



LOS ANGELES MISSION, INC.
AND SUBSIDIARY

Consolidated Financial Statements
With Independent Auditors' Report

June 30, 2019 and 2018

LOS ANGELES MISSION, INC. AND SUBSIDIARY

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Los Angeles Mission, Inc. and Subsidiary, which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 entity'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 consolidated 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. and Subsidiary
Los Angeles, California

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Los Angeles Mission, Inc. and Subsidiary as of June 30, 2019 and 2018, 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.

Emphasis of Matter

Los Angeles Mission, Inc. and Subsidiary has adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as described in Note 2. This has had a material effect on the presentation of the June 30, 2019 and 2018, financial statements. Our opinion is not modified with respect to this matter.

Capin Crouse LLP

Brea, California
October 28, 2019

LOS ANGELES MISSION, INC. AND SUBSIDIARY

Consolidated Statements of Financial Position

	June 30,	
	2019	2018
ASSETS:		
Cash and cash equivalents	\$ 578,105	\$ 372,529
Accounts and other receivables	4,919	59,975
Prepaid expenses and other assets	171,905	423,823
Investments	943,911	2,593,830
Gift-in-kind inventory	280,675	220,474
Gift estate and trust receivables	1,224,882	343,836
Beneficial interest in trust held by others	187,570	185,901
Pledge and grants receivable	8,634,001	8,832,000
Land, buildings, and equipment - net	18,647,732	18,752,058
 Total Assets	 \$ 30,673,700	 \$ 31,784,426
 LIABILITIES AND NET ASSETS:		
Accounts payable	\$ 359,770	\$ 568,439
Accrued expenses	384,464	427,503
Deferred revenue	83,396	-
Amounts held for others	7,488	7,488
Notes payable	4,723,049	4,946,355
	5,558,167	5,949,785
 Net assets:		
Without donor restrictions	13,867,669	15,414,332
With donor restrictions	11,247,864	10,420,309
 Total net assets	 25,115,533	 25,834,641
 Total Liabilities and Net Assets	 \$ 30,673,700	 \$ 31,784,426

See notes to consolidated financial statements

LOS ANGELES MISSION, INC. AND SUBSIDIARY

Consolidated Statements of Activities

	Year Ended June 30, 2019			Year Ended June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING:						
SUPPORT, REVENUE, AND RECLASSIFICATIONS:						
Contributions	\$ 9,729,176	\$ 1,742,980	\$ 11,472,156	\$ 10,487,965	\$ 244,993	\$ 10,732,958
Gift-in-kind activity	2,242,590	-	2,242,590	1,030,416	-	1,030,416
Investment income	32,992	52,448	85,440	126,889	39,926	166,815
Sales	18,982	-	18,982	49,645	-	49,645
Other revenue	387,029	-	387,029	461,974	-	461,974
Net assets released from restrictions:						
Satisfaction of purpose and time restrictions	967,873	(967,873)	-	814,233	(814,233)	-
Total Support, Revenue, and Reclassifications	13,378,642	827,555	14,206,197	12,971,122	(529,314)	12,441,808
EXPENSES:						
Program ministries	9,105,135	-	9,105,135	8,361,193	-	8,361,193
Supporting activities:						
General and administrative	1,278,125	-	1,278,125	1,410,366	-	1,410,366
Fundraising	4,484,025	-	4,484,025	4,308,587	-	4,308,587
Direct donor benefits	58,020	-	58,020	53,828	-	53,828
Total Expenses	14,925,305	-	14,925,305	14,133,974	-	14,133,974
Change in Net Assets	(1,546,663)	827,555	(719,108)	(1,162,852)	(529,314)	(1,692,166)
Net Assets, Beginning of Year	15,414,332	10,420,309	25,834,641	16,577,184	10,949,623	27,526,807
Net Assets, End of Year	\$ 13,867,669	\$ 11,247,864	\$ 25,115,533	\$ 15,414,332	\$ 10,420,309	\$ 25,834,641

See notes to consolidated financial statements

LOS ANGELES MISSION, INC. AND SUBSIDIARY

Consolidated Statements of Functional Expenses

	Year Ended June 30, 2019				
	Program Ministries	Support Activities			Total
		General and Administrative	Fundraising	Direct Donor Benefits	
Salaries and wages	\$ 2,431,427	\$ 649,141	\$ 645,222	\$ -	\$ 3,725,790
Gift-in-kind clothing, food, and other	2,174,388	-	-	-	2,174,388
Professional services	971,056	167,508	426,241	1,100	1,565,905
Donor appeals fundraising costs	-	-	1,486,880	-	1,486,880
Donor acquisition fundraising costs	-	-	1,186,368	-	1,186,368
Depreciation	933,733	23,394	93,933	-	1,051,060
Employee Benefits	612,045	152,317	168,018	-	932,380
Other expenses	270,329	42,588	229,998	53,775	596,690
Utilities	551,012	15,935	10,500	-	577,447
Office expenses	101,315	168,110	215,854	3,145	488,424
Repairs and maintenance	450,650	4,725	5,508	-	460,883
Interest	199,513	6,567	5,701	-	211,781
Occupancy	167,546	10,952	2,859	-	181,357
Insurance	101,018	32,365	1,006	-	134,389
Telecommunication	103,104	3,725	4,271	-	111,100
Trucks and vans operating costs	31,281	-	-	-	31,281
Conferences, memberships, and dues	6,718	798	1,666	-	9,182
	<u>\$ 9,105,135</u>	<u>\$ 1,278,125</u>	<u>\$ 4,484,025</u>	<u>\$ 58,020</u>	<u>\$ 14,925,305</u>
	Year Ended June 30, 2018				
	Support Activities				Total
	Program Ministries	General and Administrative	Fundraising	Direct Donor Benefits	
Salaries and wages	\$ 2,566,651	\$ 658,837	\$ 759,014	\$ -	\$ 3,984,502
Gift-in-kind clothing, food, and other	1,052,797	-	-	-	1,052,797
Professional services	954,441	170,363	243,694	500	1,368,998
Donor appeals fundraising costs	-	-	1,136,536	-	1,136,536
Donor acquisition fundraising costs	-	-	1,696,729	-	1,696,729
Depreciation	961,219	23,557	85,924	-	1,070,700
Employee Benefits	608,429	151,632	189,555	-	949,616
Other expenses	468,873	113,184	27,114	52,635	661,806
Utilities	486,633	14,625	12,696	-	513,954
Office expenses	130,514	192,468	125,515	693	449,190
Repairs and maintenance	500,817	10,373	6,977	-	518,167
Interest	236,225	7,775	6,750	-	250,750
Occupancy	164,269	6,193	5,888	-	176,350
Insurance	80,353	51,330	1,110	-	132,793
Telecommunication	80,497	2,580	4,026	-	87,103
Trucks and vans operating costs	47,631	-	-	-	47,631
Conferences, memberships, and dues	21,844	7,449	7,059	-	36,352
	<u>\$ 8,361,193</u>	<u>\$ 1,410,366</u>	<u>\$ 4,308,587</u>	<u>\$ 53,828</u>	<u>\$ 14,133,974</u>

See notes to consolidated financial statements

LOS ANGELES MISSION, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

	Year Ended June 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (719,108)	\$ (1,692,166)
Reconciliation of change in net assets to net cash provided (used) by operating activities:		
Change in inventory	(60,201)	22,374
Depreciation	1,051,060	1,070,700
Net realized and unrealized gain on investments	(37,587)	(38,032)
Loss on assets held for sale	-	3,561
Collections on pledge receivable	400,000	400,000
Amortization of discount on pledge receivable	(202,001)	(206,648)
Net change in:		
Accounts and other receivables	55,056	68,668
Estate and trust receivables	(881,046)	467,864
Prepaid expenses and other assets	251,918	(189,852)
Beneficial interest in trust held by others	(1,669)	(9,660)
Accounts payable	(208,669)	(179,598)
Accrued expenses	(43,039)	(22,935)
Deferred revenue	83,396	(10,000)
Net Cash Used in Operating Activities	(311,890)	(315,724)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net proceeds from sale of investments	1,687,506	1,957,716
Purchases of fixed assets	(946,734)	(577,469)
Proceeds from sale of fixed assets	-	5,000
Net Cash Provided by Investing Activities	740,772	1,385,247
CASH FLOWS FROM FINANCING ACTIVITIES:		
Addition to notes payable	-	1,690,839
Payments on notes payable	(223,306)	(2,891,064)
Net Cash Used in Financing Activities	(223,306)	(1,200,225)
Net Change in Cash and Cash Equivalents	205,576	(130,702)
Cash and Cash Equivalents, Beginning of Year	372,529	503,231
Cash and Cash Equivalents, End of Year	\$ 578,105	\$ 372,529
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	\$ 215,421	\$ 256,586
Fully depreciated fixed asset disposals	\$ 1,133,381	\$ -

See notes to consolidated financial statements

LOS ANGELES MISSION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

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 help, hope, and opportunity to destitute men, women, and children through spiritual, physical, educational, and social rehabilitation.

The Mission is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and comparable state law. However, the Mission is subject to federal income tax on any unrelated business taxable income. In addition, the Mission is not classified as a private foundation within the meaning of Section 509(c) of the IRC.

BASIS OF PRESENTATION

The consolidated financial statements of Los Angeles Mission, Inc. and Subsidiary have been prepared on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when incurred. Under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, the Mission is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

PRINCIPLES OF CONSOLIDATION

In the years ended June 30, 2019 and 2018, the consolidated financial statements include the accounts of the Mission and Los Angeles Mission Foundation (the Foundation), collectively known as the Organization.

The Foundation is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and comparable state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income. In addition the Foundation is not classified as a private foundation within the meaning of Section 509(c) of the IRC.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The consolidated financial statements of the Organization 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 Organization are described below.

CASH AND CASH EQUIVALENTS

For consolidated statements of financial position and cash flow purposes, cash and cash equivalents consist primarily of cash on hand and cash on deposit. As of June 30, 2019 and 2018, the Organization's cash balances exceeded federally insured limits by \$262,864 and \$190,533, respectively.

LOS ANGELES MISSION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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, the investments are reported at fair value based upon quoted prices in active markets for identical or similar assets, which is Level 1 of the fair value hierarchy established under the Fair Value topic of the Financial Accounting Standards Board Accounting Standards Codification. Level 2 values are used when Level 1 values are not available.

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 Organization's investments and total net assets balance could fluctuate materially.

ESTATE AND TRUST RECEIVABLES

The Organization 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.

BENEFICIAL INTEREST IN TRUST HELD BY OTHERS

Beneficial interest in trust held by others consists of the Organization'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 Organization. At the time of the trust's termination, the time restriction will end and the net assets will be reclassified from net assets with donor restrictions to net assets without donor restrictions 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 income.

PLEDGE AND GRANT RECEIVABLE

In 2012, the Organization received two pledges totaling \$10 million from a major donor. In 2016, the Organization 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, 2019 and 2018, a discount rate of 2.30% was applied against the gift. Management believes the pledge will be paid in full so there is no allowance for uncollectible amounts at either June 30, 2019 or 2018.

LOS ANGELES MISSION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

GIFT-IN-KIND INVENTORY

The Organization receives donations of clothing, food, toiletries, blankets, and other items for use in the operations of the Organization's programs. These gifts-in-kind are stated at their estimated fair market values based on exit transaction pricing (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 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 that 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 Organization reports expirations of donor restrictions as unrestricted net assets when the donated or acquired long-lived assets are placed in service.

NET ASSETS

The consolidated financial statements report amounts by class of net assets:

Net assets without donor restrictions are those currently available at the discretion of the board of directors for use in the Organization's operations and those resources invested in land, buildings, and equipment.

Net assets with donor restrictions are those which are stipulated by donors for specific programs, capital projects, time restrictions, and endowment earnings. When donor restrictions expire, that is when the purpose restriction is fulfilled or the time restriction expires, the net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Net assets with donor restrictions also consist of endowments where it is stipulated by donors that the principal remain in perpetuity and only the income is available for use, as specified in endowment agreements. Endowments consist of the Exodus Fund, which was established to help patrons who successfully complete the Organization'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.

LOS ANGELES MISSION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

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 Organization. Conditional promises-to-give are recognized as revenue when the conditions on which they depend are substantially met. The Organization receives gifts-in-kind, which are recorded as support at the estimated fair market value on the date of the gift. See Note 9 for additional information on these items. Goods given to the Organization 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 Organization 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, 2019 and 2018.

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.

RECENTLY ISSUED ACCOUNTING STANDARDS

In 2016, FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Los Angeles Mission adopted the provisions of this new standard during the year ended June 30, 2019. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources (Note 14).

LOS ANGELES MISSION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

3. INVESTMENTS:

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall as of June 30, 2019:

	Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Stocks:				
Large market capital	\$ 209,758	\$ 209,758	\$ -	\$ -
Mid market capital	28,616	28,616	-	-
Bonds				
Mutual funds:				
Emerging Market	59,733	59,733	-	-
Growth-large capital	105,453	105,453	-	-
Growth-small capital	14,476	14,476	-	-
Global Real Estate	18,648	18,648	-	-
Fixed Income	347,292	347,292	-	-
Investments at fair value	783,976	\$ 783,976	\$ -	\$ -
Cash and cash equivalents	159,935			
Total investments	\$ 943,911			

LOS ANGELES MISSION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

3. INVESTMENTS, continued:

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall as of June 30, 2018:

	Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Stocks:				
Large market capital	\$ 443,390	\$ 443,390	\$ -	\$ -
Mid market capital	27,519	27,519	-	-
Mutual funds:				
Bond Funds	958,684	958,684	-	-
Growth-international	21,969	21,969	-	-
Emerging Market	82,542	82,542	-	-
Growth-large capital	482,048	482,048	-	-
Growth-mid capital	45,094	45,094	-	-
Growth-small capital	47,161	47,161	-	-
Global Real Estate	39,684	39,684	-	-
Fixed Income	343,349	343,349	-	-
Investments at fair value	2,491,441	\$ 2,491,441	\$ -	\$ -
Cash and cash equivalents	102,389			
Total investments	\$ 2,593,830			

4. PLEDGE RECEIVABLE:

The pledge receivable consists of:

	June 30,	
	2019	2018
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	9,993,551	10,397,372
Less discount for present value of cash flows	(3,359,550)	(3,565,372)
	\$ 8,634,001	\$ 8,832,000

LOS ANGELES MISSION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

5. LAND, BUILDINGS, AND EQUIPMENT - NET:

Land, buildings, and equipment - net consist of:

	June 30,	
	2019	2018
Land	\$ 3,673,886	\$ 3,673,886
Buildings and improvements	35,034,105	34,414,799
Furniture and equipment	3,203,025	4,014,452
Vehicles	256,609	256,609
Land, buildings, and equipment - at cost	42,167,625	42,359,746
Less accumulated depreciation	(23,525,370)	(23,607,688)
	18,642,255	18,752,058
Construction in process	5,477	-
	18,647,732	18,752,058
Land, buildings, and equipment - net	18,647,732	18,752,058

6. NOTES PAYABLE:

Notes payable consist of:

	June 30,	
	2019	2018
Note payable to a bank, secured by property, due in monthly principal and interest payments of \$36,249. The interest rate is fixed at 4.31% with any unpaid balance due December 2021.	\$ 4,723,049	\$ 4,946,355
	\$ 4,723,049	\$ 4,946,355
	\$ 4,723,049	\$ 4,946,355

Subsequent to June 30, 2019, the Organization refinanced their debt with a new lender. The loan balance as of June 30, 2019, was paid in full. The new debt consists of two notes totaling \$5,945,000. The loans bear interest at rates ranging from 6.75% to 7.0% and are collateralized by deeds of trust on the Organization's real property. The Organization must meet certain covenants, including an annual debt service coverage ratio.

LOS ANGELES MISSION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

6. NOTES PAYABLE, continued:

The annual principal payments on the new debt are as follows:

<u>Year Ending June 30,</u>	
2020	\$ 1,041,425
2021	153,846
2022	57,648
2023	61,721
2024	65,204
Thereafter	<u>4,565,156</u>
	<u>\$ 5,945,000</u>

No interest was capitalized during the years ended June 30, 2019 and 2018, respectively.

7. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of:

	<u>June 30,</u>	
	<u>2019</u>	<u>2018</u>
Exodus Fund endowment earnings	\$ 314,774	\$ 297,326
Exodus Fund endowment principal	529,346	529,346
Beneficial interest in trust held by others	187,570	185,901
Women's center - pledge receivable (Note 2)	8,634,001	8,832,000
Time restrictions	1,231,046	300,000
Other	<u>351,127</u>	<u>275,736</u>
	<u>\$ 11,247,864</u>	<u>\$ 10,420,309</u>

LOS ANGELES MISSION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

8. ENDOWMENTS:

Endowments consist of the Exodus endowment which was set up to generate earnings to benefit the graduates of the Organization'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 Organization'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 Organization classifies as net assets with donor restrictions (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 is classified as net assets with donor restrictions 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 Organization 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. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

8. ENDOWMENTS, continued:

ENDOWMENT NET ASSET COMPOSITION BY TYPE OF FUND AS OF JUNE 30, 2019

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

CHANGES IN ENDOWMENT NET ASSETS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>With Donor Restrictions</u>
Endowment net assets, beginning of year	\$ 826,672
Investment income	52,448
Appropriated for expenditure	<u>(35,000)</u>
Endowment net assets, end of year	<u>\$ 844,120</u>

CHANGES IN ENDOWMENT NET ASSETS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>With Donor Restrictions</u>
Endowment net assets, beginning of year	\$ 826,718
Investment income	39,926
Appropriated for expenditure	<u>(39,972)</u>
Endowment net assets, end of year	<u>\$ 826,672</u>

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 Organization 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, 2019 and 2018.

LOS ANGELES MISSION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

8. ENDOWMENTS, continued:

INVESTMENT POLICIES

Pursuant to policies adopted by the board of directors, all funds received by the Organization 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,	
	2019	2018
Food	\$ 946,728	\$ 516,955
Clothing	1,188,196	343,732
Linens	20,245	12,275
Other	87,421	157,454
	<u>\$ 2,242,590</u>	<u>\$ 1,030,416</u>

LOS ANGELES MISSION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

10. OPERATING LEASES:

The Organization leases office equipment with total monthly payments of approximately \$2,000, maturing through 2024. Total lease expense was \$32,729 and \$33,284 for the years ended June 30, 2019 and 2018, respectively.

The future minimum payments are as follows:

<u>Year Ending June 30,</u>	
2020	\$ 21,186
2021	13,574
2022	2,916
2023	2,916
2024	<u>1,944</u>
	<u>\$ 42,536</u>

The Organization, as lessor, leases building space with total monthly rental income of approximately \$29,000, maturing through 2024. Total rental income was \$127,680 and \$124,404 for the years ended June 30, 2019 and 2018, respectively. Additionally, the lessee is to pay \$101,000 additional payment in each of April 2020 and April 2021.

The future annual rental income is as follows:

<u>Year Ending June 30,</u>	
2020	\$ 356,570
2021	364,237
2022	334,310
2023	126,828
2024	<u>130,632</u>
	<u>\$ 1,312,577</u>

LOS ANGELES MISSION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

11. CONTINGENT LIABILITY:

On April 1, 2007 and April 26, 2010, the Organization 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 Organization is not required to make any principal or interest payments as long as it does not default on any provisions of the grants, which primarily relate to the usage of the facilities for their intended purpose. The Promissory Notes mature on March 15, 2024 and December 31, 2028. As of June 30, 2019 and 2018, the unamortized contingent liability was \$1,411,000 and the Organization was in compliance with the terms of the grants.

12. RETIREMENT PLAN:

The Organization 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, 2019, 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 Organization matches 50% of the first 6% of employee contributions. Employees are fully vested in the Plan after two years of service. Retirement expenses for the years ended June 30, 2019 and 2018, were \$63,129 and \$73,737, respectively.

13. RELATED PARTY TRANSACTIONS:

The Organization is affiliated with the Los Angeles Christian Health Centers (LACHC) because the chief financial officer of the Organization serves on the LACHC board of directors. During the years ended June 30, 2019 and 2018, LACHC paid \$127,680 and \$124,404 for office space and services, respectively.

LOS ANGELES MISSION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

14. LIQUIDITY:

The following reflects the consolidated financial assets of Los Angeles Mission as of June 30, 2019, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid, not convertible to cash within one year, or restricted by donors either for long-term purposes or for use in a certain time period. Los Angeles Mission has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Financial assets:	
Cash and cash equivalents	\$ 578,105
Accounts & other receivables	4,919
Investments	943,911
Gift estate and trust receivables	1,224,882
Beneficial interest in trust	187,570
Pledge and grants receivable	8,634,001
Financial assets, at year-end	<u>11,573,388</u>
Less those unavailable for general expenditure within one year, due to:	
Contractual, board-imposed or donor-imposed restrictions:	
Note and grant receivables collectible beyond one year	(8,276,680)
Perpetual endowment and accumulated earnings subject to appropriation beyond one year	(529,346)
Beneficial interest in trust not convertible to cash within next twelve months	(187,570)
Gift, estate, & trust receivables collectible beyond one year	(75,400)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,504,392</u>

15. SUBSEQUENT EVENTS:

Subsequent events were evaluated through October 28, 2019, which is the date the consolidated financial statements were available to be issued.

Subsequent to fiscal year end, the Organization refinanced their debt with a new lender. See Note 6 for more details regarding the new loan agreements and future minimum principal payments.