



Los Angeles
MISSION
The Crossroads of Hope

Financial Statements
With Independent Auditors' Report

June 30, 2015 & 2014

LOS ANGELES MISSION, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Los Angeles Mission, Inc.
Los Angeles, California

We have audited the accompanying financial statements of Los Angeles Mission, Inc. (the Mission), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Board of Directors
Los Angeles Mission, Inc.
Los Angeles, California

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Los Angeles Mission as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Brea, California
October 9, 2015

LOS ANGELES MISSION, INC.

Statements of Financial Position

	June 30,	
	2015	2014
ASSETS:		
Cash and cash equivalents	\$ 738,147	\$ 174,919
Investments	833,257	878,747
Accounts and other receivables	-	3,800
Pledge and grants receivable	6,383,000	6,456,000
Estate and trust receivables	513,000	1,097,000
Prepaid expenses and other assets	94,558	47,165
Gift-in-kind inventory	131,527	183,981
Property held for sale	1,830,557	24,041
Beneficial interest in trust held by others	167,061	166,750
Land, buildings, and equipment - net	20,244,169	23,261,139
	<u>\$ 30,935,276</u>	<u>\$ 32,293,542</u>
LIABILITIES AND NET ASSETS:		
Accounts payable	\$ 484,062	\$ 524,009
Accrued expenses	389,469	377,146
Amounts held for others	8,013	22,651
Deferred revenue	15,000	-
Notes payable	6,105,276	6,978,636
	<u>7,001,820</u>	<u>7,902,442</u>
Net assets:		
Unrestricted:		
Undesignated	2,116,246	514,745
Net investment in land, buildings, and equipment	14,138,893	16,282,503
	<u>16,255,139</u>	<u>16,797,248</u>
Temporarily restricted	7,148,971	7,064,506
Permanently restricted	529,346	529,346
Total net assets	<u>23,933,456</u>	<u>24,391,100</u>
Total Liabilities and Net Assets	<u>\$ 30,935,276</u>	<u>\$ 32,293,542</u>

See notes to financial statements

LOS ANGELES MISSION, INC.

Statements of Activities

	Year Ended June 30, 2015				Year Ended June 30, 2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING:								
SUPPORT, REVENUE, AND RECLASSIFICATIONS:								
Contributions	\$ 11,114,945	\$ 582,631	\$ -	\$ 11,697,576	\$ 10,882,453	\$ 433,148	\$ -	\$ 11,315,601
Gift-in-kind activity	1,171,718	-	-	1,171,718	986,806	-	-	986,806
Investment income	5,575	18,510	-	24,085	5,648	113,812	-	119,460
Sales	31,216	-	-	31,216	48,419	-	-	48,419
Other revenue	342,802	-	-	342,802	333,298	-	-	333,298
Net assets released from restrictions:								
Satisfaction of donor restrictions	516,676	(516,676)	-	-	877,517	(877,517)	-	-
Total Support, Revenue, and Reclassifications	13,182,932	84,465	-	13,267,397	13,134,141	(330,557)	-	12,803,584
EXPENSES:								
Program ministries	8,887,853	-	-	8,887,853	8,290,000	-	-	8,290,000
Supporting activities:								
General and administrative	1,022,775	-	-	1,022,775	928,512	-	-	928,512
Fundraising	3,814,413	-	-	3,814,413	3,639,593	-	-	3,639,593
	4,837,188	-	-	4,837,188	4,568,105	-	-	4,568,105
Total Expenses	13,725,041	-	-	13,725,041	12,858,105	-	-	12,858,105
Change in Net Assets	(542,109)	84,465	-	(457,644)	276,036	(330,557)	-	(54,521)
Net Assets, Beginning of Year	16,797,248	7,064,506	529,346	24,391,100	16,521,212	7,395,063	529,346	24,445,621
Net Assets, End of Year	<u>\$ 16,255,139</u>	<u>\$ 7,148,971</u>	<u>\$ 529,346</u>	<u>\$ 23,933,456</u>	<u>\$ 16,797,248</u>	<u>\$ 7,064,506</u>	<u>\$ 529,346</u>	<u>\$ 24,391,100</u>

See notes to financial statements

LOS ANGELES MISSION, INC.

Statements of Functional Expenses

	Year Ended June 30, 2015				Year Ended June 30, 2014			
	Program Ministries	Support Activities		Total	Program Ministries	Support Activities		Total
		General and Administrative	Fundraising			General and Administrative	Fundraising	
Salaries and wages	\$ 2,487,601	\$ 518,873	\$ 569,210	\$ 3,575,684	\$ 2,556,362	\$ 437,164	\$ 591,753	\$ 3,585,280
Donor appeals fundraising costs	-	-	1,629,391	1,629,391	-	-	1,698,276	1,698,276
Donor acquisition fundraising costs	-	-	1,123,591	1,123,591	-	-	876,424	876,424
Depreciation	1,276,771	15,530	7,345	1,299,646	1,348,511	17,057	9,060	1,374,627
Employee benefits	535,054	85,188	132,276	752,518	485,890	86,785	122,030	694,705
Gift-in-kind clothing, food, and other	1,224,173	-	-	1,224,173	919,242	-	-	919,242
Utilities	557,364	9,257	4,629	571,250	511,283	8,850	4,425	524,558
Professional services	798,074	153,787	162,073	1,113,934	651,652	152,897	162,146	966,694
Repairs and maintenance	676,919	12,347	6,809	696,075	521,344	10,238	7,874	539,455
Shelter and rehab program costs	158,336	-	-	158,336	204,505	-	-	204,505
Interest	276,546	5,704	2,852	285,102	293,914	6,056	3,028	302,998
Occupancy	176,905	3,117	1,496	181,518	161,582	3,043	1,375	166,000
Office expenses	160,092	129,165	107,572	396,829	115,467	125,906	84,128	325,502
Shelter and rehab food costs	242,732	-	-	242,732	235,436	-	-	235,436
Insurance	84,823	73,749	864	159,436	80,137	66,845	379	147,361
Other expenses	69,562	7,070	52,733	129,365	54,381	6,304	68,279	128,964
Telecommunication	86,353	1,836	3,946	92,135	79,487	1,974	4,305	85,766
Trucks and vans operating costs	56,481	-	-	56,481	56,323	-	-	56,323
Conferences, memberships, and dues	20,067	7,152	9,626	36,845	14,485	5,393	6,111	25,989
	<u>\$ 8,887,853</u>	<u>\$ 1,022,775</u>	<u>\$ 3,814,413</u>	<u>\$ 13,725,041</u>	<u>\$ 8,290,000</u>	<u>\$ 928,512</u>	<u>\$ 3,639,593</u>	<u>\$ 12,858,105</u>

See notes to financial statements

LOS ANGELES MISSION, INC.

Statements of Cash Flows

	Year Ended June 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (457,644)	\$ (54,521)
Reconciliation of change in net assets to net cash provided by operating activities:		
Depreciation	1,299,646	1,374,627
Net realized and unrealized gain on investments	(6,833)	(101,680)
Recognition of pledge receivable	(367,000)	(329,107)
Net change in:		
Accounts and other receivables	3,800	4,586
Estate and trust receivables	584,000	(700,000)
Prepaid expenses	(23,352)	63,728
Gift-in-kind inventory	52,454	(67,563)
Beneficial interest in trust held by others	(311)	314,116
Accounts payable	(39,947)	75,671
Accrued expenses	12,323	(58,995)
Amounts held for others	(14,638)	(14,927)
Deferred revenue	15,000	(50,000)
Net Cash Provided by Operating Activities	1,057,498	455,935
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment additions	(11,677)	(12,133)
Proceeds from sale of investments, net	64,000	-
Purchases of fixed assets	(113,233)	(198,864)
Net Cash Used in Investing Activities	(60,910)	(210,997)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Collection of pledge and grants receivable	440,000	440,000
Payments on capital lease	(8,964)	(11,755)
Payments on notes payable	(864,396)	(577,380)
Net Cash Used in Financing Activities	(433,360)	(149,135)
Net Change in Cash and Cash Equivalents	563,228	95,803
Cash and Cash Equivalents, Beginning of Year	174,919	79,116
Cash and Cash Equivalents, End of Year	\$ 738,147	\$ 174,919
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest (none capitalized)	\$ 287,409	\$ 305,278
Non-cash investing and financing activities:		
Building reclassified to held for sale	\$ 1,830,557	\$ -

See notes to financial statements

LOS ANGELES MISSION, INC.

Notes to Financial Statements

June 30, 2015 and 2014

1. NATURE OF ORGANIZATION:

Los Angeles Mission, Inc. (the Mission) is a Christian nonprofit organization incorporated in California. The Mission has been in existence since 1936 with the objective of providing hope and opportunity to destitute men, women, and children through spiritual, physical, educational, and social rehabilitation.

The Mission is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code), and is also exempt from state income taxes. The primary source of revenue is contributions by the public which are deductible for income tax purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Mission have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The significant accounting policies adopted by the Mission are described below.

CASH AND CASH EQUIVALENTS

For statements of financial position and cash flow purposes, cash and cash equivalents consist primarily of cash on hand and cash on deposit. These accounts may, at times, exceed federally insured limits. The Mission has not experienced any losses on these accounts.

INVESTMENTS

Investments include mutual funds and common stock securities. Investments are carried at market value. Donated securities are recorded at market value on the date of the gift and are thereafter carried in accordance with the above provisions. The investments are reported at fair value based upon quoted prices in active markets for identical assets, which is Level 1 of the fair value hierarchy established under the Fair Value topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

Investment securities are exposed to various risks, such as changes in interest rates or credit ratings and market fluctuations. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is possible that the value of the Mission's investments and total net assets balance could fluctuate materially.

ESTATE AND TRUST RECEIVABLES

The Mission has been named as a beneficiary of certain estates and trusts that have matured as a result of the death of the donors. The amount recorded represents the estimated realizable value of the proceeds from the various estates and trusts.

LOS ANGELES MISSION, INC.

Notes to Financial Statements

June 30, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

BENEFICIAL INTEREST IN TRUSTS HELD BY OTHERS

Beneficial interest in trust held by others consists of the Mission's share of a trust held by an outside trustee. The trust is time restricted, established as part of a split interest agreement. Under the terms of the trust, the Mission has an irrevocable right to receive the income earned from their share of the trust assets for a period of twenty years after the trustors' deaths. The distribution from this trust began in 2008. At the end of this twenty year period, the trust will be terminated and a portion of the assets will be distributed to the Mission. At the time of the trust's termination, the time restriction will end and the net assets will be reclassified from temporarily restricted net assets to unrestricted net assets since no restrictions were stated on the use of the trust assets. Also, no restrictions were stated on the use of the income, so periodic income distributions are classified as unrestricted investment income.

PLEDGE RECEIVABLE

In 2012, the Mission received two pledges totaling \$10 million from a major donor. The present value of future cash flows of this gift is recorded on the statements of financial position. During the years ended June 30, 2015 and 2014, a discount rate of 2.87% and 3.15% was applied against the gift resulting in a discount of \$2,217,000 and \$2,584,000, respectively.

GIFT-IN-KIND INVENTORY

The Mission receives donations of clothing, food, toiletries, blankets, and other items for use in the operations of the Mission programs. These gifts-in-kind are stated at their estimated fair market values (equivalent of thrift shop values) at the date of the gifts.

PROPERTY HELD FOR SALE

Property held for sale is a building no longer in use. The property held for sale is recorded at the lower of its carrying amount or fair value less cost to sell.

LAND, BUILDINGS, AND EQUIPMENT

Expenditures of \$1,000 or more for land, buildings, and equipment are capitalized at cost. Donated items are recorded at fair market value on the date of the gift. Depreciation is computed on the straight line method over the estimated useful lives of the assets ranging from three to fifty years. Gifts of land, buildings, and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions must specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Mission reports expirations of donor restrictions as unrestricted net assets when the donated or acquired long-lived assets are placed in service.

LOS ANGELES MISSION, INC.

Notes to Financial Statements

June 30, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

NET ASSETS

The financial statements report amounts by class of net assets:

Unrestricted net assets are those currently available at the discretion of the board of directors for use in the Mission's operations and those resources invested in land, buildings, and equipment.

Temporarily restricted net assets are those which are stipulated by donors for specific programs, capital projects, time restrictions, and endowment earnings.

Permanently restricted net assets are those which represent permanent endowments where it is stipulated by donors that the principal remain in perpetuity and only the income is available as unrestricted or temporarily restricted, as specified in endowment agreements. Permanently restricted net assets consist of the Exodus Fund, which was established to help patrons who successfully complete the Mission's rehabilitation program in settling once again into society's mainstream. Each year, all or part of the investment income from the Exodus Fund is to be made available to use for this purpose.

All contributions are considered available for unrestricted use unless specifically restricted by the donor or subject to legal restrictions.

Contributions are recorded as temporarily restricted if they are received with donor stipulations that limit their use through purpose and/or time restrictions. When donor restrictions expire, that is when the purpose restriction is fulfilled or the time restriction expires, the net assets are reclassified from temporarily restricted to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

SUPPORT, REVENUE, AND EXPENSES

Contributions are recorded when cash or unconditional promises-to-give have been received, or ownership of donated assets is transferred to the Mission. Conditional promises-to-give are recognized as revenue when the conditions on which they depend are substantially met. The Mission receives gift-in-kind, which are recorded as support at the estimated fair market value on the date of the gift. See note 8 for additional information on these items. Goods given to the Mission that do not have an objective basis for valuation are not recorded.

Revenue is recorded when earned. Expenses are recorded when incurred in accordance with the accrual basis of accounting.

LOS ANGELES MISSION, INC.

Notes to Financial Statements

June 30, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various program services and supporting activities have been summarized on a functional basis. Accordingly, certain costs, such as depreciation and payroll, have been allocated among the program and supporting activities.

ALLOCATION OF JOINT COSTS

The Mission has adopted the provisions of the Joint Cost topic of the FASB ASC. This statement requires all costs which contain any fundraising appeal to be allocated to fundraising unless all of the following three tests are met: purpose, audience, and content. Since all three tests were not met, all costs have been allocated to fundraising for the years ended June 30, 2015 and 2014.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

UNCERTAIN TAX POSITIONS

The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the statements of activities. As of June 30, 2015 and 2014, the Mission had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

The Mission files information tax returns in the U.S. The Mission is subject to income tax examinations for the current year and certain prior years based on applicable laws and regulations.

LOS ANGELES MISSION, INC.

Notes to Financial Statements

June 30, 2015 and 2014

3. INVESTMENTS:

Investments consist of:

	June 30,	
	2015	2014
Cash and cash equivalents	\$ 13,217	\$ 17,455
Mutual funds:		
Fixed income	296,122	310,546
Equity:		
Domestic	119,987	142,435
Emerging markets	48,372	51,325
Global	91,057	41,548
Developed markets	-	50,682
Total mutual funds	555,538	596,536
Common stocks:		
Consumer discretionary	18,145	32,181
Consumer staples	31,720	20,462
Energy	20,657	30,879
Financial	49,313	46,745
Health care	53,565	37,201
Industrial	32,022	40,881
Real estate	2,677	-
Technology and telecommunications	51,525	50,421
Utilities and materials	4,878	5,986
Total common stocks	264,502	264,756
Total investments	\$ 833,257	\$ 878,747

Investment and interest income consists of:

	June 30,	
	2015	2014
Interest and dividends	\$ 11,677	\$ 12,141
Interest from cash and cash equivalents	5,575	5,639
Realized and unrealized gains on investments	6,833	101,680
	\$ 24,085	\$ 119,460

LOS ANGELES MISSION, INC.

Notes to Financial Statements

June 30, 2015 and 2014

4. LAND, BUILDINGS, AND EQUIPMENT - NET:

Land, buildings, and equipment - net consist of:

	June 30,	
	2015	2014
Land	\$ 3,673,886	\$ 4,449,886
Buildings and improvements	33,479,655	36,122,281
Furniture and equipment	3,439,201	3,555,469
Vehicles	246,394	246,394
Land, buildings, and equipment - at cost	40,839,136	44,374,030
Less accumulated depreciation	(20,602,400)	(21,112,891)
	20,236,736	23,261,139
Construction in process	7,433	-
	20,244,169	23,261,139
Less debt secured by land, buildings, and equipment	(6,105,276)	(6,978,636)
	\$ 14,138,893	\$ 16,282,503

5. NOTES PAYABLE:

Notes payable consist of:

	June 30,	
	2015	2014
Note payable to a bank, secured by property, due in monthly payments of \$36,249. Interest rates are fixed at 4.31% with any unpaid balance due December 2021.	\$ 6,102,346	\$ 6,266,742
A \$1,500,000 operating line of credit, secured by property, with a variable interest rate. Agreement expires August 2015. The interest rate at June 30, 2015, was 5.25%. Subsequent to year end, the operating line of credit was not renewed.	-	700,000
Two automobile financing loans, secured by the purchased vehicles, with 2.9% and 0% interest rates, respectively, expiring in 2015.	2,930	11,894
	\$ 6,105,276	\$ 6,978,636

LOS ANGELES MISSION, INC.

Notes to Financial Statements

June 30, 2015 and 2014

5. NOTES PAYABLE, continued:

The annual principal payments are as follows:

<u>Year Ending June 30,</u>	
2016	\$ 178,887
2017	183,692
2018	191,767
2019	200,197
2020	208,998
Thereafter	<u>5,141,735</u>
	<u>\$ 6,105,276</u>

LOAN COVENANTS

In conjunction with the note payable and operating line of credit, the Mission is required to comply with certain reporting covenants. As of June 30, 2015, the Mission is in compliance with all covenants.

6. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of:

	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
Exodus endowment earnings	\$ 304,125	\$ 325,814
Beneficial interest in trusts held by others	167,061	166,750
Women's center - pledge receivable (note 2)	6,383,000	6,416,000
Mental health counseling & services	92,750	-
Other	<u>202,035</u>	<u>155,942</u>
	<u>\$ 7,148,971</u>	<u>\$ 7,064,506</u>

7. PERMANENTLY RESTRICTED NET ASSETS:

Permanently restricted net assets consist of the Exodus endowment which was set up to generate earnings to benefit the graduates of the Mission's one-year rehabilitation program. Investment income earned from the investment of these funds is restricted to assist graduates in the transition back into society. As required by U.S. Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

LOS ANGELES MISSION, INC.

Notes to Financial Statements

June 30, 2015 and 2014

7. PERMANENTLY RESTRICTED NET ASSETS, continued:

INTERPRETATION OF RELEVANT LAW

The Mission's board of directors (board) have interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Mission classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted or board designated net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the board considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The purposes of the Mission and the donor-restricted endowment fund
- The investment policies of the Mission, including guidance contained in the donor stipulations
- Priorities of needs of the Mission
- General economic conditions

ENDOWMENT NET ASSET COMPOSITION BY TYPE OF FUND AS OF JUNE 30, 2015

The net assets analyzed are included as components of cash and cash equivalents and investments reported in the accompanying financial statements.

	Temporarily restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ 304,125	\$ 529,346	\$ 833,471

CHANGES IN ENDOWMENT NET ASSETS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Temporarily restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 325,814	\$ 529,346	\$ 855,160
Investment income	18,510	-	18,510
Endowment assets expended	(40,199)	-	(40,199)
Endowment net assets, end of year	\$ 304,125	\$ 529,346	\$ 833,471

LOS ANGELES MISSION, INC.

Notes to Financial Statements

June 30, 2015 and 2014

7. PERMANENTLY RESTRICTED NET ASSETS, continued:

ENDOWMENT NET ASSET COMPOSITION BY TYPE OF FUND AS OF JUNE 30, 2014

	Temporarily restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ 325,814	\$ 529,346	\$ 855,160

CHANGES IN ENDOWMENT NET ASSETS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Temporarily restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 243,737	\$ 529,346	\$ 773,083
Investment income	113,812	-	113,812
Endowment assets expended	(31,735)	-	(31,735)
Endowment net assets, end of year	\$ 325,814	\$ 529,346	\$ 855,160

FUNDS WITH DEFICIENCIES

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or SPMIFA requires the Mission to retain as a fund of perpetual duration. In accordance with U.S. GAAP, no deficiencies of this nature were reported as of June 30, 2015 and 2014.

INVESTMENT POLICIES

Pursuant to policies adopted by the board of directors, all funds received by the Mission for the endowment will be invested as determined by management taking into account that such investments will at all times be made in a prudent manner with a view to safeguarding principal. To date, investments have been made primarily in mutual funds and various equities.

SPENDING POLICIES

Pursuant to donor stipulations, funds have been disbursed out of income, when available, to supplement expenditures made by the Mission to provide career services for graduates. The board of directors believes future income will provide such funds.

LOS ANGELES MISSION, INC.

Notes to Financial Statements

June 30, 2015 and 2014

8. GIFT-IN-KIND ACTIVITY:

Gift-in-kind activity, as reported on the statement of activities, consists of:

	June 30,	
	2015	2014
Food	\$ 447,847	\$ 419,464
Clothing	474,633	391,096
Linens	16,244	10,209
Other	232,994	166,037
	<u>\$ 1,171,718</u>	<u>\$ 986,806</u>

9. OPERATING LEASES:

The Mission leases office equipment with total monthly payments of approximately \$3,900, maturing October 2015. Total lease expense was \$51,082 and \$52,476 for the years ended June 30, 2015 and 2014, respectively.

The future minimum payments for the year ending June 30, 2016 is \$21,096, with one additional lease having payments of approximately \$230 per month through January 2020.

10. COMMITMENTS:

The Mission signed a three-year advertising and communication service agreement in June, 2013, which calls for monthly payments of \$4,000 through May, 2016. Further, the Mission signed a three-year agreement for educational software in October, 2014, which calls for annual payments of \$20,700.

11. CONTINGENT LIABILITY:

On April 1, 2007; April 26, 2010; and April 11, 2011, the Mission executed Promissory Notes and Deeds of Trust on certain real estate to secure performance under the terms of various grants. These grants were received from the Federal Home Loan Bank of San Francisco (the Bank). The Bank's secured real property interest in the 303 East 5th Street property is junior to the notes payable to a bank described in note 5. Under the terms of the non-interest bearing Promissory Notes, the Mission is not required to make any principal payments as long as it does not default on any provisions of the grants. The Promissory Notes mature on March 15, 2024; July 1, 2027; and December 31, 2028, respectively. As of June 30, 2015, the unamortized contingent liability was \$2,411,000 and the Mission is in compliance with the terms of the grants.

LOS ANGELES MISSION, INC.

Notes to Financial Statements

June 30, 2015 and 2014

12. RETIREMENT PLAN:

The Mission sponsors a 401(k) retirement plan (the Plan) covering substantially all employees who meet the eligibility and participation requirements of the Plan. For the fiscal year ended June 30, 2015, all eligible employees have the option to enter the Plan on the first day of the month coinciding with or following employment date.

In addition, the Mission previously matched 50% of the first 6% of employee contributions. Employees are fully vested in the Plan after two years of service. During the years ended June 30, 2015 and 2014, the Mission suspended employer contributions to the plan. Retirement expense for the years ended June 30, 2015 and 2014, was \$0.

13. RELATED PARTY TRANSACTIONS:

A board of directors member received remuneration from the Mission for services rendered as a guest speaker for a graduation ceremony. The honorarium paid and the expenses reimbursed totaled \$250 and \$0 for the years ended June 30, 2015 and 2014, respectively.

The Mission is affiliated with the Los Angeles Christian Health Centers (LACHC) because the chief financial officer of the Mission serves on the LACHC board of directors. During the years ended June 30, 2015 and 2014, LACHC paid \$115,000 and \$138,000 for office space and services, respectively.

14. SUBSEQUENT EVENT:

Subsequent events have been evaluated through the report date, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

Subsequent to year end, the property held for sale was sold for a gain of approximately \$1,800,000 (note 2), which has been designated for building reserve by the board of directors. Included in the closing statement was a \$1,000,000 payment made to pay off the contingent liability issued on April 11, 2011 (note 11).

Additionally, the Mission signed a three-year agreement for fundraising software and implementation services in August 2015. The agreement calls for payments of \$290,506 in year 1 and \$83,556 in years 2 and 3.