



Financial Statements
With Independent Auditors' Report

June 30, 2016 and 2015

LOS ANGELES MISSION, INC.

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7

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, 2016 and 2015, 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, 2016 and 2015, 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.

Correction of Prior Year Misstatement

During the current year, management made prior period adjustments to correct net asset balances as of June 30, 2015 and 2014. Accordingly, beginning of the period net assets were adjusted for both years, as further described in Note 15 to the financial statements. The prior period adjustments do not modify our opinion on these financial statements.

Capin Crouse LLP

Brea, California
October 28, 2016

LOS ANGELES MISSION, INC.

Statements of Financial Position

	June 30,	
	2016	2015
ASSETS:		
Cash and cash equivalents	\$ 2,251,505	\$ 738,147
Investments	2,729,482	833,257
Accounts and other receivables	61,776	-
Pledge and grants receivable	9,214,500	6,383,000
Estate and trust receivables	130,000	513,000
Prepaid expenses and other assets	152,917	94,558
Gift-in-kind inventory	201,501	131,527
Property held for sale	-	1,830,557
Beneficial interest in trust held by others	160,999	167,061
Land, buildings, and equipment - net	19,821,540	20,244,169
	\$ 34,724,220	\$ 30,935,276
LIABILITIES AND NET ASSETS:		
Accounts payable	\$ 422,657	\$ 484,062
Accrued expenses	434,526	389,469
Amounts held for others	7,488	8,013
Deferred revenue	80,000	15,000
Notes payable	5,931,345	6,105,276
	6,876,016	7,001,820
Net assets:		
Unrestricted:		
Undesignated	1,600,940	1,603,246
Board designated	1,933,437	-
Net investment in land, buildings, and equipment	13,890,195	14,138,893
	17,424,572	15,742,139
Temporarily restricted	9,894,286	7,661,971
Permanently restricted	529,346	529,346
Total net assets	27,848,204	23,933,456
Total Liabilities and Net Assets	\$ 34,724,220	\$ 30,935,276

See notes to financial statements

LOS ANGELES MISSION, INC.

Statements of Activities

	Year Ended June 30, 2016				Year Ended June 30, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING:								
SUPPORT, REVENUE, AND RECLASSIFICATIONS:								
Contributions	\$ 10,735,833	\$ 2,930,725	\$ -	\$ 13,666,558	\$ 11,114,945	\$ 582,631	\$ -	\$ 11,697,576
Gift-in-kind activity	1,078,523	-	-	1,078,523	1,171,718	-	-	1,171,718
Investment income	92,316	2,789	-	95,105	5,575	18,510	-	24,085
Sales	37,649	-	-	37,649	31,216	-	-	31,216
Other revenue	291,309	-	-	291,309	342,802	-	-	342,802
Net assets released from restrictions:								
Satisfaction of purpose and time restrictions	701,199	(701,199)	-	-	1,100,676	(1,100,676)	-	-
Total Support, Revenue, and Reclassifications	<u>12,936,829</u>	<u>2,232,315</u>	<u>-</u>	<u>15,169,144</u>	<u>13,766,932</u>	<u>(499,535)</u>	<u>-</u>	<u>13,267,397</u>
EXPENSES:								
Program ministries	<u>8,070,719</u>	<u>-</u>	<u>-</u>	<u>8,070,719</u>	<u>8,887,853</u>	<u>-</u>	<u>-</u>	<u>8,887,853</u>
Supporting activities:								
General and administrative	1,188,990	-	-	1,188,990	1,022,775	-	-	1,022,775
Fundraising	3,855,965	-	-	3,855,965	3,814,413	-	-	3,814,413
	<u>5,044,955</u>	<u>-</u>	<u>-</u>	<u>5,044,955</u>	<u>4,837,188</u>	<u>-</u>	<u>-</u>	<u>4,837,188</u>
Total Expenses	<u>13,115,674</u>	<u>-</u>	<u>-</u>	<u>13,115,674</u>	<u>13,725,041</u>	<u>-</u>	<u>-</u>	<u>13,725,041</u>
Change in Net Assets from Operations	(178,845)	2,232,315	-	2,053,470	41,891	(499,535)	-	(457,644)
OTHER CHANGES IN NET ASSETS:								
Gain on sale of property	2,861,278	-	-	2,861,278	-	-	-	-
Loss on grant repayment from sale of property	(1,000,000)	-	-	(1,000,000)	-	-	-	-
Change in Net Assets, as Restated (Note 15)	<u>1,682,433</u>	<u>2,232,315</u>	<u>-</u>	<u>3,914,748</u>	<u>41,891</u>	<u>(499,535)</u>	<u>-</u>	<u>(457,644)</u>
Net Assets, Beginning of Year, as Restated	<u>15,742,139</u>	<u>7,661,971</u>	<u>529,346</u>	<u>23,933,456</u>	<u>15,700,248</u>	<u>8,161,506</u>	<u>529,346</u>	<u>24,391,100</u>
Net Assets, End of Year, as Restated	<u>\$ 17,424,572</u>	<u>\$ 9,894,286</u>	<u>\$ 529,346</u>	<u>\$ 27,848,204</u>	<u>\$ 15,742,139</u>	<u>\$ 7,661,971</u>	<u>\$ 529,346</u>	<u>\$ 23,933,456</u>

See notes to financial statements

LOS ANGELES MISSION, INC.

Statements of Functional Expenses

	Year Ended June 30, 2016				Year Ended June 30, 2015			
	Program Ministries	Support Activities		Total	Program Ministries	Support Activities		Total
		General and Administrative	Fundraising			General and Administrative	Fundraising	
Salaries and wages	\$ 2,466,871	\$ 574,074	\$ 687,662	\$ 3,728,607	\$ 2,487,601	\$ 518,873	\$ 569,210	\$ 3,575,684
Donor appeals fundraising costs	-	-	1,611,222	1,611,222	-	-	1,629,391	1,629,391
Donor acquisition fundraising costs	-	-	958,567	958,567	-	-	1,123,591	1,123,591
Depreciation	980,700	22,758	19,479	1,022,937	1,276,771	15,530	7,345	1,299,646
Employee benefits	548,261	140,275	165,039	853,575	535,054	85,188	132,276	752,518
Gift-in-kind clothing, food, and other	946,812	-	-	946,812	1,224,173	-	-	1,224,173
Utilities	446,080	12,726	11,784	470,590	557,364	9,257	4,629	571,250
Professional services	848,216	159,876	179,400	1,187,492	798,074	153,787	162,073	1,113,934
Repairs and maintenance	597,581	13,806	18,758	630,145	676,919	12,347	6,809	696,075
Shelter and rehab program costs	177,277	-	-	177,277	158,336	-	-	158,336
Interest	248,437	7,757	7,183	263,377	276,546	5,704	2,852	285,102
Occupancy	140,018	4,480	3,422	147,920	176,905	3,117	1,496	181,518
Office expenses	106,488	170,844	121,026	398,358	160,092	129,165	107,572	396,829
Shelter and rehab food costs	263,787	-	-	263,787	242,732	-	-	242,732
Insurance	74,761	65,655	1,432	141,848	84,823	73,749	864	159,436
Other expenses	64,554	7,865	56,953	129,372	69,562	7,070	52,733	129,365
Telecommunication	87,965	2,584	5,170	95,719	86,353	1,836	3,946	92,135
Trucks and vans operating costs	53,362	-	-	53,362	56,481	-	-	56,481
Conferences, memberships, and dues	19,549	6,290	8,868	34,707	20,067	7,152	9,626	36,845
	<u>\$ 8,070,719</u>	<u>\$ 1,188,990</u>	<u>\$ 3,855,965</u>	<u>\$ 13,115,674</u>	<u>\$ 8,887,853</u>	<u>\$ 1,022,775</u>	<u>\$ 3,814,413</u>	<u>\$ 13,725,041</u>

See notes to financial statements

LOS ANGELES MISSION, INC.

Statements of Cash Flows

	Year Ended June 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 3,914,748	\$ (457,644)
Reconciliation of change in net assets to net cash provided by operating activities:		
Depreciation	1,022,937	1,299,646
Net realized and unrealized gain on investments	(22,504)	(6,833)
Gain on assets held for sale, net of loss on grant repayment	(1,861,278)	-
Recognition of pledge receivable	(2,831,500)	(367,000)
Net change in:		
Accounts and other receivables	(61,776)	3,800
Estate and trust receivables	383,000	584,000
Prepaid expenses	(58,359)	(23,352)
Gift-in-kind inventory	(69,974)	52,454
Beneficial interest in trust held by others	6,062	(311)
Accounts payable	(61,405)	(39,947)
Accrued expenses	45,057	12,323
Amounts held for others	(525)	(14,638)
Deferred revenue	65,000	15,000
Net Cash Provided by Operating Activities	469,483	1,057,498
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment additions	(2,040,852)	(11,677)
Proceeds from sale of investments, net	167,131	64,000
Proceeds on asset held for sale	3,691,835	-
Purchases of fixed assets	(600,308)	(113,233)
Net Cash Provided by (Used in) Investing Activities	1,217,806	(60,910)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Collection of pledge and grants receivable	-	440,000
Payments on capital lease	(8,964)	(8,964)
Payments on notes payable	(164,967)	(864,396)
Net Cash Used in Financing Activities	(173,931)	(433,360)
Net Change in Cash and Cash Equivalents	1,513,358	563,228
Cash and Cash Equivalents, Beginning of Year	738,147	174,919
Cash and Cash Equivalents, End of Year	\$ 2,251,505	\$ 738,147
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest (none capitalized)	\$ 263,992	\$ 287,409
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, 2016 and 2015

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. Except for the cash and cash equivalents included in the investment portfolios, all of 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, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

BENEFICIAL INTEREST IN TRUST 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 its share of the trust assets for a period of twenty years after the trustors' deaths through 2028. At the end of this twenty year period, the trust will terminate 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. In 2016, the Mission received an additional pledge of \$5 million from the same 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, 2016 and 2015, a discount rate of 2.3% and 2.87% was applied against the gift.

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 was a building no longer in use and was sold on July 29, 2015. The property held for sale was 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, 2016 and 2015

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 gifts-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, 2016 and 2015

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, 2016 and 2015.

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, 2016 and 2015, the Mission had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

The Mission is subject to income tax examinations for the current year and certain prior years based on the applicable laws and regulations.

LOS ANGELES MISSION, INC.

Notes to Financial Statements

June 30, 2016 and 2015

3. INVESTMENTS:

Investments consist of:

	June 30,	
	2016	2015
Cash and cash equivalents	\$ 198,303	\$ 13,217
Mutual funds:		
Fixed income	1,313,682	296,122
Equity:		
Domestic	223,292	119,987
Emerging markets	38,860	48,372
Global	235,261	91,057
Developed markets	14,043	-
Total mutual funds	1,825,138	555,538
Common stocks:		
Consumer discretionary	38,294	18,145
Consumer staples	30,136	31,720
Energy	9,138	20,657
Financial	125,591	49,313
Health care	129,644	53,565
Industrial	31,317	32,022
Real estate	15,278	2,677
Technology and telecommunications	111,864	51,525
Utilities and materials	24,231	4,878
Services	70,079	-
Total common stocks	585,572	264,502
Real estate investment trusts	120,468	-
Total investments	\$ 2,729,482	\$ 833,257

LOS ANGELES MISSION, INC.

Notes to Financial Statements

June 30, 2016 and 2015

3. INVESTMENTS, continued:

Investment and interest income consists of:

	June 30,	
	2016	2015
Interest and dividends	\$ 72,601	\$ 17,252
Realized and unrealized gains on investments	22,504	6,833
	\$ 95,105	\$ 24,085

4. PLEDGE RECEIVABLE

The pledge receivable consists of:

	June 30,	
	2016	2015
Amounts expected to be collected in:		
Less than one year	\$ 400,000	\$ 400,000
One year to five years	1,600,000	1,600,000
More than five years	11,200,000	6,600,000
Less discount for present value of cash flows	(3,985,500)	(2,217,000)
	\$ 9,214,500	\$ 6,383,000

5. LAND, BUILDINGS, AND EQUIPMENT - NET:

Land, buildings, and equipment - net consist of:

	June 30,	
	2016	2015
Land	\$ 3,673,886	\$ 3,673,886
Buildings and improvements	33,697,751	33,479,655
Furniture and equipment	3,517,665	3,439,201
Vehicles	266,357	246,394
Land, buildings, and equipment - at cost	41,155,659	40,839,136
Less accumulated depreciation	(21,625,336)	(20,602,400)
	19,530,323	20,236,736
Construction in process	291,217	7,433
	19,821,540	20,244,169
Less debt secured by land, buildings, and equipment	(5,931,345)	(6,105,276)
	\$ 13,890,195	\$ 14,138,893

LOS ANGELES MISSION, INC.

Notes to Financial Statements

June 30, 2016 and 2015

6. NOTES PAYABLE:

Notes payable consist of:

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
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.	\$ 5,931,345	\$ 6,102,346
An automobile financing loan, secured by the purchased vehicle, with a 0% interest rate. This expired in 2015.	-	2,930
	<u>\$ 5,931,345</u>	<u>\$ 6,105,276</u>

The annual principal payments are as follows:

<u>Year Ending June 30,</u>	
2017	\$ 182,937
2018	190,979
2019	199,375
2020	208,140
2021	217,290
Thereafter	<u>4,932,624</u>
	<u>\$ 5,931,345</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, 2016, the Mission is in compliance with all covenants.

LOS ANGELES MISSION, INC.

Notes to Financial Statements

June 30, 2016 and 2015

7. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of:

	June 30,	
	2016	2015
Exodus endowment earnings	\$ 266,913	\$ 304,125
Beneficial interest in trusts held by others	160,999	167,061
Women's center - pledge receivable (note 2)	9,214,500	6,383,000
Mental health counseling & services	17,750	92,750
Time restrictions	130,000	513,000
Other	104,124	202,035
	<u>\$ 9,894,286</u>	<u>\$ 7,661,971</u>

8. 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. 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

June 30, 2016 and 2015

8. PERMANENTLY RESTRICTED NET ASSETS, continued:

ENDOWMENT NET ASSET COMPOSITION BY TYPE OF FUND AS OF JUNE 30, 2016

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	\$ 266,913	\$ 529,346	\$ 796,259

CHANGES IN ENDOWMENT NET ASSETS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Temporarily restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 304,125	\$ 529,346	\$ 833,471
Investment income	2,789	-	2,789
Appropriated for expenditure	(40,000)	-	(40,000)
Endowment net assets, end of year	\$ 266,914	\$ 529,346	\$ 796,260

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

	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
Appropriated for expenditure	(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, 2016 and 2015

8. PERMANENTLY RESTRICTED NET ASSETS, continued:

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, 2016 and 2015.

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.

9. GIFT-IN-KIND ACTIVITY:

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

	June 30,	
	2016	2015
Food	\$ 431,684	\$ 447,847
Clothing	398,893	474,633
Linens	26,396	16,244
Other	221,550	232,994
	<u>\$ 1,078,523</u>	<u>\$ 1,171,718</u>

LOS ANGELES MISSION, INC.

Notes to Financial Statements

June 30, 2016 and 2015

10. OPERATING LEASES:

The Mission leases office equipment with total monthly payments of approximately \$2,004, maturing throughout 2020. Total lease expense was \$37,870 and \$51,082 for the years ended June 30, 2016 and 2015, respectively.

The future minimum payments are as follows:

<u>Year Ending June 30,</u>	
2017	\$ 20,998
2018	20,998
2019	20,998
2020	19,600
2021	7,584
	<hr/>
	\$ 90,178
	<hr/> <hr/>

11. COMMITMENTS:

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

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. On July 29, 2015, the Mission repaid the April 11, 2011, promissory note in full when the building that secured it was sold. The Promissory Notes mature on March 15, 2024 and December 31, 2028. As of June 30, 2016, the unamortized contingent liability was \$1,411,000 and the Mission was 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, 2016, 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 matches 50% of the first 6% of employee contributions. Employees are fully vested in the Plan after two years of service. During the year ended June 30, 2015, the Mission suspended employer contributions to the plan. However, the Mission resumed employer contributions during the year ended June 30, 2016. Retirement expenses for the years ended June 30, 2016 and 2015, were \$67,174 and \$0, respectively.

LOS ANGELES MISSION, INC.

Notes to Financial Statements

June 30, 2016 and 2015

14. 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 \$0 and \$250 for the years ended June 30, 2016 and 2015, 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, 2016 and 2015, LACHC paid \$118,116 and \$115,116 for office space and services, respectively.

15. PRIOR PERIOD ADJUSTMENT:

Prior year net assets are restated to include contributions receivable as temporarily restricted net assets rather than unrestricted net assets. As a result of this restatement, net assets as of June 30, 2015 and 2014 were restated.

	Total	Unrestricted	Temporarily Restricted	Permanently Restricted
June 30, 2014 net assets, as previously reported	\$ 24,391,100	\$ 16,797,248	\$ 7,064,506	\$ 529,346
Restatement	-	(1,097,000)	1,097,000	-
June 30, 2014 net assets, restated	<u>\$ 24,391,100</u>	<u>\$ 15,700,248</u>	<u>\$ 8,161,506</u>	<u>\$ 529,346</u>
June 30, 2015 net assets, as previously reported	\$ 23,933,456	\$ 16,255,139	\$ 7,148,971	\$ 529,346
Restatement	-	(513,000)	513,000	-
June 30, 2015 net assets, restated	<u>\$ 23,933,456</u>	<u>\$ 15,742,139</u>	<u>\$ 7,661,971</u>	<u>\$ 529,346</u>

LOS ANGELES MISSION, INC.

Notes to Financial Statements

June 30, 2016 and 2015

15. PRIOR PERIOD ADJUSTMENT, continued:

	Total	Unrestricted	Temporarily Restricted	Permanently Restricted
June 30, 2015 Satisfaction of purpose and time restrictions, as previously reported	\$ -	\$ 516,676	\$ (516,676)	\$ -
Restatement	-	584,000	(584,000)	-
June 30, 2015 Satisfaction of purpose and time restrictions, restated	\$ -	\$ 1,100,676	\$ (1,100,676)	\$ -
June 30, 2015 change in net assets as previously reported	\$ (457,644)	\$ (542,109)	\$ 84,465	\$ -
Satisfaction of purpose and time restrictions	-	584,000	(584,000)	-
June 30, 2015 change in net assets, restated	\$ (457,644)	\$ 41,891	\$ (499,535)	\$ -

16. SUBSEQUENT EVENTS:

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.