



## LOS ANGELES MISSION, INC. AND SUBSIDIARY

Consolidated Financial Statements  
With Independent Auditors' Report

June 30, 2023 and 2022

# 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

### ***Opinion***

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, 2023 and 2022, 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.

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, 2023 and 2022, 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.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Los Angeles Mission, Inc. and Subsidiary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Los Angeles Mission, Inc. and Subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

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

***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audits 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 Los Angeles Mission, Inc. and Subsidiarys' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Los Angeles Mission, Inc. and Subsidiarys' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Ontario, California  
February 25, 2025

# LOS ANGELES MISSION, INC. AND SUBSIDIARY

## Consolidated Statements of Financial Position

	June 30,	
	2023	2022
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 1,562,200	\$ 872,555
Accounts and other receivables	789,900	371,792
Employee retention credit receivable	411,264	1,605,814
Prepaid expenses and other assets	420,267	204,342
Gift-in-kind inventory	395,966	331,799
Investments	3,754,438	6,399,401
Beneficial interest in trust held by others	232,669	214,782
Pledges receivable	7,794,956	7,904,138
Land, buildings, and equipment—net	19,516,850	19,294,546
 Total Assets	 \$ 34,878,510	 \$ 37,199,169
 <b>LIABILITIES AND NET ASSETS:</b>		
Liabilities:		
Accounts payable	\$ 1,451,067	\$ 1,144,316
Accrued expenses and other liabilities	481,010	453,268
Notes payable—net	4,465,736	4,624,976
Line of credit	800,000	440,248
Total liabilities	7,197,813	6,662,808
 Net assets:		
Without donor restrictions	17,063,654	20,188,149
With donor restrictions	10,617,043	10,348,212
Total net assets	27,680,697	30,536,361
 Total Liabilities and Net Assets	 \$ 34,878,510	 \$ 37,199,169

See notes to consolidated financial statements

# LOS ANGELES MISSION, INC. AND SUBSIDIARY

## Consolidated Statements of Activities

	Year Ended June 30,					
	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS:						
Contributions	\$ 14,668,812	\$ 614,538	\$ 15,283,350	\$ 15,125,764	\$ 1,057,460	\$ 16,183,224
Government grants	1,378,021	-	1,378,021	1,328,932	-	1,328,932
Gift-in-kind contributions	2,547,299	-	2,547,299	2,706,057	-	2,706,057
Rental and other revenue	520,047	156,565	676,612	442,003	(114,866)	327,137
Net assets released from:						
Purpose and time restrictions	502,272	(502,272)	-	679,417	(679,417)	-
Total Support, Revenue, and Reclassifications	<u>19,616,451</u>	<u>268,831</u>	<u>19,885,282</u>	<u>20,282,173</u>	<u>263,177</u>	<u>20,545,350</u>
EXPENSES:						
Program ministries	<u>14,057,194</u>	<u>-</u>	<u>14,057,194</u>	<u>12,074,231</u>	<u>-</u>	<u>12,074,231</u>
Supporting activities:						
General and administrative	2,161,044	-	2,161,044	2,036,745	-	2,036,745
Fundraising	<u>6,526,608</u>	<u>-</u>	<u>6,526,608</u>	<u>6,937,164</u>	<u>-</u>	<u>6,937,164</u>
	<u>8,687,652</u>	<u>-</u>	<u>8,687,652</u>	<u>8,973,909</u>	<u>-</u>	<u>8,973,909</u>
Total Expenses	<u>22,740,946</u>	<u>-</u>	<u>22,740,946</u>	<u>21,048,140</u>	<u>-</u>	<u>21,048,140</u>
Change in Net Assets	(3,124,495)	268,831	(2,855,664)	(765,967)	263,177	(502,790)
Net Assets, Beginning of Year	<u>20,188,149</u>	<u>10,348,212</u>	<u>30,536,361</u>	<u>20,954,116</u>	<u>10,085,035</u>	<u>31,039,151</u>
Net Assets, End of Year	<u>\$ 17,063,654</u>	<u>\$ 10,617,043</u>	<u>\$ 27,680,697</u>	<u>\$ 20,188,149</u>	<u>\$ 10,348,212</u>	<u>\$ 30,536,361</u>

See notes to consolidated financial statements

# LOS ANGELES MISSION, INC. AND SUBSIDIARY

## Consolidated Statements of Functional Expenses

Year Ended June 30, 2023				
	Program Ministries	Supporting Activities:		Total
		General and Administrative	Fundraising	
Salaries and benefits	\$ 5,030,913	\$ 1,506,420	\$ 817,813	\$ 7,355,146
Donor appeals and acquisition	-	-	4,919,685	4,919,685
Gift-in-kind expense	2,439,314	457	482	2,440,253
Supplies and other	1,935,660	51,112	112,071	2,098,843
Occupancy and maintenance	1,916,911	1,628	27,518	1,946,057
Professional fees	785,161	420,054	162,741	1,367,956
Office and IT supplies	528,307	177,146	481,008	1,186,461
Depreciation	1,117,581	-	-	1,117,581
Interest	303,347	4,227	5,290	312,864
	<u>\$ 14,057,194</u>	<u>\$ 2,161,044</u>	<u>\$ 6,526,608</u>	<u>\$ 22,740,946</u>
Year Ended June 30, 2022				
	Program Ministries	Supporting Activities:		Total
		General and Administrative	Fundraising	
Salaries and benefits	\$ 4,518,605	\$ 930,965	\$ 1,224,583	\$ 6,674,153
Donor appeals and acquisition	-	-	4,982,860	4,982,860
Gift-in-kind expense	2,659,677	3,267	233	2,663,177
Supplies and other	1,345,426	86,498	18,455	1,450,379
Occupancy and maintenance	1,216,135	-	-	1,216,135
Professional fees	454,696	300,544	521,625	1,276,865
Office and IT supplies	548,113	686,269	181,326	1,415,708
Depreciation	1,055,000	21,924	804	1,077,728
Interest	276,579	7,278	7,278	291,135
	<u>\$ 12,074,231</u>	<u>\$ 2,036,745</u>	<u>\$ 6,937,164</u>	<u>\$ 21,048,140</u>

See notes to consolidated financial statements

# LOS ANGELES MISSION, INC. AND SUBSIDIARY

## Consolidated Statements of Cash Flows

	Year Ended June 30,	
	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (2,855,664)	\$ (502,790)
Reconciliation of change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,117,581	1,077,728
Amortization of capitalized loan fees	-	-
Net realized and unrealized loss on investments	70,268	1,245,688
Collections on pledges receivable	500,000	750,000
Amortization of discount on pledges receivable	(390,818)	(430,137)
Write off of capitalized loan fees	98,241	58,140
Forgiveness of paycheck protection loan	-	(837,199)
Gift-in-kind inventory	(64,167)	(42,878)
Change in operating assets and liabilities:		
Accounts and other receivables	(418,108)	(8,516)
Employee retention credit receivable	1,194,550	(501,832)
Prepaid expenses and other assets	(215,925)	(62,306)
Beneficial interest in trust held by others	(17,887)	33,931
Accounts payable	306,751	169,671
Accrued expenses and other liabilities	27,742	(415,208)
Net Cash Provided (Used) by Operating Activities	<u>(647,436)</u>	<u>534,292</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments	(6,430,495)	(265,659)
Proceeds from sales of investments	8,980,589	333,306
Purchases of land, buildings, and equipment	(1,395,780)	(2,822,445)
Net Cash Provided (Used) by Investing Activities	<u>1,154,314</u>	<u>(2,754,798)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from notes payable	-	204,006
Draws on line of credit	800,000	440,248
Payments on line of credit	(359,752)	-
Principal payments on notes payable	(257,481)	(208,797)
Capitalization of loan fees	-	(98,241)
Net Cash Provided by Financing Activities	<u>182,767</u>	<u>337,216</u>
Net Change in Cash and Cash Equivalents	689,645	(1,883,290)
Cash and Cash Equivalents, Beginning of Year	<u>872,555</u>	<u>2,755,845</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 1,562,200</u></u>	<u><u>\$ 872,555</u></u>
<b>SUPPLEMENTAL DISCLOSURES AND NON-CASH TRANSACTIONS:</b>		
Cash paid for interest	\$ 320,782	\$ 283,218
Refinance of note payable	<u>\$ -</u>	<u>\$ 4,900,000</u>
Land, buildings, and equipment included in accounts payable	<u><u>\$ -</u></u>	<u><u>\$ 315,628</u></u>

See notes to consolidated financial statements



# LOS ANGELES MISSION, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2023 and 2022

### 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, 2023 and 2022, 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, 2023 and 2022, the Organization's cash balances exceeded federally insured limits by approximately \$62,000 and \$691,000, 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, 2023 and 2022

### 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 within 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 \$10,000,000 from a major donor. In 2016, the Organization received an additional pledge of \$5,000,000 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, 2023 and 2022, 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, 2023 and 2022.

# LOS ANGELES MISSION, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2023 and 2022

### 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 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.

# LOS ANGELES MISSION, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2023 and 2022

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

#### 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 11 for additional information on these items. Goods given to the Organization that do not have an objective basis for valuation are not recorded.

#### 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 ministries 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.

### 3. INVESTMENTS:

Investments consist of:

	June 30,	
	2023	2022
Cash and cash equivalents	\$ 67,450	\$ 59,060
Stocks: large market capital	1,414,072	2,970,614
Mutual funds:		
Fixed income	698,306	1,869,433
Growth-large capital	1,417,778	1,100,005
Growth-small capital	128,691	307,890
Global real estate	28,141	92,399
	<u>\$ 3,754,438</u>	<u>\$ 6,399,401</u>

# LOS ANGELES MISSION, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2023 and 2022

### 4. PLEDGES RECEIVABLE:

Pledge receivable is expected to be collected in:

	June 30,	
	2023	2022
Less than one year	\$ 400,000	\$ 400,000
One year to five years	1,200,000	1,600,000
More than five years	8,546,576	8,646,577
Less discount for present value of cash flows	(2,351,620)	(2,742,439)
	<u>\$ 7,794,956</u>	<u>\$ 7,904,138</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. Financial assets available for general expenditures within one year includes net assets with donor restrictions for programs that the Organization expects to spend within the following year.

	June 30,	
	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 1,562,200	\$ 872,555
Accounts and other receivables	789,900	371,792
Investments	3,754,438	6,399,401
Beneficial interest in trust	232,669	214,782
Pledges receivable	7,794,956	7,904,138
Financial assets, at year-end	<u>14,134,163</u>	<u>15,762,668</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	(7,394,956)	(7,504,138)
Endowment net assets held in perpetuity	(529,346)	(529,346)
Beneficial interest in trust not convertible to cash within next twelve months	(232,669)	(214,782)
Receivables collectible beyond one year	<u>-</u>	<u>(26,282)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,977,192</u>	<u>\$ 7,488,120</u>

# LOS ANGELES MISSION, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2023 and 2022

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,	
	2023	2022
Land	\$ 3,673,886	\$ 3,673,886
Buildings and improvements	39,547,172	38,376,392
Furniture and equipment	3,711,822	3,596,453
Vehicles	355,314	302,087
	47,288,194	45,948,818
Less accumulated depreciation	(27,771,344)	(26,654,272)
	<u>\$ 19,516,850</u>	<u>\$ 19,294,546</u>

7. NOTES PAYABLE—NET:

Notes payable—net consist of:

	June 30,	
	2023	2022
Note payable to a bank, secured by real property, due in monthly principal and interest payments of \$35,890. The interest rate is fixed at 3.80%, with any unpaid balance due October 2036.	\$ 4,465,736	\$ 4,723,217
Less capitalized loan costs-net	-	(98,241)
	<u>\$ 4,465,736</u>	<u>\$ 4,624,976</u>

# LOS ANGELES MISSION, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2023 and 2022

7. NOTES PAYABLE–NET, continued:

The annual principal payments on notes payable are as follows:

<u>Year Ending June 30,</u>	
2024	\$ 267,361
2025	276,690
2026	286,807
2027	297,302
2028	308,181
Therafter	<u>3,029,395</u>
	<u><u>\$ 4,465,736</u></u>

8. LINE OF CREDIT

Line of credit consists of amounts drawn against the Mission's investment account. The line of credit is fully collateralized by the investments and there is no stated maturity or payment terms as long as the investments exceed the line of credit balance. During the year ended June 30, 2023 and 2022, the Mission drew \$0 and \$440,248 on the line of credit, respectively.

During the year ended June 30, 2023, the Organization opened an additional line of credit with a financial institution bearing interest at 8.25% with a maturity date of June 30, 2024. The line of credit has \$1,000,000 available. The line of credit is collateralized by inventory, equipment, and investments. As of June 30, 2023, the Mission had drawn \$800,000 on the line of credit.

# LOS ANGELES MISSION, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2023 and 2022

### 9. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of:

	June 30,	
	2023	2022
Purpose restrictions:		
Women's center - pledges receivable (Notes 2 and 4)	\$ 7,794,956	\$ 7,904,138
Food services and other programs	972,780	1,224,511
Legal aid clinic	-	57,110
	<u>8,767,736</u>	<u>9,185,759</u>
Exodus Fund endowment:		
Restricted in perpetuity	529,346	529,346
Restricted by purpose	500,555	343,990
	<u>1,029,901</u>	<u>873,336</u>
Time restrictions: gifts, estates, and split interest agreements	<u>819,406</u>	<u>289,117</u>
	<u>\$ 10,617,043</u>	<u>\$ 10,348,212</u>

### 10. 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. Endowment net assets are entirely composed of endowments with donor 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, 2023 and 2022

### 10. 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,	
	2023	2022
Endowment net assets, beginning of year	\$ 873,336	\$ 988,202
Investment income (loss)	156,565	(114,866)
Endowment net assets, end of year	<u>\$ 1,029,901</u>	<u>\$ 873,336</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, 2023 and 2022.

#### 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, 2023 and 2022

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

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

	June 30,	
	2023	2022
Supplies and other	\$ 2,398,547	\$ 560,049
Clothing	114,019	1,271,435
Food	34,733	874,573
	<u>\$ 2,547,299</u>	<u>\$ 2,706,057</u>

The Mission receives various forms of GIK, including food, and non-food items such as clothing and supplies. These contributions are not donor restricted.

Food donations are utilized in all programs and shelters. Clothing and supplies are also used for in person programming and are distributed through other aspects of the program.

Contributed items received by the Organization are recorded as gift-in-kind contributions with a corresponding increase to inventory. Expenses are recognized when the items are distributed. The Mission utilized two inventory valuation methods during the years ended June 30, 2023 and 2022. These methods include (1) average current price located on publicly available websites if the donated item is a match for the website item when donated. Certain items are discounted based on age and condition. (Food is not discounted because it is used right away, and out of date and spoiled food are excluded from inventory); (2) the average price located on publicly available websites less a discount if the item donated has been used but the item located online is new.

### 12. RENTAL INCOME:

The Organization leases building space to previous tenants with total monthly rental income of approximately \$29,000, maturing through 2025. Total rental income was approximately \$236,000 and \$350,000 for the years ended June 30, 2023 and 2022, respectively. The future annual rental income, including the additional payment, is as follows:

<u>Year Ending June 30,</u>	
2024	\$ 236,000
2025	<u>115,000</u>
	<u>\$ 351,000</u>

# LOS ANGELES MISSION, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2023 and 2022

### 13. 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, 2023 and 2022, the unamortized contingent liability was \$1,411,000 and the Organization was in compliance with the terms of the grants.

### 14. 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, 2023 and 2022, 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 each of the years ended June 30, 2023 and 2022, were approximately \$50,000.

### 15. SUBSEQUENT EVENTS:

Subsequent to the year ended June 30, 2023, the Organization entered into a lease agreement, including a purchase option, with a corporation for HVAC and solar equipment. The lease requires monthly payments of \$54,724 over the next 15 years.

Subsequent events were evaluated through February 25, 2025, which is the date the consolidated financial statements were available to be issued.