# Central Union Mission, and its Subsidiary and Affiliates

## Consolidated Financial Statements (With Supplementary Information) and Independent Auditor's Report

## June 30, 2019 and 2018

CohnReznick
Accounting • Tax • Advisory

**Central Union Mission, and its Subsidiary and Affiliates**

Index

# Independent Auditor's Report

To the Board of Directors
Central Union Mission, and its Subsidiary and Affiliates

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Central Union Mission, and its Subsidiary and Affiliates (Mission DC Manager, LLC, Mission DC Landlord, LLC and Mission DC Master Tenant, LLC), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

*Management's Responsibility for the Financial Statements*

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

*Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

*Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Central Union Mission, and its Subsidiary and Affiliates as of June 30, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Adoption of New Accounting Standard*

As discussed in Note 2 of the consolidated financial statements, the Organization adopted the Financial Accounting Standards Board's (the "FASB") Accounting Standards Update ("ASU") No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* ("ASU 2016-14"), an amendment to FASB Accounting Standards Codification ("ASC") Topic 958 *Not-for-Profit Entities* (the "standard") as of and for the year ended June 30, 2019. The requirements of the ASU have been applied retrospectively to all periods presented with the exception of certain disclosures regarding liquidity and availability of resources as permitted by the standard. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information on pages 33 to 40 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

CohnReznick LLP

Bethesda, Maryland
September 24, 2019

## Central Union Mission, and its Subsidiary and Affiliates

### Consolidated Statements of Financial Position
### June 30, 2019 and 2018

| | 2019 | 2018 |
|---|---|---|
| Current assets | | |
| Cash and cash equivalents | $ 870,474 | $ 412,579 |
| Accounts, grants and interest receivable, net | 165,826 | 131,965 |
| Pledges receivable, net | - | 69,987 |
| Short-term marketable securities | 39,264 | 39,174 |
| Employee advances | 3,419 | 1,472 |
| Prepaid expenses and other | 32,651 | 30,776 |
| Long-lived assets held for sale | 1,223,794 | - |
| Total current assets | 2,335,428 | 685,953 |
| Property and equipment | | |
| Land and site improvements | 229,788 | 483,076 |
| Buildings and improvements | 19,595,093 | 20,273,759 |
| Furniture and equipment | 527,153 | 496,110 |
| Corporate vehicles | 347,883 | 327,515 |
| | 20,699,917 | 21,580,460 |
| Less: Accumulated depreciation | (4,253,607) | (3,673,821) |
| Property and equipment, net | 16,446,310 | 17,906,639 |
| Other long-term assets | | |
| Restricted reserve | 43,123 | 80,282 |
| Predevelopment costs | - | 1,065,114 |
| Marketable securities | 278,738 | 608,745 |
| Loans and note receivable, net | 11,077,564 | 11,079,500 |
| | 11,399,425 | 12,833,641 |
| Total assets | $ 30,181,163 | $ 31,426,233 |

**Central Union Mission, and its Subsidiary and Affiliates**

**Consolidated Statements of Financial Position**
**June 30, 2019 and 2018**

Liabilities and Net Assets

| | 2019 | 2018 |
|---|---|---|
| Current liabilities | | |
| Accounts payable and accrued expenses | $ 957,149 | $ 789,039 |
| Accrued payroll and payroll taxes | 178,511 | 195,725 |
| Accrued leave | 56,244 | 56,244 |
| Current portion of deferred rent and deferred lease incentive | 17,944 | 16,039 |
| Current portion of promissory note | 185,217 | 133,332 |
| Current portion of long-term notes payable | 241,645 | 218,916 |
| Current portion of long-term capital lease obligations | 37,150 | 36,182 |
| Total current liabilities | 1,673,860 | 1,445,477 |
| Long-term liabilities | | |
| Line of credit, net of current portion | - | 500,000 |
| Promissory note, net of current portion | 679,126 | 864,343 |
| Notes payable, net of current portion and unamortized debt issuance costs | 14,826,332 | 16,372,833 |
| Long-term capital lease obligations, net of current portion | 44,333 | 82,822 |
| Deferred rent and deferred lease incentive, net of current portion | 63,241 | 75,763 |
| Total liabilities | 17,286,892 | 19,341,238 |
| Commitments and contingencies | - | - |
| Net assets | | |
| Without donor restrictions | | |
| Controlling interest | 11,258,828 | 10,369,278 |
| Noncontrolling interest | 1,092,277 | 1,099,567 |
| With donor restrictions | 543,166 | 616,150 |
| Total net assets | 12,894,271 | 12,084,995 |
| Total liabilities and net assets | $ 30,181,163 | $ 31,426,233 |

See Notes to Consolidated Financial Statements.

## Central Union Mission, and its Subsidiary and Affiliates

## Consolidated Statements of Activities
## Year Ended June 30, 2019

| | Without donor restrictions | With donor restrictions | Total |
|---|---|---|---|
| Public support and revenue | | | |
| Public support | | | |
| In-kind donations and services | $ 8,495,297 | $ - | $ 8,495,297 |
| Contributions and gifts | 5,510,340 | 14,403 | 5,524,743 |
| Pledges and bequests | 106,853 | - | 106,853 |
| Private and foundation grants | 617,312 | - | 617,312 |
| Revenue | | | |
| Program services | 1,065,414 | - | 1,065,414 |
| Investment income | 9,983 | - | 9,983 |
| Lease and rental income | 88,933 | - | 88,933 |
| Miscellaneous income | 104,954 | - | 104,954 |
| Gales School income | | | |
| Interest income | 110,714 | - | 110,714 |
| Net assets released from restrictions | 87,387 | (87,387) | - |
| Total public support and revenue | 16,197,187 | (72,984) | 16,124,203 |
| Expenses | | | |
| Program services | | | |
| Family ministry | 7,925,675 | - | 7,925,675 |
| Men's ministry | 5,874,563 | - | 5,874,563 |
| Partners | 171,430 | - | 171,430 |
| Total program services | 13,971,668 | - | 13,971,668 |
| Supporting services | | | |
| Management and general | 637,678 | - | 637,678 |
| Fundraising and development | 2,310,620 | - | 2,310,620 |
| Total supporting services | 2,948,298 | - | 2,948,298 |
| Total expenses | 16,919,966 | - | 16,919,966 |
| Other items | | | |
| Gain on sale of fixed assets | 1,530,073 | - | 1,530,073 |
| Realized and unrealized gain on investments | 74,966 | - | 74,966 |
| Total other items | 1,605,039 | - | 1,605,039 |
| Change in net assets | 882,260 | (72,984) | 809,276 |
| Excess of expenses over revenue attributable to noncontrolling interest | (7,290) | - | (7,290) |
| Excess of revenue over expenses (expenses over revenue) attributable to the Organization | $ 889,550 | $ (72,984) | $ 816,566 |

## Central Union Mission, and its Subsidiary and Affiliates

## Consolidated Statements of Activities
## Year Ended June 30, 2018

| | Without donor restrictions | With donor restrictions | Total |
|---|---|---|---|
| Public support and revenue | | | |
| Public support | | | |
| In-kind donations and services | $ 8,731,281 | $ - | $ 8,731,281 |
| Contributions and gifts | 5,906,361 | - | 5,906,361 |
| Pledges and bequests | 137,179 | 73,987 | 211,166 |
| Private and foundation grants | 573,116 | - | 573,116 |
| Revenue | | | |
| Program services | 851,751 | - | 851,751 |
| Investment income | 31,383 | - | 31,383 |
| Lease and rental income | 61,063 | - | 61,063 |
| Miscellaneous income | 105,984 | - | 105,984 |
| Gales School income | | | |
| Interest income | 110,714 | - | 110,714 |
| Net assets released from restrictions | 11,510 | (11,510) | - |
| Total public support and revenue | 16,520,342 | 62,477 | 16,582,819 |
| Expenses | | | |
| Program services | | | |
| Family ministry | 8,135,939 | - | 8,135,939 |
| Men's ministry | 5,881,826 | - | 5,881,826 |
| Partners | 204,924 | - | 204,924 |
| Total program services | 14,222,689 | - | 14,222,689 |
| Supporting services | | | |
| Management and general | 698,462 | - | 698,462 |
| Fundraising and development | 2,584,281 | - | 2,584,281 |
| Total supporting services | 3,282,743 | - | 3,282,743 |
| Total expenses | 17,505,432 | - | 17,505,432 |
| Other items | | | |
| Gain on sale of fixed assets | - | - | - |
| Realized and unrealized gain (loss) on investments | 84,562 | - | 84,562 |
| Total other items | 84,562 | - | 84,562 |
| Change in net assets | (900,528) | 62,477 | (838,051) |
| Excess of expenses over revenue attributable to noncontrolling interest | (8,552) | - | (8,552) |
| Excess of (expenses over revenue) revenue over expenses attributable to the Organization | $ (891,976) | $ 62,477 | $ (829,499) |

See Notes to Consolidated Financial Statements.

**Central Union Mission, and its Subsidiary and Affiliates**

**Consolidated Statements of Changes in Net Assets**
**Years Ended June 30, 2019 and 2018**

| | Net Assets without Donor Restrictions | | | | |
|---|---|---|---|---|---|
| | Controlling | Noncontrolling | Total | Net Assets with Donor Restrictions | Total Net Assets |
| Balance, June 30, 2017 | $ 11,261,254 | $ 1,108,119 | $ 12,369,373 | $ 553,673 | $ 12,923,046 |
| Excess of revenue over expenses (expenses over revenue) | (891,976) | (8,552) | (900,528) | 62,477 | (838,051) |
| Balance, June 30, 2018 | 10,369,278 | 1,099,567 | 11,468,845 | 616,150 | 12,084,995 |
| Excess of revenue over expenses (expenses over revenue) | 889,550 | (7,290) | 882,260 | (72,984) | 809,276 |
| Balance, June 30, 2019 | $ 11,258,828 | $ 1,092,277 | $ 12,351,105 | $ 543,166 | $ 12,894,271 |

See Notes to Consolidated Financial Statements.

## Central Union Mission, and its Subsidiary and Affiliates

## Consolidated Statements of Functional Expenses
## Year Ended June 30, 2019

| | Program Services | | | | Supporting Services | | | |
|---|---|---|---|---|---|---|---|---|
| | Family Ministry | Men's Ministry | Partners | Total Program Services | Management and General | Fundraising and Development | Total Supporting Services | Total |
| Salaries and benefits | $ 616,940 | $ 2,333,947 | $ 63,152 | $ 3,014,039 | $ 186,104 | $ 305,555 | $ 491,659 | $ 3,505,698 |
| Payroll taxes | 41,090 | 176,302 | 3,483 | 220,875 | 19,596 | 16,562 | 36,158 | 257,033 |
| Services and processing fees | 43,091 | 143,501 | 7,443 | 194,035 | 67,839 | 113,861 | 181,700 | 375,735 |
| Professional expenses | 5,414 | 78,593 | 18,394 | 102,401 | 49,270 | 248,044 | 297,314 | 399,715 |
| Radio advertisement and promotion | - | - | - | - | - | 343,239 | 343,239 | 343,239 |
| Printing and production | - | - | 25,199 | 25,199 | - | 859,057 | 859,057 | 884,256 |
| Postage and shipping | 187 | 43 | 19,161 | 19,391 | 855 | 241,692 | 242,547 | 261,938 |
| Transportation and lodging | 11,469 | 47,318 | 845 | 59,632 | 5,121 | 2,815 | 7,936 | 67,568 |
| Program service expenses | 15,404 | 111,799 | 540 | 127,743 | 24,913 | 22,581 | 47,494 | 175,237 |
| Food purchases | 8,670 | 54,426 | - | 63,096 | - | 103 | 103 | 63,199 |
| Charitable and medical contributions | 2,101 | 9,132 | - | 11,233 | 1,447 | 323 | 1,770 | 13,003 |
| Repairs and maintenance | 28,738 | 118,626 | 1,423 | 148,787 | 826 | 4,432 | 5,258 | 154,045 |
| Rent and occupancy costs | 147,491 | 24,156 | 25,346 | 196,993 | 37,787 | 57,839 | 95,626 | 292,619 |
| Utilities | 91,684 | 189,546 | - | 281,230 | (500) | - | (500) | 280,730 |
| Telephone | 17,242 | 22,303 | 3,000 | 42,545 | 2,382 | 3,770 | 6,152 | 48,697 |
| Insurance | 21,682 | 108,782 | 3,347 | 133,811 | 1,899 | 8,368 | 10,267 | 144,078 |
| Licenses and permits | 31,202 | 7,288 | - | 38,490 | (3,140) | 143 | (2,997) | 35,493 |
| Miscellaneous | 44,654 | 1,516 | 97 | 46,267 | 13,998 | 82,236 | 96,234 | 142,501 |
| In-kind donations and services | 6,796,238 | 1,699,059 | - | 8,495,297 | - | - | - | 8,495,297 |
| Depreciation expense | - | 435,598 | - | 435,598 | 219,502 | - | 219,502 | 655,100 |
| Interest expense | 2,378 | 312,628 | - | 315,006 | 9,779 | - | 9,779 | 324,785 |
| | $ 7,925,675 | $ 5,874,563 | $ 171,430 | $ 13,971,668 | $ 637,678 | $ 2,310,620 | $ 2,948,298 | $ 16,919,966 |

## Central Union Mission, and its Subsidiary and Affiliates

## Consolidated Statements of Functional Expenses
## Year Ended June 30, 2018

| | Program Services | | | | Supporting Services | | | |
|---|---|---|---|---|---|---|---|---|
| | Family Ministry | Men's Ministry | Partners | Total Program Services | Management and General | Fundraising and Development | Total Supporting Services | Total |
| Salaries and benefits | $ 586,833 | $ 2,333,116 | $ 115,510 | $ 3,035,459 | $ 117,882 | $ 391,031 | $ 508,913 | $ 3,544,372 |
| Payroll taxes | 36,861 | 177,831 | 6,666 | 221,358 | 8,120 | 25,827 | 33,947 | 255,305 |
| Services and processing fees | 48,753 | 141,854 | 7,825 | 198,432 | 67,586 | 115,988 | 183,574 | 382,006 |
| Professional expenses | 2,445 | 51,487 | 8,956 | 62,888 | 66,597 | 238,677 | 305,274 | 368,162 |
| Radio advertisement and promotion | - | - | - | - | - | 363,769 | 363,769 | 363,769 |
| Printing and production | - | - | 6,612 | 6,612 | - | 881,010 | 881,010 | 887,622 |
| Postage and shipping | 136 | 260 | - | 396 | 359 | 249,046 | 249,405 | 249,801 |
| Transportation and lodging | 11,717 | 46,019 | 1,023 | 58,759 | 7,316 | 12,680 | 19,996 | 78,755 |
| Program service expenses | 22,290 | 119,991 | 892 | 143,173 | 24,568 | 27,444 | 52,012 | 195,185 |
| Food purchases | 9,768 | 35,246 | - | 45,014 | - | 269 | 269 | 45,283 |
| Charitable and medical contributions | 7,061 | 8,308 | 60 | 15,429 | 5,274 | 400 | 5,674 | 21,103 |
| Repairs and maintenance | 72,013 | 109,531 | 1,554 | 183,098 | 3,299 | 2,332 | 5,631 | 188,729 |
| Rent and occupancy costs | 187,344 | 34,481 | 44,368 | 266,193 | 17,163 | 88,023 | 105,186 | 371,379 |
| Utilities | 102,587 | 224,731 | 1,304 | 328,622 | 1,686 | 1,213 | 2,899 | 331,521 |
| Telephone | 12,707 | 17,023 | 2,076 | 31,806 | 9,156 | 3,332 | 12,488 | 44,294 |
| Insurance | 37,320 | 109,312 | 3,419 | 150,051 | (5,198) | 8,318 | 3,120 | 153,171 |
| Licenses and permits | 12,298 | 19,379 | 4,575 | 36,252 | 19,046 | 6,643 | 25,689 | 61,941 |
| Miscellaneous | 781 | 29,200 | 84 | 30,065 | 27,788 | 168,279 | 196,067 | 226,132 |
| In-kind donations and services | 6,985,025 | 1,746,256 | - | 8,731,281 | - | - | - | 8,731,281 |
| Depreciation expense | - | 452,052 | - | 452,052 | 205,271 | - | 205,271 | 657,323 |
| Interest expense | - | 225,749 | - | 225,749 | 122,549 | - | 122,549 | 348,298 |
| | $ 8,135,939 | $ 5,881,826 | $ 204,924 | $ 14,222,689 | $ 698,462 | $ 2,584,281 | $ 3,282,743 | $ 17,505,432 |

See Notes to Consolidated Financial Statements.

## Central Union Mission, and its Subsidiary and Affiliates

### Consolidated Statements of Cash Flows
### Years Ended June 30, 2019 and 2018

| | 2019 | 2018 |
|---|---|---|
| Cash flows from operating activities | | |
| Change in net assets | $ 809,276 | $ (838,051) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities | | |
| Depreciation | 655,100 | 657,323 |
| Amortization of deferred financing costs | 34,056 | 49,810 |
| Gain on marketable securities | (74,966) | (84,562) |
| Gain on sale of Gospel Mission House | (1,530,073) | - |
| Proceeds of donated securities | 52,798 | 59,265 |
| Bad debt | 9,318 | 5,545 |
| Changes in assets and liabilities | | |
| (Increase) decrease in | | |
| Accounts, grants, and interest receivable, net | (43,179) | 10,655 |
| Pledges receivable, net | 69,987 | (69,987) |
| Employee advances | (1,947) | 1,150 |
| Prepaid expenses | (1,875) | (10,699) |
| Increase (decrease) in | | |
| Accounts payable, accrued expenses and accrued payroll | 150,896 | (44,952) |
| Deferred rent and deferred lease incentive | (10,617) | 32,549 |
| Net cash and cash equivalents provided by (used in) operating activities | 118,774 | (231,954) |
| Cash flows from investing activities | | |
| Purchases of property and equipment | (58,886) | (114,117) |
| Proceeds from sale of Gospel Mission House | 2,382,570 | - |
| Repayments (advances) on loans and note receivable | 1,936 | (4,000) |
| Net change in restricted reserve | 37,159 | 37,291 |
| Investment in certificate of deposit | (90) | (759) |
| Proceeds from sales of marketable securities | 453,672 | 576,610 |
| Purchases of marketable securities | (101,494) | (283,959) |
| Payments on predevelopment costs prior to transfer to long-lived assets held for sale | (147,065) | (38,311) |
| Net cash and cash equivalents provided by investing activities | 2,567,802 | 172,755 |
| Cash flows from financing activities | | |
| Repayments on notes payable | (1,557,828) | (243,240) |
| Repayments on line of credit | (500,000) | (1,497,675) |
| Proceeds from line of credit | - | 927,000 |
| Repayments on promissory note | (133,332) | - |
| Proceeds from promissory note | - | 997,675 |
| Repayments of capital lease obligations | (37,521) | (36,597) |
| Net cash and cash equivalents (used in) provided by financing | (2,228,681) | 147,163 |
| Net increase in cash and cash equivalents | 457,895 | 87,964 |
| Cash and cash equivalents, beginning | 412,579 | 324,615 |
| Cash and cash equivalents, end | $ 870,474 | $ 412,579 |

## Central Union Mission, and its Subsidiary and Affiliates

## Consolidated Statements of Cash Flows
## Years Ended June 30, 2019 and 2018

| | 2019 | 2018 |
|---|---|---|
| Supplemental disclosure of cash flow information | | |
| Cash paid for interest, net of amount capitalized | $ 290,714 | $ 298,424 |
| Write-off and disposal of fully depreciated property and equipment | $ 852,497 | $ 198,703 |
| Transfer of long-lived asset to held for sale | $ 1,223,794 | $ - |

See Notes to Consolidated Financial Statements.

## Note 1 - Organization and nature of operations

Central Union Mission (the "Mission") was founded in 1884 in Washington, D.C. and was incorporated as a nonstock, nonprofit corporation in the District of Columbia (the "City") initially in January 1887. The Mission has amended its articles of incorporation and by-laws at various times over the years. The purpose of the Mission is to glorify God through proclaiming and teaching the gospel, leading people to Christ, developing disciples, and serving the needs of hurting people throughout the Washington metropolitan area. The Mission is governed by an elected board of directors and managed by a management team.

The Mission carries out its purpose through its various family ministry programs and men's ministry programs: public outreach, temporary shelter and food, discipleship and training, and programs designed specifically for the needy, homeless, and growing Hispanic population.

Mission DC Manager, LLC, Mission DC Landlord, LLC and Mission DC Master Tenant, LLC are entities that form the basis of a combined federal historic and new markets tax credit financing structure created for the purpose of renovating a historic building at 65 Massachusetts Avenue NW, Washington, D.C. that is operated as a space to provide shelter, meals and programs for the homeless in the Washington, D.C. area. The building was leased from the City starting August 24, 2011 to the Mission and then subleased to Mission DC Manager, LLC and its affiliates on July 9, 2013. It then underwent a complete renovation and was placed into service on December 1, 2013.

Mission DC Manager, LLC was formed as a limited liability company for the purpose of benefiting, supporting and furthering the charitable activities of the consolidated entity as a whole. Mission DC Manager, LLC's sole member is Central Union Mission.

Mission DC Landlord, LLC was formed for the purpose of renovating the building and leasing it from the City. Mission DC Manager, LLC owns a 90% of membership interest in Mission DC Landlord, LLC and Mission DC Master Tenant, LLC owns the remaining 10% of membership interest.

Mission DC Master Tenant, LLC was formed for the purpose of operations. National Grange Mutual Company owns a 99.99% of membership interest and Mission DC Manager, LLC owns the remaining .01% of membership interest.

## Note 2 - Significant accounting policies

### Principles of consolidation

The accompanying consolidated financial statements include the accounts of Central Union Mission, Mission DC Manager, LLC, Mission DC Landlord, LLC and Mission DC Master Tenant, LLC, collectively, the Organization.

All significant transactions and balances among the entities have been eliminated in consolidation of the financial statements.

### Basis of accounting presentation

These financial statements have been prepared on the accrual basis of accounting and are intended to present net assets, revenue, expenses, gains and losses, based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets without donor restrictions:

- Net assets without donor restrictions - controlling - represent expendable resources that are used to carry out the operations of the Organization and are not subject to donor-imposed stipulations.

- Net assets without donor restrictions - non-controlling - represent the aggregate balance as of June 30, 2019 and 2018 of limited member equity interest in the non-wholly-owned tax credit holding entity that is included in the consolidated financial statements.

Net assets with donor restrictions - generally, net assets subject to donor - (or certain grantor-) imposed restrictions. Since donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resourced be maintained in perpetuity.

As of June 30, 2019, and 2018, the Organization did not have any net assets with donor restrictions subject to be held in perpetuity.

Revenue is reported as increases in net assets with donor restrictions unless use of the related assets are limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period as elapsed) are reported as reclassifications between the applicable classes of net assets.

**Cash and cash equivalents**
The Organization considers all highly-liquid debt investments, certificate of deposits and money market accounts with original maturities of three months or less to be cash equivalents.

**Marketable securities**
The Mission follows the accounting guidance for accounting for certain investments held by not-for-profit organizations. As a result, investments in marketable securities with readily determined fair values and all investments in debt securities are reported at their fair values in the consolidated statements of financial position. Unrealized gains and losses are included in the change in net assets. Realized gains (losses) are recorded upon the sale of the investments. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

The Mission invests in a certificate of deposit and earns interest at 0.10% which was last renewed on February 8, 2019. The next renewal is January 8, 2020. The certificate of deposit is carried at cost plus accrued interest, which approximates fair value and is included in short-term marketable securities on the accompanying consolidated statements of financial position.

**Accounts receivable**
Accounts and other receivables are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of accounts and other receivables. It is reasonably possible that management's estimate of the allowance will change. At June 30, 2019 and 2018, the allowance for doubtful accounts was $0.

**Pledges receivable**
The Mission reports pledges receivable at their estimated net realizable value. The Mission periodically reviews an aging of its pledges receivable for collection and financial reporting purposes. At June 30, 2019 and 2018, the allowance for doubtful accounts was $11,610 and $4,000 respectively.

**Grants and other receivables**
Grants and other receivables pertain primarily to grant reimbursements. The Organization reports grants and other receivables at their net realizable value by periodically reviewing the details and aging amounts to assess their collectability. Management determined that the amounts reported as grants and other receivables were fully realizable and as such, no allowance for doubtful accounts was necessary to report grants and other receivables to their net realizable value as of June 30, 2019 and 2018, respectively.

**Prepaid expenses and other assets**
Prepaid expenses and other assets consist principally of service agreements, a contributed timeshare and security deposits. Management believes the deferred cost associated with prepaid expenses and other assets is recoverable.

**Loans receivable**
The Mission's loans receivable pertain to advances from the Kohlmeier Fund in the form of advances to worthy young Christian men and women who are not financially able to undertake or complete their higher education. The Mission does not charge interest on the promissory notes as directed by the donor or discount the loans by a present value factor given that the loans may be forgiven and treated as scholarships under certain circumstances. The loans are reported at their estimated net realizable value by management estimating an allowance for doubtful accounts and for those that may be forgiven based upon successful completion of their education and entrance into Christian service. The allowance for doubtful accounts totaled $14,150 and $12,150 as of June 30, 2019 and 2018. The write-offs are included in charitable and medical contributions on the accompanying consolidated statements of functional expenses.

**Note receivable**
Note receivable is recorded at the net realizable value based on assessments made by management. An allowance is established for any note that management deems to be uncollectible based on their assessment. Management determined that the amounts reported as note receivable were fully realizable and as such, no allowance for doubtful accounts was necessary to report notes receivable to their net realizable value as of June 30, 2019 and 2018.

**Predevelopment costs**
The Mission incurred costs in connection with the identified undeveloped land it was considering for development and future sale as well as the costs associated with the initial stages of development. These costs included such items as market studies, purchase options, environmental study costs, legal, and architectural costs. These costs were capitalized and recorded as predevelopment project costs until such time as the project was either abandoned or became an approved sale with independent funding sources. Predevelopment costs were charged to operations, either at the time of a potential project was no longer considered desirable, feasible, or at the time the project had incurred excess development costs, which would be charged to the future buyer. At June 30, 2019, predevelopment costs were classified to be long-lived assets held for sale in connection with the pending sale of the property at Camp Bennett (See Note 17). As of June 30, 2019 and 2018, predevelopment costs are $0 and $1,065,114, respectively.

**Property and equipment**
The Organization capitalizes property and equipment acquisitions at cost or estimated fair value at the time of donation and depreciates these items using the straight-line method over estimated useful lives, which range from 5 to 40 years for building and improvements, 3 to 15 years for furniture and equipment, and 5 to 7 years for corporate vehicles. Depreciation expense was $655,100 and $657,323 during the years ended June 30, 2019 and 2018, respectively.

The Mission also entered into a long-term lease agreement with the City requiring the Mission to operate and maintain certain properties as a rescue mission and temporary residence for homeless persons in the City. Improvements by the Mission related to this leased site cost $18,762,681, which is included in building and improvements on the accompanying consolidated statements of financial position. The improvements were placed into service on December 1, 2013.

In connection with the lease agreement for the Family Ministry Center (See Note 11), the Mission had incurred tenant rehabilitation costs related to this rental space. Costs associated with the rehabilitation of the rental space were carried at cost. Tenant's construction in progress was capitalized and was included in building and improvements on the accompanying consolidated statements of financial position. The improvements were placed into service in 2018.

Property, furniture, and equipment purchased in excess of $1,500 are capitalized and stated at cost. Depreciation and amortization are calculated based on the straight-line basis for depreciable assets, while the site improvements and personal property related to the building located at 65 Massachusetts Avenue, Washington, D.C., are depreciated according to seven-year and 15-year useful lives, based on the method of modified accelerated cost recovery system, respectively. Repairs and maintenance costs that do not significantly extend the useful life of an asset, small items, and supplies are expensed as incurred.

**Impairment of long-lived assets**
The Organization reviews their real estate properties for potential impairment on an annual basis. Impairment is generally defined as events or changes in circumstances that indicate the carrying value of an asset may not be recoverable as of the date of the statements of financial position. When recovery is reviewed, if the undiscounted cash flows estimated to be generated are less than its carrying amount, management compares the carrying amount of the real estate property to its estimated fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss was incurred during the years ended June 30, 2019 and 2018.

**Debt issuance costs**
Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the mortgage loan payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loan.

**Deferred rent**
Deferred rent liability is recorded and amortized to the extent the total minimum rent payments allocated to the current period on a straight-line basis exceed or are less than the cash payments required.

**Deferred lease incentive**
The Mission recognizes its lease incentive on its long-term operating leases on a straight-line basis.

During the year ended June 30, 2017, the Mission received a deferred lease abatement of $59,253 for the use of the Family Ministry Center.

**Revenue recognition**
Contributions and donations are recognized in the period in which they are pledged or received, at the earliest point they are both determinable and measurable. Program service and special events fees and sponsorships are recognized during the fiscal year in which the programs are provided to participants or special event is held.

**Contributions with donor restrictions**
Contributions with donor restrictions are recognized as revenue when received or pledged and are reclassified from net assets with donor restrictions to net assets without donor restrictions when the Organization has incurred program expenditures in compliance with the specific restrictions of the donors or when the stipulated time has elapsed.

**In-kind donations and contributed services**
In-kind donations and contributed services, including any donated assets, are recognized at fair value when received or provided to the Mission at the earliest point both measurable and determinable. In-kind donations and contributed services are recognized as both income and expense and allocated to the Mission's various program services. The Mission also receives substantial contributed services from board members and community volunteers which are not recognized on the accompanying consolidated statements of activities as they do not meet the criteria for recognition under generally accepted accounting principles. The Mission relies heavily upon such support.

**Functional expense allocation**
The costs of providing the Organization's various programs and supporting services are summarized on a functional basis in the consolidated statements of activities and change in net assets and detailed in the consolidated statements of functional expenses. Accordingly, certain costs were allocated to the program and supporting services benefited based on an analysis made by management of the Organization. The Organization follows not-for-profit accounting procedures generally accepted in the United States of America ("GAAP"), in which joint costs of informational materials that include a fundraising appeal may be allocated. Management allocated $44,590 and $7,008 of these costs to program services during fiscal years ended June 30, 2019 and 2018, respectively.

The expenses that are allocated include the following:

| Expenses | Method of allocation |
|---|---|
| In-kind donations and services | Direct allocation |
| Salaries and other payroll expenses | Time and effort |
| Professional services | Direct allocation based on services/ time and effort |
| Rent and utilities | Direct allocation |
| Bank fees and other financial expenses; accounting and auditing fees; board expenses | Direct allocation |
| All other expenses | Direct allocation/ Time and effort |

**Income taxes**
The Mission is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, except for income taxes on "unrelated business income," if any. For the years ended June 30, 2019 and 2018, the entity did not have any "unrelated business income" subject to income taxes; accordingly, no provision for income taxes for the entity has been included in the consolidated financial statements. Income tax returns filed by the Mission are subject to examination by the Internal Revenue Service for a period of three years. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since 2015 remain open.

The Mission and its Subsidiary and Affiliates adopted provisions related to the subsequent recognition and measurement of tax positions. This guidance requires recognition and the financial statement impact of a tax position when it is more-likely-than-not that the position will be sustained upon examination. The Mission did not identify any uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements.

Mission DC Manager, LLC was formed as a limited liability company and has elected to be treated as corporation for income tax purposes. Accordingly, income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Mission DC Landlord, LLC and Mission DC Master Tenant, LLC have elected to be treated as pass-through entities for income tax purposes and, as such, are not subject to income taxes. Rather, all items of taxable income, deductions, and tax credits are passed through and are reported by their owners on their respective income tax returns. The District of Columbia does not recognize pass-through entities, and therefore, income earned in the District of Columbia by these two entities is subject to tax with a minimum tax liability of $250. There was no income earned during the years ended June 30, 2019, and 2018. Mission DC Landlord, LLC and Mission DC Master Tenant, LLC's federal tax status as a pass-through entity is based on their legal status as a limited liability company. Accordingly, Mission DC Landlord, LLC and Mission DC Master Tenant, LLC are not required to take any tax positions in order to qualify as a pass-through entity. Mission DC Landlord, LLC and Mission DC Master Tenant, LLC are required to file and do file tax returns with the Internal Revenue Service. Accordingly, these consolidated financial statements do not reflect a provision for income taxes and Mission DC Landlord, LLC and Mission DC Master Tenant, LLC have no other tax positions which must be considered for disclosure.

Income tax returns filed by Mission DC Manager, LLC, Mission DC Landlord, LLC and Mission DC Master Tenant, LLC are subject to examination by the Internal Revenue Service for a period of three years. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since 2016 remain open.

**Use of estimates**
The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Reclassification**
Reclassifications have been made to certain prior year balances to conform to the current year presentation. Such reclassifications were made for comparative purposes only and do not restate the prior year's consolidated financial statements.

**New accounting pronouncements**
For the year ended June 30, 2019, the Organization adopted the Financial Accounting Standard Board's Accounting Standards Update ("ASU") No. 2016-14 - *Not-for-profit Entities ("Topic 958"); Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classifications, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. The changes required by ASU 2016-14 are the net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions. The requirements of the ASU have been applied retrospectively to all periods presented with the exception of certain disclosures regarding liquidity and availability of resources as permitted by the standard.

## Note 3 - Availability and Liquidity

The table below represents financial assets available for general expenditures within one year as of June 30, 2019, reduced by amounts not available for general expenditures within one year because of contractual obligations. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, or because the governing board has set aside the funds for a specific reserve or debt obligation. Both short-term marketable securities and long-term marketable securities are those funds that are designed to provide for the ongoing income need, financial stability, conservative growth of capital to meet future needs of the Organization, and to enhance the purchasing power of funds held for the future expenditure and are available for general operations, if the need arises:

| | |
|---|---|
| Financial assets at year-end | |
| Cash and cash equivalents | $ 870,474 |
| Marketable securities | 318,002 |
| Accounts receivable | 165,826 |
| Total financial assets | 1,354,302 |
| Less amounts not available to be used within one year | |
| Cash and cash equivalents - restricted | 7,051 |
| Marketable securities - restricted | 36,115 |
| | 43,166 |
| Financial assets available to meet operating fund expenditures over the next 12 months | $ 1,311,136 |

The organization maintains a line of credit with BB&T in the amount of $500,000 to fund any additional operational needs. See Note 10.

## Note 4 - Marketable securities

The Mission reports its investments in equity securities with readily determinable fair values and all debt securities at fair value in the accompanying consolidated financial statements, with any realized and unrealized gains or losses included as a component of investment income. Certain money market funds are included in the Mission's investment portfolio and reported as components of marketable securities given the Mission's ability and intent to reinvest these funds. The Mission's marketable securities consist of the following as of June 30, 2019 and 2018:

| | 2019 | 2018 |
|---|---|---|
| Certificate of deposit (cost) | $ 39,264 | $ 39,174 |
| Equities | 184,568 | 384,546 |
| Fixed income | 94,170 | 224,199 |
| | $ 318,002 | $ 647,919 |

The following schedule summarizes the investment return and its classification in the consolidated statements of activities for the years ended June 30, 2019 and 2018:

| | 2019 | 2018 |
|---|---|---|
| Interest and dividend income on marketable securities, net of fees | $ 9,983 | $ 31,383 |
| Net realized and unrealized gains | 74,966 | 84,562 |
| Total income related to marketable securities | $ 84,949 | $ 115,945 |

## Note 5 - Fair value measurements

The Organization has adopted the Fair Value Measurements accounting guidance of the Accounting Standards Codification. The guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. It also establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three levels. The following summarizes the three levels of inputs and hierarchy of fair value the Organization uses when measuring fair value:

- Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access;

- Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as interest rates and yield curves that are observable at commonly quoted intervals; and

- Level 3 inputs are unobservable inputs for the asset or liability that are typically based on an entity's own assumptions as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the fair value measurement will fall within the lowest level input that is significant to the fair value measurement in its entirety.

The following table presents the financial assets that the Organization measured at fair value on a recurring basis as of June 30, 2019:

| | Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| Equities | $ 184,568 | $ - | $ - |
| Fixed income | 94,170 | - | - |
| | $ 278,738 | $ - | $ - |

The following table presents the financial assets that the Organization measured at fair value on a recurring basis as of June 30, 2018:

| | Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| Equities | $ 384,546 | $ - | $ - |
| Fixed income | 224,199 | - | - |
| | $ 608,745 | $ - | $ - |

## Note 6 - Grants and other receivables

Grants and other receivables are also reported at their net realizable value based upon the Mission's assessment of their collectability and consist of the following as of June 30:

| | 2019 | 2018 |
|---|---|---|
| Interest receivable | $ 18,273 | $ 18,308 |
| Ready to Work program receivable | 147,553 | 113,657 |
| | $ 165,826 | $ 131,965 |

## Note 7 - Pledges receivable

The following amounts are included in pledges receivable, net on the accompanying consolidated statements of financial position as of June 30:

| | 2019 | 2018 |
|---|---|---|
| Pledges receivable less than one year | $ 11,610 | $ 73,987 |
| | 11,610 | 73,987 |
| Less: Allowance for doubtful accounts | (11,610) | (4,000) |
| Pledges receivable, net | $ - | $ 69,987 |

## Note 8 - Loans receivable

**Kohlmeier loan receivable**

The Mission's loans receivable pertain solely to advances from the Kohlmeier Fund for educational loans and scholarship advances for worthy Christian young men and women. The Mission does not charge interest on the promissory notes as directed by the donor or discount the loans by a present value factor given that the loans may be forgiven and treated as scholarships under certain circumstances. The loans are reported at their estimated net realizable value by management estimating an allowance for doubtful accounts and for those that may be forgiven based upon successful completion of their education and entrance into Christian service. As of June 30, 2019 and 2018, the balance of loans receivable was $16,714 and $16,650, net of allowance for doubtful accounts in the amounts of $14,150 and $12,150, respectively.

**Chase NMTC Mission Investment Fund, LLC note receivable**
The Mission has a note receivable of $11,075,000 from a third party that was issued as part of the New Market Tax Credit financing for the leasehold improvements of the property leased from the City at 65 Massachusetts Avenue, Washington, D.C. The loan matures December 10, 2037. The loan bears interest at 1% per annum and the Mission receives quarterly installments of interest-only of $27,688 through September 10, 2020. Beginning September 10, 2020 through maturity, interest and principal payments of $174,949 are due from the borrower in consecutive quarterly installments. The borrower provided a fund pledge agreement pledging their interest in the related community development entity. The note receivable is considered to be collectible by management as of June 30, 2019. As of June 30, 2014, $11,075,000 was advanced and remains outstanding as of June 30, 2019 and 2018. During the years ended June 30, 2019 and 2018, interest income of $110,714 was recognized and $18,273 and $18,308 remains receivable as of June 30, 2019 and 2018, respectively, and is included in accounts, grants and interest receivable, net on the accompanying consolidated statements of financial position.

## Note 9 - Restricted reserves

Mission DC Landlord, LLC is required to fund an interest reserve in the amount of $262,500, commencing on the Closing Date, as defined in the credit agreement dated July 9, 2013 with City First Capital 32, LLC. Mission DC Landlord, LLC uses amounts in the reserve to fund its quarterly interest payments. As of June 30, 2019 and 2018, this reserve was funded in the amount of $43,123 and $80,282, respectively, and was included in restricted reserve on the accompanying consolidated statements of financial position.

## Note 10 - Mortgage and notes payable

The Organization has three secured credit facilities totaling $2,605,481 with a regional financial institution. The credit facilities are secured by approximately 219.36 acres owned by the Mission at Camp Bennett in Montgomery County, Maryland including approximately 81 acres zoned for single family residential building lots held for sale. The three credit facilities are as follows:

**Line of credit**
The Mission maintains a $500,000 line of credit in 2019 used to provide working capital and fund development of various construction projects of the Mission. The line of credit is subject to the Mission maintaining its primary bank relationship with the lender and is also subject to various restricted loan covenants. The line of credit is currently secured by the acreage at Camp Bennett.

The interest on the line of credit accrues at a variable interest rate of LIBOR plus 2.25% with no floor, which was approximately 4.62% and 3.83% for the years ended June 30, 2019 and June 30, 2018. During the years ended June 30, 2019 and June 30, 2018, interest expense of $9,779 and $44,093 were incurred and paid. The line of credit matures on January 31, 2021 and had an outstanding balance of $0 and $500,000 as of June 30, 2019 and 2018, respectively. The proceeds of $500,000 from the sale of Gospel Mission House in Note 19 were utilized to pay off the existing balance of the line of credit during the year ended June 30, 2019.

**Promissory note**
The Mission entered into a promissory note agreement with BB&T in the amount of $997,675 to provide working capital for the Mission in 2018. The note required principal payment of $66,666 on or before January 2019 and another $66,666 payment on or before April 2019. Thereafter, the borrower shall make principal payments of $61,739 on each October, January, and April until maturity. The note requires monthly interest payments at a variable interest rate of LIBOR plus

2.25%, which was approximately 4.62% and 3.83% for the years ended June 30, 2019 and June 30, 2018. The note commenced on May 14, 2018 and matures on January 6, 2024.

The outstanding principal balance of the promissory note is $864,343 and $997,675 as of June 30, 2019 and June 30, 2018, respectively. During the years ended June 30, 2019 and 2018, interest expense of $49,936 and $3,184 was incurred and paid.

**Construction loan**

The Mission previously had an unsecured construction loan of $3,300,000 with the regional financial institution that was used to refinance the development and reconstruction of the Gales School property as the Mission's new homeless shelter. The loan was modified on April 5, 2015 into a permanent loan. The loan is secured by approximately 219.36 acres owned by the Mission at Camp Bennett in Montgomery County, Maryland including approximately 81 acres zoned for single family residential building lots to any lender. The loan required monthly principal payments from October through June of $24,324, which commenced on October 6, 2015.

In May 2018, the construction loan was modified to the amount of $2,675,750. The loan required monthly interest payments at a variable interest rate of LIBOR plus 2%, which was 3.58% as of June 30, 2018. Starting May 14, 2018, the loan also required monthly principal payments from October through June of $24,324.

In December 2018, the construction loan was modified to the amount of $1,107,806. The loan requires monthly interest payments at a variable interest rate of LIBOR plus 2%, which was 4.37% as of June 30, 2019. Starting January 6, 2019, the loan also requires monthly principal payments from October through June of $10,476. The proceeds of $1,422,000 from the sale of Gospel Mission House in Note 19 was utilized to pay down the existing balance of the construction loan during the year ended June 30, 2019.

During the years ended June 30, 2019 and 2018, interest expense of $77,823 and $112,895 was incurred and paid. Included in interest expense is amortization of debt issuance costs of $0 and $16,277, respectively, for the years ended June 30, 2019 and 2018. The loan has an outstanding balance of $1,044,950 and $2,602,778 as of June 30, 2019 and 2018, respectively, and matures on January 6, 2024. Management plans to sell the single family residential building lots to pay off this loan.

**City First Bank of D.C. - Loan A**

On July 9, 2013, City First Bank of D.C. provided Mission DC Landlord, LLC loan financing in the amount of $11,075,000, which is secured by the Gales School building improvements at Massachusetts Avenue NW, Washington, D.C. as pledged collateral. Beginning on September 1, 2013 interest-only payments are due in quarterly installments until November 30, 2020. The interest rate for the loan is 1.019%. On December 1, 2020, loan payments of principal and interest are due in quarterly installments until the maturity date at December 1, 2042.

As of June 30, 2019 and 2018, $11,075,000 of principal has been advanced and remains outstanding. During the years ended June 30, 2019 and 2018, interest expense of $140,062 and $139,240 was incurred, respectively, which includes amortization of debt issuance costs of $27,208 and $26,386 for the years ended June 30, 2019 and 2018, respectively. As of June 30, 2019 and 2018, $9,405 remains payable and is included in accounts payable and accrued expenses on the accompanying consolidated statements of financial position.

**City First Bank of D.C. - Loan B**

On July 9, 2013, City First Bank of D.C. provided Mission DC Landlord, LLC loan financing in the amount of $3,625,000. Beginning on September 1, 2013 interest-only payments are due in quarterly installments until November 30, 2020. The interest rate for the loan is 1.019%. On December 1, 2020, loan payments of principal and interest are due in quarterly installments until the maturity date at December 1, 2042.

As of June 30, 2019 and 2018, $3,625,000 of principal has been advanced and remains outstanding. During the years ended June 30, 2019 and 2018, interest expense of $43,787 and $44,150 was incurred, which includes amortization of debt issuance costs of $6,848 and $7,147 for the years ended June 30, 2019 and 2018 As of June 30, 2019 and 2018, $0 and $2,908, respectively, remains payable and is included in accounts payable and accrued expenses on the accompanying consolidated statements of financial position.

As of June 30, 2019 and 2018, the outstanding principal balance of the unsecured construction loan, net of unamortized debt issuance costs is $14,023,027 and $13,988,971, respectively:

| | 2019 | 2018 |
|---|---|---|
| Mortgage notes payable | $ 14,700,000 | $ 14,700,000 |
| Unamortized debt issuance costs | (676,973) | (711,029) |
| Net | $ 14,023,027 | $ 13,988,971 |

The following is a summary of future principal payments required under all mortgage and notes payable for the years ending June 30:

| | |
|---|---|
| 2020 | $ 426,862 |
| 2021 | 872,708 |
| 2022 | 878,775 |
| 2023 | 884,906 |
| 2024 | 776,976 |
| Thereafter | 12,769,066 |
| Total | $ 16,609,293 |

**Unsecured note**

The Mission entered into an Affordable Housing Program Agreement with Branch Banking and Trust Company ("BB&T"), as a member of Federal Home Loan Bank of Atlanta ("FHLB"), whereas BB&T provided a $500,000 direct subsidy to the Mission for use by an affiliate to finance affordable housing for very low, low and moderate income households. The note is unsecured. As of June 30, 2019 and 2018, the balance was $500,000 and is included in net assets with donor restrictions on the accompanying consolidated statements of changes in net assets. The Mission shall repay to BB&T that portion of the subsidy payment plus interest as determined at BB&T's discretion if the affiliate is found to be noncompliant with the policies of the Affordable Housing Program Agreement.

## Note 11 - Lease commitments

### Capital lease

The Mission entered into lease agreements for vehicles and trailer, classified as capital leases, with lease terms through December 2020. Depreciation of the asset under the capital leases is included in depreciation expense.

The asset acquired under the capital leases is included in property and equipment as follows at June 30:

| | 2019 | 2018 |
|---|---|---|
| Leased corporate vehicles | $ 230,066 | $ 230,066 |
| Less: Accumulated depreciation | (168,256) | (129,298) |
| | $ 61,810 | $ 100,768 |

The following is a summary of the future minimum payments required under the capital lease agreement as of June 30:

| | |
|---|---|
| 2020 | $ 38,058 |
| 2021 | 46,035 |
| Total future minimum payments | 84,093 |
| Less: Amount representing interest | (2,610) |
| Present value of future minimum lease at June 30, 2019 | $ 81,483 |

Interest expense of $3,398 and $4,736, respectively, was incurred and paid during the years ended June 30, 2019 and 2018.

In connection with these capital leases, the Mission is responsible for other charges and reimbursements on the rental vehicles and trailer. As of June 30, 2019 and 2018, the Mission incurred $5,533 and $4,649, respectively, of such costs and is included with rent and occupancy costs on the accompanying consolidated statements of functional expenses.

### Operating leases

The Mission leases digital copiers and a mailing system under several noncancelable operating lease agreements that expire at various times through the year ending 2022. The leases require monthly payments at various times through the years ending June 30, 2022. For the years ended June 30, 2019 and 2018, rent expense of $73,398 and $84,416, respectively, was incurred.

On August 19, 2017, the Mission entered into a lease with East Blade Investors, LLP for rental property at 3194-B Bladensburg Road, NE, Washington, DC to be used as the Family Ministry Center. The term of the lease is five years and four months commencing on October 1, 2017 through January 31, 2022. The monthly lease payments for this property will be $12,083, increasing at 3% per annum. The Mission is entitled to occupy the property free of any payment for installments of rent during the first two months (October 1, 2016 through November 30, 2016) and shall be responsible for 50% of rent for the succeeding four months (December 1, 2016 through March 30, 2017) of the term of the lease, resulting in a combination of deferred rent abatement and deferred rent of $59,253. For the years ended June 30, 2019 and 2018, rent expense of $138,059 and $147,697, respectively, was incurred.

As of June 30, 2019, future minimum lease commitments under the noncancelable operating lease agreements are as follows for the years ending June 30:

| | | |
|---|---|---|
| 2020 | $ | 157,292 |
| 2021 | | 162,010 |
| 2022 | | 96,831 |
| | $ | 416,133 |

**Office lease**
Effective July 1, 2013, the Mission entered into a five-year lease agreement with 2600 12th Street Partners LLC to lease 3,000 square feet of office space which ended June 30, 2018. The lease called for monthly payments of $6,250 with increases of 3.00% per annum. Additionally, the Mission leased a basement space of 900 square feet, which was subject to the same lease term and called for monthly payments of $900 with increases of 3.00% per annum. The lease was terminated as of June 30, 2018.

Effective January 2018, the Mission entered into a 10-year lease agreement with Jemal's Calvert Kenilworth L.L.C. to move its administrative office from 2600 12th Street to 6811 Kenilworth Avenue. The new lease calls for monthly payments of $5,647 with increases of 4% per annum. The term of the lease commences on January 1. The Mission is entitled to occupy the property free of any payment for installments of rent during the first five months (January 1, 2018 through May 31, 2018) and shall be responsible for one month rent (June 2018) of the term of the lease, resulting in a combination of deferred rent abatement and deferred rent of $32,549.

As of June 30, 2019 and 2018, rent expense of $75,628 and $134,616, respectively, was incurred and future minimum lease commitments under the noncancelable office lease agreement are as follows for the year end June 30:

| | | |
|---|---|---|
| 2020 | $ | 69,593 |
| 2021 | | 72,376 |
| 2022 | | 75,271 |
| 2023 | | 78,282 |
| 2024 | | 81,414 |
| Thereafter | | 310,994 |
| Total | $ | 687,930 |

**Ground lease**
In August 2011, the Mission entered into a 40-year ground lease with the District of Columbia to lease the Gales School property. The lease has an original term of 40 years beginning September 2011 with an option for the Mission to extend the lease for an additional 25 years. Under the terms of the lease, the Mission is required to operate and maintain a 150-bed homeless shelter as the permitted use of the property over the 40-year term and 25-year renewal. The annual base rent is $1 per year. For the years ended June 30, 2019 and 2018, rent expense of $1 was incurred.

The Mission is also responsible for all improvements necessary to bring the facility up to code for occupancy. The Mission incurred the total initial construction cost of $19,250,710, which was capitalized as incurred by the Mission during the year ended June 30, 2014. Such costs are amortized over 40 years in accordance with Mission's capitalization and depreciation policy. In conjunction with the lease agreement and given the risk associated with improving and maintaining the property, the Mission created a limited liability company, Mission DC Manager, LLC, and assigned the leasing rights, with the approval of the District of Columbia, to the limited liability company. The limited liability company's sole member is the Mission and its sole purpose is the furtherance of the Mission's exempt purpose. The ground lease may be terminated by either party should the Mission not obtain government approvals for the building plans and related improvements to bring the property up to code for accessibility and use or may be terminated by the District should the Mission otherwise fail to perform on its obligations under the lease. The lease income and the lease obligations among the Mission and its Subsidiary and Affiliates are eliminated.

## Note 12 - Net assets

Without donor restrictions net assets consist to two categories: 1) undesignated: funds that are currently available to support the Organization's daily operations and 2) board designated: funds restricted by the Board of Directors for specific purposes. As of June 30, 2019 and 2018, there were no board designated net assets.

With donor restricted net assets as of June 30, 2019 and 2018 are $543,166 and $616,150, respectively, which consist of the implied time restrictions on pledge and bequest receivables and funds earmarked for educational assistance and scholarship programs. During the years ended June 30, 2019 and 2018, net assets with donor restrictions of $87,387 and $11,510 were released from restriction, respectively. Net asset with donor restrictions are available for the following purposes or time restrictions:

| | 2019 | 2018 |
|---|---|---|
| Affordable Housing Program funds | $ 500,000 | $ 500,000 |
| Kohlmeier loan funds | 38,764 | 34,361 |
| Pledge receivable | - | 73,987 |
| Thorp Vaglio Lauren | 4,402 | 7,802 |
| | $ 543,166 | $ 616,150 |

## Note 13 - Developer fee

On July 9, 2013, the Mission has entered into a development agreement with Mission DC Landlord, LLC, a related party, to construct, rehabilitate, improve, maintain, operate, lease and otherwise deal with renovation of the Gales School project. As a fee for those services, the Mission is being paid a fee equal to 20% of the qualified rehabilitation expense incurred. As of June 30, 2019 and 2018, the balance of $2,507,803 and $2,623,061 respectively, remains payable from Mission DC Landlord, LLC. The balance was eliminated on the accompanying consolidated statements of financial position and the associated depreciation expense on the buildings and improvements was eliminated on the accompanying consolidated statements of activities.

## Note 14 - Lease and rental income

During the years ended June 30, 2019 and 2018, the Mission rented a portion of its land at Camp Bennett to an unrelated third party farm on a year-to-year lease in the amount of $5,800. The income is included in lease and rental income on the accompanying consolidated statements of activities. The lease arrangement is renewed on an annual basis.

The Mission also rented the space at Camp Bennett to various organizations and earned rental income of $83,133 and $55,263 for the years ended June 30, 2019 and 2018, respectively.

## Note 15 - Fundraising and development expenses

In accordance with generally accepted accounting principles for nonprofit organizations, the Mission expenses fundraising and advertising costs when incurred. As such, fundraising and advertising expense is generally recognized when the fundraising event occurs or advertisement occurs. Fundraising and advertising costs totaled $2,310,620 and $2,584,281 during the fiscal years ended June 30, 2019 and 2018, respectively.

## Note 16 - Retirement plan

The Mission provides a SIMPLE IRA retirement plan for employees meeting certain minimum eligibility requirements. Employees meeting the eligibility requirements may make tax-deferred contributions up to statutory limits as set by the IRS. The Mission makes matching contributions up to 3% of eligible compensation as defined by the plan. Retirement plan expense associated with matching contributions was $20,869 and $27,989 for the fiscal years ended June 30, 2019 and 2018, respectively.

## Note 17 - Commitments and contingencies

### Sales contingencies

The Mission has incurred substantial predevelopment costs to subdivide a portion of its property at Camp Bennett in Montgomery County, Maryland into residential building lots. It includes approximately 81 acres of land in Brookville, Maryland that is part of Camp Bennett with total 219.36 acres of land, zoned for residential building lots for development and sale. These lots are part of the security for the credit facility and the proceeds from any sale would first be directed to reduce the existing balances on the credit facility and on the construction loan described in Note 10.

On July 9, 2018, the Mission entered into an agreement of purchase and sale with a third party in the amount of $4,050,000 for the Camp Bennett lots, pending the successful due diligence process. There were two further amendments to the agreement of purchase and sales made on November 5, 2018 and May 19, 2019, respectively. The nature of the amendments were to allow the Seller to draw down deposits contributed by the Buyer, for shifting responsibilities for remaining government approvals and project management from Seller to Buyer, certain credits to the purchase price and to transfer certain other responsibilities to Buyer. This contract is under due diligence process by the buyer, management and the governing board. The underlying assets are composed of land and building of $11,615 and costs of sale of $1,212,179 at June 30, 2019 and are included in long-lived assets held for sale on the accompanying consolidated statements of financial position.

### Disputes and disagreements

The Mission is, from time-to-time, involved in various legal actions, claims or disputes arising from the normal course of business that, in the opinion of management will not have a significant impact upon the Mission's financial condition or operations. As of June 30, 2019 and 2018, the Mission was unaware of any significant pending or threatened litigation, claims or assessments with the exception of two pending claims in Washington D.C. related to the residents' noncompliance with resident policies and procedures, which happened in 2018. In addition, the Mission had another pending claim related to an alleged discrimination by a former guest. The legal counsel assessed that the estimated loss is remote and as such, no liabilities were accrued for such contingencies on the accompanying consolidated financial statements. No assurances can be given regarding any unasserted claims.

## Note 18 - Concentration of credit risk

The Organization maintains its cash and cash equivalents in several accounts in several banks. At times, these balances may exceed the federal insurance limits; however, the Mission has not experienced any losses with respect to its balances in excess of amounts insured by the Federal Deposit Insurance Corporation ("FDIC"). Management believes that no significant concentration of credit risk exists with respect to these balances at June 30, 2019.

## Note 19 - Gospel Rescue Ministries

On October 21, 2013, the Gospel Rescue Ministries of Washington, D.C. Inc. entered into an agreement with the Mission, agreeing to transfer its Fulton House (subsequently named as Gospel Mission House after the transfer) at 512 I Street, N.W., Washington, D.C. and Lambert House at 1733 T Street, S.E., Washington, D.C., and other certain assets, as defined by the agreement, to the Mission, free and clear of all liens, claims, encumbrances, and interests, as contributions. On the transfer date, the fair values of the properties, building and land, were $920,000 for the property at 512 I Street, N.W., Washington, D.C. and $725,000 for the property at 1733 T Street, S.E., Washington, D.C.

The Gospel Rescue Ministries of Washington, D.C. Inc., the donor of Gospel Mission House restricted the Mission's right to dispose of Gospel Mission House, for a period of three years after the transfer. The contribution of Gospel Mission House, in the amount of $920,000, was released from restriction in 2017.

On November 9, 2018, the Mission sold Gospel Mission House for $2,550,000. The Mission received $2,382,570 from the buyer after factoring closing costs, which resulted a gain on sale in the amount of $1,530,073. The proceeds of $1,922,000 were utilized to pay off $500,000 of the line of credit (Note 10) and to pay down the existing balance of the construction loan in the amount of $1,422,000 (Note 10).

## Note 20 - Ready to Work program

The Ready to Work program is a work/training program conducted by the Mission for homeless and unemployed men and women who are ready to help themselves out of homelessness toward self-sufficiency. Program participants provide cleaning services for several business districts in the City and are contracted through the Mission. Program revenues during the years ended June 30, 2019 and 2018 were $915,304 and $753,893, respectively, and are included in program service revenue on the accompanying consolidated statements of activities. As of June 30, 2019 and 2018, $147,953 and $113,657, respectively, remains receivable.

## Note 21 - Subsequent events

Events that occur after the consolidated statement of financial position date, but before the consolidated financial statements were available to be issued, must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the consolidated statement of financial position date are recognized in the accompanying consolidated financial statements. Subsequent events which provide evidence about conditions that existed after the consolidated statement of financial position date require disclosure in the accompanying notes. Management evaluated the activity of the Organization through September 24, 2019 (the date the financial statements were available to be issued), and concluded that the following subsequent event has occurred and requires disclosure:

On June 20, 2019, pursuant to the defined terms per the option agreement for National Grange Mutual Company's investment in Mission DC Master Tenant, LLC, National Grange Mutual Company exercised its put option right to require the Organization to purchase its membership interest in a net amount of $1,555. In July, 2019, the Organization made a subsequent disbursement in the stated amount to purchase the membership interest.

# Supplementary Information

## Central Union Mission, and its Subsidiary and Affiliates

## Supplementary Information

## Consolidating Statements of Financial Position
## June 30, 2019

| | Central Union Mission | Mission DC Manager, LLC | Mission DC Landlord, LLC | Mission DC Master Tenant, LLC | Total | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|
| Current assets | | | | | | | |
| Cash and cash equivalents | $ 779,134 | $ - | $ 45,699 | $ 45,641 | $ 870,474 | $ - | $ 870,474 |
| Accounts, grants and interest receivable, net | 165,826 | - | - | - | 165,826 | - | 165,826 |
| Pledges receivable, net | - | - | - | - | - | - | - |
| Intercompany receivable | 2,479,886 | - | - | 65,627 | 2,545,513 | (2,545,513) | - |
| Short-term marketable securities | 39,264 | - | - | - | 39,264 | - | 39,264 |
| Employee advances | 3,419 | - | - | - | 3,419 | - | 3,419 |
| Prepaid expenses and other | 32,651 | - | - | - | 32,651 | - | 32,651 |
| Long-lived assets held for sale | 1,223,794 | - | - | - | 1,223,794 | - | 1,223,794 |
| Total current assets | 4,723,974 | - | 45,699 | 111,268 | 4,880,941 | (2,545,513) | 2,335,428 |
| Property and equipment | | | | | | | |
| Land and site improvements | 229,788 | - | - | - | 229,788 | - | 229,788 |
| Buildings and improvements | 3,111,831 | - | 19,106,323 | - | 22,218,154 | (2,623,061) | 19,595,093 |
| Furniture and equipment | 316,972 | - | 210,181 | - | 527,153 | - | 527,153 |
| Corporate vehicles | 347,883 | - | - | - | 347,883 | - | 347,883 |
| | 4,006,474 | - | 19,316,504 | - | 23,322,978 | (2,623,061) | 20,699,917 |
| Less: Accumulated depreciation | (1,691,807) | - | (2,937,324) | - | (4,629,131) | 375,524 | (4,253,607) |
| Property and equipment, net | 2,314,667 | - | 16,379,180 | - | 18,693,847 | (2,247,537) | 16,446,310 |
| Other long-term assets | | | | | | | |
| Restricted reserve | - | - | 43,123 | - | 43,123 | - | 43,123 |
| Predevelopment costs | - | - | - | - | - | - | - |
| Marketable securities | 278,738 | - | - | - | 278,738 | - | 278,738 |
| Investments in subsidiary and affiliates | 1,132,913 | 1,133,028 | - | 1,146,009 | 3,411,950 | (3,411,950) | - |
| Loans and note receivable, net | 11,077,564 | - | - | - | 11,077,564 | - | 11,077,564 |
| Total other long-term assets | 12,489,215 | 1,133,028 | 43,123 | 1,146,009 | 14,811,375 | (3,411,950) | 11,399,425 |
| Total assets | $ 19,527,856 | $ 1,133,028 | $ 16,468,002 | $ 1,257,277 | $ 38,386,163 | $ (8,205,000) | $ 30,181,163 |

# Central Union Mission, and its Subsidiary and Affiliates

## Supplementary Information

## Consolidating Statements of Financial Position
## June 30, 2019

| | Central Union Mission | Mission DC Manager, LLC | Mission DC Landlord, LLC | Mission DC Master Tenant, LLC | Total | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|
| Current liabilities | | | | | | | |
| Accounts payable and accrued expenses | $ 944,821 | $ - | $ 12,328 | $ - | $ 957,149 | $ - | $ 957,149 |
| Accrued payroll and payroll taxes | 178,511 | - | - | - | 178,511 | - | 178,511 |
| Accrued leave | 56,244 | - | - | - | 56,244 | - | 56,244 |
| Current portion of deferred rent and deferred lease incentive | 17,944 | - | - | - | 17,944 | - | 17,944 |
| Intercompany payable | - | 29,054 | 2,516,459 | - | 2,545,513 | (2,545,513) | - |
| Current portion of promissory note | 185,217 | - | - | - | 185,217 | - | 185,217 |
| Current portion of long-term notes payable | 94,284 | - | 147,361 | - | 241,645 | - | 241,645 |
| Current portion of long-term capital lease obligations | 37,150 | - | - | - | 37,150 | - | 37,150 |
| Total current liabilities | 1,514,171 | 29,054 | 2,676,148 | - | 4,219,373 | (2,545,513) | 1,673,860 |
| Long-term liabilities | | | | | | | |
| Line of credit, net of current portion | - | - | - | - | - | - | - |
| Promissory note, net of current portion | 679,126 | - | - | - | 679,126 | - | 679,126 |
| Notes payable, net of current portion and unamortized debt issuance costs | 950,666 | - | 13,875,666 | - | 14,826,332 | - | 14,826,332 |
| Long-term capital lease obligations, net of current portion | 44,333 | - | - | - | 44,333 | - | 44,333 |
| Deferred rent and deferred lease incentive, net of current portion | 63,241 | - | - | - | 63,241 | - | 63,241 |
| Total liabilities | 3,251,537 | 29,054 | 16,551,814 | - | 19,832,405 | (2,545,513) | 17,286,892 |
| Commitment and contingencies | - | - | - | - | - | - | - |
| Net assets | | | | | | | |
| Without donor restrictions | | | | | | | |
| Controlling interest | 15,733,153 | 1,103,974 | (83,812) | - | 16,753,315 | (5,494,487) | 11,258,828 |
| Noncontrolling interest | - | - | - | 1,257,277 | 1,257,277 | (165,000) | 1,092,277 |
| With donor restrictions | 543,166 | - | - | - | 543,166 | - | 543,166 |
| Total net assets | 16,276,319 | 1,103,974 | (83,812) | 1,257,277 | 18,553,758 | (5,659,487) | 12,894,271 |
| Total liabilities and net assets | $ 19,527,856 | $ 1,133,028 | $ 16,468,002 | $ 1,257,277 | $ 38,386,163 | $ (8,205,000) | $ 30,181,163 |

## Central Union Mission, and its Subsidiary and Affiliates

## Supplementary Information

## Consolidating Statements of Financial Position
## June 30, 2018

| | Central Union Mission | Mission DC Manager, LLC | Mission DC Landlord, LLC | Mission DC Master Tenant, LLC | Total | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|
| Current assets | | | | | | | |
| Cash and cash equivalents | $ 354,903 | $ - | $ 17,035 | $ 40,641 | $ 412,579 | $ - | $ 412,579 |
| Accounts, grants and interest receivable, net | 131,965 | - | - | - | 131,965 | - | 131,965 |
| Pledges receivable, net | 69,987 | - | - | - | 69,987 | - | 69,987 |
| Intercompany receivable | 2,643,886 | - | - | 44,917 | 2,688,803 | (2,688,803) | - |
| Short-term marketable securities | 39,174 | - | - | - | 39,174 | - | 39,174 |
| Employee advances | 1,472 | - | - | - | 1,472 | - | 1,472 |
| Prepaid expenses and other | 30,776 | - | - | - | 30,776 | - | 30,776 |
| Long-lived assets held for sale | - | - | - | - | - | - | - |
| Total current assets | 3,272,163 | - | 17,035 | 85,558 | 3,374,756 | (2,688,803) | 685,953 |
| Property and equipment | | | | | | | |
| Land and site improvements | 483,076 | - | - | - | 483,076 | - | 483,076 |
| Buildings and improvements | 3,790,497 | - | 19,106,323 | - | 22,896,820 | (2,623,061) | 20,273,759 |
| Furniture and equipment | 285,929 | - | 210,181 | - | 496,110 | - | 496,110 |
| Corporate vehicles | 327,515 | - | - | - | 327,515 | - | 327,515 |
| | 4,887,017 | - | 19,316,504 | - | 24,203,521 | (2,623,061) | 21,580,460 |
| Less: Accumulated depreciation | (1,547,620) | - | (2,434,467) | - | (3,982,087) | 308,266 | (3,673,821) |
| Property and equipment, net | 3,339,397 | - | 16,882,037 | - | 20,221,434 | (2,314,795) | 17,906,639 |
| Other long-term assets | | | | | | | |
| Restricted reserve | - | - | 80,282 | - | 80,282 | - | 80,282 |
| Predevelopment costs | 1,065,114 | - | - | - | 1,065,114 | - | 1,065,114 |
| Marketable securities | 608,745 | - | - | - | 608,745 | - | 608,745 |
| Investments in subsidiary and affiliates | 1,132,913 | 1,133,028 | 4,764 | 1,146,009 | 3,416,714 | (3,416,714) | - |
| Loans and note receivable, net | 11,079,500 | - | - | - | 11,079,500 | - | 11,079,500 |
| Total other long-term assets | 13,886,272 | 1,133,028 | 85,046 | 1,146,009 | 16,250,355 | (3,416,714) | 12,833,641 |
| Total assets | $ 20,497,832 | $ 1,133,028 | $ 16,984,118 | $ 1,231,567 | $ 39,846,545 | $ (8,420,312) | $ 31,426,233 |

## Central Union Mission, and its Subsidiary and Affiliates

## Supplementary Information

## Consolidating Statements of Financial Position
## June 30, 2018

| | Central Union Mission | Mission DC Manager, LLC | Mission DC Landlord, LLC | Mission DC Master Tenant, LLC | Total | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|
| Current liabilities | | | | | | | |
| Accounts payable and accrued expenses | $ 776,536 | $ - | $ 12,503 | $ - | $ 789,039 | $ - | $ 789,039 |
| Accrued payroll and payroll taxes | 195,725 | - | - | - | 195,725 | - | 195,725 |
| Accrued leave | 56,244 | - | - | - | 56,244 | - | 56,244 |
| Current portion of deferred rent and deferred lease incentive | 16,039 | - | - | - | 16,039 | - | 16,039 |
| Intercompany payable | - | 21,764 | 2,671,803 | - | 2,693,567 | (2,693,567) | - |
| Current portion of promissory note | 133,332 | - | - | - | 133,332 | - | 133,332 |
| Current portion of long-term notes payable | 218,916 | - | - | - | 218,916 | - | 218,916 |
| Current portion of long-term capital lease obligations | 36,182 | - | - | - | 36,182 | - | 36,182 |
| Total current liabilities | 1,432,974 | 21,764 | 2,684,306 | - | 4,139,044 | (2,693,567) | 1,445,477 |
| Long-term liabilities | | | | | | | |
| Line of credit, net of current portion | 500,000 | - | - | - | 500,000 | - | 500,000 |
| Promissory note, net of current portion | 864,343 | - | - | - | 864,343 | - | 864,343 |
| Notes payable, net of current portion and unamortized debt issuance costs | 2,383,862 | - | 13,988,971 | - | 16,372,833 | - | 16,372,833 |
| Long-term capital lease obligations, net of current portion | 82,822 | - | - | - | 82,822 | - | 82,822 |
| Deferred rent and deferred lease incentive, net of current portion | 75,763 | - | - | - | 75,763 | - | 75,763 |
| Total liabilities | 5,339,764 | 21,764 | 16,673,277 | - | 22,034,805 | (2,693,567) | 19,341,238 |
| Commitment and contingencies | - | - | - | - | - | - | - |
| Net assets | | | | | | | |
| Without donor restrictions | | | | | | | |
| Controlling interest | 14,541,918 | 1,111,264 | 310,841 | - | 15,964,023 | (5,594,745) | 10,369,278 |
| Noncontrolling interest | - | - | - | 1,231,567 | 1,231,567 | (132,000) | 1,099,567 |
| With donor restrictions | 616,150 | - | - | - | 616,150 | - | 616,150 |
| Total net assets | 15,158,068 | 1,111,264 | 310,841 | 1,231,567 | 17,811,740 | (5,726,745) | 12,084,995 |
| Total liabilities and net assets | $ 20,497,832 | $ 1,133,028 | $ 16,984,118 | $ 1,231,567 | $ 39,846,545 | $ (8,420,312) | $ 31,426,233 |

See Independent Auditor's Report.

## Central Union Mission, and its Subsidiary and Affiliates

## Supplementary Information

## Consolidating Statements of Activities
## Year Ended June 30, 2019

| | Central Union Mission | Mission DC Manager, LLC | Mission DC Landlord, LLC | Mission DC Master Tenant, LLC | Total | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|
| Public support and revenue | | | | | | | |
| Public support | | | | | | | |
| In-kind donations and services | $ 8,495,297 | $ - | $ - | $ - | $ 8,495,297 | $ - | $ 8,495,297 |
| Contributions and gifts | 5,524,743 | - | - | - | 5,524,743 | - | 5,524,743 |
| Pledges and bequests | 106,853 | - | - | - | 106,853 | - | 106,853 |
| Private and foundation grants | 617,312 | - | - | - | 617,312 | - | 617,312 |
| Revenue | | | | | | | |
| Program services | 1,065,414 | - | - | - | 1,065,414 | - | 1,065,414 |
| Investment income | 9,983 | - | - | - | 9,983 | - | 9,983 |
| Lease and rental income | 88,933 | - | 302,000 | 335,000 | 725,933 | (637,000) | 88,933 |
| Miscellaneous income | 104,609 | - | 345 | - | 104,954 | - | 104,954 |
| Gales School income | | | | | | | |
| Interest income | 110,714 | - | - | - | 110,714 | - | 110,714 |
| Total public support and revenue | 16,123,858 | - | 302,345 | 335,000 | 16,761,203 | (637,000) | 16,124,203 |
| Expenses | | | | | | | |
| Program services | | | | | | | |
| Family ministry | 7,925,675 | - | - | - | 7,925,675 | - | 7,925,675 |
| Men's ministry | 5,497,985 | 7,290 | 696,998 | 309,290 | 6,511,563 | (637,000) | 5,874,563 |
| Partners | 171,430 | - | - | - | 171,430 | - | 171,430 |
| Total program services | 13,595,090 | 7,290 | 696,998 | 309,290 | 14,608,668 | (637,000) | 13,971,668 |
| Supporting services | | | | | | | |
| Management and general | 704,936 | - | - | - | 704,936 | (67,258) | 637,678 |
| Fundraising and development | 2,310,620 | - | - | - | 2,310,620 | - | 2,310,620 |
| Total supporting services | 3,015,556 | - | - | - | 3,015,556 | (67,258) | 2,948,298 |
| Total expenses | 16,610,646 | 7,290 | 696,998 | 309,290 | 17,624,224 | (704,258) | 16,919,966 |
| Other items | | | | | | | |
| Gain on sale of fixed assets | 1,530,073 | - | - | - | 1,530,073 | - | 1,530,073 |
| Realized and unrealized gain on investments | 74,966 | - | - | - | 74,966 | - | 74,966 |
| Total other items | 1,605,039 | - | - | - | 1,605,039 | - | 1,605,039 |
| Change in net assets | 1,118,251 | (7,290) | (394,653) | 25,710 | 742,018 | 67,258 | 809,276 |
| Excess of revenue over expenses (expenses over revenue) attributable to noncontrolling interest | - | - | - | 25,710 | 25,710 | (33,000) | (7,290) |
| Excess of revenue over expenses (expenses over revenue) attributable to the Organization | $ 1,118,251 | $ (7,290) | $ (394,653) | $ - | $ 716,308 | $ 100,258 | $ 816,566 |

## Central Union Mission, and its Subsidiary and Affiliates

## Supplementary Information

## Consolidating Statements of Activities
## Year Ended June 30, 2018

| | Central Union Mission | Mission DC Manager, LLC | Mission DC Landlord, LLC | Mission DC Master Tenant, LLC | Total | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|
| Public support and revenue | | | | | | | |
| Public support | | | | | | | |
| In-kind donations and services | $ 8,731,281 | $ - | $ - | $ - | $ 8,731,281 | $ - | $ 8,731,281 |
| Contributions and gifts | 5,906,361 | - | - | - | 5,906,361 | - | 5,906,361 |
| Pledges and bequests | 211,166 | - | - | - | 211,166 | - | 211,166 |
| Private and foundation grants | 573,116 | - | - | - | 573,116 | - | 573,116 |
| Revenue | | | | | | | |
| Program services | 851,751 | - | - | - | 851,751 | - | 851,751 |
| Investment income | 31,383 | - | - | - | 31,383 | - | 31,383 |
| Lease and rental income | 61,063 | - | 302,000 | 335,000 | 698,063 | (637,000) | 61,063 |
| Miscellaneous income | 105,778 | - | 206 | - | 105,984 | - | 105,984 |
| Gales School income | | | | | | | |
| Interest income | 110,714 | - | - | - | 110,714 | - | 110,714 |
| Total public support and revenue | 16,582,613 | - | 302,206 | 335,000 | 17,219,819 | (637,000) | 16,582,819 |
| Expenses | | | | | | | |
| Program services | | | | | | | |
| Family ministry | 8,135,939 | - | - | - | 8,135,939 | - | 8,135,939 |
| Men's ministry | 5,485,904 | 8,803 | 713,567 | 310,552 | 6,518,826 | (637,000) | 5,881,826 |
| Partners | 204,924 | - | - | - | 204,924 | - | 204,924 |
| Total program services | 13,826,767 | 8,803 | 713,567 | 310,552 | 14,859,689 | (637,000) | 14,222,689 |
| Supporting services | | | | | | | |
| Management and general | 765,720 | - | - | - | 765,720 | (67,258) | 698,462 |
| Fundraising and development | 2,584,281 | - | - | - | 2,584,281 | - | 2,584,281 |
| Total supporting services | 3,350,001 | - | - | - | 3,350,001 | (67,258) | 3,282,743 |
| Total expenses | 17,176,768 | 8,803 | 713,567 | 310,552 | 18,209,690 | (704,258) | 17,505,432 |
| Other items | | | | | | | |
| Gain on sale of fixed assets | - | - | - | - | - | - | - |
| Realized and unrealized gain on investments | 84,562 | - | - | - | 84,562 | - | 84,562 |
| Total other items | 84,562 | - | - | - | 84,562 | - | 84,562 |
| Change in net assets | (509,593) | (8,803) | (411,361) | 24,448 | (905,309) | 67,258 | (838,051) |
| Excess of revenue over expenses (expenses over revenue) attributable to noncontrolling interest | - | - | - | 24,448 | 24,448 | (33,000) | (8,552) |
| Excess of revenue over expenses (expenses over revenue) attributable to the Organization | $ (509,593) | $ (8,803) | $ (411,361) | $ - | $ (929,757) | $ 100,258 | $ (829,499) |

See Independent Auditor's Report.

## Central Union Mission, and its Subsidiary and Affiliates

## Supplementary Information

## Consolidating Statements of Changes in Net Assets (Net Deficit)
## Years Ended June 30, 2019 and 2018

| | Net Assets Without Donor Restrictions | | | | | | |
|---|---|---|---|---|---|---|---|
| **Central Union Mission** | Controlling | Noncontrolling | Total | Net Assets With Donor Restrictions | Total Net Assets Prior to Consolidating Eliminations | Eliminations | Total Net Assets |
| Balance, June 30, 2017 | $ 15,113,988 | $ - | $ 15,113,988 | $ 553,673 | $ 15,667,661 | $ (1,491,609) | $ 14,176,052 |
| Change in net assets, June 30, 2018 | (572,070) | - | (572,070) | 62,477 | (509,593) | 335,000 | (174,593) |
| Balance, June 30, 2018 | 14,541,918 | - | 14,541,918 | 616,150 | 15,158,068 | (1,156,609) | 14,001,459 |
| Change in net assets, June 30, 2019 | 1,191,235 | - | 1,191,235 | (72,984) | 1,118,251 | 335,000 | 1,453,251 |
| Balance, June 30, 2019 | $ 15,733,153 | $ - | $ 15,733,153 | $ 543,166 | $ 16,276,319 | $ (821,609) | $ 15,454,710 |

| | Net Assets Without Donor Restrictions | | | | | | |
|---|---|---|---|---|---|---|---|
| **Mission DC Manager, LLC** | Controlling | Noncontrolling | Total | Net Assets With Donor Restrictions | Total Net Assets Prior to Consolidating Eliminations | Eliminations | Total Net Deficit |
| Balance, June 30, 2017 | $ 1,120,067 | $ - | $ 1,120,067 | $ - | $ 1,120,067 | $ (1,133,028) | $ (12,961) |
| Change in net assets, June 30, 2018 | (8,803) | - | (8,803) | - | (8,803) | - | (8,803) |
| Balance, June 30, 2018 | 1,111,264 | - | 1,111,264 | - | 1,111,264 | (1,133,028) | (21,764) |
| Change in net assets, June 30, 2019 | (7,290) | - | (7,290) | - | (7,290) | - | (7,290) |
| Balance, June 30, 2019 | $ 1,103,974 | $ - | $ 1,103,974 | $ - | $ 1,103,974 | $ (1,133,028) | $ (29,054) |

## Central Union Mission, and its Subsidiary and Affiliates

## Supplementary Information

## Consolidating Statements of Changes in Net Assets (Net Deficit)
## Years Ended June 30, 2019 and 2018

| | Net Assets Without Donor Restrictions | | | | | | |
|---|---|---|---|---|---|---|---|
| **Mission DC Landlord, LLC** | Controlling | Noncontrolling | Total | Net Assets With Donor Restrictions | Total Net Assets Prior to Consolidating Eliminations | Eliminations | Total Net Deficit |
| Balance, June 30, 2017 | $ 722,202 | $ - | $ 722,202 | $ - | $ 722,202 | $ (3,070,366) | $ (2,348,164) |
| Change in net assets, June 30, 2018 | (411,361) | - | (411,361) | - | (411,361) | (234,742) | (646,103) |
| Balance, June 30, 2018 | 310,841 | - | 310,841 | - | 310,841 | (3,305,108) | (2,994,267) |
| Change in net assets, June 30, 2019 | (394,653) | - | (394,653) | - | (394,653) | (234,742) | (629,395) |
| Balance, June 30, 2019 | $ (83,812) | $ - | $ (83,812) | $ - | $ (83,812) | $ (3,539,850) | $ (3,623,662) |

| | Without Donor Restrictions | | | | | | |
|---|---|---|---|---|---|---|---|
| **Mission DC Master Tenant, LLC** | Controlling | Noncontrolling | Total | Net Assets With Donor Restrictions | Total Net Assets Prior to Consolidating Eliminations | Eliminations | Total Net Assets |
| Balance, June 30, 2017 | $ - | $ 1,207,119 | $ 1,207,119 | $ - | $ 1,207,119 | $ (99,000) | $ 1,108,119 |
| Change in net assets, June 30, 2018 | - | 24,448 | 24,448 | - | 24,448 | (33,000) | (8,552) |
| Balance, June 30, 2018 | - | 1,231,567 | 1,231,567 | - | 1,231,567 | (132,000) | 1,099,567 |
| Change in net assets, June 30, 2019 | - | 25,710 | 25,710 | - | 25,710 | (33,000) | (7,290) |
| Balance, June 30, 2019 | $ - | $ 1,257,277 | $ 1,257,277 | $ - | $ 1,257,277 | $ (165,000) | $ 1,092,277 |

See Independent Auditor's Report.

CohnReznick

Accounting • Tax • Advisory