

# The City Mission and Affiliates

*Consolidated Financial Statements*

As of and for the Years Ended  
September 30, 2022 and 2021



Rea & associates

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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 financial position as of September 30, 2022 and 2021, 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.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of September 30, 2022 and 2021, 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 consolidated 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 2022 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 2022 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2022 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 2022 consolidated financial statements as a whole.

*Rea & Associates, Inc.*

Rea & Associates, Inc.  
Cleveland, Ohio  
December 1, 2022

THE CITY MISSION AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS OF SEPTEMBER 30, 2022 AND 2021

	<u>ASSETS</u>	
	<u>2022</u>	<u>2021</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 5,461,342	\$ 6,072,609
Investments	1,181,401	-
Accounts receivable	6,106	7,917
Promises to give	246,000	535,125
Prepaid expenses	108,194	203,695
Total current assets	<u>7,003,043</u>	<u>6,819,346</u>
 PROPERTY AND EQUIPMENT, NET	 13,610,554	 8,598,621
 <b>OTHER ASSETS:</b>		
Restricted cash - capital campaign	795,196	4,725,970
Investments - long-term	600,000	-
Promises to give - long-term	150,000	146,000
Property held for New Horizons Program	240,000	411,989
Annuity investments	206,249	271,121
Total other assets	<u>1,991,445</u>	<u>5,555,080</u>
 Total assets	 <u>\$ 22,605,042</u>	 <u>\$ 20,973,047</u>
	 <u>LIABILITIES AND NET ASSETS</u>	
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 312,679	\$ 369,490
Accrued vacation	143,467	141,806
Accrued expenses	77,158	-
Accrued payroll	141,489	21,578
Annuity payment liability	94,409	99,447
Total current liabilities	<u>769,202</u>	<u>632,321</u>
 <b>NET ASSETS:</b>		
Without donor restrictions	15,236,146	14,916,951
With donor restrictions	6,599,694	5,423,775
Total net assets	<u>21,835,840</u>	<u>20,340,726</u>
 Total liabilities and net assets	 <u>\$ 22,605,042</u>	 <u>\$ 20,973,047</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, 2022 AND 2021

	2022			2021		
	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	\$ 9,128,175	\$ 1,111,000	\$ 10,239,175	\$ 8,593,566	\$ 7,000	\$ 8,600,566
Contributions- donated marketable securities	322,473	-	322,473	573,034	-	573,034
Contributions- donated materials and services	465,294	-	465,294	597,246	-	597,246
Realized and unrealized (loss) gain on investments	(51,150)	-	(51,150)	26,233	-	26,233
Other income	109,340	-	109,340	939,491	-	939,491
Special events	156,030	-	156,030	240,701	-	240,701
Net assets released from restrictions	246,675	(246,675)	-	373,431	(373,431)	-
Total support and revenues before capital campaign	10,376,837	864,325	11,241,162	11,343,702	(366,431)	10,977,271
<b>FUNCTIONAL EXPENSES BEFORE CAPITAL CAMPAIGN:</b>						
Program expenses	8,641,544	-	8,641,544	7,433,265	-	7,433,265
Development	812,617	-	812,617	723,541	-	723,541
Administrative and general expenses	791,887	-	791,887	570,914	-	570,914
Total functional expenses before capital campaign	10,246,048	-	10,246,048	8,727,720	-	8,727,720
Change in net assets before capital campaign	130,789	864,325	995,114	2,615,982	(366,431)	2,249,551
<b>CAPITAL CAMPAIGN:</b>						
Support and revenues	-	500,000	500,000	-	1,697,344	1,697,344
Net assets released from restrictions	188,406	(188,406)	-	185,343	(185,343)	-
Total capital campaign	188,406	311,594	500,000	185,343	1,512,001	1,697,344
Change in net assets from continuing operations	319,195	1,175,919	1,495,114	2,801,325	1,145,570	3,946,895
<b>DISCONTINUED OPERATIONS (SEE NOTE 12):</b>						
MRA revenues	-	-	-	113,077	-	113,077
MRA expenses	-	-	-	(27,170)	-	(27,170)
Change in net assets from discontinued operations	-	-	-	85,907	-	85,907
Change in net assets	319,195	1,175,919	1,495,114	2,887,232	1,145,570	4,032,802
NET ASSETS - beginning of year	14,916,951	5,423,775	20,340,726	12,029,719	4,278,205	16,307,924
NET ASSETS - end of year	\$ 15,236,146	\$ 6,599,694	\$ 21,835,840	\$ 14,916,951	\$ 5,423,775	\$ 20,340,726

See independent auditor's report.

THE CITY MISSION AND AFFILIATES

CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 1,495,114	\$ 4,032,802
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	635,733	595,097
Forgiveness of Paycheck Protection Program Loan	-	(695,574)
Non-cash contributions	(787,767)	(1,170,280)
Non-cash expenses	465,294	597,246
Realized and unrealized loss (gain) on investments	51,150	(23,647)
Gain on sale of property and equipment	-	(6,202)
Bad debt expense	30,000	8,830
 Changes in assets and liabilities:		
Accounts receivable	1,811	3,122
Promises to give	255,125	321,231
Prepaid expenses	95,501	(14,390)
Property held for affiliates	171,989	(229,955)
Accounts payable	(56,811)	114,847
Accrued vacation	1,661	(40,580)
Accrued expense	77,158	(4,747)
Accrued payroll	119,911	(15,662)
Deferred revenue	-	(96,186)
Total adjustments	<u>1,060,755</u>	<u>(656,850)</u>
Net cash provided by operating activities	<u>2,555,869</u>	<u>3,375,952</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of investments	667,609	567,905
Purchase of investments	(2,117,853)	-
Proceeds from sale of property and equipment	-	24,000
Purchase of property and equipment	<u>(5,647,666)</u>	<u>(841,808)</u>
Net cash used in investing activities	<u>(7,097,910)</u>	<u>(249,903)</u>
 Net (decrease) increase in cash and cash equivalents and restricted cash	(4,542,041)	3,126,049
 <b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH:</b>		
Beginning of year	<u>10,798,579</u>	<u>7,672,530</u>
End of year	<u>\$ 6,256,538</u>	<u>\$ 10,798,579</u>
 <b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Cash paid during the year:		
Interest	<u>\$ -</u>	<u>\$ 2,885</u>
Non-cash investing activity:		
Donated marketable securities	<u>\$ 322,473</u>	<u>\$ 573,034</u>

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							Total Expenses
	Crossroads	New Horizons	Laura's Home	TCMSF	Total Program Expenses	Development	Administrative and General	
	Men's Ministry							
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:								
Fundraising	410,359	68,393	615,539	850	1,095,141	273,573	67,656	1,436,370
Office and postage	103,479	14,258	115,959	79	233,775	9,472	134,780	378,027
Insurance - liability	24,224	-	17,090	1,727	43,041	342	1,709	45,092
Professional services	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

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

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	\$ 1,271,331	\$ 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
Bad debt	-	-	-	-	-	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

### 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. 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 12).

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, 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:

## THE CITY MISSION AND AFFILIATES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

##### Basis of Presentation (Continued)

*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 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.

## THE CITY MISSION AND AFFILIATES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

##### 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, 2022 and 2021.

##### 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, 2022 and 2021, respectively. The valuation allowance related to promises to give totaled \$-0- as of September 30, 2022 and 2021, respectively. Bad debt expense of \$30,000 and \$8,830 for the years ended September 30, 2022 and 2021, 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 CITY MISSION AND AFFILIATES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

##### Annuity Liabilities (Continued)

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 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.

##### 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 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)

Recently Adopted Accounting Policies

In fiscal year 2022, the Organization adopted Accounting Standard Update (ASU) 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit Organizations to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increased the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the type of contributed nonfinancial assets a nonprofit Organization has received. Adoption of this standard did not have a significant impact on the financial statements, with the exception of increased disclosures.

Reclassification

Certain amounts in the September 30, 2021 financial statements have been reclassified to conform to the September 30, 2022 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.

	2022	2021
Pledges receivable - current	\$ 92,000	\$ 283,675
Pledges receivable - long term (1-5 years)	150,000	-
Capital campaign pledges - current	154,000	251,450
Capital campaign pledges - long term (1-5 years)	-	146,000
Total pledges	\$ 396,000	\$ 681,125

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, 2022 and 2021, was \$30,000 and \$8,830, respectively. Management has determined all pledges to be fully collectible, and therefore, no allowance for doubtful pledges is reflected. Net present value of long-term pledges is deemed to be immaterial.

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 3.6% and 1.0% were used as the discount rates in calculating the present value of the liability as of September 30, 2022 and 2021, 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 \$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 and 4.90% at September 30, 2021. The collateral for the current line of credit includes all assets of the Organization. The outstanding balance as of September 30, 2022 and 2021 was \$-0-. Effective October 24, 2022, the line of credit has been extended until January 2, 2024. Interest on the line of credit amounted to \$-0- for the years ended September 30, 2022 and 2021.

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, 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>

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.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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>

*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: 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 ended September 30, 2022 and 2021, 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, 2022 and 2021 were \$101,633 and \$87,319, respectively.

#### NOTE 8: DONATED MATERIALS AND SERVICES

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.

During the year ended September 30, 2021, The City Mission received donated clothes of \$282,569, household goods \$123,121, food \$85,205, toiletries of \$89,542, and donated services of \$16,809. The estimated value of volunteer efforts that did not require specialized skills was \$214,708.



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:

	2022	2021	Depreciable Lives
Land	\$ 1,607,029	\$ 1,607,029	N/A
Land improvements	331,855	277,430	2 - 20 years
Buildings	12,663,696	12,655,461	5 - 40 years
Building improvements	2,364,658	2,124,363	5 - 40 years
Furniture and equipment	870,129	852,788	3 - 10 years
Vehicles	148,929	148,929	3 - 5 years
Construction in process - Capital Campaign	5,148,108	395,195	
Construction in process - Other	-	8,235	
Total at cost	<u>23,134,404</u>	<u>18,069,430</u>	
Less: accumulated depreciation	(9,523,850)	(9,470,809)	
Net property and equipment	<u>\$ 13,610,554</u>	<u>\$ 8,598,621</u>	

Depreciation expense for the years ended September 30, 2022 and 2021 was \$635,733 and \$595,097, respectively.

NOTE 10: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are summarized as follows:

	2022	2021
Capital campaign	\$ 5,435,014	\$ 5,123,420
Time restriction	206,000	283,675
Transitional housing	700,000	-
New Horizon homes	175,000	-
Other	83,680	16,680
	<u>\$ 6,599,694</u>	<u>\$ 5,423,775</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 \$435,081 and \$558,774 released during 2022 and 2021, respectively. As of September 30, 2022 and 2021, the Organization has \$5,248,108 and \$395,195, 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 11: 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 \$500,000 and \$1,697,344 during the years ended September 30, 2022 and 2021, respectively.

THE CITY MISSION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11: CAPITAL CAMPAIGN (CONTINUED)

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 \$5,435,014 and \$5,123,420 as of September 30, 2022 and 2021, respectively. In addition, the Organization has gross outstanding pledges of \$154,000 and \$397,450 as of September 30, 2022 and 2021, respectively, of which \$154,000 and \$251,450 is classified as current and \$-0- and \$146,000 is classified as long-term, respectively.

NOTE 12: 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 final royalty payment was received during 2021.

NOTE 13: 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, 2022 and 2021 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 Organization's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	2022	2021
Cash	\$ 6,256,538	\$ 10,798,579
Investments	1,781,401	-
Receivables	6,106	7,917
Promises to give	396,000	681,125
Financial assets, at year-end	<u>8,440,045</u>	<u>11,487,621</u>
Less amounts available to be used for the capital campaign:		
Cash - capital campaign	795,196	4,725,970
Investments - long-term	600,000	-
Promises to give - current - capital campaign	154,000	251,450
Promises to give - long-term	150,000	146,000
	<u>1,699,196</u>	<u>5,123,420</u>
Financial assets available to meet cash needs for general expenditures within one year:	<u>\$ 6,740,849</u>	<u>\$ 6,364,201</u>

THE CITY MISSION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14: 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, 2022 and 2021, the Organization received \$280,000 from the Endowment Foundation.

NOTE 15: SUBSEQUENT EVENTS

The Organization has evaluated subsequent events from the statement of financial position date through December 1, 2022, 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, 2022

ASSETS

	<u>TCM</u>	<u>TCMSF</u>	<u>NHP</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
<b>CURRENT ASSETS:</b>					
Cash and cash equivalents	\$ 5,259,247	\$ 196,310	\$ 5,785	\$ -	\$ 5,461,342
Investments	1,181,401	-	-	-	1,181,401
Accounts receivable	6,106	-	-	-	6,106
Promises to give	246,000	-	-	-	246,000
Investments in affiliates	-	94,000	-	(94,000)	-
Prepaid expenses	108,194	-	-	-	108,194
Total current assets	<u>6,800,948</u>	<u>290,310</u>	<u>5,785</u>	<u>(94,000)</u>	<u>7,003,043</u>
PROPERTY AND EQUIPMENT, NET	13,610,554	-	-	-	13,610,554
<b>OTHER ASSETS:</b>					
Restricted cash - capital campaign	795,196	-	-	-	795,196
Investments - long-term	600,000	-	-	-	600,000
Promises to give - long-term	150,000	-	-	-	150,000
Property held for New Horizons Program	140,000	-	100,000	-	240,000
Annuity investments	206,249	-	-	-	206,249
Total other assets	<u>1,891,445</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>1,991,445</u>
Total assets	<u>\$ 22,302,947</u>	<u>\$ 290,310</u>	<u>\$ 105,785</u>	<u>\$ (94,000)</u>	<u>\$ 22,605,042</u>

See independent auditor's report.

THE CITY MISSION AND AFFILIATES

SCHEDULE I - CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)  
AS OF SEPTEMBER 30, 2022

LIABILITIES AND NET ASSETS

	<u>TCM</u>	<u>TCMSF</u>	<u>NHP</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
<b>CURRENT LIABILITIES:</b>					
Accounts payable	\$ 312,679	\$ -	\$ -	\$ -	\$ 312,679
Accrued vacation	143,467	-	-	-	143,467
Accrued expenses	77,158	-	-	-	77,158
Accrued payroll	141,489	-	-	-	141,489
Annuity payment liability	94,409	-	-	-	94,409
Total current liabilities	<u>769,202</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>769,202</u>
<b>NET ASSETS:</b>					
Without donor restrictions	14,934,051	290,310	105,785	(94,000)	15,236,146
With donor restrictions	6,599,694	-	-	-	6,599,694
Total net assets	<u>21,533,745</u>	<u>290,310</u>	<u>105,785</u>	<u>(94,000)</u>	<u>21,835,840</u>
Total liabilities and net assets	<u>\$ 22,302,947</u>	<u>\$ 290,310</u>	<u>\$ 105,785</u>	<u>\$ (94,000)</u>	<u>\$ 22,605,042</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, 2022

	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		
<b>SUPPORT AND REVENUES BEFORE CAPITAL CAMPAIGN:</b>							
Contributions	\$ 9,086,704	\$ 1,111,000	\$ 22,874	\$ 76,097	\$ (57,500)	\$ 10,239,175	
Contributions- donated marketable securities	322,473	-	-	-	-	322,473	
Contributions- donated materials and services	515,294	-	-	-	(50,000)	465,294	
Realized and unrealized loss on investments	(51,150)	-	-	-	-	(51,150)	
Other income	109,340	-	-	-	-	109,340	
Special events	156,030	-	-	-	-	156,030	
Net assets released from restrictions	246,675	(246,675)	-	-	-	-	
Total support and revenues before capital campaign	10,385,366	864,325	22,874	76,097	(107,500)	11,241,162	
<b>FUNCTIONAL EXPENSES BEFORE CAPITAL CAMPAIGN:</b>							
Program expenses	8,209,232	-	9,171	530,641	(107,500)	8,641,544	
Development	812,617	-	-	-	-	812,617	
Administrative and general expenses	791,887	-	-	-	-	791,887	
Total functional expenses before capital campaign	9,813,736	-	9,171	530,641	(107,500)	10,246,048	
Change in net assets before capital campaign	571,630	864,325	13,703	(454,544)	-	995,114	
<b>CAPITAL CAMPAIGN:</b>							
Support and revenues	-	500,000	-	-	-	500,000	
Net assets released from restrictions	188,406	(188,406)	-	-	-	-	
Total capital campaign	188,406	311,594	-	-	-	500,000	
Change in net assets	760,036	1,175,919	13,703	(454,544)	-	1,495,114	
NET ASSETS - beginning of year	14,174,015	5,423,775	276,607	560,329	(94,000)	20,340,726	
NET ASSETS - end of year	\$ 14,934,051	\$ 6,599,694	\$ 290,310	\$ 105,785	\$ (94,000)	\$ 21,835,840	

See independent auditor's report.