



LOS ANGELES MISSION, INC.  
AND SUBSIDIARY

Consolidated Financial Statements  
With Independent Auditors' Report

June 30, 2021 and 2020

# LOS ANGELES MISSION, INC. AND SUBSIDIARY

## Table of Contents

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

## **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, 2021 and 2020, 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, 2021 and 2020, 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  
January 7, 2022

# LOS ANGELES MISSION, INC. AND SUBSIDIARY

## Consolidated Statements of Financial Position

|   | June 30,             |                      |
|---|----------------------|----------------------|
|   | 2021                 | 2020                 |
| <b>ASSETS:</b>                              |                      |                      |
| Cash and cash equivalents                   | \$ 2,755,845         | \$ 4,410,360         |
| Accounts and other receivables              | 1,467,258            | 590,571              |
| Prepaid expenses and other assets           | 142,036              | 230,022              |
| Gift-in-kind inventory                      | 288,921              | 505,779              |
| Investments                                 | 7,712,736            | 1,655,430            |
| Beneficial interest in trust held by others | 248,713              | 194,422              |
| Pledges receivable                          | 8,224,001            | 8,533,001            |
| Land, buildings, and equipment—net          | 17,234,201           | 17,746,836           |
| Total Assets                                | <u>\$ 38,073,711</u> | <u>\$ 33,866,421</u> |
| <b>LIABILITIES AND NET ASSETS:</b>          |                      |                      |
| Liabilities:                                |                      |                      |
| Accounts payable                            | \$ 659,017           | \$ 379,751           |
| Accrued expenses and other liabilities      | 868,476              | 511,974              |
| Notes payable—net                           | 5,507,067            | 5,733,789            |
| Total liabilities                           | <u>7,034,560</u>     | <u>6,625,514</u>     |
| Net assets:                                 |                      |                      |
| Without donor restrictions                  | 20,954,116           | 17,037,310           |
| With donor restrictions                     | 10,085,035           | 10,203,597           |
| Total net assets                            | <u>31,039,151</u>    | <u>27,240,907</u>    |
| Total Liabilities and Net Assets            | <u>\$ 38,073,711</u> | <u>\$ 33,866,421</u> |

See notes to consolidated financial statements

# LOS ANGELES MISSION, INC. AND SUBSIDIARY

## Consolidated Statements of Activities

|   | Year Ended June 30,           |                            |                      |                               |                            |                      |
|---|-------------------------------|----------------------------|----------------------|-------------------------------|----------------------------|----------------------|
|   | 2021                          |                            |                      | 2020                          |                            |                      |
|   | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                |
| SUPPORT, REVENUE, AND RECLASSIFICATIONS:      |                               |                            |                      |                               |                            |                      |
| Contributions                                 | \$ 15,044,753                 | \$ 483,660                 | \$ 15,528,413        | \$ 12,116,575                 | \$ 193,060                 | \$ 12,309,635        |
| Gift-in-kind contributions                    | 3,128,770                     | -                          | 3,128,770            | 2,918,301                     | -                          | 2,918,301            |
| Rental and other revenue                      | 2,600,156                     | 156,565                    | 2,756,721            | 1,366,641                     | 12,377                     | 1,379,018            |
| Net assets released from:                     |                               |                            |                      |                               |                            |                      |
| Purpose and time restrictions                 | 758,787                       | (758,787)                  | -                    | 1,249,704                     | (1,249,704)                | -                    |
| Total Support, Revenue, and Reclassifications | <u>21,532,466</u>             | <u>(118,562)</u>           | <u>21,413,904</u>    | <u>17,651,221</u>             | <u>(1,044,267)</u>         | <u>16,606,954</u>    |
| EXPENSES:                                     |                               |                            |                      |                               |                            |                      |
| Program ministries                            | <u>10,739,001</u>             | <u>-</u>                   | <u>10,739,001</u>    | <u>9,335,738</u>              | <u>-</u>                   | <u>9,335,738</u>     |
| Supporting activities:                        |                               |                            |                      |                               |                            |                      |
| General and administrative                    | 1,576,130                     | -                          | 1,576,130            | 1,132,544                     | -                          | 1,132,544            |
| Fundraising                                   | 5,300,529                     | -                          | 5,300,529            | 3,934,341                     | -                          | 3,934,341            |
| Direct donor benefits                         | <u>-</u>                      | <u>-</u>                   | <u>-</u>             | <u>78,957</u>                 | <u>-</u>                   | <u>78,957</u>        |
|   | <u>6,876,659</u>              | <u>-</u>                   | <u>6,876,659</u>     | <u>5,145,842</u>              | <u>-</u>                   | <u>5,145,842</u>     |
| Total Expenses                                | <u>17,615,660</u>             | <u>-</u>                   | <u>17,615,660</u>    | <u>14,481,580</u>             | <u>-</u>                   | <u>14,481,580</u>    |
| Change in Net Assets                          | 3,916,806                     | (118,562)                  | 3,798,244            | 3,169,641                     | (1,044,267)                | 2,125,374            |
| Net Assets, Beginning of Year                 | <u>17,037,310</u>             | <u>10,203,597</u>          | <u>27,240,907</u>    | <u>13,867,669</u>             | <u>11,247,864</u>          | <u>25,115,533</u>    |
| Net Assets, End of Year                       | <u>\$ 20,954,116</u>          | <u>\$ 10,085,035</u>       | <u>\$ 31,039,151</u> | <u>\$ 17,037,310</u>          | <u>\$ 10,203,597</u>       | <u>\$ 27,240,907</u> |

See notes to consolidated financial statements

# LOS ANGELES MISSION, INC. AND SUBSIDIARY

## Consolidated Statements of Functional Expenses

| Year Ended June 30, 2021      |                            |                     |                     |                      |
|-------------------------------|----------------------------|---------------------|---------------------|----------------------|
| Program Ministries            | Supporting Activities:     |                     |                     | Total                |
|                               | General and Administrative | Fundraising         |                     |                      |
| Salaries and benefits         | \$ 3,957,254               | \$ 761,735          | \$ 949,648          | \$ 5,668,637         |
| Donor appeals and acquisition | -                          | -                   | 3,736,908           | 3,736,908            |
| Gift in kind expense          | 3,345,628                  | -                   | -                   | 3,345,628            |
| Depreciation                  | 992,642                    | 23,961              | 82,078              | 1,098,681            |
| Occupancy and maintenance     | 1,034,244                  | 43,114              | 14,642              | 1,092,000            |
| Professional fees             | 402,874                    | 318,515             | 290,142             | 1,011,531            |
| Office and IT supplies        | 379,490                    | 407,332             | 200,586             | 987,408              |
| Supplies and other            | 344,763                    | 14,049              | 19,101              | 377,913              |
| Interest                      | 282,106                    | 7,424               | 7,424               | 296,954              |
|                               | <u>\$ 10,739,001</u>       | <u>\$ 1,576,130</u> | <u>\$ 5,300,529</u> | <u>\$ 17,615,660</u> |
| Year Ended June 30, 2020      |                            |                     |                     |                      |
| Program Ministries            | Supporting Activities:     |                     |                     | Total                |
|                               | General and Administrative | Fundraising         |                     |                      |
| Salaries and benefits         | \$ 3,047,905               | \$ 630,912          | \$ 745,030          | \$ 4,423,847         |
| Donor appeals and acquisition | -                          | -                   | 2,759,390           | 2,759,390            |
| Gift in kind expense          | 2,688,269                  | 2,989               | 1,937               | 2,693,195            |
| Depreciation                  | 971,111                    | 22,604              | 100,390             | 1,094,105            |
| Occupancy and maintenance     | 1,056,838                  | 30,299              | 21,803              | 1,108,940            |
| Professional fees             | 626,909                    | 181,316             | 147,557             | 955,782              |
| Office and IT supplies        | 273,552                    | 212,833             | 149,177             | 635,562              |
| Supplies and other            | 371,086                    | 43,052              | 81,191              | 495,329              |
| Interest                      | 300,068                    | 8,539               | 6,823               | 315,430              |
|                               | <u>\$ 9,335,738</u>        | <u>\$ 1,132,544</u> | <u>\$ 4,013,298</u> | <u>\$ 14,481,580</u> |

See notes to consolidated financial statements

# LOS ANGELES MISSION, INC. AND SUBSIDIARY

## Consolidated Statements of Cash Flows

|   | Year Ended June 30,        |                            |
|---|----------------------------|----------------------------|
|   | 2021                       | 2020                       |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |                            |                            |
| Change in net assets  | \$ 3,798,244               | \$ 2,125,374               |
| Reconciliation of change in net assets to net cash provided (used) by operating activities: |                            |                            |
| Depreciation  | 1,098,681                  | 1,094,105                  |
| Amortization of capitalized loan fees   | 7,267                      | 7,268                      |
| Net realized and unrealized (gain) loss on investments                                      | (475,855)                  | 75,901                     |
| Collections on pledges receivable   | 400,000                    | 200,000                    |
| Amortization of discount on pledges receivable  | (91,000)                   | (99,000)                   |
| Change in operating assets and liabilities:   |                            |                            |
| Accounts and other receivables  | (876,687)                  | 639,230                    |
| Prepaid expenses and other assets   | 87,986                     | (58,117)                   |
| Gift-in-kind inventory  | 216,858                    | (225,104)                  |
| Beneficial interest in trust held by others   | (54,291)                   | (6,852)                    |
| Accounts payable  | 279,266                    | 12,493                     |
| Accrued expenses and other liabilities  | 356,502                    | 44,114                     |
| Net Cash Provided by Operating Activities   | <u>4,746,971</u>           | <u>3,809,412</u>           |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |                            |                            |
| Purchases of investments  | (5,792,508)                | (1,000,075)                |
| Sales of investments  | 211,057                    | 212,655                    |
| Purchases of land, buildings, and equipment   | (586,046)                  | (193,209)                  |
| Net Cash Used by Investing Activities   | <u>(6,167,497)</u>         | <u>(980,629)</u>           |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>  |                            |                            |
| Proceeds from notes payable   | -                          | 2,136,376                  |
| Principal payments on notes payable   | (233,989)                  | (1,132,904)                |
| Net Cash Provided (Used) by Financing Activities  | <u>(233,989)</u>           | <u>1,003,472</u>           |
| Net Change in Cash and Cash Equivalents   | (1,654,515)                | 3,832,255                  |
| Cash and Cash Equivalents, Beginning of Year  | <u>4,410,360</u>           | <u>578,105</u>             |
| Cash and Cash Equivalents, End of Year  | <u><u>\$ 2,755,845</u></u> | <u><u>\$ 4,410,360</u></u> |
| <b>SUPPLEMENTAL DISCLOSURES AND NON-CASH TRANSACTIONS:</b>                                  |                            |                            |
| Cash paid for interest  | <u>\$ 296,953</u>          | <u>\$ 298,469</u>          |
| Refinance of note payable   | <u>\$ -</u>                | <u>\$ 4,723,049</u>        |
| Capitalized loan fees financed with note payable  | <u>\$ -</u>                | <u>\$ 72,675</u>           |
| Paycheck Protection Program loan proceeds   | <u>\$ -</u>                | <u>\$ 837,100</u>          |
| Write off of fully depreciated equipment  | <u><u>\$ 124,750</u></u>   | <u><u>\$ -</u></u>         |

See notes to consolidated financial statements



# LOS ANGELES MISSION, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

### 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(a) of the IRC. The primary source of support and revenue is contributions.

### PRINCIPLES OF CONSOLIDATION

In the years ended June 30, 2021 and 2020, 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 and financial interest. 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 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(a) 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. 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, 2021 and 2020, the Organization's cash balances exceeded federally insured limits by approximately \$2,377,000 and \$4,033,000, 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 to thrift shop values) at the date of the gifts.

# LOS ANGELES MISSION, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### INVESTMENTS

Investments include mutual funds and stocks. Donated securities are recorded at fair value on the date of the gift and are thereafter carried in accordance with the provisions noted below. 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. Investment income is included net of investment expenses in rental and other income on the consolidated statements of activities.

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 income without donor restriction.

#### PLEDGES 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. As of June 30, 2021 and 2020, a discount rate of 1.15% was applied against the gifts. Management believes the pledge will be paid in full so there is no allowance for uncollectible amounts as of June 30, 2021 and 2020.

# LOS ANGELES MISSION, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### LAND, BUILDINGS, AND EQUIPMENT

Expenditures of \$2,500 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 contributions with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions as net assets without donor restriction 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 without donor restriction 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, 2021 and 2020

### 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 services and supporting activities based on square footage or time spent on each function or activity.

#### 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.

#### RISKS AND UNCERTANTIES

In March 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. COVID-19 has caused a severe negative impact on the world economy and has contributed to significant declines and volatility in financial markets. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Organization for future periods. Management is carefully monitoring the situation and evaluating its options as circumstances evolve.

### 3. INVESTMENTS:

Investments consist of:

|                           | June 30,            |                     |
|---------------------------|---------------------|---------------------|
|                           | 2021                | 2020                |
| Cash and cash equivalents | \$ 157,905          | \$ 102,333          |
| Stocks:                   |                     |                     |
| Large market capital      | 2,944,048           | 421,843             |
| Mutual funds:             |                     |                     |
| Fixed income              | 2,154,988           | 767,584             |
| Growth-large capital      | 1,938,206           | 200,800             |
| Growth-small capital      | 217,951             | 34,728              |
| Emerging market           | 187,524             | 92,994              |
| Global real estate        | 103,684             | 35,148              |
| Growth-mid capital        | 8,430               | -                   |
|                           | <u>\$ 7,712,736</u> | <u>\$ 1,655,430</u> |

# LOS ANGELES MISSION, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

### 4. PLEDGES RECEIVABLE:

Pledge receivable is expected to be collected in:

|   | June 30,            |                     |
|---|---------------------|---------------------|
|   | 2021                | 2020                |
| Less than one year                            | \$ 400,000          | \$ 600,000          |
| One year to five years                        | 1,600,000           | 1,600,000           |
| More than five years                          | 9,396,577           | 9,596,576           |
| Less discount for present value of cash flows | (3,172,576)         | (3,263,575)         |
|   | <u>\$ 8,224,001</u> | <u>\$ 8,533,001</u> |

### 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,             |                     |
|--|----------------------|---------------------|
|  | 2021                 | 2020                |
| Financial assets:  |                      |                     |
| Cash and cash equivalents  | \$ 2,755,845         | \$ 4,410,360        |
| Accounts and other receivables   | 1,467,258            | 590,571             |
| Investments  | 7,712,736            | 1,655,430           |
| Beneficial interest in trust   | 248,713              | 194,422             |
| Pledges receivable   | 8,224,001            | 8,533,001           |
| Financial assets, at year-end  | <u>20,408,553</u>    | <u>15,383,784</u>   |
| Less those unavailable for general expenditure within one year, due to contractual, board-imposed or donor-imposed restrictions: |                      |                     |
| Pledge receivable collectible beyond one year  | (7,824,001)          | (7,933,000)         |
| 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   | (248,713)            | (194,422)           |
| Receivables collectible beyond one year  | <u>(31,282)</u>      | <u>(36,282)</u>     |
| Financial assets available to meet cash needs for general expenditures within one year   | <u>\$ 11,775,211</u> | <u>\$ 6,690,734</u> |

# LOS ANGELES MISSION, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

5. LIQUIDITY AND AVAILABILITY OF RESOURCES, continued:

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.

6. LAND, BUILDINGS, AND EQUIPMENT—NET:

Land, buildings, and equipment—net consist of:

|                               | June 30,             |                      |
|-------------------------------|----------------------|----------------------|
|                               | 2021                 | 2020                 |
| Land                          | \$ 3,673,886         | \$ 3,673,886         |
| Buildings and improvements    | 35,407,488           | 35,108,230           |
| Furniture and equipment       | 3,427,283            | 3,327,581            |
| Vehicles                      | 302,087              | 256,609              |
|                               | <u>42,810,744</u>    | <u>42,366,306</u>    |
| Less accumulated depreciation | <u>(25,576,543)</u>  | <u>(24,619,470)</u>  |
|                               | <u>\$ 17,234,201</u> | <u>\$ 17,746,836</u> |

7. NOTES PAYABLE—NET:

Notes payable—net consist of:

|  | June 30,       |                |
|--|----------------|----------------|
|  | 2021           | 2020           |
| 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.   | \$ 4,728,107   | \$ 4,812,096   |
| Paycheck Protection Program loan, which accrues interest at 1% per annum. This loan may be forgiven up to the full amount if requirements set by the Small Business Administration are met. Subsequent to the year ended June 30, 2021, the Organization received full forgiveness of this loan. | <u>837,100</u> | <u>837,100</u> |
| Balance carried forward  | 5,565,207      | 5,649,196      |

# LOS ANGELES MISSION, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

7. NOTES PAYABLE—NET, continued:

Notes payable—net consist of, continued:

|  | June 30,            |                     |
|--|---------------------|---------------------|
|  | 2021                | 2020                |
| Balance carried forward  | 5,565,207           | 5,649,196           |
| Economic Injury Disaster loan of \$150,000, due in monthly principal and interest payments of \$641. The full amount was repaid during the year ended June 30, 2021. | -                   | 150,000             |
|  | 5,565,207           | 5,799,196           |
| Less capitalized loan costs-net  | (58,140)            | (65,407)            |
|  | <u>\$ 5,507,067</u> | <u>\$ 5,733,789</u> |

Subsequent to the year ended June 30, 2021, the Organization refinanced the \$4,728,107 note payable with a financial institution. \$4,900,000 is due in monthly principal and interest payments of \$35,890, maturing in October 2036. Interest is fixed at 3.80%. The future minimum payments below are based on the refinanced loan terms.

The annual principal payments on debt are as follows:

| <u>Year Ending June 30,</u> |                     |
|-----------------------------|---------------------|
| 2022                        | \$ 1,001,906        |
| 2023                        | 255,158             |
| 2024                        | 265,025             |
| 2025                        | 275,273             |
| 2026                        | 285,917             |
| Thereafter                  | <u>3,653,822</u>    |
|                             | <u>\$ 5,737,100</u> |

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, 2021.

# LOS ANGELES MISSION, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

### 8. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of:

|  | June 30,             |                      |
|--|----------------------|----------------------|
|  | 2021                 | 2020                 |
| Purpose restrictions:  |                      |                      |
| Women's center - pledges receivable (Notes 2 and 4)              | \$ 8,224,001         | \$ 8,533,001         |
| Food services and other programs                                 | 348,113              | 172,297              |
| Legal aid clinic   | 202,404              | 202,404              |
|  | <u>8,774,518</u>     | <u>8,907,702</u>     |
| Exodus Fund endowment:   |                      |                      |
| Restricted in perpetuity   | 529,346              | 529,346              |
| Restricted by purpose  | 458,856              | 302,291              |
|  | <u>988,202</u>       | <u>831,637</u>       |
| Time restrictions: gifts, estates, and split interest agreements | <u>322,315</u>       | <u>464,258</u>       |
|  | <u>\$ 10,085,035</u> | <u>\$ 10,203,597</u> |

### 9. ENDOWMENTS:

Endowments consist of the Exodus Fund 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 board of directors 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.



# LOS ANGELES MISSION, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

### 9. ENDOWMENTS, continued:

#### INTERPRETATION OF RELEVANT LAW, continued

In accordance with SPMIFA, the board of directors 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
- The needs of the Organization
- General economic conditions

#### ENDOWMENT NET ASSET COMPOSITION BY TYPE OF FUND

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,          |                   |
|---|-------------------|-------------------|
|   | 2021              | 2020              |
| Endowment net assets, beginning of year | \$ 831,637        | \$ 844,120        |
| Investment income                       | 156,565           | 12,377            |
| Appropriated for expenditure            | -                 | (24,860)          |
| Endowment net assets, end of year       | <u>\$ 988,202</u> | <u>\$ 831,637</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 Generally Accepted Accounting Principles of the United States of America, no deficiencies of this nature were reported as of June 30, 2021 and 2020.

#### 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 stocks.

#### 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, 2021 and 2020

### 10. GIFT-IN-KIND ACTIVITY:

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

|                             | June 30,            |                     |
|-----------------------------|---------------------|---------------------|
|                             | 2021                | 2020                |
| Food                        | \$ 1,256,475        | \$ 1,590,978        |
| Clothing                    | 1,539,478           | 1,162,484           |
| COVID-19 supplies and other | 332,817             | 164,839             |
|                             | <u>\$ 3,128,770</u> | <u>\$ 2,918,301</u> |

### 11. RENTAL INCOME:

The Organization leases building space with total monthly rental income of approximately \$21,000, maturing through 2025, to various tenants. Total rental income was approximately \$360,000 for the years ended June 30, 2021 and 2020. 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> |                   |
|-----------------------------|-------------------|
| 2022                        | \$ 327,983        |
| 2023                        | 126,828           |
| 2024                        | 130,632           |
| 2025                        | <u>130,632</u>    |
|                             | <u>\$ 716,075</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, 2021 and 2020, the unamortized contingent liability was \$1,411,000 and the Organization was in compliance with the terms of the grants.

# LOS ANGELES MISSION, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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, 2021 and 2020, 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, 2021 and 2020, were approximately \$50,000 and \$52,000, respectively.

14. RELATED PARTIES:

During the year ended June 30, 2021 and 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 year end the board approved certain investment funds totaling approximately \$978,000 to be repurposed into a quasi-endowment for the Foundation. The funds will be managed by the Mission's CEO as well as the executive director of the Foundation.

As described in Note 7, the terms of the \$4,728,107 note payable were changed subsequent to June 30, 2021.

Subsequent events were evaluated through January 7, 2022, which is the date the financial statements were available to be issued.