

The City Mission and Affiliates

Audited Consolidated Financial Statements

As of and for the Years Ended
September 30, 2023 and 2022



Rea & associates

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TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report.....	1-2
Consolidated Statements of Financial Position.....	3
Consolidated Statements of Activities and Changes in Net Assets	4
Consolidated Statements of Cash Flows	5
Consolidated Statements of Functional Expenses.....	6-7
Notes to the Consolidated Financial Statements.....	8-16
Schedule I - Consolidating Statement of Financial Position	17-18
Schedule II - Consolidating Statement of Activities and Changes in Net Assets	19

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
The City Mission and Affiliates

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of The City Mission and Affiliates (the Organization), which comprise the consolidated statements of financial position as of September 30, 2023 and 2022, 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 (collectively, the "financial statements").

In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of September 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our 2023 audit was 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 rather than to present the financial position, results of operations, and cash flows of the individual entities, 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 2023 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2023 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 2023 consolidated financial statements as a whole.

Rea & Associates, Inc.

Rea & Associates, Inc.
Cleveland, Ohio
November 30, 2023

THE CITY MISSION AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2023 AND 2022

	<u>ASSETS</u>	
	<u>2023</u>	<u>2022</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 6,644,615	\$ 5,461,342
Investments	700,040	1,181,401
Accounts receivable	8,522	6,106
Promises to give	1,065,000	246,000
Prepaid expenses	77,541	108,194
Total current assets	<u>8,495,718</u>	<u>7,003,043</u>
 PROPERTY AND EQUIPMENT, NET	 14,100,705	 13,610,554
 OTHER ASSETS:		
Restricted cash - capital campaign	930,116	795,196
Investments - long-term	-	600,000
Promises to give - long-term	904,000	150,000
Property held for New Horizons Program	290,000	240,000
Annuity investments	216,791	206,249
Total other assets	<u>2,340,907</u>	<u>1,991,445</u>
 Total assets	 <u>\$ 24,937,330</u>	 <u>\$ 22,605,042</u>
	 <u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES:		
Accounts payable	\$ 95,898	\$ 312,679
Accrued vacation	179,725	143,467
Accrued expenses	23,754	77,158
Accrued payroll	108,761	141,489
Annuity payment liability	75,705	94,409
Total current liabilities	<u>483,843</u>	<u>769,202</u>
 NET ASSETS:		
Without donor restrictions	19,836,497	15,236,146
With donor restrictions	4,616,990	6,599,694
Total net assets	<u>24,453,487</u>	<u>21,835,840</u>
 Total liabilities and net assets	 <u>\$ 24,937,330</u>	 <u>\$ 22,605,042</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, 2023 AND 2022

	2023			2022		
	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 BEFORE CAPITAL CAMPAIGN:						
Contributions	\$ 7,256,867	\$ 2,132,671	\$ 9,389,538	\$ 9,128,175	\$ 1,111,000	\$ 10,239,175
Contributions - donated marketable securities	208,866	-	208,866	322,473	-	322,473
Contributions - donated materials and services	523,616	-	523,616	465,294	-	465,294
Investment returns	308,617	-	308,617	(51,150)	-	(51,150)
Other income	67,487	-	67,487	109,340	-	109,340
Special events	456,586	-	456,586	156,030	-	156,030
Net assets released from restrictions	301,792	(301,792)	-	246,675	(246,675)	-
Total support and revenues before capital campaign	9,123,831	1,830,879	10,954,710	10,376,837	864,325	11,241,162
FUNCTIONAL EXPENSES BEFORE CAPITAL CAMPAIGN:						
Program expenses	8,734,738	-	8,734,738	8,641,544	-	8,641,544
Development	843,378	-	843,378	812,617	-	812,617
Administrative and general expenses	748,368	-	748,368	791,887	-	791,887
Total functional expenses before capital campaign	10,326,484	-	10,326,484	10,246,048	-	10,246,048
Change in net assets before capital campaign	(1,202,653)	1,830,879	628,226	130,789	864,325	995,114
CAPITAL CAMPAIGN:						
Support and revenues	-	1,989,421	1,989,421	-	500,000	500,000
Net assets released from restrictions	5,803,004	(5,803,004)	-	188,406	(188,406)	-
Total capital campaign	5,803,004	(3,813,583)	1,989,421	188,406	311,594	500,000
Change in net assets	4,600,351	(1,982,704)	2,617,647	319,195	1,175,919	1,495,114
NET ASSETS - beginning of year	15,236,146	6,599,694	21,835,840	14,916,951	5,423,775	20,340,726
NET ASSETS - end of year	\$ 19,836,497	\$ 4,616,990	\$ 24,453,487	\$ 15,236,146	\$ 6,599,694	\$ 21,835,840

See independent auditor's report.

THE CITY MISSION AND AFFILIATES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,617,647	\$ 1,495,114
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	855,262	635,733
Non-cash stock donations	(208,866)	(322,473)
Realized and unrealized (gain) loss on investments	(33,343)	51,150
Bad debt expense	12,500	30,000
Contributions restricted for long-term purposes	(1,989,421)	(500,000)
Changes in assets and liabilities:		
Accounts receivable	(2,416)	1,811
Promises to give	179,921	601,125
Prepaid expenses	30,653	95,501
Property held for affiliates	(50,000)	171,989
Accounts payable	(216,781)	(56,811)
Accrued vacation	36,258	1,661
Accrued expense	(53,404)	77,158
Accrued payroll	(32,728)	119,911
Total adjustments	<u>(1,472,365)</u>	<u>906,755</u>
Net cash provided by operating activities	<u>1,145,282</u>	<u>2,401,869</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	1,500,964	667,609
Purchase of investments	(206,640)	(2,117,853)
Purchase of property and equipment	<u>(1,345,413)</u>	<u>(5,647,666)</u>
Net cash used in investing activities	<u>(51,089)</u>	<u>(7,097,910)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for long-term purposes	<u>224,000</u>	<u>154,000</u>
Net cash provided by financing activities	<u>224,000</u>	<u>154,000</u>
Net increase (decrease) in cash and cash equivalents and restricted cash	1,318,193	(4,542,041)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH:		
Beginning of year	<u>6,256,538</u>	<u>10,798,579</u>
End of year	<u>\$ 7,574,731</u>	<u>\$ 6,256,538</u>

See independent auditor's report.

THE CITY MISSION AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

FUNCTIONAL EXPENSES:	Program Expenses							Total Expenses
	Crossroads		Laura's Home	TCMSF	Total Program Expenses	Development	Administrative and General	
	Men's Ministry	New Horizons						
Employee expenses:								
Gross wages	\$ 1,622,057	\$ 76,142	\$ 1,823,810	\$ -	\$ 3,522,009	\$ 367,208	\$ 292,307	\$ 4,181,524
Payroll taxes	114,208	5,370	120,067	-	239,645	26,102	20,696	286,443
Insurance - medical	428,737	21,117	368,468	-	818,322	108,668	57,270	984,260
Pension expense	70,219	4,836	65,350	-	140,405	23,382	33,757	197,544
Staff development	24,725	1,873	37,882	-	64,480	9,596	16,895	90,971
Other employee expenses	6,859	592	5,555	-	13,006	2,989	6,492	22,487
Total employee expenses	2,266,805	109,930	2,421,132	-	4,797,867	537,945	427,417	5,763,229
Client expenses:								
Food	172,059	-	169,495	-	341,554	-	-	341,554
Client programs	126,381	-	184,952	-	311,333	-	-	311,333
Total client expenses	298,440	-	354,447	-	652,887	-	-	652,887
Utilities:								
Gas	19,958	91	14,732	-	34,781	479	683	35,943
Electric	78,799	321	56,060	-	135,180	1,243	1,771	138,194
Water / sewer	48,959	11	52,574	-	101,544	58	83	101,685
Telephone	8,036	1,148	8,156	-	17,340	-	5,740	23,080
Total utilities	155,752	1,571	131,522	-	288,845	1,780	8,277	298,902
Facility and vehicle expenses:								
Insurance - building	14,576	-	16,453	-	31,029	206	1,028	32,263
Repair and maintenance	113,563	3,137	111,986	-	228,686	1,693	2,340	232,719
Vehicle expenses	10,922	143	7,931	-	18,996	622	1,535	21,153
Total facility and vehicle expenses	139,061	3,280	136,370	-	278,711	2,521	4,903	286,135
Organizational expenses:								
Fundraising	395,913	65,985	593,869	-	1,055,767	263,942	69,270	1,388,979
Office and postage	104,994	11,287	99,283	80	215,644	24,548	143,283	383,475
Insurance - liability	21,774	-	24,577	2,904	49,255	307	1,536	51,098
Professional services	28,267	4,038	28,438	3,700	64,443	510	39,576	104,529
Contributions	-	-	-	5,000	5,000	-	-	5,000
Taxes	-	772	-	100	872	-	-	872
Total organizational expenses	550,948	82,082	746,167	11,784	1,390,981	289,307	253,665	1,933,953
Total cash expenses	3,411,006	196,863	3,789,638	11,784	7,409,291	831,553	694,262	8,935,106
Donated goods and services expenses:								
Food	35,702	-	54,772	-	90,474	-	-	90,474
Client programs (clothing and misc.)	161,020	-	214,541	-	375,561	-	-	375,561
Professional services	16,266	2,480	25,463	-	44,209	6,669	6,702	57,580
Total donated goods and services expenses	212,988	2,480	294,776	-	510,244	6,669	6,702	523,615
Total expenses before depreciation	3,623,994	199,343	4,084,414	11,784	7,919,535	838,222	700,964	9,458,721
Bad debt	-	-	-	-	-	-	12,500	12,500
Depreciation	372,217	-	442,986	-	815,203	5,156	34,904	855,263
Total functional expenses	3,996,211	199,343	4,527,400	11,784	8,734,738	843,378	748,368	10,326,484

See independent auditor's report.

THE CITY MISSION AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

FUNCTIONAL EXPENSES:	Program Expenses							Administrative and General	Total Expenses
	Crossroads	New Horizons	Laura's Home	TCMSF	Total	Development			
	Men's Ministry				Program Expenses				
Employee expenses:									
Gross wages	\$ 1,611,312	\$ 106,665	\$ 1,605,921	\$ -	\$ 3,323,898	\$ 367,466	\$ 326,232	\$ 4,017,596	
Payroll taxes	110,380	7,530	109,627	-	227,537	25,226	21,610	274,373	
Insurance - medical	398,728	24,364	316,478	-	739,570	90,482	63,716	893,768	
Pension expense	60,106	5,360	55,232	-	120,698	18,538	25,022	164,258	
Staff development	28,362	2,176	32,449	-	62,987	9,541	17,165	89,693	
Other employee expenses	17,623	1,654	17,859	-	37,136	6,957	13,843	57,936	
Total employee expenses	2,226,511	147,749	2,137,566	-	4,511,826	518,210	467,588	5,497,624	
Client expenses:									
Food	163,731	-	220,601	-	384,332	-	-	384,332	
Client programs	101,402	414,449	112,985	-	628,836	1,822	1,335	631,993	
Total client expenses	265,133	414,449	333,586	-	1,013,168	1,822	1,335	1,016,325	
Utilities:									
Gas	20,644	83	18,505	-	39,232	392	586	40,210	
Electric	78,647	215	59,284	-	138,146	1,011	1,512	140,669	
Water / sewer	47,273	11	59,318	-	106,602	53	80	106,735	
Telephone	7,785	1,112	8,995	-	17,892	-	5,561	23,453	
Total utilities	154,349	1,421	146,102	-	301,872	1,456	7,739	311,067	
Facility and vehicle expenses:									
Insurance - building	13,692	250	9,659	-	23,601	193	966	24,760	
Repair and maintenance	154,656	13,579	109,947	-	278,182	1,882	2,785	282,849	
Vehicle expenses	10,731	149	8,950	-	19,830	769	1,433	22,032	
Total facility and vehicle expenses	179,079	13,978	128,556	-	321,613	2,844	5,184	329,641	
Organizational expenses:									
Office and postage	410,359	68,393	615,539	850	1,095,141	273,573	67,656	1,436,370	
Insurance - liability	103,479	14,258	115,959	79	233,775	9,472	134,780	378,027	
Professional services	24,224	-	17,090	1,727	43,041	342	1,709	45,092	
Fundraising	24,824	6,657	24,797	3,715	59,993	165	35,571	95,729	
Contributions	-	105,000	-	2,500	107,500	-	-	107,500	
Taxes	-	4,846	-	300	5,146	-	-	5,146	
Total organizational expenses	562,886	199,154	773,385	9,171	1,544,596	283,552	239,716	2,067,864	
Total cash expenses	3,387,958	776,751	3,519,195	9,171	7,693,075	807,884	721,562	9,222,521	
Donated goods and services expenses:									
Food	30,073	-	49,189	-	79,262	-	-	79,262	
Client programs (clothing and misc.)	116,142	5	256,246	-	372,393	39	-	372,432	
Professional services	4,793	678	4,743	-	10,214	-	3,386	13,600	
Total donated goods and services expenses	151,008	683	310,178	-	461,869	39	3,386	465,294	
Total expenses before depreciation	3,538,966	777,434	3,829,373	9,171	8,154,944	807,923	724,948	9,687,815	
Bad debt	-	-	-	-	-	-	30,000	30,000	
Depreciation	330,229	-	263,871	-	594,100	4,694	36,939	635,733	
Total functional expenses before intercompany eliminations	3,869,195	777,434	4,093,244	9,171	8,749,044	812,617	791,887	10,353,548	
Intercompany eliminations	-	(105,000)	-	(2,500)	(107,500)	-	-	(107,500)	
Total functional expenses	\$ 3,869,195	\$ 672,434	\$ 4,093,244	\$ 6,671	\$ 8,641,544	\$ 812,617	\$ 791,887	\$ 10,246,048	

See independent auditor's report.

THE CITY MISSION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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 includes NHP accounts. New Horizons Program, LLC (NHP) is 100% owned by TCMSF and is a not-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.

Intercompany balances have been eliminated in the consolidated financial statements.

Accounting Method

The consolidated financial statements have been prepared on the accrual basis. These accounting policies conform to accounting principles generally accepted in the United States of America (U.S. GAAP) and have been consistently applied in the preparation of the consolidated financial statements.

Basis of Presentation

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.

THE CITY MISSION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Financial Accounting Standards Board (FASB) Accounting Standards Codification (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 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.

THE CITY MISSION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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, 2023 and 2022.

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, 2023 and 2022, respectively. The valuation allowance related to promises to give totaled \$-0- as of September 30, 2023 and 2022, respectively. Bad debt expense of \$12,500 and \$30,000 for the years ended September 30, 2023 and 2022, respectively, was for direct write-offs.

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 changes in net assets (see Note 3).

Donated Materials and Services

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.

THE CITY MISSION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Materials and Services (Continued)

The Organization recognized contributed nonfinancial assets within revenue, including clothing, household goods, food, toiletries, and services. There were no donor imposed restrictions associated with contributed nonfinancial assets. Contributed nonfinancial assets are utilized in the Organization's various programs. In valuing contributed nonfinancial assets, donated materials such as food and clothing are reflected as non-cash contributions at their estimated fair value at the date of receipt. Contributed services recognized comprise professional services from accountants providing auditing, tax, and advisory services. Contributed services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar services.

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.

Uncertain Tax Positions

The FASB provides guidance for how uncertain income tax positions should be recognized, measured, disclosed and presented in the financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Organization's tax returns to determine whether the tax positions are more likely than not of being sustained when challenged or when examined by the applicable tax authority. Tax positions not deemed to meet the more likely than not threshold would be recorded as a tax benefit or expense and liability in the current year. For the year ended September 30, 2023 and 2022, management has determined there are no uncertain tax positions.

Use of Estimates

The preparation of financial statements in conformity with 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 using various allocation methods which attempt to allocate the cost equitably in relation to the benefits provided.

THE CITY MISSION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standard

In February 2016, the FASB issued Accounting Standard Update (ASU) No. 2016-02, “Leases (Topic 842),” which specifies the accounting for leases. The objective is to establish the principles that lessees and lessors shall apply to report useful information to users of financial statements about the amount, timing and uncertainty of cash flows arising from a lease. This ASU introduces the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous guidance. The guidance was effective for annual reporting periods beginning after December 15, 2021 and interim periods within those fiscal years. The adoption of the guidance did not have a material impact on the Organization.

Reclassification

Certain amounts in the September 30, 2022 financial statements have been reclassified to conform to the September 30, 2023 presentation. These reclassifications had no effect on Changes 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.

	2023	2022
Pledges receivable - current	\$ 227,000	\$ 92,000
Pledges receivable - long term (1-3 years)	50,000	150,000
Capital campaign pledges - current	838,000	154,000
Capital campaign pledges - long term (1-3 years)	854,000	-
Total pledges	\$ 1,969,000	\$ 396,000

Current pledges receivable represent a collection period of less than one year, while long-term pledges receivable represent a collection period between one and three years. Bad debt expense for promises to give for the years ended September 30, 2023 and 2022, was \$0. 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 5.0% and 3.6% were used as the discount rates in calculating the present value of the liability as of September 30, 2023 and 2022, respectively.

THE CITY MISSION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4: LINE OF CREDIT

The Organization has a demand line of credit agreement with a commercial bank that provides borrowings up to a maximum of \$1,000,000, at an interest rate at 2.50% over the Secured Overnight Financing Rate (SOFR). The interest rate was 7.81% at year-end September 30, 2023. The outstanding balance as of September 30, 2023 was \$-0-. The line of credit expires on March 31, 2024. Interest on the line of credit amounted to \$-0- for the year ended September 30, 2023.

At September 30, 2022, the Organization had 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 7.90% at year-end September 30, 2022. The outstanding balance as of September 30, 2022 was \$-0-. Interest on the line of credit amounted to \$-0- for the year ended September 30, 2022.

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.

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, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Annuity investments:				
Equity mutual funds	\$ 118,902	\$ -	\$ -	\$ 118,902
Income mutual funds	97,889	-	-	97,889
Government Obligations	-	700,040	-	700,040
	<u>\$216,791</u>	<u>\$ 700,040</u>	<u>\$ -</u>	<u>\$ 916,831</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, 2022.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Annuity investments:				
Equity mutual funds	\$ 119,425	\$ -	\$ -	\$ 119,425
Income mutual funds	86,824	-	-	86,824
Government Obligations	-	1,781,401	-	1,781,401
	<u>\$206,249</u>	<u>\$ 1,781,401</u>	<u>\$ -</u>	<u>\$ 1,987,650</u>

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds are deemed to be actively traded.

Government obligations: Valued using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions.

THE CITY MISSION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6: 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 ended September 30, 2023 and 2022, 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, 2023 and 2022 were \$119,337 and \$101,633, respectively.

NOTE 7: DONATED MATERIALS AND SERVICES

During the year ended September 30, 2023, The City Mission received donated clothes of \$142,104, household goods \$183,844, food \$90,474, toiletries of \$77,591, and donated services of \$29,603. The estimated value of volunteer efforts that did not require specialized skills was \$344,414.

During the year ended September 30, 2022, The City Mission received donated clothes of \$182,051, household goods \$117,860, food \$79,262, toiletries of \$72,571, and donated services of \$13,550. The estimated value of volunteer efforts that did not require specialized skills was \$261,155.

NOTE 8: PROPERTY AND EQUIPMENT

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

	2023	2022	Depreciable Lives
Land	\$ 1,607,029	\$ 1,607,029	N/A
Land improvements	496,527	331,855	2 - 20 years
Buildings	16,943,005	12,663,696	5 - 40 years
Building improvements	3,456,835	2,364,658	5 - 40 years
Furniture and equipment	1,256,907	870,129	3 - 10 years
Vehicles	148,929	148,929	3 - 5 years
Construction in process - Capital Campaign	255,782	5,148,108	
Total at cost	<u>24,165,014</u>	<u>23,134,404</u>	
Less: accumulated depreciation	(10,064,309)	(9,523,850)	
Net property and equipment	<u>\$ 14,100,705</u>	<u>\$ 13,610,554</u>	

Depreciation expense for the years ended September 30, 2023 and 2022 was \$855,262 and \$635,733, respectively.

THE CITY MISSION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are summarized as follows:

	2023	2022
Capital campaign	\$ 1,621,431	\$ 5,435,014
Time restriction	1,969,000	206,000
Transitional housing	953,309	700,000
New Horizon homes	35,000	175,000
Other	38,250	83,680
	<u>\$ 4,616,990</u>	<u>\$ 6,599,694</u>

Net assets with donor restrictions were released by incurring expenses that satisfied the restricted purposes, or by occurrence of other events specified by donors during the year, with \$6,104,796 and \$435,081 released during 2023 and 2022, respectively. As of September 30, 2023 and 2022, the Organization has \$255,782 and \$5,148,108, respectively, in construction in process –capital campaign. These donor restricted net assets will be released when the asset is placed in service. Subsequent to yearend, the Capital Campaign asset was placed into service.

NOTE 10: CAPITAL CAMPAIGN

The Organization had 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 \$1,989,421 and \$500,000 during the years ended September 30, 2023 and 2022, 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 \$1,621,431 and \$5,435,014 as of September 30, 2023 and 2022, respectively. In addition, the Organization has gross outstanding pledges of \$1,692,000 and \$154,000 as of September 30, 2023 and 2022, respectively, of which \$838,000 and \$154,000 is classified as current and \$854,000 and \$-0- is classified as long-term, respectively.

NOTE 11: RELATED PARTY

The Organization receives a donation annually from the TCM Endowment Foundation, a related party. The Endowment Foundation is not controlled by the Organization and the only transaction between the two parties is the receipt of the annual donation. For the years ended September 30, 2023 and 2022, the Organization received \$90,000 and \$280,000 from the Endowment Foundation.

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, 2023 and 2022 because of contractually imposed or internal designations. Amounts not available include restricted assets and 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 CITY MISSION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12: LIQUIDITY AND FUNDS AVAILABLE (CONTINUED)

The Organization's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	2023	2022
Cash	\$ 7,574,731	\$ 6,256,538
Investments	700,040	1,781,401
Receivables	8,522	6,106
Promises to give, net	1,969,000	396,000
Financial assets, at year-end	10,252,293	8,440,045
Less amounts available to be used for the capital campaign:		
Cash - capital campaign	930,116	795,196
Investments - long-term	-	600,000
Promises to give - current - capital campaign	838,000	154,000
Promises to give - long-term - capital campaign, net	854,000	-
Promises to give - long-term	50,000	150,000
	2,672,116	1,699,196
Financial assets available to meet cash needs for general expenditures within one year:	\$ 7,580,177	\$ 6,740,849

NOTE 13: SUBSEQUENT EVENTS

The Organization has evaluated subsequent events from the statement of financial position date through November 30, 2023, 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, 2023

ASSETS

	TCM	TCMSF	NHP	Eliminations	Consolidated Total
CURRENT ASSETS:					
Cash and cash equivalents	\$ 6,427,971	\$ 210,882	\$ 5,762	\$ -	\$ 6,644,615
Investments	700,040	-	-	-	700,040
Accounts receivable	8,522	-	-	-	8,522
Promises to give	1,065,000	-	-	-	1,065,000
Investments in affiliates	-	94,000	-	(94,000)	-
Prepaid expenses	77,541	-	-	-	77,541
Total current assets	8,279,074	304,882	5,762	(94,000)	8,495,718
PROPERTY AND EQUIPMENT, NET	14,100,705	-	-	-	14,100,705
OTHER ASSETS:					
Restricted cash - capital campaign	930,116	-	-	-	930,116
Promises to give - long-term	904,000	-	-	-	904,000
Property held for New Horizons Program	190,000	-	100,000	-	290,000
Annuity investments	216,791	-	-	-	216,791
Total other assets	2,240,907	-	100,000	-	2,340,907
Total assets	<u>\$ 24,620,686</u>	<u>\$ 304,882</u>	<u>\$ 105,762</u>	<u>\$ (94,000)</u>	<u>\$ 24,937,330</u>

See independent auditor's report.

THE CITY MISSION AND AFFILIATES

SCHEDULE I - CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS OF SEPTEMBER 30, 2023

LIABILITIES AND NET ASSETS

	<u>TCM</u>	<u>TCMSF</u>	<u>NHP</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
CURRENT LIABILITIES:					
Accounts payable	\$ 94,746	\$ 1,152	\$ -	\$ -	\$ 95,898
Accrued vacation	179,725	-	-	-	179,725
Accrued expenses	23,754	-	-	-	23,754
Accrued payroll	108,761	-	-	-	108,761
Annuity payment liability	75,705	-	-	-	75,705
Total current liabilities	482,691	1,152	-	-	483,843
NET ASSETS:					
Without donor restrictions	19,521,005	303,730	105,762	(94,000)	19,836,497
With donor restrictions	4,616,990	-	-	-	4,616,990
Total net assets	24,137,995	303,730	105,762	(94,000)	24,453,487
Total liabilities and net assets	<u>\$ 24,620,686</u>	<u>\$ 304,882</u>	<u>\$ 105,762</u>	<u>\$ (94,000)</u>	<u>\$ 24,937,330</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, 2023

	TCM		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 BEFORE CAPITAL CAMPAIGN:							
Contributions	\$ 7,231,663	\$ 2,132,671	\$ 25,204	\$ -	\$ -	\$ -	\$ 9,389,538
Contributions - donated marketable securities	208,866	-	-	-	-	-	208,866
Contributions - donated materials and services	523,616	-	-	-	-	-	523,616
Investment returns	308,617	-	-	-	-	-	308,617
Other income	67,487	-	-	-	-	-	67,487
Special events	456,586	-	-	-	-	-	456,586
Net assets released from restrictions	301,792	(301,792)	-	-	-	-	-
Total support and revenues before capital campaign	9,098,627	1,830,879	25,204	-	-	-	10,954,710
FUNCTIONAL EXPENSES BEFORE CAPITAL CAMPAIGN:							
Program expenses	8,722,931	-	11,784	23	-	-	8,734,738
Development	843,378	-	-	-	-	-	843,378
Administrative and general expenses	748,368	-	-	-	-	-	748,368
Total functional expenses before capital campaign	10,314,677	-	11,784	23	-	-	10,326,484
Change in net assets before capital campaign	(1,216,050)	1,830,879	13,420	(23)	-	-	628,226
CAPITAL CAMPAIGN:							
Support and revenues	-	1,989,421	-	-	-	-	1,989,421
Net assets released from restrictions	5,803,004	(5,803,004)	-	-	-	-	-
Total capital campaign	5,803,004	(3,813,583)	-	-	-	-	1,989,421
Change in net assets	4,586,954	(1,982,704)	13,420	(23)	-	-	2,617,647
NET ASSETS - beginning of year	14,934,051	6,599,694	290,310	105,785	(94,000)	-	21,835,840
NET ASSETS - end of year	\$ 19,521,005	\$ 4,616,990	\$ 303,730	\$ 105,762	\$ (94,000)	\$ -	\$ 24,453,487

See independent auditor's report.