THE MIDNIGHT MISSION

Financial Statements

Year ended June 30, 2020

(With Independent Auditor’s Report Thereon)

THE MIDNIGHT MISSION
Financial Statements
Year ended June 30, 2020

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS:	
Statement of Financial Position	3
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	8
Notes to the Financial Statements	9

DavisFarr
CERTIFIED PUBLIC ACCOUNTANTS

Davis Farr LLP
18201 Von Karman Avenue | Suite 1100 | Irvine, CA 92612
Main: 949.474.2020 | Fax: 949.263.5520

Independent Auditor's Report

Board of Directors
The Midnight Mission
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of The Midnight Mission (a California non-profit organization), which comprise the statement of financial position as of June 30, 2020, 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.

Auditor's 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.

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, 2020, 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.

Emphasis of a Matter

The financial statements for the year ended June 30, 2020 reflect certain prior period adjustments as described further in note 14 to the financial statements. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

The financial statements of The Midnight Mission for the year ended June 30, 2019 were audited by other auditors whose report dated January 21, 2020, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Davis Farr LLP

Irvine, California
January 25, 2021

THE MIDNIGHT MISSION
Statement of Financial Position
June 30, 2020
(with comparative totals as of June 30, 2019)

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	$ 2,739,599	554,004
Restricted cash	82,646	109,349
Accounts receivable	469,277	1,010,886
Contributions receivable	-	120,000
Prepaid expenses and other current assets	78,066	132,625
Total current assets	3,369,588	1,926,864
Investments (notes 5 and 6)	21,903,499	21,982,623
Beneficial interests in split-interest agreements (notes 4 and 6)	1,662,458	1,622,773
Property and equipment, net (note 7)	20,199,830	20,018,159
Total assets	$ 47,135,375	45,550,419
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 733,676	573,962
Accrued expenses	506,487	153,522
Participant savings liability	82,646	109,349
Deferred revenue	448,950	500,283
Current portion of notes payable (note 9)	1,000,000	-
Total current liabilities	2,771,759	1,337,116
Deferred compensation (note 8)	113,233	204,342
Obligations under split-interest agreements (note 4)	530,131	559,014
Noncurrent liabilities (note 9):		
Forgivable notes payable	1,387,059	-
Note payable, net of current portion	-	1,000,000
Total noncurrent liabilities	1,387,059	1,000,000
Total liabilities	4,802,182	3,100,472
Net assets:		
Without donor restrictions	40,016,068	39,818,515
With donor restrictions (note 12)	2,317,125	2,631,432
Total net assets	42,333,193	42,449,947
Total liabilities and net assets	$ 47,135,375	45,550,419

See accompanying notes to financial statements.

(This page intentionally left blank)

THE MIDNIGHT MISSION
Statement of Activities
Year ended June 30, 2020
(with comparative totals for the year ended June 30, 2019)

	Without Donor Restrictions	With Donor Restrictions	Totals 2020	Totals 2019
Support and revenue:				
Contributions	$ 3,809,704	-	3,809,704	3,148,798
Legacies and bequests	969,063	-	969,063	1,295,889
Gifts-in-kind	2,222,168	-	2,222,168	2,673,013
Government contract revenue	5,505,910	-	5,505,910	3,935,293
Foundation grants	688,642	-	688,642	391,451
Interest and dividends, net	483,636	1,369	485,005	532,071
Realized and unrealized gains on investments	143,400	406	143,806	1,014,364
Change in value of split-interest agreements	-	34,002	34,002	92,953
Other revenues	481,311	-	481,311	468,904
Subtotal support and revenue	14,303,834	35,777	14,339,611	13,552,736
Net assets released from donor restrictions	410,287	(410,287)	-	-
Total support and revenue	14,714,121	(374,510)	14,339,611	13,552,736
Expenses:				
Program services:				
Mission	12,546,007	-	12,546,007	10,764,917
Family living	297,816	-	297,816	329,125
Support services:				
Management and general	1,000,980	-	1,000,980	995,008
Fundraising and development	692,285	-	692,285	883,868
Total expenses	14,537,088	-	14,537,088	12,972,918
Change in net assets	177,033	(374,510)	(197,477)	579,818
Net assets at beginning of year, as restated (note 14)	39,839,035	2,691,635	42,530,670	41,870,129
Net assets at end of year	$ 40,016,068	2,317,125	42,333,193	42,449,947

See accompanying notes to financial statements.

THE MIDNIGHT MISSION
Statement of Functional Expenses
Year ended June 30, 2020
(with comparative totals for the year ended June 30, 2019)

	Program Services		
	Mission	**Family Living**	**Total Program Services**
Salaries and employee benefits	$ 6,639,938	206,110	6,846,048
Distributed food and supplies	2,202,022	-	2,202,022
Depreciation	652,548	24,653	677,201
Contract labor	613,571	5,937	619,508
Telephone and utiltiies	566,776	30,076	596,852
Professional fees	80,034	-	80,034
Fundraising events, net	52,375	2,723	55,098
Repairs and maintenance	497,524	14,814	512,338
Laundry, cleaning and household	189,970	2,901	192,871
Printing and publications	154,309	-	154,309
Automobile	96,483	-	96,483
Equipment rental	92,285	2,358	94,643
Insurance	183,022	-	183,022
Work therapy stipend	94,037	-	94,037
Food	71,305	1,785	73,090
Direct aid and housing assistance	108,707	36	108,743
Office supplies	192,840	1,919	194,759
Postage	9,744	-	9,744
Bank charges	4,005	-	4,005
Taxes and licenses	28,123	2,978	31,101
Community relations	4,381	675	5,056
Travel and entertainment	4,008	851	4,859
Training and seminars	8,000	-	8,000
Bad debt	-	-	-
Total	$ 12,546,007	297,816	12,843,823

See accompanying notes to financial statements.

THE MIDNIGHT MISSION
Statement of Functional Expenses
Year ended June 30, 2020
(Continued)

	Support Services			Total Expenses	
	Management and General	**Fundraising**	**Total Support Services**	**2020**	**2019**
Salaries and employee benefits	703,034	361,273	1,064,307	7,910,355	6,593,424
Distributed food and supplies	-	-	-	2,202,022	2,552,435
Depreciation	775	-	775	677,976	660,754
Contract Labor	27,362	-	27,362	646,870	605,542
Telephone and utiltiies	200	943	1,143	597,995	600,922
Professional fees	219,264	3,543	222,807	302,841	298,133
Fundraising events, net	-	111,919	111,919	167,017	276,288
Repairs and maintenance	9,130	33,140	42,270	554,608	200,349
Laundry, cleaning and household	-	-	-	192,871	179,783
Printing and publiciations	80	72,405	72,485	226,794	161,809
Automobile	134	-	134	96,617	143,062
Equipment rental	13,417	6,314	19,731	114,374	121,608
Insurance	-	-	-	183,022	113,337
Work therapy stipend	638	890	1,528	95,565	105,873
Food	5,052	-	5,052	78,142	91,240
Direct aid and housing assistance	518	-	518	109,261	73,203
Office supplies	13,331	1,450	14,781	209,540	67,477
Postage	1,969	43,561	45,530	55,274	35,892
Bank charges	-	35,317	35,317	39,322	22,646
Taxes and licenses	4,111	-	4,111	35,212	22,361
Community relations	345	42	387	5,443	18,660
Travel and entertainment	602	1,488	2,090	6,949	11,076
Training and seminars	1,018	-	1,018	9,018	11,015
Bad debt	-	20,000	20,000	20,000	6,029
Total	1,000,980	692,285	1,693,265	14,537,088	12,972,918

See accompanying notes to financial statements.

THE MIDNIGHT MISSION

Statement of Cash Flows
Year ended June 30, 2020
(with comparative totals for the year ended June 30, 2019)

	2020	2019
Cash flows from operating activities:		
Increase (decrease) in net assets	$ (197,477)	579,818
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	677,976	660,754
Realized and unrealized gains on investments	(143,806)	(1,014,364)
Changes in value of split-interest agreements	(34,002)	(40,852)
Changes in operating assets and liabilities:		
Accounts receivable	669,942	310,409
Contributions receivable	120,000	78,226
Prepaid expenses and other current assets	54,559	(1,792)
Accounts payable	159,714	146,755
Accrued expenses	328,864	(6,474)
Participant savings liability	(50,212)	109,349
Deferred revenue	(51,333)	246,618
Deferred compensation	(91,109)	43,556
Net cash provided (used) by operating activities	1,443,116	1,112,003
Cash flows from investing activities:		
Purchase of fixed assets	(722,880)	(427,358)
Proceeds from sale of investments	1,650,808	2,162,924
Purchases of investments	(1,462,444)	(2,439,926)
Net cash flows provided (used) by investing activities	(534,516)	(704,360)
Cash flows from financing activities:		
Proceeds from notes payable	1,250,292	-
Net cash flows provided (used) by financing activities	1,250,292	-
Net increase (decrease) in cash and cash equivalents	2,158,892	407,643
Cash and cash equivalents at beginning of year	663,353	255,710
Cash and cash equivalents at end of year	$ 2,822,245	663,353

There were no significant noncash financing or investing activities for the years ended June 30, 2020 and 2019

See accompanying notes to financial statements.

(1) Nature of Organization

The Midnight Mission (the "Mission"), a California non-profit organization, is a secular organization founded in the city of Los Angeles in 1914. The Midnight Mission seeks to assist individuals and families who are experiencing homelessness in and around Los Angeles City and County effectively deal with the issues that may have contributed to or caused their homelessness, and achieve stability and self-sufficiency in appropriate housing. The Midnight Mission operates several programs:

1. The *Crisis & Bridge Housing Program* and *Interim Housing Program* programs are in the main facility and provide 150 beds of short-term and medium-term shelter and housing to women and men. The program is low-barrier and uses principles of Harm Reduction, Housing First, and Trauma-Informed care while leveraging a wide array of resources provided on site or through community partners. The program is designed to assist in ending participants episode of homelessness and achieve stability in housing.

2. The *Courtyard in Orange County Program* is a 425-bed Crisis and Bridge Housing program in the County of Orange that blends community, government, and philanthropic support to provide a safe residential program, a drop-in center for bathing, laundry, social, and health and wellness services and meals. The program is a low-barrier program providing connections to additional services through progressive engagement and in-reach activities.

3. *Meals & Basic Need Services* provides nearly 1,000,000 meals per year in the main facility to homeless and near-homeless individuals and families, along with supportive services including showers, restrooms, hygiene kits, health and wellness services, food bags, emergency shelter, clothing, and connection to other needed services.

4. *Homelight Family Living Program* ("*HFL*") has 37 beds in 11 apartments separate from the main facility and Orange County Program and serves families with minor children experiencing homelessness. *HFL* provides support in obtaining employment, counseling, educational intervention for children, and other services needed to keep the family intact while reducing the trauma of homelessness. The program is designed to assist families to achieve stability and self-sufficiency.

5. *Healthy Living Program for Men* is a 12-step based program with 92 beds serving primarily homeless men and is in the main facility. The program includes sober residential living with sobriety support groups, education, employment training, health and wellness services, and life skills courses designed to help men achieve a sober and self-sufficient future.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The 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.

(b) 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.

(c) 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.

(d) Accounts and Contributions Receivable

Accounts and contributions receivable are stated as unpaid balances, less an allowance for doubtful accounts. Management evaluates the ability to collect receivables based on a combination of factors. An allowance for doubtful accounts is maintained based on the length of time receivables are past due and other factors. It is the Mission's policy to write off uncollectible receivables when management determines the receivable will not be collected. As of June 30, 2020, management determined a reserve for uncollectible accounts receivable is not necessary.

(e) Investments

The Mission invests cash in excess of its immediate needs in accordance with its investment policy. Certain investments are reported at fair value. Net appreciation (depreciation) in the fair value of investments, which consists of the realized and unrealized gains or losses on those investments, is shown in the Statement of Activities. Investment expenses are reported net of investment income.

(f) Property and Equipment

Property and equipment are recorded at cost, or in the case of donated items, at estimated fair value at the date of the gift. Maintenance and repairs are expensed when incurred and betterments are capitalized. Property and equipment are depreciated using the straight-line method over their

(2) Summary of Significant Accounting Policies (Continued)

estimated useful lives of one to forty-five years. It is the policy of the Mission to capitalize all assets $1,000 and greater with a useful life of more than 1 year.

Property and equipment are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements in the current period.

(g) Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting for the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net Assets With Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor's instructions.

The Mission's unspent contributions are included in this class if the donor limited their use. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

(2) Summary of Significant Accounting Policies (Continued)

(h) Classification of Transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions. Net gains on endowment investments increase net assets with donor restrictions, and net losses on endowment investments reduce that net asset class.

(i) Contributions

Contributions received, consisting of gifts and grants, are recorded 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 with donor restrictions if the restrictions are not met in the same reporting period. When such donor-imposed restrictions are met in subsequent reporting periods, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 net assets with donor restrictions.

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 without donor restrictions.

Unconditional promises to give, with payments due in future periods, are reported as with donor restrictions when the promises are received. Gifts of land, buildings and equipment are reported as without donor restrictions 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 with donor restrictions. 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.

(j) Government Contract Revenue

The Mission has contracts with certain governmental agencies to provide public services. Revenue is recognized in the period services are provided.

(2) Summary of Significant Accounting Policies (Continued)

(k) 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 Mission also receives donated advertising space. 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 distributed food and supplies in the accompanying statement of functional expenses. For the year ended June 30, 2020, the Mission received total gifts-in-kind of $2,222,168, consisting of donated products, and advertising with estimated fair values of $2,200,329 and $21,839, respectively.

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.

(l) Other Revenues

Other revenues are recognized when earned.

(m) Deferred Revenue

Deferred revenue arises from upfront payments made by governmental agencies prior to services being provided by the Mission.

(n) Functional Allocation of Expenses

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

(o) Income Tax

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(b) of the Revenue Taxation Code of California.

The Mission has no unrecognized tax benefits at June 30, 2020. 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.

(2) Summary of Significant Accounting Policies (Continued)

(p) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the Mission's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

(q) Prior Year Data

Selected information regarding the prior year has been included in the accompanying financial statements. Certain reclassifications have been made to prior year amounts to conform to the current year presentation. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Mission's prior year financial statements, from which this selected financial data was derived.

(3) Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2020 are as follows:

Financial assets:	
Cash and cash equivalents	$ 2,739,599
Restricted cash	82,646
Accounts receivable	469,277
Investments	20,837,263
Investments - beneficial interest in trust	1,066,236
Beneficial interest in trust	1,662,458
Total financial assets	26,857,479
Less financial assets held to meet donor-imposed restrictions:	
Restricted cash	(82,646)
Purpose restricted	(60,203)
Endowment	(58,359)
Beneficial interest in trust	(2,728,694)
Board designations - operating reserves	(20,003,772)
Amount available for general expenditures within one year	$ 3,923,805

(3) Liquidity and Availability (Continued)

The Mission regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also seeking to maximize the investment of its available funds. The Mission is substantially supported by contributions without donor restrictions. As part of the Mission's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

The Mission has various sources of liquidity at its disposal, including cash and cash equivalents and marketable securities. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Mission considers funds and contributions restricted by time only and expected to be collected in the next fiscal year as available for general expenditures.

The Mission's investments are held for operations and endowments. The entire investment portfolio consists of highly-liquid investments. The Mission maintains a policy of appropriating for distribution each year up to 4% of the investments' average fair value of the prior sixty months.

(4) 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 contribution with donor restrictions in the period the trust was established and the Mission is notified.

The fair value of beneficial interest in split-interest agreements consists of the following:

Beginning balance*	$	1,622,773
Change in value of assets		(13,424)
Cash receipts		53,109
Ending balance	$	1,662,458

*During the current year there was a reclassification of amounts from beneficial interest in split-interest agreements to investments in the amount of $1,100,802 for split-interest agreements where the Mission is the trustee and holds the investments.

The Mission is trustee for certain 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 retained by the Mission.

(4) Split Interest Agreements (Continued)

The fair value of the trust assets has been included in the Mission's statement of financial position as investments, 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, 2020. 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 contribution with donor restrictions 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.

The fair value of the trust investments, cash and obligations under split-interest agreements consist of the following:

Investments	$ 1,057,025
Cash	9,211
Obligations under split-interest agreements	530,131

(5) Investments

Investments at June 30, 2020 consisted of the following:

Exchange traded funds:	
Intermediate-term bond	$ 4,845,868
Large-cap value	3,385,353
Large-cap growth	3,334,070
Foreign large cap-blend	1,130,387
World bond	1,076,804
Small cap-growth	2,127,711
Small cap-value	828,438
Emerging markets	780,865
Mid cap-growth	530,862
Mid cap-value	432,550
Short-term government	302,185
Total exchange traded funds	18,775,093
Mutual funds - short-term bonds	1,770,853
Money market funds	300,528
Subtotal	20,846,474
Beneficial interest in trust:	
Exchange traded funds:	
Intermediate-term bond	$ 328,593
Large-cap value	180,728
Large-cap growth	180,587
Foreign large cap-blend	59,666
World bond	37,261
Small cap-growth	114,219
Small cap-value	43,537
Emerging markets	59,504
Mid cap-growth	29,418
Mid cap-value	23,512
Total Beneficial interest in trust	1,057,025
Total Investments	$ 21,903,499

(6) Fair Value Measurements

Certain assets and liabilities are reported at fair value based on a fair value hierarchy that distinguishes between assumptions based on market data (observable inputs) and the Mission's assumptions (unobservable inputs). Determining where an asset or liability falls within that hierarchy depends on the lowest level input that is significant to the fair value measurement as a whole. An adjustment to the pricing method used within either Level 1 or Level 2 inputs could generate a fair value measurement that effectively falls in a lower level in the hierarchy. The hierarchy consists of three broad levels as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

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, 2020 are as follows:

	Level 1	Level 2	Level 3	Total
Exchange traded funds	$ 18,775,093	-	-	18,775,093
Mutual funds	1,770,853	-	-	1,770,853
Money market funds	300,528	-	-	300,528
Total	20,846,474	-	-	20,846,474
Beneficial interests in trusts -				
Exchange traded funds	1,057,025	-	-	1,057,025
Beneficial interests in trusts	-	-	1,662,458	1,662,458
Total	$ 21,903,499	-	1,662,458	23,565,957

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. Beneficial interests in charitable remainder trusts are reported as Level 2 measurements in the above table, as the Mission will eventually receive distribution of the trust's assets. Beneficial interests in perpetual trusts are reported as Level 3 measurements, as the Mission will never receive the trust's assets. For the year ended June 30, 2020, there have been no changes in the valuation methodologies.

(6) 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.

The Beneficial Interest in Trusts is measured at fair value on a recurring basis using significant unobservable inputs (Level 3). The fair value is based on the Mission's expected share of the underlying assets provided by the trustee. Changes in the fair value of Beneficial Interest in Trusts are as follows:

Beginning Balance	$ 1,176,656
Change in value of assets	432,693
Cash receipts	53,109
Ending balance	$ 1,662,458

(7) Property and Equipment

At June 30, 2020, property and equipment consists of the following:

Buildings	$ 21,902,037
Land	4,201,365
Furniture and equipment	3,519,790
Vehicles	823,493
Construction-in-progress	746,311
	31,192,996
Less accumulated depreciation	(10,993,166)
	$ 20,199,830

Depreciation expense for the year ended June 30, 2020 was $677,976.

(8) Retirement Plans

(a) Deferred Compensation Plans

The Mission maintains two deferred compensation plans for the benefit of an executive, whereby the Mission makes annual contributions of $26,000 and $35,100, respectively, to the plans for the executive. Contributions under this plan are paid into separate investment accounts established by the Mission under the plan. These contributions, together with the earnings, are payable to the executive upon retirement. At June 30, 2020, the liability for these deferred compensation plans is $113,233.

(b) 403(b) Plan

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

(9) Notes Payable

Notes payable consisted of the following as of June 30, 2020:

Forgivable Notes

On January 17, 2019, The Mission entered into an agreement with the City of Los Angeles in which the City would reimburse costs incurred by The Mission for new construction of housing for individuals and families experiencing homelessness under Proposition HHH up to $3,100,000. Upon completion of the construction of the housing units, the reimbursed amounts will convert to a forgivable loan. The loan will be forgiven over 15 years as long as the property is used for the purpose specified in the note. Total amounts reimbursed as of June 30, 2020 was $136,738.

On April 8, 2020, The Mission received loan proceeds in the amount of $1,250,321 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after 24 weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the 24 week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The bank subsequently extended the first payment until April 1, 2021. The Mission intends to use the proceeds for purposes consistent with the PPP. The Mission applied for forgiveness in December 2020 and believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan.

Notes 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, on 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.

(10) Concentrations

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

For the year ended June 30, 2020, government contract revenue is generated from two municipalities and accounts for approximately 39% of the Mission's total revenues and support. At June 30, 2020, these two municipalities account for approximately 91% of the Mission's accounts receivable.

(11) Commitments and Contingencies

(a) 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, 2020, no assessment has been made, and the Mission has not recorded a liability for workers' compensation obligations.

(b) Operating Leases

The Mission leases certain equipment under a non-cancellable operating lease agreement expiring in February 2022. The Mission also leases certain equipment under month-to-month agreements. Total rent expense under these leases was $40,824 for the year ended June 30, 2020. The following is a schedule by years of future minimum payments required under the lease:

Years ending June 30,	
2021	$ 40,824
2022	23,814
Total	$ 64,638

(c) 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.

(11) Commitments and Contingencies (Continued)

(d) Uncertainties

On March 19, 2020, the State of California issued a stay at home order to combat the spread of COVID-19, restricting travel and various business operations. COVID-19 and the measures taken by the County, State, and the Federal Government to reduce the spread and transmission of the disease have resulted in economic uncertainties which negatively impacted The Mission. Management has not been able to determine the potential outcome or impairment to the Organization as of the date of the issuance of the financial statements. The Organization has not included any contingencies in the financial statements specific to the COVID-19 pandemic.

(12) Restricted Net Assets

At June 30, 2020, net assets with donor restrictions are available for the following purposes:

Purpose restricted	$ 60,203
Time:	
Split-interest agreements	2,198,563
Endowment	8,359
	2,206,922
Endowment, original gifts	50,000
	$2,317,125

(13) Endowments

The Mission's endowment consists of funds with donor restrictions received from an estate in 2010. 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 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 Mission classifies earnings from the endowment fund as restricted for time until those amounts are appropriated for expenditure by the Mission in a manner consistent with the standard of prudence prescribed by UPMIFA.

(13) Endowments (Continued)

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.

(a) 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%. 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.

(b) 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.

(c) Endowment Composition

Endowment net asset composition by type of fund as of June 30, 2020 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds	$ -	58,359	58,359

(d) Endowment Activity

The following table summarizes the activity affecting endowment net assets for the year ended June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ -	58,942	58,942
Investment income	-	1,775	1,775
Appropriated for expenditure	-	(2,358)	(2,358)
Endowment net assets, end of year	$ -	58,359	58,359

(14) Prior Period Adjustments

There were four prior period adjustments to the following accounts: 1) accounts receivable, 2) accrued expenses, to record accrued vacation, and 3) participant savings liability and 4) to record restricted contributions received in a prior year, to correct prior year balance. Prior period adjustments are summarized as follows:

	Without Donor Restrictions	With Donor Restrictions
Net assets at beginning of year	$ 39,818,515	2,631,432
Accounts receivable	128,333	-
Accrued expenses	(24,101)	-
Participant savings liability	(23,509)	-
Restricted contributions	(60,203)	60,203
Net assets as restated	$ 39,839,035	2,691,635

(15) Subsequent Events

Subsequent events have been evaluated by management through January 25, 2021, which is the date the financial statements were available to be issued. The Mission received approval for an extension on payments for the PPP loan until April 1, 2021. The Mission applied for forgiveness in December 2020 and believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan.