMBER 30, 2021 AND 2020

ASSETS

	<u>2021</u>	<u>2020</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 6,072,609	\$ 4,416,361
Accounts receivable	7,917	11,039
Promises to give	535,125	916,136
Prepaid expenses	203,695	189,305
Total current assets	<u>6,819,346</u>	<u>5,532,841</u>
PROPERTY AND EQUIPMENT, NET	8,598,621	8,369,708
<b>OTHER ASSETS:</b>		
Restricted cash - capital campaign	4,725,970	3,256,169
Promises to give - long-term	146,000	95,050
Property held for New Horizons Program	411,989	182,034
Annuity investments	271,121	240,975
Total other assets	<u>5,555,080</u>	<u>3,774,228</u>
Total assets	<u>\$ 20,973,047</u>	<u>\$ 17,676,777</u>

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 369,490	\$ 254,643
Accrued vacation	141,806	182,386
Accrued expenses	-	4,747
Accrued payroll	21,578	37,240
Annuity payment liability	99,447	98,077
Deferred revenue	-	96,186
Total current liabilities	<u>632,321</u>	<u>673,279</u>
<b>LONG-TERM LIABILITY</b>		
Long-term note payable	<u>-</u>	<u>695,574</u>
Total liabilities	632,321	1,368,853
<b>NET ASSETS:</b>		
Without donor restrictions	14,916,951	12,029,719
With donor restrictions	5,423,775	4,278,205
Total net assets	<u>20,340,726</u>	<u>16,307,924</u>
Total liabilities and net assets	<u>\$ 20,973,047</u>	<u>\$ 17,676,777</u>

See independent auditor's report.

THE CITY MISSION AND AFFILIATES

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021			2020		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Consolidated Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Consolidated Total
<b>SUPPORT AND REVENUES BEFORE CAPITAL CAMPAIGN:</b>						
Contributions	\$ 8,593,566	\$ 7,000	\$ 8,600,566	\$ 7,628,917	\$ 491,350	\$ 8,120,267
Contributions- donated marketable securities	573,034	-	573,034	772,407	-	772,407
Contributions- donated materials and services	597,246	-	597,246	467,874	-	467,874
Realized and unrealized gain on investments	26,233	-	26,233	1,417	-	1,417
Other income	939,491	-	939,491	138,898	-	138,898
Special events	240,701	-	240,701	48,642	-	48,642
Net assets released from restrictions	373,431	(373,431)	-	157,592	(157,592)	-
Total support and revenues before capital campaign	11,343,702	(366,431)	10,977,271	9,215,747	333,758	9,549,505
<b>FUNCTIONAL EXPENSES BEFORE CAPITAL CAMPAIGN:</b>						
Program expenses	7,433,265	-	7,433,265	7,520,480	-	7,520,480
Development	723,541	-	723,541	755,801	-	755,801
Administrative and general expenses	570,914	-	570,914	427,456	-	427,456
Total functional expenses before capital campaign	8,727,720	-	8,727,720	8,703,737	-	8,703,737
Change in net assets before capital campaign	2,615,982	(366,431)	2,249,551	512,010	333,758	845,768
<b>CAPITAL CAMPAIGN:</b>						
With donor restrictions support and revenues	-	1,697,344	1,697,344	-	3,774,916	3,774,916
Capital campaign expenses	-	-	-	(489,514)	-	(489,514)
Net assets released from restrictions	185,343	(185,343)	-	306,809	(306,809)	-
Total capital campaign	185,343	1,512,001	1,697,344	(182,705)	3,468,107	3,285,402
Increase in net assets from continuing operations	2,801,325	1,145,570	3,946,895	329,305	3,801,865	4,131,170
<b>DISCONTINUED OPERATIONS:</b>						
MRA revenues	113,077	-	113,077	112,726	-	112,726
MRA expenses	(27,170)	-	(27,170)	(984)	-	(984)
Increase in net assets from discontinued operations	85,907	-	85,907	111,742	-	111,742
Increase in net assets	2,887,232	1,145,570	4,032,802	441,047	3,801,865	4,242,912
NET ASSETS - beginning of year	12,029,719	4,278,205	16,307,924	11,588,672	476,340	12,065,012
NET ASSETS - end of year	\$ 14,916,951	\$ 5,423,775	\$ 20,340,726	\$ 12,029,719	\$ 4,278,205	\$ 16,307,924

See independent auditor's report.

THE CITY MISSION AND AFFILIATES

CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase in net assets	\$ 4,032,802	\$ 4,242,912
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	595,097	593,516
Forgiveness of Paycheck Protection Program Grant	(695,574)	-
Non-cash contributions	(1,170,280)	(1,240,281)
Non-cash expenses	597,246	467,874
Realized and unrealized (gain) loss on investments	(23,647)	1,169
(Gain) loss on sale of property and equipment	(6,202)	12,427
Expense on previously capitalized construction in process	-	200,296
Bad debt expense	8,830	57,173
 Changes in assets and liabilities:		
Accounts receivable	3,122	(3,196)
Promises to give	321,231	(746,181)
Prepaid expenses	(14,390)	239,563
Property held for affiliates	(229,955)	(34,654)
Accounts payable	114,847	125,493
Accrued vacation	(40,580)	38,997
Accrued expense	(4,747)	(41,525)
Accrued payroll	(15,662)	19,202
Deferred revenue	(96,186)	96,186
Total adjustments	<u>(656,850)</u>	<u>(213,941)</u>
Net cash provided by operating activities	<u>3,375,952</u>	<u>4,028,971</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of investments	567,905	2,059,622
Proceeds from sale of property and equipment	24,000	14,800
Purchase of property and equipment	(841,808)	(406,491)
Net cash (used in) provided by investing activities	<u>(249,903)</u>	<u>1,667,931</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from long-term debt	-	695,574
Net cash provided by financing activities	<u>-</u>	<u>695,574</u>
Net increase in cash and cash equivalents and restricted cash	3,126,049	6,392,476
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH:</b>		
Beginning of year	<u>7,672,530</u>	<u>1,280,054</u>
End of year	<u>\$ 10,798,579</u>	<u>\$ 7,672,530</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Cash paid during the year:		
Interest	<u>\$ 2,885</u>	<u>\$ 3,174</u>
Non-cash investing activities:		
Donated marketable securities	<u>\$ 573,034</u>	<u>\$ 772,407</u>

See independent auditor's report.

THE CITY MISSION AND AFFILIATES

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

FUNCTIONAL EXPENSES:	Program Expenses				Total Program Expenses	Development	Administrative and General	Total Expenses
	Crossroads Men's Ministry	New Horizons	Laura's Home	TCMSF				
Employee expenses:								
Gross wages	\$ 1,271,331	\$ 219,539	\$ 1,396,560	\$ -	\$ 2,887,430	\$ 336,859	\$ 193,371	\$ 3,417,660
Payroll taxes	86,739	15,919	94,676	-	197,334	24,498	13,848	235,680
Insurance- medical	238,003	39,301	264,484	-	541,788	64,642	33,044	639,474
Pension expense	48,806	14,836	52,204	-	115,846	16,698	17,400	149,944
Staff development	14,420	4,772	25,991	-	45,183	5,350	6,036	56,569
Other employee expenses	8,793	2,652	6,317	-	17,762	2,428	3,566	23,756
Total employee expenses	1,668,092	297,019	1,840,232	-	3,805,343	450,475	267,265	4,523,083
Client expenses:								
Food	147,024	968	184,233	-	332,225	-	-	332,225
Client programs	58,152	22,115	86,289	101,807	268,363	692	-	269,055
Total client expenses	205,176	23,083	270,522	101,807	600,588	692	-	601,280
Utilities:								
Gas	19,853	667	14,694	-	35,214	345	365	35,924
Electric	83,408	994	61,212	-	145,614	1,097	1,161	147,872
Water / sewer	40,161	308	53,584	-	94,053	48	51	94,152
Telephone	9,622	1,375	10,709	-	21,706	-	6,873	28,579
Total utilities	153,044	3,344	140,199	-	296,587	1,490	8,450	306,527
Facility and vehicle expenses:								
Insurance - building	15,548	3,079	10,968	-	29,595	219	1,097	30,911
Repair and maintenance	96,035	13,340	91,800	-	201,175	4,117	4,356	209,648
Vehicle expenses	8,291	316	6,106	-	14,713	476	862	16,051
Total facility and vehicle expenses	119,874	16,735	108,874	-	245,483	4,812	6,315	256,610
Organizational expenses:								
Office and postage	78,157	8,372	101,428	32,622	220,579	11,461	113,461	345,501
Insurance - liability	19,705	-	13,901	1,727	35,333	278	1,390	37,001
Professional services	65,197	11,811	65,197	3,400	145,605	871	63,712	210,188
Fundraising	361,323	60,111	540,999	-	962,433	240,444	65,165	1,268,042
Taxes	-	4,054	-	-	4,054	-	-	4,054
Total organizational expenses	524,382	84,348	721,525	37,749	1,368,004	253,054	243,728	1,864,786
Total cash expenses	2,670,568	424,529	3,081,352	139,556	6,316,005	710,523	525,758	7,552,286
Donated goods and services expenses:								
Food	23,021	-	53,606	-	76,627	-	-	76,627
Client programs (clothing and misc.)	244,643	-	250,589	-	495,232	-	-	495,232
Professional services	8,479	1,233	9,248	-	18,960	1,596	4,092	24,648
Total donated goods and services expenses	276,143	1,233	313,443	-	590,819	1,596	4,092	596,507
Total expenses before depreciation	2,946,711	425,762	3,394,795	139,556	6,906,824	712,119	529,850	8,148,793
Write-offs	-	-	-	-	-	3,000	5,830	8,830
Depreciation	325,444	-	225,997	-	551,441	8,422	35,234	595,097
Total functional expenses before intercompany eliminations	3,272,155	425,762	3,620,792	139,556	7,458,265	723,541	570,914	8,752,720
Intercompany eliminations	-	-	-	(25,000)	(25,000)	-	-	(25,000)
Total functional expenses	\$ 3,272,155	\$ 425,762	\$ 3,620,792	\$ 114,556	\$ 7,433,265	\$ 723,541	\$ 570,914	\$ 8,727,720

See independent auditor's report.



THE CITY MISSION AND AFFILIATES

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

FUNCTIONAL EXPENSES:	Program Expenses					Development	Administrative and General	Total Expenses
	Crossroads Men's Ministry	New Horizons	Laura's Home	TCMSF	Total Program Expenses			
Employee expenses:								
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	1,669,013	307,388	1,875,394	-	3,851,795	359,218	215,103	4,426,116
Client expenses:								
Food	184,695	-	178,689	-	363,384	-	-	363,384
Client programs	102,106	40,011	132,104	-	274,221	-	-	274,221
Total client expenses	286,801	40,011	310,793	-	637,605	-	-	637,605
Utilities:								
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	155,281	7,438	145,407	-	308,126	6,051	7,013	321,190
Facility and vehicle expenses:								
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	104,295	13,216	126,872	-	244,383	7,505	2,505	254,393
Organizational expenses:								
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	605,470	101,412	847,998	55,611	1,610,491	328,840	143,766	2,083,097
Total cash expenses	2,820,860	469,465	3,306,464	55,611	6,652,400	701,614	368,387	7,722,401
Donated goods and services expenses:								
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	209,014	685	253,065	-	462,764	260	2,598	465,622
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	\$ 3,303,168	\$ 430,150	\$ 3,781,551	\$ 5,611	\$ 7,520,480	\$ 755,801	\$ 427,456	\$ 8,703,737

See independent auditor's report.

## THE CITY MISSION AND AFFILIATES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 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 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. New Horizons Program, LLC (NHP) 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 13).

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.

## THE CITY MISSION AND AFFILIATES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### Basis of Presentation

The Organization adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (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.

##### 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.

##### 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 statements of financial position. Realized and unrealized gains and losses are included in the statements of activities and changes in net assets.

##### 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 CITY MISSION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement - Definition and Hierarchy (Continued)

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.

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, 2021 and 2020.

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, 2021 and 2020, respectively. The valuation allowance related to promises to give totaled \$-0- as of September 30, 2021 and 2020, 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.

THE CITY MISSION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Equipment and Depreciation (Continued)

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 changes 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.

Taxes

TCM, TCM SF, 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.

## THE CITY MISSION AND AFFILIATES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 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.

#### NOTE 2: PROMISES TO GIVE

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

	2021	2020
Pledges receivable - current	\$ 283,675	\$ 655,936
Capital campaign pledges - current	251,450	260,200
Capital campaign pledges - long term (1-5 years)	146,000	95,050
Total pledges	<u>\$ 681,125</u>	<u>\$ 1,011,186</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, 2021 and 2020 was \$8,830 and \$57,173, 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 1.0% and 0.4% were used as the discount rates in calculating the present value of the liability as of September 30, 2021 and 2020, respectively.

#### NOTE 4: 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.

THE CITY MISSION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4: 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, 2021:

Description	Fair Value Measurements at Reporting Date Using			Balance as of 9/30/2021
	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	\$ 195,209	\$ -	\$ -	\$ 195,209
Income mutual funds	75,912	-	-	75,912
	<u>\$ 271,121</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 271,121</u>

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
	<u>\$ 240,975</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 240,975</u>

NOTE 5: 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% at year-end September 30, 2021 and 2020. The collateral for the current line of credit includes all assets of the Organization. The outstanding balance as of September 30, 2021 and 2020 was \$-0-, respectively. Effective November 19, 2020, the line of credit has been extended until January 2, 2023. Interest on the line of credit amounted to \$-0- for the years ended September 30, 2021 and 2020, respectively.

THE CITY MISSION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6: GOVERNMENT ASSISTANCE

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed. The CARES Act had impact on several matters. The Payroll Protection Program (PPP), administered by the Small Business Administration (SBA), allows eligible companies to apply for government assistance to help businesses keep their workforce employed during the Coronavirus (COVID-19) crisis. On June 5, 2020, the Paycheck Protection Program Flexibility Act of 2020 (PPP Flex) was signed into law. The PPP Flex Act modifies certain provisions related to the forgiveness of loans made under the CARES Act PPP.

On April 14, 2020, the Organization entered into an agreement for government assistance under the PPP. The unsecured PPP Loan had an initial principal amount of \$692,400 maturing on April 14, 2022. The Organization accrued interest of \$3,174 as of September 30, 2020. Prior to September 30, 2021, the Organization received notice that the loan and accrued interest had been forgiven. The funds received as part of the PPP program are reflected as other income in the 2021 statement of activities and changes in net assets.

NOTE 7: 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, 2021 and 2020, 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, 2021 and 2020 were \$87,319 and \$89,314, respectively.

NOTE 8: DONATED MATERIALS AND SERVICES

During the year ended September 30, 2021, The City Mission received donated materials of \$580,437 and donated services of \$16,809. The estimated value of volunteer efforts that did not require specialized skills was \$214,708.

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.



THE CITY MISSION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9: PROPERTY AND EQUIPMENT

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

	2021	2020	Depreciable Lives
Land	\$ 1,607,029	\$ 1,607,029	N/A
Land improvements	277,430	277,430	2 - 20 years
Buildings	12,655,461	12,655,461	5 - 40 years
Building improvements	2,124,363	1,679,486	5 - 40 years
Furniture and equipment	852,788	805,212	3 - 10 years
Vehicles	148,929	177,032	3 - 5 years
Construction in process - Capital Campaign	395,195	17,592	
Construction in process - Other	8,235	47,868	
Total at cost	18,069,430	17,267,110	
Less: accumulated depreciation	(9,470,809)	(8,897,402)	
Net property and equipment	<u>\$ 8,598,621</u>	<u>\$ 8,369,708</u>	

Depreciation expense for the years ended September 30, 2021 and 2020 was \$595,097 and \$593,516, respectively.

NOTE 10: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are summarized as follows:

	2021	2020
Capital campaign	\$ 5,123,420	\$ 3,611,419
Other	300,355	666,786
	<u>\$ 5,423,775</u>	<u>\$ 4,278,205</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 the year, with \$558,774 and \$464,401 released during 2021 and 2020, respectively.

NOTE 11: CAPITAL CAMPAIGN

The Organization has 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 \$1,697,344 and \$3,774,916 during the years ended September 30, 2021 and 2020, 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 \$5,123,420 and \$3,611,419 as of September 30, 2021 and 2020, respectively.

THE CITY MISSION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11: CAPITAL CAMPAIGN (CONTINUED)

In addition, the Organization has gross outstanding pledges of \$397,450 and \$355,250 as of September 30, 2021 and 2020, respectively, of which \$251,450 and \$260,200 is classified as current and \$146,000 and \$95,050 is classified as long term, respectively.

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, 2021 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>2021</u>	<u>2020</u>
Cash	\$10,798,579	\$7,672,530
Receivables	7,917	11,039
Promises to give	<u>681,125</u>	<u>1,011,186</u>
Financial assets, at year-end	11,487,621	8,694,755
Less amounts available to be used for the capital campaign:		
Cash - capital campaign	4,725,970	3,256,169
Promises to give - current - capital campaign	251,450	260,200
Promises to give - long-term - capital campaign	<u>146,000</u>	<u>95,050</u>
	<u>5,123,420</u>	<u>3,611,419</u>
Financial assets available to meet cash needs for general expenditures within one year:	<u>\$ 6,364,201</u>	<u>\$5,083,336</u>

NOTE 13: 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 CITY MISSION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13: DISCONTINUED OPERATIONS (CONTINUED)

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:

	<u>2021</u>	<u>2020</u>
Revenue	\$ 113,077	\$ 112,726
Expenses	<u>(27,170)</u>	<u>(984)</u>
Net increase from discontinued operations	<u>\$ 85,907</u>	<u>\$ 111,742</u>

The final royalty payment was received during 2021.

NOTE 14: SUBSEQUENT EVENTS

The Organization has evaluated subsequent events from the statement of financial position date through November 29, 2021, the date these consolidated financial statements were available to be issued.

THE CITY MISSION AND AFFILIATES

SCHEDULE I - CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
AS OF SEPTEMBER 30, 2021

ASSETS

	<u>TCM</u>	<u>MRA</u>	<u>TCMSF</u>	<u>NHP</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
<b>CURRENT ASSETS:</b>						
Cash and cash equivalents	\$ 5,741,212	\$ -	\$ 182,607	\$ 148,790	\$ -	\$ 6,072,609
Accounts receivable	7,917	-	-	-	-	7,917
Promises to give	535,125	-	-	-	-	535,125
Investments in affiliates	-	-	94,000	-	(94,000)	-
Prepaid expenses	203,695	-	-	-	-	203,695
Total current assets	6,487,949	-	276,607	148,790	(94,000)	6,819,346
<b>PROPERTY AND EQUIPMENT, NET</b>	8,598,621	-	-	-	-	8,598,621
<b>OTHER ASSETS:</b>						
Restricted cash - capital campaign	4,725,970	-	-	-	-	4,725,970
Promises to give - long-term	146,000	-	-	-	-	146,000
Property held for New Horizons Program	-	-	-	411,989	-	411,989
Annuity investments	271,121	-	-	-	-	271,121
Total other assets	5,143,091	-	-	411,989	-	5,555,080
Total assets	<u>\$ 20,229,661</u>	<u>\$ -</u>	<u>\$ 276,607</u>	<u>\$ 560,779</u>	<u>\$ (94,000)</u>	<u>\$ 20,973,047</u>

See independent auditor's report.

THE CITY MISSION AND AFFILIATES

SCHEDULE I - CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
AS OF SEPTEMBER 30, 2021

LIABILITIES AND NET ASSETS

	<u>TCM</u>	<u>MRA</u>	<u>TCMSF</u>	<u>NHP</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
<b>CURRENT LIABILITIES:</b>						
Accounts payable	\$ 369,040	\$ -	\$ -	\$ 450	\$ -	\$ 369,490
Accrued vacation	141,806	-	-	-	-	141,806
Accrued payroll	21,578	-	-	-	-	21,578
Annuity payment liability	99,447	-	-	-	-	99,447
Total current liabilities	631,871	-	-	450	-	632,321
<b>NET ASSETS:</b>						
Without donor restrictions	14,174,015	-	276,607	560,329	(94,000)	14,916,951
With donor restrictions	5,423,775	-	-	-	-	5,423,775
Total net assets	19,597,790	-	276,607	560,329	(94,000)	20,340,726
Total liabilities and net assets	<u>\$ 20,229,661</u>	<u>\$ -</u>	<u>\$ 276,607</u>	<u>\$ 560,779</u>	<u>\$ (94,000)</u>	<u>\$ 20,973,047</u>

See independent auditor's report.

THE CITY MISSION AND AFFILIATES

SCHEDULE II - CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	TCM		MRA	TCMSF	NHP	Eliminations	Consolidated
	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		Total
<b>SUPPORT REVENUES BEFORE CAPITAL CAMPAIGN:</b>							
Contributions	\$ 8,142,532	\$ 7,000	\$ -	\$ 125,994	\$ 350,040	\$ (25,000)	\$ 8,600,566
Contributions- donated marketable securities	573,034	-	-	-	-	-	573,034
Contributions- donated materials and services	596,846	-	-	400	-	-	597,246
Realized and unrealized gain on investments	26,233	-	-	-	-	-	26,233
Other income	938,891	-	-	-	600	-	939,491
Special events	240,701	-	-	-	-	-	240,701
Net assets released from restrictions	373,431	(373,431)	-	-	-	-	-
Total support and revenues before capital campaign	10,891,668	(366,431)	-	126,394	350,640	(25,000)	10,977,271
<b>FUNCTIONAL EXPENSES BEFORE CAPITAL CAMPAIGN:</b>							
Program expenses	7,300,416	-	-	139,556	18,293	(25,000)	7,433,265
Development	723,541	-	-	-	-	-	723,541
Administrative and general expenses	570,914	-	-	-	-	-	570,914
Total functional expenses before capital campaign	8,594,871	-	-	139,556	18,293	(25,000)	8,727,720
Change in net assets before capital campaign	2,296,797	(366,431)	-	(13,162)	332,347	-	2,249,551
<b>CAPITAL CAMPAIGN:</b>							
With donor restriction support and revenues	-	1,697,344	-	-	-	-	1,697,344
Net assets released from restrictions	185,343	(185,343)	-	-	-	-	-
Total capital campaign	185,343	1,512,001	-	-	-	-	1,697,344
Increase (decrease) in net assets from continuing operations	2,482,140	1,145,570	-	(13,162)	332,347	-	3,946,895
<b>DISCONTINUED OPERATIONS:</b>							
MRA revenues	-	-	113,077	-	-	-	113,077
MRA expenses	-	-	(27,170)	-	-	-	(27,170)
Increase in net assets from discontinued operations	-	-	85,907	-	-	-	85,907
Increase (decrease) in net assets	2,482,140	1,145,570	85,907	(13,162)	332,347	-	4,032,802
NET ASSETS - beginning of year	11,691,875	4,278,205	(85,907)	289,769	227,982	(94,000)	16,307,924
NET ASSETS - end of year	\$ 14,174,015	\$ 5,423,775	\$ -	\$ 276,607	\$ 560,329	\$ (94,000)	\$ 20,340,726

See independent auditor's report.