



LOS ANGELES MISSION, INC.

FINANCIAL STATEMENTS
With Independent Auditors' Report

June 30, 2011 and 2010

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 statements of financial position of Los Angeles Mission, Inc., as of June 30, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the organization's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used, and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Los Angeles Mission, Inc. as of June 30, 2011 and 2010, and the results of its activities, functional expenses, and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 3, Los Angeles Mission, Inc. has adopted the new provisions of the Topic of the Financial Accounting Standards Board Accounting Standards Codification for Fair Value Measurements and Disclosure (FASB ASC). The adoption of this standard had no impact on previously reported net assets.



Brea, California
October 19, 2011

LOS ANGELES MISSION, INC.

Statements of Financial Position

	June 30,	
	2011	2010
ASSETS:		
Cash and cash equivalents	\$ 72,387	\$ 86,119
Investments	859,039	770,279
Accounts and other receivables	9,039	133,128
Grant receivable	55,000	1,000,000
Estate and trust receivables	857,000	530,000
Prepaid expenses	118,957	88,335
Gift-in-kind inventory	304,578	108,743
Property held for sale	24,041	24,041
Beneficial interest in trusts held by others	571,192	472,709
Land, buildings, and equipment - net	24,029,431	23,638,355
Total Assets	\$ 26,900,664	\$ 26,851,709
LIABILITIES AND NET ASSETS:		
Accounts payable	\$ 352,778	\$ 334,783
Accrued expenses	597,343	693,404
Amounts held for others	30,428	68,516
Deferred revenue	50,000	-
Capital lease payable	8,182	49,713
Notes payable	4,183,321	3,824,578
Derivative	320,375	379,376
	5,542,427	5,350,370
Net assets:		
Unrestricted:		
Undesignated	(7,048)	(310,213)
Net investment in land, buildings, and equipment	19,837,928	19,764,064
	19,830,880	19,453,851
Temporarily restricted	998,011	1,518,142
Permanently restricted	529,346	529,346
Total net assets	21,358,237	21,501,339
Total Liabilities and Net Assets	\$ 26,900,664	\$ 26,851,709

See notes to financial statements

LOS ANGELES MISSION, INC.

Statements of Activities

	Year Ended June 30, 2011				Year Ended June 30, 2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING:								
SUPPORT, REVENUE, AND RECLASSIFICATIONS:								
Contributions	\$ 11,138,992	\$ 431,361	\$ -	\$ 11,570,353	\$ 10,965,957	\$ 2,087,533	\$ 10,000	\$ 13,063,490
Gift-in-kind activity	1,131,962	-	-	1,131,962	1,173,462	-	-	1,173,462
Investment income	6,183	88,759	-	94,942	3,078	(15,130)	-	(12,052)
Sales	24,106	-	-	24,106	49,970	-	-	49,970
Other revenue	405,698	-	-	405,698	222,877	-	-	222,877
Net assets released from restrictions:								
Satisfaction of donor restrictions	1,040,251	(1,040,251)	-	-	974,865	(974,865)	-	-
Total Support, Revenue, and Reclassifications	<u>13,747,192</u>	<u>(520,131)</u>	<u>-</u>	<u>13,227,061</u>	<u>13,390,209</u>	<u>1,097,538</u>	<u>10,000</u>	<u>14,497,747</u>
EXPENSES:								
Program ministries	<u>8,487,571</u>	<u>-</u>	<u>-</u>	<u>8,487,571</u>	<u>8,990,588</u>	<u>-</u>	<u>-</u>	<u>8,990,588</u>
Supporting activities:								
General and administrative	1,110,080	-	-	1,110,080	1,106,225	-	-	1,106,225
Fundraising	3,831,513	-	-	3,831,513	4,165,282	-	-	4,165,282
	<u>4,941,593</u>	<u>-</u>	<u>-</u>	<u>4,941,593</u>	<u>5,271,507</u>	<u>-</u>	<u>-</u>	<u>5,271,507</u>
Total Expenses	<u>13,429,164</u>	<u>-</u>	<u>-</u>	<u>13,429,164</u>	<u>14,262,095</u>	<u>-</u>	<u>-</u>	<u>14,262,095</u>
Change in Net Assets from Operations	318,028	(520,131)	-	(202,103)	(871,886)	1,097,538	10,000	235,652
NON-OPERATING:								
Derivative Impact on Interest Expense	<u>59,001</u>	<u>-</u>	<u>-</u>	<u>59,001</u>	<u>(57,461)</u>	<u>-</u>	<u>-</u>	<u>(57,461)</u>
Change in Net Assets	377,029	(520,131)	-	(143,102)	(929,347)	1,097,538	10,000	178,191
Net Assets, Beginning of Year	<u>19,453,851</u>	<u>1,518,142</u>	<u>529,346</u>	<u>21,501,339</u>	<u>20,383,198</u>	<u>420,604</u>	<u>519,346</u>	<u>21,323,148</u>
Net Assets, End of Year	<u>\$ 19,830,880</u>	<u>\$ 998,011</u>	<u>\$ 529,346</u>	<u>\$ 21,358,237</u>	<u>\$ 19,453,851</u>	<u>\$ 1,518,142</u>	<u>\$ 529,346</u>	<u>\$ 21,501,339</u>

See notes to financial statements

LOS ANGELES MISSION, INC.

Statements of Functional Expenses

	Year Ended June 30, 2011				Year Ended June 30, 2010			
	Program Ministries	Support Activities			Program Ministries	Support Activities		
		General and Administrative	Fundraising	Total		General and Administrative	Fundraising	Total
Salaries and wages	\$ 3,191,785	\$ 542,469	\$ 475,398	\$ 4,209,652	\$ 3,156,961	\$ 522,213	\$ 642,473	\$ 4,321,647
Donor appeals fundraising costs	-	-	1,854,368	1,854,368	-	-	1,626,179	1,626,179
Donor acquisition fundraising costs	-	-	1,030,846	1,030,846	-	-	1,356,919	1,356,919
Depreciation	1,099,160	25,091	10,028	1,134,279	1,137,358	21,358	9,465	1,168,181
Employee benefits	794,899	145,824	130,566	1,071,289	720,217	152,635	160,878	1,033,730
Gift-in-kind clothing, food, and other	952,896	-	-	952,896	1,256,760	-	-	1,256,760
Utilities	508,858	9,023	4,512	522,393	535,082	9,388	4,694	549,164
Health center support	133,956	-	-	133,956	258,956	-	-	258,956
Professional services	73,157	156,069	201,585	430,811	70,946	147,341	213,962	432,249
Repairs and maintenance	421,028	6,814	5,529	433,371	352,240	3,893	2,151	358,284
Shelter and rehab program costs	266,203	-	-	266,203	289,364	-	-	289,364
Interest	250,038	5,110	2,555	257,703	252,321	4,887	2,444	259,652
Occupancy	233,075	2,562	883	236,520	249,627	2,500	862	252,989
Office expenses	109,344	152,555	85,590	347,489	139,609	164,171	65,728	369,508
Shelter and rehab food costs	164,185	-	-	164,185	213,003	-	-	213,003
Insurance	98,985	41,398	483	140,866	105,715	50,065	511	156,291
Bad debt	-	-	-	-	4,248	4,420	-	8,668
Other expenses	65,390	11,615	15,776	92,781	101,392	8,648	62,947	172,987
Telecommunication	66,786	1,765	6,288	74,839	75,316	2,073	6,958	84,347
Trucks and vans operating costs	37,788	-	-	37,788	57,668	-	-	57,668
Conferences, memberships, and dues	20,038	9,785	7,106	36,929	13,805	12,633	9,111	35,549
Total	\$ 8,487,571	\$ 1,110,080	\$ 3,831,513	\$ 13,429,164	\$ 8,990,588	\$ 1,106,225	\$ 4,165,282	\$ 14,262,095

See notes to financial statements

LOS ANGELES MISSION, INC.

Statements of Cash Flows

	Year Ended June 30,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (143,102)	\$ 178,191
Reconciliation of change in net assets to net cash provided by operating activities:		
Depreciation	1,134,279	1,168,181
Write-off of note receivable	-	4,421
Net realized and unrealized (gain) loss on investments	(78,118)	30,757
Gain on disposal of fixed assets	(220,493)	-
Derivative	(59,001)	57,461
Net change in:		
Accounts and other receivables	124,089	(121,424)
Grant receivable	945,000	(1,000,000)
Estate and trusts receivables	(327,000)	351,360
Prepaid expenses	(30,622)	37,358
Gift-in-kind inventory	(195,835)	83,300
Beneficial interest in trusts held by others	(98,483)	(345,165)
Accounts payable	17,995	24,092
Accrued expenses	(96,061)	129,898
Amounts held for others	(38,088)	(1,715)
Deferred revenue	50,000	-
Net Cash Provided by Operating Activities	984,560	596,715
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment purchases	(569,875)	(1,571,317)
Proceeds from sale of investments	559,233	1,555,691
Purchases of fixed assets	(1,998,033)	(524,439)
Proceeds from sale of fixed assets	693,171	-
Net Cash Used in Investing Activities	(1,315,504)	(540,065)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from new notes payable	5,760,000	1,000,000
Payments on capital lease	(27,627)	(27,627)
Payments on notes payable	(5,415,161)	(1,205,486)
Net Cash Provided by (Used in) Financing Activities	317,212	(233,113)
Net Change in Cash and Cash Equivalents	(13,732)	(176,463)
Cash and Cash Equivalents, Beginning of Year	86,119	262,582
Cash and Cash Equivalents, End of Year	\$ 72,387	\$ 86,119
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest (none capitalized)	\$ 258,474	\$ 260,517
Assets acquired through non-cash transactions	\$ -	\$ 63,398

See notes to financial statements

LOS ANGELES MISSION, INC.

Notes to Financial Statements

June 30, 2011 and 2010

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, cash on deposit, commercial paper, and certificates of deposit with a maturity of less than ninety days. 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, 2011 and 2010

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 trusts held by an outside trustee. The trusts are time restricted, established as part of split interest agreements. Under the terms of one 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.

Under the terms of the second trust, the Mission is a residual beneficiary of an irrevocable charitable remainder annuity trust upon the death of the lifetime annuitant. Upon 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.

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.

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 thirty 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, 2011 and 2010

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 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.

LOS ANGELES MISSION, INC.

Notes to Financial Statements

June 30, 2011 and 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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 gifts-in-kind, which are recorded as support at the estimated fair market value on the date of the gift. See note 10 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.

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, 2011 and 2010.

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.

LOS ANGELES MISSION, INC.

Notes to Financial Statements

June 30, 2011 and 2010

3. INVESTMENTS:

The Mission uses appropriate valuation techniques to determine fair value based on inputs available. When available, the Mission measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs were not available.

Fair values of assets measured on a recurring basis at June 30, 2011 and 2010 are as follows:

	June 30, 2011:	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Mutual funds:				
Fixed income	\$ 338,360	\$ 338,360	\$ -	\$ -
Equity	65,515	65,515	-	-
Total mutual funds	<u>403,875</u>	<u>403,875</u>	<u>-</u>	<u>-</u>
Common stocks:				
Materials	22,344	22,344	-	-
Telecommunications services	14,113	14,113	-	-
Consumer discretionary	42,167	42,167	-	-
Consumer staples	34,652	34,652	-	-
Energy	66,085	66,085	-	-
Financial	66,687	66,687	-	-
Health care	58,507	58,507	-	-
Industrial	48,165	48,165	-	-
Technology	90,522	90,522	-	-
Utilities	9,781	9,781	-	-
Total common stocks	<u>453,023</u>	<u>453,023</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 856,898</u>	<u>\$ 856,898</u>	<u>\$ -</u>	<u>\$ -</u>

LOS ANGELES MISSION, INC.

Notes to Financial Statements

June 30, 2011 and 2010

3. INVESTMENTS, continued:

	Fair Value Measurements Using:			
	June 30, 2010:	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Mutual funds:				
Fixed income	\$ 471,808	\$ 471,808	\$ -	\$ -
Equity	35,104	35,104	-	-
Total mutual funds	506,912	506,912	-	-
Common stocks:				
Materials	8,497	8,497	-	-
Telecommunications services	7,359	7,359	-	-
Consumer discretionary	25,826	25,826	-	-
Consumer staples	30,855	30,855	-	-
Energy	26,562	26,562	-	-
Financial	39,539	39,539	-	-
Health care	27,780	27,780	-	-
Industrial	25,441	25,441	-	-
Technology	43,601	43,601	-	-
Utilities	8,850	8,850	-	-
Total common stocks	244,310	244,310	-	-
Total investments	\$ 751,222	\$ 751,222	\$ -	\$ -

Investment income consists of:

	June 30,	
	2011	2010
Interest and dividends	\$ 11,652	\$ 14,705
Interest from cash and cash equivalents	5,172	4,000
Realized and unrealized gains (losses) on investments	78,118	(30,757)
	\$ 94,942	\$ (12,052)

LOS ANGELES MISSION, INC.

Notes to Financial Statements

June 30, 2011 and 2010

4. LAND, BUILDINGS, AND EQUIPMENT - NET:

Land, buildings, and equipment - net consist of:

	June 30,	
	2011	2010
Land	\$ 3,641,477	\$ 3,868,607
Buildings and improvements	32,073,467	32,404,733
Furniture and equipment	5,621,572	5,497,509
Vehicles	395,516	463,086
Land, buildings, and equipment - at cost	41,732,032	42,233,935
Less accumulated depreciation	(19,519,924)	(18,749,033)
	22,212,108	23,484,902
Construction in process	1,817,323	153,453
	24,029,431	23,638,355
Land, buildings, and equipment - net	24,029,431	23,638,355
Less debt secured by land, buildings, and equipment	(4,191,503)	(3,874,291)
Net investment in land, buildings, and equipment	\$ 19,837,928	\$ 19,764,064

5. CAPITAL LEASE PAYABLE:

Capital lease payable consists of:

	June 30,	
	2011	2010
Capital lease, secured by vehicles, with interest at 7.43%. Total monthly payments of \$2,707 until February 2012.	\$ 8,182	\$ 49,713
	\$ 8,182	\$ 49,713

The annual capital lease payments are as follows:

<u>Year Ending June 30,</u>	
2012	\$ 8,182

LOS ANGELES MISSION, INC.

Notes to Financial Statements

June 30, 2011 and 2010

6. NOTES PAYABLE:

Notes payable consist of:

	June 30,	
	2011	2010
Note payable to a bank, secured by property, due in monthly payments of \$16,667 plus interest at a variable to fixed derivative swap rate which was 6.95% at June 30, 2011. The note matures April 2014 (see note 7).	\$ 3,066,666	\$ 3,266,666
A \$2,500,000 operating line of credit, secured by property, with a variable interest rate of prime or LIBOR plus 1.85%. Agreement expires December 2011. Interest rate at June 30, 2011, is 3.25%.	1,070,000	500,000
A \$500,000 operating line of credit, secured by investments, with a variable interest rate of prime plus 1%. Agreement expired June 2011.	-	-
Two automobile financing loans, secured by the purchased vehicles, with 2.9% and 0% interest rates, respectively. Agreements expire in 2015.	46,655	57,912
	\$ 4,183,321	\$ 3,824,578

The annual loan payments are as follows:

Year Ending June 30,	
2012	\$ 1,281,424
2013	211,590
2014	2,678,426
2015	8,951
2016	2,930
	\$ 4,183,321

LOS ANGELES MISSION, INC.

Notes to Financial Statements

June 30, 2011 and 2010

7. DERIVATIVE CONTRACT:

The note payable includes a derivative clause known as an interest rate swap. In substance, this provision exchanges the variable rate terms contained in the note agreement for a fixed rate of interest quoted by the bank at its discretion.

The Derivative topic of the FASB ASC, as amended, requires derivative contracts be recorded on the statements of financial position as an asset or a liability measured at its fair value. The change in the derivative's fair value is recognized currently in the change in net assets as a non-operating expense, unless specific hedge accounting criteria are met.

The Mission entered into a nine-year interest rate swap agreement dated March 21, 2005, with the intent of reducing the impact of changes in interest rates on its variable rate note. The notional amount was set at \$4,300,000. The notional amount at June 30, 2011, was \$3,066,666 and will decline based on the amortization of principal payments. As a result of the interest rate swap, the bank pays a floating rate not greater than the rate payable under this agreement which is currently LIBOR plus 2.00% on the notional amount and the Mission pays a fixed rate quoted by the bank in its sole and absolute discretion on the notional amount which is currently at 6.95%.

Contractual interest rate terms for the Mission's derivative contract at June 30, 2011 were:

- Fixed Rate - 6.95%
- Variable Rate - fluctuating LIBOR plus 2.00%
- Remaining term of contract - two years, nine months

The liability resulting from the estimated difference between the fixed rate and the variable rate was \$320,375 at June 30, 2011. This amount is recomputed each year using the interest rate existing at year-end and is included in the statements of financial position with the current year change reflected in the statements of activities.

8. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of:

	June 30,	
	2011	2010
Exodus endowment earnings	\$ 207,835	\$ 140,495
Split interest agreement	571,192	472,709
Women's center	187,142	63,306
Women's activities	14,408	14,753
Women graduates' assistance program	-	1,110
FHL Bank Facilities Grant	-	700,335
Other	17,434	125,434
	<u>\$ 998,011</u>	<u>\$ 1,518,142</u>

LOS ANGELES MISSION, INC.

Notes to Financial Statements

June 30, 2011 and 2010

9. 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 provide one-time rent subsidies for graduates of the rehabilitation program. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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

LOS ANGELES MISSION, INC.

Notes to Financial Statements

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9. PERMANENTLY RESTRICTED NET ASSETS, continued:

ENDOWMENT NET ASSET COMPOSITION BY TYPE OF FUND AS OF JUNE 30, 2011

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

	Unrestricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 529,346	\$ 529,346

CHANGES IN ENDOWMENT NET ASSETS FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Unrestricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 529,346	\$ 529,346
New donor contributions	-	-	-
Endowment net assets, end of year	\$ -	\$ 529,346	\$ 529,346

ENDOWMENT NET ASSET COMPOSITION BY TYPE OF FUND AS OF JUNE 30, 2010

	Unrestricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 529,346	\$ 529,346

CHANGES IN ENDOWMENT NET ASSETS FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Unrestricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 519,346	\$ 519,346
New donor contributions	-	10,000	10,000
Endowment net assets, end of year	\$ -	\$ 529,346	\$ 529,346

LOS ANGELES MISSION, INC.

Notes to Financial Statements

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9. PERMANENTLY RESTRICTED NET ASSETS, continued:

FUNDS WITH DEFICIENCIES

(Disclosure required by paragraph 15(d) of Statement 124)

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 Generally Accepted Accounting Principles (GAAP), no deficiencies of this nature were reported as of June 30, 2011 and 2010.

INVESTMENT POLICIES

Pursuant to policies adopted by the board, 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 fixed income 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 for graduates. The board believes future income will provide such funds.

10. GIFT-IN-KIND ACTIVITY:

Gift-in-kind activity consists of:

	June 30,	
	2011	2010
Food	\$ 364,212	\$ 421,827
Clothing	445,384	465,486
Linens	9,134	25,782
Other	313,232	260,367
	<u>\$ 1,131,962</u>	<u>\$ 1,173,462</u>

LOS ANGELES MISSION, INC.

Notes to Financial Statements

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11. OPERATING LEASES:

The Mission leases warehouse space under an operating lease agreement with total monthly payments of \$10,279. The lease expires December 2011.

The Mission also leases office equipment with total monthly payments of \$3,365, maturing from November 2011 to December 2015.

Total lease expense was \$179,725 and \$199,832 for the years ended June 30, 2011 and 2010, respectively.

The future minimum payments are as follows:

<u>Year Ending June 30.</u>	
2012	\$ 113,816
2013	32,746
2014	32,746
2015	32,746
2016	12,026
	<hr/>
	\$ 224,080

12. 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 6. 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, 2025; and July 1, 2026, respectively. As of June 30, 2011, the unamortized contingent liability was \$2,411,000, and the Mission is in compliance with the terms of the grants.

13. 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, 2011, all eligible employees have the option to enter the Plan on the first day of the month coinciding with or following employment date. This Plan operates under the "safe harbor" provision whereby the Mission has resolved to contribute 3% of each employee's compensation. These funds are vested immediately.

In addition, the Mission matches 50% of the first 6% of employee contributions. Employees are fully vested in the Plan after two years of service. Retirement expense for the years ended June 30, 2011 and 2010, was \$198,305 and \$205,798 respectively.

LOS ANGELES MISSION, INC.

Notes to Financial Statements

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14. RELATED PARTY TRANSACTIONS:

A board member received remuneration from the Mission for services rendered as a guest speaker for a week of spiritual emphasis and a graduation ceremony and for travel and lodging expenses to attend board meetings. The honorarium paid and the expenses reimbursed totaled \$3,600 and \$500 for the years ended June 30, 2011 and 2010, respectively.

15. AFFILIATED ENTITIES:

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.

The Consolidation topic of the FASB ASC, requires consolidation of entities when a reporting entity controls other organizations by having a majority voting interest and economic control. As discussed above, the Mission did not have a majority voting interest in the LACHC. Accordingly, LACHC has not been consolidated with the financial statements of the Mission.

The Mission provided LACHC with support in the amount of \$133,956 and \$258,956 for the years ended June 30, 2011 and 2010, respectively. Included in the support is office space that LACHC leases from the Mission. The office space lease is \$88,956 per year. LACHC also receives services from the Mission which totaled \$45,000 and \$45,000 for the years ended June 30, 2011 and 2010, respectively. The administrative services covered in the agreement include accounting, food services, and custodial services.

16. 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.