THE MIDNIGHT MISSION

Financial Statements
and
Report of Independent Auditors

For the Year Ended June 30, 2016

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
The Midnight Mission
Los Angeles, California

We have audited the accompanying financial statements of The Midnight Mission, which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Midnight Mission as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Richardson Kontogouris Emerson LLP

September 19, 2016

THE MIDNIGHT MISSION

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2016

ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$	118,963
Restricted cash		228,149
Contributions and other receivables, net		283,245
Prepaid expenses and other current assets		97,521
Total current assets		727,878
INVESTMENTS		18,116,174
BENEFICIAL INTEREST IN SPLIT-INTEREST AGREEMENTS		2,543,882
PROPERTY AND EQUIPMENT, net		20,876,738
Total assets	$	42,264,672
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$	306,204
Accrued expenses		110,995
Participant savings liability		228,149
Total current liabilities		645,348
DEFERRED COMPENSATION		581,945
OBLIGATIONS UNDER SPLIT-INTEREST AGREEMENTS		585,254
NOTE PAYABLE		1,000,000
Total liabilities		2,812,547
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Unrestricted		36,819,740
Temporarily restricted		2,582,385
Permanently restricted		50,000
Total net assets		39,452,125
Total liabilities and net assets	$	42,264,672

THE MIDNIGHT MISSION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND SUPPORT				
Gifts-in-kind	$ 2,554,593	$ -	$ -	$ 2,554,593
Contributions	2,287,342	186,907	-	2,474,249
Foundation grants	222,603	200,135	-	422,738
Legacies and bequests	219,487	-	-	219,487
Government grants	197,586	-	-	197,586
Other revenue	309,134	-	-	309,134
Interest and dividends, net	395,199	962	-	396,161
Realized and unrealized gains on investments	23,875	58	-	23,933
Change in value of split-interest agreements	-	(17,955)	-	(17,955)
Net assets released from restrictions:				
Programs	68,848	(68,848)	-	-
Time	126,388	(126,388)	-	-
Total revenues and support	6,405,055	174,871	-	6,579,926
EXPENSES				
Program services:				
Mission	7,582,707	-	-	7,582,707
Family housing	369,945	-	-	369,945
Support services:				
General and administrative	856,109	-	-	856,109
Fundraising and development	798,400	-	-	798,400
Total expenses	9,607,161	-	-	9,607,161
CHANGE IN NET ASSETS	(3,202,106)	174,871	-	(3,027,235)
NET ASSETS, beginning of year	40,021,846	2,407,514	50,000	42,479,360
NET ASSETS, end of year	$ 36,819,740	$ 2,582,385	$ 50,000	$ 39,452,125

THE MIDNIGHT MISSION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2016

	Program Services			Support Services			
	Mission	Family Housing	Total Program Services	General and Administrative	Fundraising and Development	Total Support Services	Total
Salaries and benefits	$ 3,069,458	$ 238,906	$ 3,308,364	$ 699,394	$ 394,498	$ 1,093,892	$ 4,402,256
Gifts-in-kind distribution	2,554,593	-	2,554,593	-	-	-	2,554,593
Depreciation	462,213	25,349	487,562	60,262	-	60,262	547,824
Telephone and utilities	465,518	24,658	490,176	1,065	1,110	2,175	492,351
Fundraising events	18,554	6,128	24,682	2,058	196,494	198,552	223,234
Contract labor	201,280	4,997	206,277	-	-	-	206,277
Food	134,899	996	135,895	300	325	625	136,520
Repairs and maintenance	92,292	9,244	101,536	2,893	26,500	29,393	130,929
Professional fees	13,368	35,506	48,874	51,504	16,442	67,946	116,820
Printing and publications	27,560	8,310	35,870	673	66,693	67,366	103,236
Insurance	76,979	3,871	80,850	9,029	11,334	20,363	101,213
Laundry, cleaning and household supplies	97,309	1,618	98,927	-	51	51	98,978
Equipment rental	71,544	1,109	72,653	11,077	10,417	21,494	94,147
Work therapy stipend	90,256	-	90,256	-	250	250	90,506
Automobile	62,675	715	63,390	8,594	-	8,594	71,984
Direct aid and housing assistance	55,739	2,897	58,636	-	1,279	1,279	59,915
Postage	5,773	-	5,773	1,888	27,425	29,313	35,086
Office supplies	24,015	1,362	25,377	2,878	4,048	6,926	32,303
Bank charges	1,430	-	1,430	-	29,936	29,936	31,366
Taxes and licenses	21,337	2,616	23,953	-	-	-	23,953
Bad debts	15,395	-	15,395	-	-	-	15,395
Travel and entertainment	3,892	1,122	5,014	1,250	8,164	9,414	14,428
Training and seminars	8,763	-	8,763	87	3,434	3,521	12,284
Community relations	7,865	541	8,406	3,157	-	3,157	11,563
Total expenses	$ 7,582,707	$ 369,945	$ 7,952,652	$ 856,109	$ 798,400	$ 1,654,509	$ 9,607,161

THE MIDNIGHT MISSION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	(3,027,235)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation		547,824
Realized and unrealized gains on investments		(23,933)
Change in value of split-interest agreements		17,955
Changes in operating assets and liabilities:		
Restricted cash		(36,284)
Contributions and other receivables		(160,514)
Prepaid expenses and other current assets		31,491
Accounts payable		179,174
Accrued expenses		(15,391)
Participant savings liability		36,284
Deferred compensation		59,578
Net cash used in operating activities		(2,391,051)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment		(177,544)
Proceeds from split-interest agreements		53,237
Proceeds from sale of investments		10,870,161
Purchase of investments		(8,368,321)
Net cash provided by investing activities		2,377,533
NET CHANGE IN CASH AND CASH EQUIVALENTS		(13,518)
CASH AND CASH EQUIVALENTS, beginning of year		132,481
CASH AND CASH EQUIVALENTS, end of year	$	118,963

NOTE 1 - DESCRIPTION OF ORGANIZATION

The Midnight Mission, a California non-profit organization, (the "Mission") is a secular organization founded in the city of Los Angeles in 1914. The Mission seeks to assist individuals who reside in and around the "Skid Row" area of downtown Los Angeles, as well as referrals from the Los Angeles County area. The Mission operates three programs:

- *Guest Services*, which provides more than 1,000,000 meals per year to homeless individuals and families, along with supportive services, including showers, restrooms, medical care, hygiene kits, food bags, clothing and emergency shelter for street residents and nearby low-income housing;

- *Healthy Living Program* for men, with 278 beds within the main facility, including sobriety support groups, education, employment training, health and wellness services, and life skills courses;

- *Homelight Family Living Program* in Inglewood, California, with 37 beds in eleven apartments for homeless families and children, with individualized case management, professional services, work force development, budgeting, and other life skills.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The accompanying financial statements of the Mission have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial statement presentation

The Mission is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets, which are described as follows:

Unrestricted - Net assets that are not subject to explicit donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors of the Mission.

Temporarily restricted - Net assets whose use by the Mission is subject to either explicit donor-imposed stipulations, or by operation of law that can be fulfilled by actions of the Mission or that expire by the passage of time.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial statement presentation (continued)

Permanently restricted - Net assets subject to explicit donor-imposed stipulations that they be maintained permanently by the Mission and stipulate the use of income and/or appreciation as temporarily restricted based on donor-imposed stipulations or by operation of law.

Concentrations

Financial instruments, which potentially subject the Mission to concentrations of credit risk, consist primarily of cash and cash equivalents at financial institutions. The Mission maintains its cash and cash equivalents with high-credit quality financial institutions. At times, such amounts may exceed federally insured limits.

The Mission's investments are subject to various risks, such as interest rate, credit and overall market volatility risks. Further, because of the significance of the investments to the Mission's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements. Management is of the opinion that the diversification of its invested assets among the various asset classes should mitigate the impact of changes.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and all highly liquid investments with an initial maturity at date of purchase of three months or less that are available for current use.

Restricted cash limited to participant savings liability

Restricted cash represents cash held by the Mission on behalf of its program participants, with an equal participant savings liability reported on the accompanying statement of financial position. Amounts may be withdrawn by the participants at their discretion.

Contributions and other receivables

Pledges receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Mission provides for losses on receivables using the allowance method. The allowance is based on experience and other circumstances, which may affect the ability of the donor to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Mission's policy to charge off uncollectible receivables when management determines the receivable will not be collected.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments are reported at their fair values in the statement of financial position. Realized and unrealized gains and losses are included in the statement of activities.

Property and equipment

Property and equipment is carried at cost or fair value on the date of donation, net of accumulated depreciation.

Cost of normal maintenance and repairs and minor replacements are charged to expense when incurred. Major replacements or betterments of properties are capitalized.

Depreciation

Depreciation of property and equipment is provided using the straight-line method over the assets' estimated useful lives of three to fifty years.

Impairment of long-lived assets

When facts and circumstances indicate that the carrying values of long-lived assets may be impaired, the Mission performs an evaluation of recoverability by comparing the carrying values of the assets to projected future cash flows in addition to other quantitative and qualitative analyses. No impairment charges were recorded for the year ended June 30, 2016.

Revenue recognition

Contributions

Contributions received, consisting of gifts and grants, are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor restrictions. Contributions for which donors have imposed restrictions which limit the use of the donated assets are reported as restricted support if the restrictions are not met in the same reporting period. When such donor imposed restrictions are met in subsequent reporting periods, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. Contributions of assets which donors have stipulated must be maintained permanently, with only the income earned thereon available for current use, are classified as permanently restricted net assets.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (continued)

Contributions (continued)

Contributions for which donors have not stipulated restrictions, as well as contributions for which donors have stipulated restrictions but which are met within the same reporting period, are reported as unrestricted support.

Unconditional promises to give, with payments due in future periods, are reported as restricted support when the promises are received. 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 stipulation, the Mission reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Conditional promises to give, which depend on the occurrence of a specified future and uncertain event to bind the promisor, are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

Other

All non-contribution revenues are recognized when earned.

Contributed goods and services

The Mission receives various donated products such as food, hygiene items and medical supplies, which are used to provide services to the poor and homeless. The receipt of donated products by the Mission is recorded at fair value and reflected as gifts-in-kind and included in revenues and support in the accompanying statement of activities and as gifts-in-kind distribution expense in the accompanying statement of functional expenses. For the year ended June 30, 2016, gifts-in-kind totaled $2,554,593.

A substantial number of volunteers have donated significant amounts of their time to the Mission and its programs; however, these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

Functional allocation of expenses

The costs of providing various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes

The Mission is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the Revenue Taxation Code of California. While tax-exempt organizations pay tax on unrelated business income, the Mission has reported no such income. Accordingly, no provision for income taxes is included in the accompanying statement of activities. The Mission has no unrecognized tax benefits at June 30, 2016.

The Mission's federal income tax returns are subject to examination by the Internal Revenue Service for a period of three years from the filing of a federal return. California income tax returns are subject to examination by the Franchise Tax Board for a period of four years from the filing of a return.

If applicable, the Mission recognizes interest and penalties associated with tax matters as part of income tax expense, and includes accrued interest and penalties with accrued expenses in the statement of financial position.

Use of estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities in the financial statements and accompanying notes. Actual results could differ from those estimates.

NOTE 3 - CONTRIBUTIONS AND OTHER RECEIVABLES

At June 30, 2016, contributions and other receivables are recorded net of an allowance for uncollectible accounts of $14,702. All receivables outstanding at June 30, 2016 are due within one year of the financial position date.

NOTE 4 - INVESTMENTS

At June 30, 2016, investments consist of the following:

Exchange traded funds:		
Intermediate-term bond	$	3,535,895
Large-cap value		3,349,399
Large-cap growth		2,572,695
Foreign large-cap blend		992,860
Foreign small-cap blend		992,276
Small-cap value		877,468
World bond		876,650
Small-cap growth		856,791
Emerging markets		708,824
Mid-cap value		440,991
Mid-cap growth		430,284
Short-term government		279,977
Mutual funds - short-term bonds		1,683,575
Money market funds		471,799
Cash		46,690
	$	18,116,174

NOTE 5 - SPLIT-INTEREST AGREEMENTS

The Mission has been named as the beneficiary of, and received income from, several trust agreements for which a third party has been named the trustee. The Mission has recorded in the statement of financial position the present value of all future and residual amounts to be received based on the discounted value of the underlying assets and the life expectancies of the primary beneficiaries. The portion of the trust attributable to the Mission is recorded in the statement of activities as a temporarily restricted contribution in the period the trust was established and the Mission notified.

NOTE 5 - SPLIT-INTEREST AGREEMENTS (Continued)

The Mission has also been designated as the trustee for certain irrevocable split-interest agreements, consisting of charitable remainder trusts. The charitable remainder trust agreements require the Mission to make annual payments to the trust beneficiaries based on stipulated payment rates of 5% of the fair value of the trust assets, as determined annually. Upon the death of the beneficiaries, the remaining trust assets will be distributed by the Mission to itself. The fair value of the trust assets has been included in the Mission's statement of financial position as beneficial interest in split-interest agreements, and a corresponding liability has been recorded to reflect the present value of required lifetime payments and remaining obligation to the named beneficiaries using 5% discount rates at June 30, 2016. The difference between the fair value of the assets received and the present value of the obligation to the named beneficiaries under the agreements is recognized as a temporarily restricted contribution in the accompanying statement of activities. Realized and unrealized gains and losses, interest and dividend income from the investments and payments of the obligations are reflected as adjustments to obligations under split-interest agreements in the accompanying statement of financial position. Amortization of discounts and changes in actuarial assumptions are reflected in the statement of activities as a change in value of split-interest agreements.

There were no contributions received for new split-interest agreements during the year ended June 30, 2016.

NOTE 6 - PROPERTY AND EQUIPMENT

At June 30, 2016, property and equipment consists of the following:

Buildings	$ 21,677,361
Land	4,201,365
Furniture and equipment	3,327,692
Vehicles	258,127
	29,464,545
Less accumulated depreciation	(8,587,807)
	$ 20,876,738

NOTE 7 - FAIR VALUE MEASUREMENTS

The Mission values its financial instruments and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Assets measured at fair value on a recurring basis at June 30, 2016 are as follows:

	Level 1	Level 2	Level 3	Total
Exchange traded funds	$ 15,914,110	$ -	$ -	$ 15,914,110
Mutual funds	1,683,575	-	-	1,683,575
Money market funds	-	471,799	-	471,799
Beneficial interest in split-interest agreements	-	1,487,066	1,056,816	2,543,882
Totals	$ 17,597,685	$ 1,958,865	$ 1,056,816	$ 20,613,366

Valuations of exchange traded funds and mutual funds are obtained from real-time quotes for transactions in active exchange markets involving identical assets. Money market funds are valued based on investment yield. Valuations of beneficial interest in split-interest agreements are determined based on the discounted value of the underlying assets and the life expectancies of the primary beneficiaries. For the year ended June 30, 2016, there have been no changes in the valuation methodologies.

NOTE 7 - FAIR VALUE MEASUREMENTS (Continued)

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Mission believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	Beneficial interest in split-interest agreements
Balance, beginning of year	$ 1,126,039
Change in value of split-interest agreements	(15,986)
Proceeds from split-interest agreements	(53,237)
Balance, end of year	$ 1,056,816

For the year ended June 30, 2016, the decrease in value for Level 3 split-interest agreements held at June 30, 2016 was $15,986.

The Mission's policy is to recognize transfers in and transfers out as of the actual date of the event or change in circumstance that caused the transfer. There were no transfers during the year ended June 30, 2016.

The following table represents the Mission's Level 3 financial instruments, the valuation techniques used to measure the fair value of those financial instruments and the significant unobservable inputs and the ranges of values for those inputs:

Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values	Weighted Average
Beneficial interest in perpetual trusts held by others	$ 1,056,816	Valuation of underlying assets as provided by trustee	Base price	N/A	N/A

NOTE 8 - RETIREMENT PLANS

Deferred compensation plans

The Mission maintains a deferred compensation plan whereby a long-term employee, upon his retirement, will receive $25,000 per year for the rest of his life. At June 30, 2016, the present value of the estimated future obligation is $125,458.

The Mission also maintains deferred compensation plans for the benefit of two executives, whereby the Mission makes annual contributions of $21,500 to the plan for each executive. Contributions under this plan are paid into a separate investment account established by the Mission under the plan. These contributions, together with the earnings, are payable to the executives. At June 30, 2016, net contributions and earnings on investments in the plan total $456,487.

403(b) Plan

The Mission maintains a 403(b) plan covering eligible employees. The Mission does not make contributions under the plan.

NOTE 9 - NOTE PAYABLE

The Mission received a Federal Home Loan Bank grant on April 28, 2006 in the amount of $1,000,000 to support the Mission's affordable housing program. The grant is subject to certain restrictions and conditions during its fifteen-year term. In the event of the Mission's noncompliance, the full amount or portion thereof is required to be repaid. The grant is secured by a trust deed on the Mission's main facility. Upon the termination of the set time period, May 1, 2021, the lender shall absolve obligations of repayment if the Mission has complied with all restrictions and conditions. If the obligation is not forgiven, interest shall then begin to accrue on any amount unpaid based on 5% per annum in excess of the U.S. Treasury rate. Management believes the Mission is in compliance with the terms of the grant.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Self-insurance programs

Unemployment compensation

The Mission is self-insured for state unemployment compensation. The Mission has recorded a liability of $15,000 at June 30, 2016 for unemployment compensation, which is included in accrued expenses in the accompanying statement of financial position.

NOTE 10 - COMMITMENTS AND CONTINGENCIES (Continued)

Self-insurance programs (continued)

Workers' compensation

The Mission is insured for workers' compensation liability as a member of a not-for-profit mutual benefit corporation (the "Group"), which provides a pooled shared risk workers' compensation insurance program to enable member not-for-profit organizations to self-insure their workers' compensation liability exposure for up to $500,000 per claim and occurrence. In accordance with the Group's bylaws, each member is jointly and severally liable for expenses and obligations of the Group and for the workers' compensation liability of all members, and the Group can charge its members an assessment in excess of regular premiums if the Group has insufficient reserves for potential losses. As of June 30, 2016, no assessment has been made, and the Mission has not recorded a liability for workers' compensation obligations.

Operating leases

The Mission leases certain equipment under a non-cancellable operating lease agreement expiring in September 2018. The Mission also leases certain equipment under month-to-month agreements. Total rent expense under these leases was $94,147 for the year ended June 30, 2016. The following is a schedule by years of future minimum payments required under the leases:

Years ending June 30,		
2017	$	59,592
2018		59,592
2019		9,932
	$	129,116

Contingencies

The Mission is subject to certain claims that arise out of the normal operations of the Mission. In the opinion of management, the Mission has sufficient liability insurance to cover any such claims, and these matters will not have material effect on the financial position of the Mission if disposed of unfavorably.

NOTE 11 - RESTRICTED NET ASSETS

At June 30, 2016, temporarily restricted net assets are available for the following purposes:

Time, split-interest agreements	$	1,958,628
Time		471,480
Programs		102,277
Capital improvements		50,000
Totals	$	2,582,385

NOTE 12 - ENDOWMENTS

The Mission's endowment consists of donor-restricted funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

The Mission has interpreted the State of California Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Mission classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Mission in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Mission considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the Mission and donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Mission and (7) the Mission's investment policies.

NOTE 12 - ENDOWMENTS (Continued)

Investment return objectives, risk parameters and strategies

The Mission has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix that is intended to achieve an average net annual rate of return of the consumer price index plus 4.5%. Actual returns in any given year may vary. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending policy

The Mission has a policy of appropriating for distribution each year up to 4% of its endowment fund’s average fair value of the prior sixty months. In establishing this policy, the Mission considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation.

Endowment composition

Endowment net asset composition by type of fund as of June 30, 2016 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 2,142	$ 50,000	$ 52,142

NOTE 12 - ENDOWMENTS (Continued)

Endowment activity

The following table summarizes the activity affecting endowment net assets for the year ended June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Endowment net assets, beginning of year	$ -	$ 4,970	$ 50,000	$ 54,970
Investment income	-	1,020	-	1,020
Appropriated for expenditure	-	(3,848)	-	(3,848)
Endowment net assets, end of year	$ -	$ 2,142	$ 50,000	$ 52,142

As of June 30, 2016, there were no deficiencies of donor-restricted endowment funds.

NOTE 13 - SUBSEQUENT EVENTS

Subsequent events have been evaluated by the Mission through September 19, 2016, which is the date the financial statements were available to be issued.