



LOS ANGELES MISSION, INC.
AND SUBSIDIARY

Consolidated Financial Statements
With Independent Auditors' Report

June 30, 2020 and 2019

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, 2020 and 2019, 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 Consolidated 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Brea, California
October 13, 2020

LOS ANGELES MISSION, INC. AND SUBSIDIARY

Consolidated Statements of Financial Position

	June 30,	
	2020	2019
ASSETS:		
Cash and cash equivalents	\$ 4,410,360	\$ 578,105
Accounts and other receivables	330,604	4,919
Prepaid expenses and other assets	230,022	171,905
Gift-in-kind inventory	505,779	280,675
Gift estate and trust receivables	259,967	1,224,882
Investments	1,655,430	943,911
Beneficial interest in trust held by others	194,422	187,570
Pledge and grants receivable–net	8,533,001	8,634,001
Land, buildings, and equipment–net	17,746,836	18,647,732
Total Assets	\$ 33,866,421	\$ 30,673,700
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 379,751	\$ 367,258
Accrued expenses	431,094	384,464
Deferred revenue	80,880	83,396
Notes payable–net	5,733,789	4,723,049
	6,625,514	5,558,167
Net assets:		
Without donor restrictions	17,037,310	13,867,669
With donor restrictions	10,203,597	11,247,864
	27,240,907	25,115,533
Total Liabilities and Net Assets	\$ 33,866,421	\$ 30,673,700

See notes to consolidated financial statements

LOS ANGELES MISSION, INC. AND SUBSIDIARY

Consolidated Statements of Activities

	Year Ended June 30,					
	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS:						
Contributions	\$ 12,116,575	\$ 193,060	\$ 12,309,635	\$ 9,729,176	\$ 1,742,980	\$ 11,472,156
Gift-in-kind contributions	2,918,301	-	2,918,301	2,242,590	-	2,242,590
Rental and other revenue	1,366,641	12,377	1,379,018	439,003	52,448	491,451
Net assets released from:						
Purpose and time restrictions	1,249,704	(1,249,704)	-	967,873	(967,873)	-
Total Support, Revenue, and Reclassifications	17,651,221	(1,044,267)	16,606,954	13,378,642	827,555	14,206,197
EXPENSES:						
Program ministries	9,335,738	-	9,335,738	9,105,135	-	9,105,135
Supporting activities:						
General and administrative	1,132,544	-	1,132,544	1,278,125	-	1,278,125
Fundraising	3,934,341	-	3,934,341	4,484,025	-	4,484,025
Direct donor benefits	78,957	-	78,957	58,020	-	58,020
	5,145,842	-	5,145,842	5,820,170	-	5,820,170
Total Expenses	14,481,580	-	14,481,580	14,925,305	-	14,925,305
Change in Net Assets	3,169,641	(1,044,267)	2,125,374	(1,546,663)	827,555	(719,108)
Net Assets, Beginning of Year	13,867,669	11,247,864	25,115,533	15,414,332	10,420,309	25,834,641
Net Assets, End of Year	\$ 17,037,310	\$ 10,203,597	\$ 27,240,907	\$ 13,867,669	\$ 11,247,864	\$ 25,115,533

See notes to consolidated financial statements

LOS ANGELES MISSION, INC. AND SUBSIDIARY

Consolidated Statements of Functional Expenses

	Year Ended June 30, 2020				Total
	Program Ministries	Supporting Activities:		Direct Donor Benefits	
		General and Administrative	Fundraising		
Salaries and wages	\$ 2,419,710	\$ 577,101	\$ 589,161	\$ -	\$ 3,585,972
Gift-in-kind clothing, food, and other	2,688,269	2,989	1,937	-	2,693,195
Donor appeals fundraising costs	-	-	1,601,641	-	1,601,641
Donor acquisition fundraising costs	-	-	1,157,749	-	1,157,749
Depreciation	971,109	22,604	100,390	-	1,094,103
Professional services	626,909	181,316	142,557	5,000	955,782
Employee benefits	628,197	53,811	155,869	-	837,877
Utilities	532,842	13,441	10,740	-	557,023
Office expenses	168,488	209,498	138,648	5,722	522,356
Repairs and maintenance	313,734	12,917	6,530	-	333,181
Interest	300,068	8,539	6,823	-	315,430
Other expenses	222,998	14,759	7,723	68,235	313,715
Occupancy	210,262	3,941	4,533	-	218,736
Insurance	100,370	25,992	1,151	-	127,513
Telecommunication	105,064	3,335	4,807	-	113,206
Trucks and vans operating costs	33,941	-	-	-	33,941
Conferences, memberships, and dues	13,777	2,301	4,082	-	20,160
	\$ 9,335,738	\$ 1,132,544	\$ 3,934,341	\$ 78,957	\$ 14,481,580

	Year Ended June 30, 2019				Total
	Program Ministries	Supporting Activities:		Direct Donor Benefits	
		General and Administrative	Fundraising		
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
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
Professional services	971,056	167,508	426,241	1,100	1,565,905
Employee benefits	612,045	152,317	168,018	-	932,380
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
Other expenses	270,329	42,588	229,998	53,775	596,690
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
	\$ 9,105,135	\$ 1,278,125	\$ 4,484,025	\$ 58,020	\$ 14,925,305

See notes to consolidated financial statements

LOS ANGELES MISSION, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

	Year Ended June 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,125,374	\$ (719,108)
Reconciliation of change in net assets to net cash provided (used) by operating activities:		
Change in gift-in-kind inventory	(225,104)	(60,201)
Depreciation	1,094,105	1,051,060
Amortization of capitalized loan fees	7,268	-
Net realized and unrealized (gain) loss on investments	75,901	(37,587)
Collections on pledge receivable	200,000	400,000
Amortization of discount on pledge receivable	(99,000)	(202,001)
Change in operating assets and liabilities:		
Accounts and other receivables	(325,685)	55,056
Estate and trust receivables	964,915	(881,046)
Prepaid expenses and other assets	(58,117)	251,918
Beneficial interest in trust held by others	(6,852)	(1,669)
Accounts payable	12,493	(208,669)
Accrued expenses	46,630	(43,039)
Deferred revenue	(2,516)	83,396
Net Cash Provided (Used) by Operating Activities	3,809,412	(311,890)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(1,000,075)	(43,432)
Proceeds from sale of investments	212,655	1,730,938
Purchases of land, buildings, and equipment	(193,209)	(946,734)
Net Cash Provided (Used) by Investing Activities	(980,629)	740,772
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable	2,136,376	-
Principal payments on notes payable	(1,132,904)	(223,306)
Net Cash Provided (Used) by Financing Activities	1,003,472	(223,306)
Net Change in Cash and Cash Equivalents	3,832,255	205,576
Cash and Cash Equivalents, Beginning of Year	578,105	372,529
Cash and Cash Equivalents, End of Year	\$ 4,410,360	\$ 578,105
SUPPLEMENTAL DISCLOSURES and NON-CASH TRANSACTIONS:		
Cash paid for interest	\$ 298,469	\$ 215,421
Fully depreciated fixed asset disposals	\$ -	\$ 1,133,381
Refinance of note payable	\$ 4,723,049	\$ -
Capitalized loan fees financed with note payable	\$ 72,675	\$ -

See notes to consolidated financial statements

LOS ANGELES MISSION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

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. The primary source of support and revenue is contributions.

PRINCIPLES OF CONSOLIDATION

In the years ended June 30, 2020 and 2019, the consolidated financial statements include the accounts of the Mission and Los Angeles Mission Foundation (the Foundation), collectively known as the Organization, due to board control. All intercompany transactions and balances have been eliminated.

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. Revenue is recognized when earned and expenses are recognized when incurred. Under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, the Organization 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. 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, 2020 and 2019, the Organization's cash balances exceeded federally insured limits by approximately \$4,033,000 and \$263,000, respectively. The Organization has not experienced any losses on these accounts.

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 (approximately equivalent of thrift shop values) at the date of the gifts.

LOS ANGELES MISSION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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.

INVESTMENTS

Investments include mutual funds and stocks. 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.

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 Organization 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 these gifts are recorded on the consolidated statements of financial position. During the years ended June 30, 2020 and 2019, 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, 2020 or 2019.

LOS ANGELES MISSION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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 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 consolidated 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.

SUPPORT AND REVENUE

Contributions are recorded when cash or unconditional promises-to-give have been received, barriers to grants are met, 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 10 for additional information on these items. Goods given to the Organization that do not have an objective basis for valuation are not recorded.

LOS ANGELES MISSION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

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 on the consolidated statements of activities and functional expenses. Accordingly, certain costs, such as depreciation and payroll, have been allocated among the program and supporting activities based on square footage or time spent on each function or activity.

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, 2020 and 2019.

USE OF ESTIMATES

The preparation of consolidated 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 ADOPTED ACCOUNTING STANDARDS

In 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2014-09, Revenue from Contracts with Customers. The Organization adopted the provisions of this new standard during the year ended June 30, 2020. The new standard applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. Adoption of this standard had an immaterial effect on the financial statements.

In 2018, FASB issued ASU No. 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The Organization adopted the provisions of this new standard during the year ended June 30, 2020. The new standard clarifies and improves current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or exchange transaction. Adoption of this standard had an immaterial effect on change in net assets and net assets in total.

RISKS AND UNCERTANTIES

The Organization's operations may be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the Organization's financial position, operations and cash flows. Possible effects may include, but are not limited to, disruption to the Organization's revenue, absenteeism in the workforce, and a decline in value of assets held by the Organization including inventories, property and equipment, and marketable securities. The financial impact, if any, cannot be estimated at this time.

LOS ANGELES MISSION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

3. INVESTMENTS AND FAIR VALUE MEASUREMENTS:

The following table presents the fair value measurements of assets and liabilities, specifically investments, recognized in the accompanying consolidated statements 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:

	Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
<u>June 30, 2020:</u>				
Stocks:				
Large market capital	\$ 421,843	\$ 421,843	\$ -	\$ -
Mutual funds:				
Fixed income	767,584	767,584	-	-
Growth-large capital	200,800	200,800	-	-
Emerging market	92,994	92,994	-	-
Global real estate	35,148	35,148	-	-
Growth-small capital	34,728	34,728	-	-
Investments held at fair value	1,553,097	\$ 1,553,097	\$ -	\$ -
Investments held at cost:				
Cash and cash equivalents	102,333			
Total investments	\$ 1,655,430			

LOS ANGELES MISSION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

3. INVESTMENTS AND FAIR VALUE MEASUREMENTS, continued:

	Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
<u>June 30, 2019:</u>				
Stocks:				
Large market capital	\$ 209,758	\$ 209,758	\$ -	\$ -
Mid market capital	28,616	28,616	-	-
Mutual funds:				
Fixed income	347,292	347,292	-	-
Growth-large capital	105,453	105,453	-	-
Emerging market	59,733	59,733	-	-
Global real estate	18,648	18,648	-	-
Growth-small capital	14,476	14,476	-	-
Investments held at fair value	783,976	\$ 783,976	\$ -	\$ -
Investments held at cost:				
Cash and cash equivalents	159,935			
Total investments	\$ 943,911			

4. PLEDGE RECEIVABLE–NET:

Pledge receivable–net consists of:

	June 30,	
	2020	2019
Amounts expected to be collected in:		
Less than one year	\$ 600,000	\$ 400,000
One year to five years	1,600,000	1,600,000
More than five years	9,596,576	9,993,551
Less discount for present value of cash flows	(3,263,575)	(3,359,550)
	\$ 8,533,001	\$ 8,634,001

LOS ANGELES MISSION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

5. LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following table reflects the consolidated financial assets of the Organization, 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.

	June 30,	
	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 4,410,360	\$ 578,105
Accounts and other receivables	330,604	4,919
Gift estate and trust receivables	259,967	1,224,882
Beneficial interest in trust	194,422	187,570
Investments	1,655,430	943,911
Pledge and grants receivable–net	8,533,001	8,634,001
Financial assets, at year-end	15,383,784	11,573,388
Less those unavailable for general expenditure within one year, due to contractual, board-imposed or donor-imposed restrictions:		
Pledge and grant receivables collectible beyond one year	(7,933,000)	(8,276,680)
Perpetual endowment and accumulated earnings subject to appropriation beyond one year	(529,346)	(529,346)
Beneficial interest in trust not convertible to cash within next twelve months	(194,422)	(187,570)
Receivables collectible beyond one year	(36,282)	(75,400)
Financial assets available to meet cash needs for general expenditures within one year	\$ 6,690,734	\$ 2,504,392

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization is substantially supported by contributions without donor restrictions. The Organization has no formal policy to maintain cash reserves, but regularly monitors available funds to cover coming needs.

LOS ANGELES MISSION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

6. LAND, BUILDINGS, AND EQUIPMENT—NET:

Land, buildings, and equipment—net consist of:

	June 30,	
	2020	2019
Land	\$ 3,673,886	\$ 3,673,886
Buildings and improvements	35,108,230	35,039,582
Furniture and equipment	3,327,581	3,203,025
Vehicles	256,609	256,609
	42,366,306	42,173,102
Less accumulated depreciation	(24,619,470)	(23,525,370)
	\$ 17,746,836	\$ 18,647,732

7. NOTES PAYABLE—NET:

Notes payable—net consist of:

	June 30,	
	2020	2019
Note payable to a bank, secured by real property, due in monthly principal and interest payments of \$31,745. The interest rate is fixed at 6.75% with any unpaid balance due August 2029 at which point a balloon payment will be due.	\$ 4,812,096	\$ -
Note payable to a financial institution, secured by property, due in monthly principal and interest payments of \$36,249. The interest rate is fixed at 4.31%. The note payable was refinanced during the year ended June 30, 2020.	-	4,723,049
Paycheck Protection Program loan, which accrues interest at 1% per annum and matures in April 2022. This loan may be forgiven up to the full amount if requirements set by the Small Business Administration are met.	837,100	-
	5,649,196	4,723,049

LOS ANGELES MISSION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

7. NOTES PAYABLE–NET, continued:

Notes payable–net consist of, continued:

	June 30,	
	2020	2019
Balance carried forward	5,649,196	4,723,049
Economic Injury Disaster loan of \$150,000, due in monthly principal and interest payments of \$641 starting June 2021. The interest rate is fixed at 2.75% and matures in May 2050.	150,000	-
	5,799,196	14,169,147
Less capitalized loan costs	(65,407)	-
	\$ 5,733,789	\$ 14,169,147

Capitalized loan fees are associated with the refinance of the note payable. Accumulated amortization was \$7,268 and \$0, as of June 30, 2020 and 2019, respectively.

The annual principal payments on debt are as follows:

<u>Year Ending June 30,</u>	
2021	\$ 53,797
2022	907,967
2023	65,032
2024	66,903
2025	75,026
Thereafter	4,630,471
	\$ 5,799,196

The Organization must meet certain covenants, including an annual debt service coverage ratio. The Organization was in compliance with its loan covenants as of June 30, 2020.

LOS ANGELES MISSION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

8. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of:

	June 30,	
	2020	2019
Exodus fund endowment:		
Restricted in perpetuity	\$ 302,291	\$ 314,774
Restricted by purpose	529,346	529,346
	831,637	844,120
Women's center - pledge receivable (Notes 2 and 4)	8,533,001	8,634,001
Time restrictions	464,258	1,418,616
Legal aid clinic	202,404	203,884
Other purpose restrictions	172,297	147,243
	\$ 10,203,597	\$ 11,247,864

9. 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 with purpose 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 Organization, including guidance contained in the donor stipulations
- Priorities of needs of the Organization
- General economic conditions

LOS ANGELES MISSION, INC. AND SUBSIDIARY

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June 30, 2020 and 2019

9. ENDOWMENTS, continued:

ENDOWMENT NET ASSET COMPOSITION BY TYPE OF FUND AS OF JUNE 30, 2020

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

	June 30,	
	2020	2019
Endowment net assets, beginning of year	\$ 844,120	\$ 826,672
Investment income	12,377	52,448
Appropriated for expenditure	(24,860)	(35,000)
Endowment net assets, end of year	<u>\$ 831,637</u>	<u>\$ 844,120</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, 2020 and 2019.

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 Organization to provide career services for graduates.

LOS ANGELES MISSION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

10. GIFT-IN-KIND ACTIVITY:

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

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Food	\$ 1,590,978	\$ 946,728
Clothing	1,162,484	1,188,196
Linens	23,169	20,245
Other	141,670	87,421
	<u>\$ 2,918,301</u>	<u>\$ 2,242,590</u>

11. RENTAL INCOME:

The Organization leases building space with total monthly rental income of approximately \$29,000, maturing through 2022, to various tenants. Total rental income was approximately \$363,000 and \$128,000, for the years ended June 30, 2020 and 2019, respectively. Additionally, one of the lessees is to pay \$101,000 annually in additional leasehold improvement payments through April 2022. The future annual rental income, including the additional payment, is as follows:

<u>Year Ending June 30,</u>	
2021	\$ 304,285
2022	217,299
	<u>\$ 521,584</u>

12. 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 7. 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, respectively. As of June 30, 2020 and 2019, the unamortized contingent liability was \$1,411,000 and the Organization was in compliance with the terms of the grants.

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Notes to Consolidated Financial Statements

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13. 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, 2020 and 2019, all eligible employees have the option to enter the Plan on the first day of the month coinciding with or following employment date.

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, 2020 and 2019, were approximately \$52,000 and \$63,000, respectively.

14. RELATED PARTIES:

During the year ended June 30, 2020, the Organization paid a relative of the Executive Director of the Foundation approximately \$46,000 for event planning and fundraising services.

15. SUBSEQUENT EVENTS:

Subsequent to June 30, 2020, the board of directors appointed a new President, completing a planned executive succession.

Subsequent events were evaluated through October 13, 2020, which is the date the consolidated financial statements were available to be issued.