

THE MIDNIGHT MISSION

Financial Statements

Year ended June 30, 2025

(With Independent Auditor's Report Thereon)

THE MIDNIGHT MISSION
Financial Statements
Year ended June 30, 2025

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	7
Notes to the Financial Statements	8

Independent Auditor's Report

Board of Directors
The Midnight Mission
Los Angeles, California

Report on the Audit of the Financial Statements

Opinion

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, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Midnight Mission as of June 30, 2025 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Midnight Mission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Midnight Mission's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 GAAS 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 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 financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Midnight Mission's 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Midnight Mission's 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.

Report on Summarized Comparative Information

We have previously audited The Midnight Mission's June 30, 2024, financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 22, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Irvine, California
December 10, 2025

THE MIDNIGHT MISSION
Statement of Financial Position
June 30, 2025
(with comparative totals for June 30, 2024)

<u>Assets</u>	2025	2024
Current assets:		
Cash and cash equivalents	\$ 2,750,161	4,240,784
Restricted cash	75,786	86,755
Accounts receivable	1,345,364	702,265
Contributions receivable (note 4)	250,526	526,180
Prepaid expenses and other current assets	100,035	123,848
Total current assets	4,521,872	5,679,832
Noncurrent assets:		
Investments (notes 6 and 7)	25,381,921	24,730,090
Beneficial interests in split-interest agreements (notes 5 and 7)	2,026,954	1,914,624
Right of use asset, net (note 11)	135,033	83,448
Property and equipment, net (note 8)	21,578,487	21,224,240
Total noncurrent assets	49,122,395	47,952,402
Total assets	\$ 53,644,267	53,632,234
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 297,135	136,613
Accrued expenses	2,537,365	2,318,519
Participant savings liability	75,786	86,755
Deferred revenue and other advances	411,712	743,580
Current portion of lease liability (note 11)	37,116	44,640
Current portion of notes payable (note 10)	309,999	206,666
Total current liabilities	3,669,113	3,536,773
Noncurrent liabilities:		
Obligations under split-interest agreements (note 5)	-	466,620
Lease liability (note 11)	158,672	44,879
Notes payable (note 10)	2,066,670	2,273,336
Total noncurrent liabilities	2,225,342	2,784,835
Total liabilities	5,894,455	6,321,608
Net assets:		
Without donor restrictions	45,560,184	43,960,662
With donor restrictions (note 14)	2,189,628	3,349,964
Total net assets	47,749,812	47,310,626
Total liabilities and net assets	\$ 53,644,267	53,632,234

See accompanying notes to financial statements.

THE MIDNIGHT MISSION
Statement of Activities
Year ended June 30, 2025
(with comparative totals for the year ended June 30, 2024)

	Without Donor	With Donor	Totals	
	Restrictions	Restrictions	2025	2024
Support and revenue:				
Contributions	\$ 4,698,490	-	4,698,490	4,557,631
Contributions in-kind (note 16)	2,418,955	-	2,418,955	3,629,059
Other contributions	1,021,671	-	1,021,671	2,323,390
Government grants	5,656,080	-	5,656,080	4,447,459
Other grants	-	-	-	60,000
Interest and dividends, net	830,501	-	830,501	688,632
Realized and unrealized gain (loss) on investments	2,707,911	6,443	2,714,354	2,300,311
Change in value of split-interest agreements	-	604,954	604,954	134,430
Other revenues	369,269	-	369,269	895,482
Forgiveness of debt	103,333	-	103,333	206,666
	<u>17,806,210</u>	<u>611,397</u>	<u>18,417,607</u>	<u>19,243,060</u>
Subtotal support and revenue				
Net assets released from donor restrictions	<u>1,771,733</u>	<u>(1,771,733)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>19,577,943</u>	<u>(1,160,336)</u>	<u>18,417,607</u>	<u>19,243,060</u>
Expenses:				
Program services:				
Mission	13,097,713	-	13,097,713	12,766,202
Family living	623,428	-	623,428	517,408
Support services:				
Management and general	2,007,731	-	2,007,731	2,385,895
Fundraising and development	2,249,549	-	2,249,549	2,157,220
Total expenses	<u>17,978,421</u>	<u>-</u>	<u>17,978,421</u>	<u>17,826,725</u>
Change in net assets	1,599,522	(1,160,336)	439,186	1,416,335
Net assets at beginning of year	<u>43,960,662</u>	<u>3,349,964</u>	<u>47,310,626</u>	<u>45,894,291</u>
Net assets at end of year	<u>\$ 45,560,184</u>	<u>2,189,628</u>	<u>47,749,812</u>	<u>47,310,626</u>

See accompanying notes to financial statements.

THE MIDNIGHT MISSION
Statement of Functional Expenses
Year ended June 30, 2025
(with comparative totals for the year ended June 30, 2024)

	Program Services		
	Mission	Family Living	Total Program Services
Personnel costs	\$ 6,560,631	450,928	7,011,559
Distributed food and supplies	2,301,361	-	2,301,361
Depreciation and amortization	938,111	15,565	953,676
Contract Labor	403,600	37	403,637
Facilities	1,494,578	93,125	1,587,703
Professional fees	152,289	24,009	176,298
Events	15,172	15,586	30,758
Printing and mailings	20,607	1,509	22,116
Insurance	374,639	11,828	386,467
Food	450,993	193	451,186
Direct aid and housing assistance	145,745	5,388	151,133
Other administrative	<u>239,987</u>	<u>5,260</u>	<u>245,247</u>
Total	<u>\$ 13,097,713</u>	<u>623,428</u>	<u>13,721,141</u>

See accompanying notes to financial statements.

THE MIDNIGHT MISSION
Statement of Functional Expenses
Year ended June 30, 2025
(Continued)

	<u>Support Services</u>			<u>Total Expenses</u>	
	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Support Services</u>	<u>2025</u>	<u>2024</u>
Personnel costs	1,354,190	721,885	2,076,075	9,087,634	8,817,889
Distributed food and supplies	108,697	8,897	117,594	2,418,955	3,613,840
Depreciation and amortization	12,817	9,155	21,972	975,648	928,687
Contract Labor	9,705	-	9,705	413,342	318,335
Facilities	44,649	52,782	97,431	1,685,134	1,356,480
Professional fees	330,848	42,940	373,788	550,086	423,311
Events	6,446	367,404	373,850	404,608	341,079
Printing and mailings	1,805	995,106	996,911	1,019,027	904,898
Insurance	45,600	26,824	72,424	458,891	438,706
Food	50,173	22	50,195	501,381	290,366
Direct aid and housing assistance	341	-	341	151,474	162,644
Other administrative	42,460	24,534	66,994	312,241	230,490
	<u>2,007,731</u>	<u>2,249,549</u>	<u>4,257,280</u>	<u>17,978,421</u>	<u>17,826,725</u>
Total					

See accompanying notes to financial statements.

THE MIDNIGHT MISSION
Statement of Cash Flows
Year ended June 30, 2025
(with comparative totals for the year ended June 30, 2024)

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	439,186	1,416,335
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	931,075	895,893
Amortization of right of use asset	44,572	32,794
Loan forgiveness	(103,333)	(206,666)
Realized and unrealized gains on investments	(2,714,354)	(2,300,311)
Disposal of capital assets	53,135	-
Changes in value of split-interest agreements	(604,954)	(135,761)
Changes in operating assets and liabilities:		
Accounts receivable	(643,099)	(124,806)
Prepaid expenses and other current assets	23,813	(81,398)
Contributions receivable	275,654	(526,180)
Right of use asset	41,457	(116,242)
Accounts payable	160,522	(38,917)
Accrued expenses	218,846	(63,826)
Participant savings liability	(10,969)	(10,767)
Deferred revenue	(331,868)	276,894
Deferred compensation	-	(272,481)
Lease liability	(31,345)	89,519
	<u>(2,251,662)</u>	<u>(1,165,920)</u>
Net cash provided (used) by operating activities		
Cash flows from investing activities:		
Purchase of fixed assets	(1,338,457)	(1,272,690)
Proceeds from sale of investments	7,779,196	11,404,515
Purchases of investments	(5,690,669)	(7,943,422)
	<u>750,070</u>	<u>2,188,403</u>
Net cash flows provided (used) by investing activities		
Net increase (decrease) in cash and cash equivalents	(1,501,592)	1,022,483
Cash and cash equivalents at beginning of year	<u>4,327,539</u>	<u>3,305,056</u>
Cash and cash equivalents at end of year	<u>\$ 2,825,947</u>	<u>\$ 4,327,539</u>
Significant non-cash financing activity:		
Forgiveness of loans	<u>\$ 103,333</u>	<u>206,666</u>

See accompanying notes to financial statements.

THE MIDNIGHT MISSION
Notes to the Financial Statements
Year ended June 30, 2025

(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* are in the main facility and provide 150 beds of short-term and medium-term shelter and housing to individuals. 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 a participant's episode of homelessness and achieve stability in housing.
2. *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.
3. *Homelight Family Living Program* ("HFL") has 45 beds in 12 apartments separate from the main facility 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.
4. *Healthy Living Program for Men* is a 12-step based program with 121 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.

At June 30, 2025, deposits in excess of FDIC insurance in the amount of \$30,996 are not covered by insurance.

THE MIDNIGHT MISSION
Notes to the Financial Statements
Year ended June 30, 2025

(2) Summary of Significant Accounting Policies (Continued)

(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 uncollectible accounts. Management evaluates the ability to collect receivables based on a combination of factors. An allowance for uncollectible accounts is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. It is the Mission's policy to write off uncollectible receivables when management determines the receivable will not be collected. As of June 30, 2025, management determined a reserve for uncollectible accounts and contributions 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 income is reported net of investment expenses.

(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 estimated useful lives of one to fifty years. It is the policy of the Mission to capitalize all assets \$3,000 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) Leases

The Mission determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense

THE MIDNIGHT MISSION
Notes to the Financial Statements
Year ended June 30, 2025

(2) Summary of Significant Accounting Policies (Continued)

is recognized on a straight-line basis over the lease term. The Mission does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

(h) 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.

(i) 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.

THE MIDNIGHT MISSION
Notes to the Financial Statements
Year ended June 30, 2025

(2) Summary of Significant Accounting Policies (Continued)

(j) Contributions

Contributions received, consisting of gifts, 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.

(k) Government Contract Revenue

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

(l) In-kind Contributions

Contributed nonfinancial assets include donated professional services, donated equipment, and other in-kind contributions which are recorded at the respective fair values of the goods or services received (Note 16). In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation.

THE MIDNIGHT MISSION
Notes to the Financial Statements
Year ended June 30, 2025

(2) Summary of Significant Accounting Policies (Continued)

(m) Deferred Revenue

Deferred revenue arises from advance payments received from governmental agencies and other sources prior to services being provided by the Mission.

The Los Angeles Homeless Services Authority (LAHSA) has requested installment payments for an advance payable from Measure H funding in 2017. The advances subject to repayment are \$336,713.

(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, 2025. 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.

(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.

THE MIDNIGHT MISSION
Notes to the Financial Statements
Year ended June 30, 2025

(2) Summary of Significant Accounting Policies (Continued)

(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, 2025, are as follows:

Financial assets:

Cash and cash equivalents	\$ 2,750,161
Restricted cash	75,786
Accounts receivable	1,345,364
Contribution Receivable	250,526
Investments	25,381,921
Beneficial interest in trust	<u>2,026,954</u>
Total financial assets	31,830,712

Less financial assets held to meet donor-imposed restrictions:

Restricted cash	(75,786)
Purpose restricted	(112,674)
Endowment	(50,000)
Beneficial interest in trust	(2,026,954)
Board designations - operating reserves	<u>(24,366,644)</u>

Amount available for general expenditures within one year	<u><u>\$ 5,198,654</u></u>
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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 MIDNIGHT MISSION
Notes to the Financial Statements
Year ended June 30, 2025

(3) Liquidity and Availability (Continued)

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) Contributions Receivable

Contributions receivable of \$250,526 at June 30, 2025, are estimated to be collected within one year of the date of the financial statements.

At June 30, 2025, one donor accounted for 100 percent of contributions receivable. Three contributors accounted for approximately 15 percent of total contribution revenue for the year ended June 30, 2025.

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

THE MIDNIGHT MISSION
Notes to the Financial Statements
Year ended June 30, 2025

(6) Investments

Investments at June 30, 2025, consisted of the following:

Exchange traded funds:		
Intermediate-term bond	\$	3,110,910
Large cap-value		5,405,364
Large cap-growth		3,294,316
Foreign large cap-blend		1,929,617
World bond		223,437
Small cap-growth		776,396
Small cap-value		703,294
Foreign small cap-blend		1,574,249
Emerging markets		2,153,291
Foreign emerging markets		219,316
Mid cap-growth		2,341,057
Mid cap-value		2,004,564
Short-term government		<u>322,138</u>
Total exchange traded funds		24,057,949
Mutual funds - short-term bonds		<u>1,323,972</u>
Total Investments	\$	<u><u>25,381,921</u></u>

(7) 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 MIDNIGHT MISSION
Notes to the Financial Statements
Year ended June 30, 2025

(7) Fair Value Measurements (Continued)

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, 2025, are as follows:

	Level 1	Level 2	Level 3	Total
Exchange traded funds	\$ 24,057,949	-	-	24,057,949
Mutual funds	1,323,972	-	-	1,323,972
Beneficial interests in trusts	-	-	2,026,954	2,026,954
Total	<u>\$ 25,381,921</u>	<u>-</u>	<u>2,026,954</u>	<u>27,408,875</u>

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, 2025, there have been no changes in the valuation methodologies. 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	\$ 1,914,624
Change in value of investments	80,182
Interest	<u>32,148</u>
Ending balance	<u>\$ 2,026,954</u>

THE MIDNIGHT MISSION
Notes to the Financial Statements
Year ended June 30, 2025

(8) Property and Equipment

At June 30, 2025, property and equipment consists of the following:

Buildings	\$ 26,119,248
Land	4,173,508
Furniture and equipment	854,266
Vehicles	392,249
Construction-in-progress	<u>856,826</u>
	32,396,097
Less accumulated depreciation	<u>(10,817,610)</u>
	<u>\$ 21,578,487</u>

Depreciation expense for the year ended June 30, 2025, was \$931,075.

(9) Retirement Plans

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

(10) Notes Payable

Notes payable consisted of the following as of June 30, 2025:

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 be converted 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. The total amount forgiven during the year ended June 30, 2025, was \$103,333. Total outstanding balance at June 30, 2025, was \$2,376,669.

The schedule of forgiveness of the outstanding payable is as follows:

Year ending June 30	
2026	\$ 309,999
2027	206,666
2028	206,666
2029	206,666
2030	206,666
Remaining years	<u>1,240,006</u>
Total	<u>\$ 2,376,669</u>

THE MIDNIGHT MISSION
Notes to the Financial Statements
Year ended June 30, 2025

(11) Leases

The Mission entered into an agreement in February 2021 with a service company to provide sheet feeder equipment to the Mission, which provides for 60 monthly payments of \$536. The Mission entered into a separate agreement in April 2025 with a service company to provide copier equipment to the Mission, which provides for 63 monthly payments of \$3,372.

The Mission has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. We have applied the risk-free rate option to the equipment leases.

The Mission recorded the following related right to use assets, net and leases payable as of June 30, 2025:

	Right-of-use assets, net	Leases payable
Copiers	\$ 131,359	192,114
Sheet feeder	3,674	3,674
Total	\$ 135,033	195,788

The future minimum lease payments under noncancelable operating leases with terms greater than one year are listed below as of June 30, 2025:

Year ending June 30	
2026	\$ 44,754
2027	40,465
2028	40,465
2029	40,465
2030	40,465
Remaining years	10,116
Total lease payments	216,730
Less: interest	(20,942)
Present value of leases payable	\$ 195,788

Amortization expense was \$44,572 for the year ended June 30, 2025.

(12) 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.

THE MIDNIGHT MISSION
Notes to the Financial Statements
Year ended June 30, 2025

(12) Concentrations (Continued)

For the year ended June 30, 2025, government contract revenue is generated from one municipality and accounts for approximately 31% of the Mission's total revenues and support. At June 30, 2025, the municipality accounts for approximately 100% of the Mission's accounts receivable.

(13) 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 \$1,000,000 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, 2025, the Mission has not recorded a liability for workers' compensation obligations.

(b) Operating Leases

In November 2022, the Mission entered into a lease agreement with Venice Family Clinic ("Tenant") to operate an Early Head Start facility at the Homelight Family Living facility. Funded by the grant from the United States Department of Health & Human Services, the Tenant constructed major renovations on the leased property. The leased area is considered a federal interest property for at least 15 years and 30 years for the building and the land respectively ("federal interest term"). In the event of the lease termination prior to the federal interest term, certain notifications and conditions are required as specified in the agreement. The Mission will receive the annual base rent of \$1 and in exchange, the Tenant shall have space available for the Mission's participants in the Homelight Family Living program and access to family or Early Head Start program services.

(c) Contingencies

On June 27, 2023, the Jury in the matter of Cobene and Holmes v. The Mission rendered a verdict against the Mission in favor of Plaintiff Holmes in the amount of \$1,340,752. On October 21, 2023, the Court awarded, Plaintiff to recover fees and costs, in the amount of approximately \$274,000. The Court of Appeal affirmed the judgement on November 3, 2025, and ordered the Mission to pay principal and legal fees and costs totaling approximately \$1,600,000. The final settlement and payout is awaiting the Plaintiff's motion to recover legal fees incurred during the appeal. The Mission has accrued for this expense on the financial statements as of June 30, 2025.

THE MIDNIGHT MISSION
Notes to the Financial Statements
Year ended June 30, 2025

(14) Net Assets With Donor Restrictions

At June 30, 2025, net assets with donor restrictions are available for the following purposes:

Purpose restricted	\$ <u>112,674</u>
Time:	
Split-interest agreements	2,026,954
Endowment, original gifts	<u>50,000</u>
	<u>\$ 2,189,628</u>

(15) 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.

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.

THE MIDNIGHT MISSION
Notes to the Financial Statements
Year ended June 30, 2025

(15) Endowments (Continued)

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, 2025, is as follows:

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Endowment funds	<u>\$ 27,534</u>	<u>50,000</u>	<u>77,534</u>

(d) Endowment Activity

The following table summarizes the activity affecting endowment net assets for the year ended June 30, 2025:

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	50,000	50,000
Investment income	27,534	-	27,534
Endowment net assets, end of year	<u>\$ 27,534</u>	<u>50,000</u>	<u>77,534</u>

THE MIDNIGHT MISSION
Notes to the Financial Statements
Year ended June 30, 2025

(16) In-Kind Contributions

For the year ended June 30, 2025, contributed nonfinancial assets recognized within the statement of activities included the following:

Food	\$1,641,486
Supplies	768,572
Advertising	<u>8,897</u>
Total	<u>\$2,418,955</u>

Contributed food, supplies and advertising are valued using estimated U.S wholesale prices (principal market) of identical or similar products using pricing data under a like-kind methodology considering the goods' condition and utility for use at the time of the contribution. Contributed food and supplies are used in program services and contributed advertising is used for fundraising and development.

(17) Related Party Transactions

During the fiscal year ended June 30, 2025, legal fees of \$11,154 were paid to a law firm that is owned by a board member. The selection of counsel is made by the Chief Executive Officer alone without board involvement.

(18) Subsequent Events

Subsequent events have been evaluated by management through December 10, 2025, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.