MEMPHIS UNION MISSION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023 and 2022

WATKINS UIBERALL
Certified Public Accountants
Independent Member of BKR International

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Memphis Union Mission

Opinion

We have audited the accompanying consolidated financial statements of Memphis Union Mission (a nonprofit organization) and subsidiaries, which comprise the consolidated statements of financial position as of September 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Memphis Union Mission and subsidiaries as of September 30, 2023 and 2022, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Memphis Union Mission and subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Memphis Union Mission and subsidiaries' ability to continue as a going concern for a reasonable period of time.

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

Watkins Uiberall, PLLC

Memphis, Tennessee
December 21, 2023

MEMPHIS UNION MISSION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

September 30, 2023 and 2022

Assets	2023	2022
Cash, Cash Equivalents, and Restricted Cash		
Undesignated	$ 2,678,592	$ 1,969,239
Restricted for construction and related fees	1,166,589	8,535,463
Board-designated	105,014	100,583
Total cash, cash equivalents, and restricted cash	3,950,195	10,605,285
Investments	1,499,405	1,703,956
Promises to give, net	27,724	250,066
Prepaid expenses	100,329	91,070
Other assets	67,152	73,413
Notes receivable	24,187,800	24,187,800
Property and equipment, net	40,048,373	32,411,379
Total assets	$ 69,880,978	$ 69,322,969
Liabilities and Net Assets		
Accounts payable and accrued expenses	$ 567,856	$ 470,000
Retainage payable	-	15,120
Client funds payable	93,885	54,639
Other liabilities	127,003	144,384
Notes payable, net	38,490,285	38,712,272
Total liabilities	39,279,029	39,396,415
Net Assets		
Without donor restrictions	30,527,649	29,926,554
Net Assets with Donor Restrictions		
Purpose restrictions	74,300	-
Total net assets	30,601,949	29,926,554
Total liabilities and net assets	$ 69,880,978	$ 69,322,969

The accompanying notes are an integral part of the consolidated financial statements.

MEMPHIS UNION MISSION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Other Revenues			
Contributions	$ 5,502,702	$ 227,823	$ 5,730,525
Program service fees	284,945	-	284,945
Rental income	28,050	-	28,050
Investment return	240,185	-	240,185
Interest income	260,917	-	260,917
Other income	3,517	-	3,517
Net assets released from restrictions	153,523	(153,523)	-
Total support and other revenues	6,473,839	74,300	6,548,139
Expenses			
Program Services Expenses			
Men's Emergency Shelter	2,262,414	-	2,262,414
Calvary Colony	661,306	-	661,306
Wright Transitional House	281,751	-	281,751
Moriah House	484,895	-	484,895
Intact Family Housing	55,340	-	55,340
Educational Center	42,758	-	42,758
Extended Stay	244,674	-	244,674
Total program services expenses	4,033,138	-	4,033,138
Supporting Services Expenses			
Management and general	481,921	-	481,921
Fundraising	1,357,685	-	1,357,685
Total supporting services expenses	1,839,606	-	1,839,606
Total expenses	5,872,744	-	5,872,744
Change in net assets	601,095	74,300	675,395
Net assets, beginning of year	29,926,554	-	29,926,554
Net assets, end of year	$ 30,527,649	$ 74,300	$ 30,601,949

The accompanying notes are an integral part of the consolidated financial statements.

MEMPHIS UNION MISSION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Other Revenues			
Contributions	$ 5,990,634	$ 240,660	$ 6,231,294
Program service fees	271,491	-	271,491
Rental income	38,492	-	38,492
Investment return (loss)	(310,568)	-	(310,568)
Interest income	214,885	-	214,885
Loss on sale of property	(15,386)		(15,386)
Other income	2,635	-	2,635
Net assets released from restrictions	1,002,902	(1,002,902)	-
Total support and other revenues	7,195,085	(762,242)	6,432,843
Expenses			
Program Services			
Men's Emergency Shelter	2,092,994	-	2,092,994
Calvary Colony	618,820	-	618,820
Wright Transitional House	257,111	-	257,111
Moriah House	493,822	-	493,822
Intact Family Housing	45,718	-	45,718
Educational Center	37,150	-	37,150
Extended Stay	245,001	-	245,001
Total program services	3,790,616	-	3,790,616
Supporting Services			
Management and general	540,010	-	540,010
Fundraising	1,275,900	-	1,275,900
Total supporting services	1,815,910	-	1,815,910
Total expenses	5,606,526	-	5,606,526
Change in net assets	1,588,559	(762,242)	826,317
Net assets, beginning of year	28,337,995	762,242	29,100,237
Net assets, end of year	$ 29,926,554	$ -	$ 29,926,554

The accompanying notes are an integral part of the consolidated financial statements.

MEMPHIS UNION MISSION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended September 30, 2023

	Program Services								Supporting Services			
	Men's Emergency Shelter	Calvary Colony	Wright Transitional House	Moriah House	Intact Family Housing	Educational Center	Extended Stay	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries	$ 641,846	$ 231,901	$ 138,725	$ 205,154	$ 26,714	$ 21,491	$ 133,876	$ 1,399,707	$ 230,299	$ 191,665	$ 421,964	$ 1,821,671
Employee benefits	31,778	85,117	14,939	40,430	4,622	207	15,103	192,196	20,683	30,079	50,762	242,958
Payroll taxes	47,006	15,159	9,818	14,237	1,819	1,686	9,645	99,370	16,117	13,849	29,966	129,336
Professional fees	375	375	-	-	-	-	375	1,125	126,725	31,325	158,050	159,175
Supplies	116,965	25,208	8,772	13,678	515	630	6,709	172,477	13,723	28,030	41,753	214,230
Telephone and internet	9,186	5,642	2,609	2,609	-	-	-	20,046	1,752	-	1,752	21,798
Postage	76	5	251	372	-	-	-	704	1,891	99,855	101,746	102,450
Food	58,853	15,741	8,625	9,981	-	-	6,825	100,025	1,088	45	1,133	101,158
Donor acquisition	-	-	-	-	-	-	-	-	-	365,729	365,729	365,729
Newsletter/brochure	-	-	-	-	-	-	-	-	-	118,792	118,792	118,792
Direct mail appeal	-	-	-	-	-	-	-	-	-	364,582	364,582	364,582
Radio/online advertising	-	-	-	-	-	-	-	-	-	63,331	63,331	63,331
Repairs & maintenance	87,237	85,857	16,563	39,589	11,311	-	22,994	263,551	2,937	-	2,937	266,488
Software and IT	-	151	-	151	-	-	-	302	5,661	48,217	53,878	54,180
Insurance	67,985	17,764	4,219	7,067	2,110	-	830	99,975	1,055	348	1,403	101,378
Utilities	193,968	151,379	45,019	43,429	-	-	25,730	459,525	-	-	-	459,525
Allowances - residents	8,570	10,507	860	6,300	-	-	2,140	28,377	-	-	-	28,377
Bad debt	-	-	-	-	-	-	-	-	4,600	-	4,600	4,600
Taxes and licenses	16,655	1,273	160	160	-	-	480	18,728	31,321	-	31,321	50,049
Vending machine	-	6,052	2,446	-	-	-	3,393	11,891	-	-	-	11,891
Miscellaneous	10,269	-	-	-	-	14,434	-	24,703	2,968	170	3,138	27,841
Interest	228,228		-	-	-	-	-	228,228	12,486	-	12,486	240,714
Depreciation	743,417	9,175	28,745	101,738	8,249	4,310	16,574	912,208	8,615	1,668	10,283	922,491
Total expenses	$ 2,262,414	$ 661,306	$ 281,751	$ 484,895	$ 55,340	$ 42,758	$ 244,674	$ 4,033,138	$ 481,921	$ 1,357,685	$ 1,839,606	$ 5,872,744

The accompanying notes are an integral part of the consolidated financial statements.

MEMPHIS UNION MISSION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended September 30, 2022

	Program Services								Supporting Services			
	Men's Emergency Shelter	Calvary Colony	Wright Transitional House	Moriah House	Intact Family Housing	Educational Center	Extended Stay	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries	$ 592,384	$ 240,524	$ 126,189	$ 220,623	$ 25,664	$ 20,865	$ 141,947	$ 1,368,196	$ 267,198	$ 172,003	$ 439,201	$ 1,807,397
Employee benefits	49,510	71,533	17,994	43,015	5,229	202	15,888	203,371	31,637	25,205	56,842	260,213
Payroll taxes	43,250	15,900	8,966	15,481	1,762	1,640	10,251	97,250	18,778	12,531	31,309	128,559
Professional fees	2,366	375	-	-	-	-	375	3,116	123,994	31,395	155,389	158,505
Supplies	80,821	22,747	15,081	5,663	126	1,398	6,341	132,177	8,937	17,036	25,973	158,150
Telephone and internet	7,040	7,182	3,595	2,895	-	-	-	20,712	4,972	-	4,972	25,684
Postage	263	12	84	346	-	-	-	705	927	38,004	38,931	39,636
Food	46,464	13,164	5,425	6,885	-	51	6,887	78,876	1,763	274	2,037	80,913
Donor acquisition	-	-	-	-	-	-	-	-	-	336,243	336,243	336,243
Newsletter/brochure	-	-	-	-	-	-	-	-	-	131,284	131,284	131,284
Direct mail appeal	-	-	-	-	-	-	-	-	-	418,924	418,924	418,924
Radio/online advertising	-	-	-	-	-	-	-	-	175	62,805	62,980	62,980
Repairs & maintenance	69,130	83,807	11,881	43,667	2,297	828	10,007	221,617	3,641	-	3,641	225,258
Software and IT	-	12,780	845	5,765	471	-	-	19,861	12,883	28,028	40,911	60,772
Insurance	67,306	17,586	4,177	6,997	2,089	-	6,307	104,462	1,044	345	1,389	105,851
Utilities	192,549	107,260	35,208	39,434	-	-	26,275	400,726	-	-	-	400,726
Allowances - residents	7,858	10,295	220	2,669	-	-	1,513	22,555	-	-	-	22,555
Bad debt									25,000		25,000	25,000
Taxes and licenses	10,477	2	-	-	-	-	-	10,479	24,127	-	24,127	34,606
Vending machine	3,335	3,546	1,155	-	-	-	4,225	12,261	-	-	-	12,261
Miscellaneous	9,776	125	-	-	-	5,618	-	15,519	1,317	155	1,472	16,991
Interest	228,228	-	-	-	-	-	-	228,228	6,243	-	6,243	234,471
Depreciation	682,237	11,982	26,291	100,382	8,080	6,548	14,985	850,505	7,374	1,668	9,042	859,547
Total expenses	$ 2,092,994	$ 618,820	$ 257,111	$ 493,822	$ 45,718	$ 37,150	$ 245,001	$ 3,790,616	$ 540,010	$ 1,275,900	$ 1,815,910	$ 5,606,526

The accompanying notes are an integral part of the consolidated financial statements.

MEMPHIS UNION MISSION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended September 30, 2023 and 2022

	2023	2022
Cash Flows From Operating Activities:		
Change in net assets	$ 675,395	$ 826,317
Adjustments to Reconcile Change in Net Assets to Net Cash From Operating Activities:		
Amortization of debt issuance costs	28,013	21,770
Donated investments	(24,396)	(351,836)
Depreciation	922,491	859,547
Loss on sale of property	-	15,386
Realized and unrealized (gains) losses on investments	(110,329)	371,150
Contributions restricted for construction	(67,823)	(240,660)
Change in Operating Assets and Liabilities		
Promises to give	4,093	24,984
Prepaid expenses	(9,259)	120,034
Other assets	6,261	(24,804)
Accounts payable and accrued expenses	(202,154)	57,705
Retainage payable	(15,120)	(216,826)
Client funds payable	39,246	(7,552)
Other liabilities	(17,381)	95,584
Net cash provided by operating activities	1,229,037	1,550,799
Cash Flows From Investing Activities:		
Purchases of property and equipment	(8,259,475)	(4,969,133)
Proceeds from sale of property	-	33,112
Issuance of notes receivable	-	(10,075,800)
Purchases of investments	(852,984)	(427,621)
Proceeds from sale of investments	1,192,260	386,577
Net cash used for investing activities	(7,920,199)	(15,052,865)
Cash Flows From Financing Activities:		
Principal payments on notes payable	(250,000)	(1,000,000)
Proceeds from issuance of notes payable	-	20,682,559
Proceeds from contributions restricted for construction	286,072	463,854
Net cash provided by financing activities	36,072	20,146,413
Net increase (decrease) in cash and cash equivalents and restricted cash	(6,655,090)	6,644,347
Cash, cash equivalents, and restricted cash, beginning of year	10,605,285	3,960,938
Cash, cash equivalents, and restricted cash, end of year	$ 3,950,195	$ 10,605,285
Supplemental Cash Flow Information:		
Cash paid for interest, net of amounts capitalized	$ 258,095	$ 132,644
Noncash Operating and Investing Activities:		
Construction costs accrued in payables	$ 300,010	$ 287,285

The accompanying notes are an integral part of the consolidated financial statements.

NOTE 1 – PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

Founded in 1945, Memphis Union Mission is a Christian non-profit organization located in Memphis, Tennessee, that ministers to the spiritual and physical needs of the hurting and the homeless by providing food, shelter and clothing, as well as pastoral care and recovery programs. In offering these services to the needy, the ultimate goal is for clients to be freed from addictions, experience fulfilled, abundant lives, become productive family and community members, and play an active part in the local church. This goal is accomplished through seven separate ministries that are located on five separate properties in Shelby County. Memphis Union Mission has no denominational affiliation, receives no government funding, and is supported primarily from individual donor contributions. A single member LLC and two non-profit corporations were formed in March 2010, November 2019, and December 2021, respectively, to support the programs of Memphis Union Mission.

Basis of Accounting and Principles of Consolidation

The accompanying consolidated financial statements of Memphis Union Mission and its wholly-owned subsidiaries, WIT Properties, LLC, Memphis Union Mission Support Corporation, and Memphis Union Mission Support Corporation 2, (collectively, the “Mission”), have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”). All significant intercompany balances and transactions have been eliminated in consolidation. The consolidated financial statements reflect the results of all programs operated by the Mission.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Revenue Recognition

The Mission receives support from a variety of sources including contributions from individuals, estates, and other agencies. Contributions are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the condition on which they depend have been met.

Program service fees consists of dorm collection fees, vending machine sales, support service fees, and advertising. Revenues from program service fees are recognized when services have been performed or at the time of sale when goods are provided to the customer.

In-Kind Contributions

The Mission receives various types of in-kind contributions in the course of daily operations, including professional services, supplies and materials. Contributed professional services are recognized as in-kind contributions if the services received create or enhance long-lived assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of investments and tangible assets are recognized at fair value when received. A substantial number of volunteers have contributed significant voluntary services to the Mission which do not meet the two recognition criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the consolidated financial statements.

Concentrations and Credit Risks

The Mission's credit risks primarily relate to cash and investments. Cash deposits are maintained in financial institutions for which the balances may exceed amounts covered by insurance provided by the Federal Deposit Insurance Corporation ("FDIC"). The Mission has not experienced any losses of such funds, and management believes the Mission is not exposed to significant credit risk on cash.

The Mission's investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the financial statements. To mitigate these risks, the Mission utilizes professional investment advisors to assist in fulfilling its investment objectives. The finance committee and its advisors review the asset allocation on a monthly basis and work to ensure all strategies outlined are within the investment policy.

Functional Allocation of Expenses

The costs of program and supporting services have been summarized on a functional basis in the consolidated statement of activities. The consolidated statement of functional expenses presents the natural classification detail of expenses by function. Expenses that are identified with a specific program or support service are charged directly to the appropriate function. Other shared costs have been allocated among the programs and supporting services benefited based on management's estimate of the relative effort expended for the related functions.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, money market accounts, and highly liquid investments and certificates of deposit purchased with original maturities of three months or less.

Restricted cash consists of loan proceeds restricted for construction and related fees in connection with the New Market Tax Credit transactions the Mission entered into for the construction of the new Opportunity Center building. See Notes 6 and 8 for additional information.

Investments

Purchased investments are carried at their fair values in the consolidated statements of financial position. Donated investments are recorded at fair value at the date of donation. Net investment return (loss) is reported in the consolidated statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less related investment advisory fees.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques that incorporate risk-free interest rates applicable to the year in which the promises are received. In subsequent years, amortization of the discounts is included in contribution revenue in the consolidated statement of activities. The Mission provides an allowance for doubtful accounts, as needed for contributions deemed uncollectible. At September 30, 2023 and 2022, no provision for an allowance for doubtful accounts has been made since it is management's opinion that all promises to give are collectible.

Notes Receivable

Notes receivable are collateralized by the membership interests related to the New Market Tax Credit transactions described in Note 6. The Mission has one class of financing receivables from a highly credible financial institution. Management assesses the credit quality of the notes based on indicators such as collateralization and collection experience. At September 30, 2023 and 2022, management deemed an allowance to be unnecessary.

Property and Equipment

The Mission reports land, buildings and equipment at historical cost if purchased, or at fair value if donated. Property and equipment purchased in excess of $1,500 are capitalized. Provision for depreciation is recognized using the straight-line method over the estimated useful lives of the depreciable assets ranging from 5 to 39 years. Repairs and maintenance costs are expensed as incurred while betterments and improvements are capitalized. Upon the sale or other retirement of depreciable property, the cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in the consolidated statement of activities.

Debt Issuance Costs

Debt issuance costs include capitalized costs related to obtaining debt. These costs are amortized using the straight-line method over the term of the related debt, which approximates the effective interest method. When a loan is paid in full, any unamortized debt issuance costs are removed from the related accounts and charged to interest expense. Unamortized costs are presented as a direct deduction from the face amount of the debt. Amortization is included with interest expense in the consolidated statement of functional expenses.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets with Donor Restrictions – Net assets subject to donor-imposed restrictions. Some 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 resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Income Tax Status

Memphis Union Mission, Memphis Union Mission Support Corporation, and Memphis Union Mission Support Corporation 2 are organized as Tennessee non-profit corporations and have been recognized by the Internal Revenue Service as public charities exempt from federal income taxes under the provisions of IRC Section 501 (c)(3) of the Internal Revenue Code. WIT Properties, LLC is a disregarded entity for tax purposes as Memphis Union Mission is the sole member. The Mission files an exempt organization return in the U.S. federal jurisdiction. Additionally, the Mission is subject to income tax on net income derived from its business activities that are unrelated to its exempt purpose.

Advertising

Advertising costs are expensed as incurred, except for direct mail appeals. Prepaid direct mail and postage consist of the cost of direct mailings that will be made in the subsequent year. For the years ended September 30, 2023 and 2022, advertising expense totaled $546,705 and $574,289, respectively.

Date of Management's Review

The Mission evaluated its September 30, 2023 consolidated financial statements for subsequent events through December 21, 2023, the date the consolidated financial statements were available to be issued. The Mission is not aware of any subsequent events which would require recognition or disclosure in the consolidated financial statements.

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure within one year of the statement of financial position date comprise the following at September 30:

	2023	2022
Cash and cash equivalents	$ 2,678,592	$ 1,969,239

The Mission's goal is generally to maintain financial assets to meet 90-180 days of operating expenses (approximately $1,150,000 to $2,300,000). As discussed in Note 10, certain assets are designated for specific purposes by the Board of Directors and are not included above.

NOTE 3 – FAIR VALUE MEASUREMENTS

The Mission reports certain assets at fair value in the consolidated financial statements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

> *Level 1* – Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.
>
> *Level 2* – Inputs other than quoted prices with Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
>
> *Level 3* – Inputs which are unobservable for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2023:

> *Common stock/mutual funds* – Valued based on quoted prices in active markets for identical assets.
>
> *Government and corporate bonds* – Valued based on the current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer.

The following tables set forth by level, within the fair value hierarchy, the Mission's assets measured at fair value on a recurring basis at September 30:

	2023		
	Level 1	Level 2	Total
Investments			
Government bonds	$ -	$ 64,373	$ 64,373
Corporate bonds	-	401,343	401,343
Common stock	1,033,689	-	1,033,689
Total investments	$ 1,033,689	$ 465,716	$ 1,499,405

	2022		
	Level 1	Level 2	Total
Investments			
Corporate bonds	$ -	$ 384,255	$ 384,255
Common stock	978,951	-	978,951
Mutual funds	340,750	-	340,750
Total investments	$ 1,319,701	$ 384,255	$ 1,703,956

NOTE 4 – PROMISES TO GIVE

Unconditional promises to give consisted of the following at September 30:

	2023	2022
Due in less than one year	$ 12,129	$ 218,240
Due in one to five years	16,218	32,936
Less unamortized discount	(623)	(1,110)
	$ 27,724	$ 250,066

Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 0.98%.

NOTE 5 – PREPAID EXPENSES

Prepaid expenses consist of the following at September 30:

	2023	2022
Software licenses	$ 67,332	$ 62,259
Direct mail expense and postage	6,229	566
Insurance	26,768	28,245
	$ 100,329	$ 91,070

NOTE 6 – NEW MARKET TAX CREDIT TRANSACTIONS AND NOTES RECEIVABLE

NMTC - 2019

In December 2019, the Mission entered into a New Market Tax Credit (NMTC) financing transaction to partially fund the construction of the first phase of the new Opportunity Center building. The NMTC program is designed to spur new or increased investments into operating businesses and real estate projects located in low-income communities by offering investors a federal tax credit in exchange for the investments. To earn the tax credit, the NMTC Investor must remain invested for a seven-year period, which will end in 2026 for the Mission's project. The NMTCs were allocated in this transaction pursuant to Section 45D of the Internal Revenue Code (IRC).

As part of this financing arrangement, the Mission issued a $14,112,000 note receivable to COCRF Investor 152, LLC (the "Investor") (an unrelated entity affiliated with a financial institution). The note bears interest at 1.132% per annum and requires semi-annual interest-only payments of $79,874 until December 31, 2026; at which point semi-annual principal and interest payments of $378,463 will be due until maturity on December 31, 2047. The note is collateralized by a Fund Pledge Agreement which consists of security interests in the membership interests of three community development entities (CDEs), COCRF SubCDE 91, LLC, Hope New Markets 15, LLC, and Brownfield Revitalization 58, LLC.

Additionally, as part of this financing arrangement, the Investor made investments in the CDEs which in turn provided loans to the Mission totaling $19,520,000 (see Note 8). After the seven-year NMTC compliance period expires, it is anticipated that the loans will be discharged.

NMTC - 2022

In March 2022, the Mission entered into another NMTC financing transaction to partially fund the construction of the second phase of the new Opportunity Center building. To earn the tax credit, the NMTC Investor must remain invested for a seven-year period, which will end in 2029 for the Mission's project. The NMTCs were allocated in this transaction pursuant to Section 45D of the Internal Revenue Code (IRC).

As part of this financing arrangement, the Mission issued a $10,075,800 note receivable to COCRF Investor 226, LLC (the "Investor") (an unrelated entity affiliated with a financial institution). The note bears interest at 1.00% per annum and requires semi-annual interest-only payments of $50,379 until December 2029; at which point semi-annual principal and interest payments of $278,551 will be due until maturity on June 30, 2049. The note is collateralized by a Fund Pledge Agreement which consists of security interests in the membership interests of a community development entity (CDE), Hope New Markets 19, LLC.

Additionally, as part of this financing arrangement, the Investor made investments in the CDEs which in turn provided loans to the Mission totaling $13,580,000 (see Note 8). After the seven-year NMTC compliance period expires, it is anticipated that the loans will be discharged.

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following major classifications at September 30:

	2023	2022
Land and improvements	$ 3,159,002	$ 3,159,002
Buildings and improvements	27,756,947	27,551,098
Furniture and fixtures	1,013,296	968,005
Automobiles and trucks	325,387	272,753
Machinery and equipment	1,119,261	1,093,125
Office equipment and software	248,274	233,339
Promotional film	7,250	7,250
Construction in progress	13,944,663	5,730,022
	47,574,080	39,014,594
Accumulated depreciation	(7,525,707)	(6,603,215)
	$ 40,048,373	$ 32,411,379

NOTE 8 – NOTES PAYABLE

As described in Note 6, the Mission entered into a NMTC financing transaction to partially fund the construction of the first phase of the new Opportunity Center building. As part of the financing transaction, the Mission entered into promissory note agreements with the CDEs totaling $19,520,000, with interest at 1.00% per annum. The notes require semi-annual interest-only payments ranging from $3,689 to $49,287 from December 2019 through December 2026, then semi-annual principal and interest payments ranging from $15,622 to $208,749, maturing on December 31, 2053. The notes are collateralized by a security interest in the property and building that is being constructed, through a deed of trust.

In 2022, the Mission entered into another NMTC financing transaction to partially fund the construction of the second phase of the new Opportunity Center building. As part of the financing transaction, the Mission entered into promissory note agreements with the CDE totaling $13,580,000, with interest at 1.00% per annum. The notes require semi-annual interest-only payments ranging from $20,289 to $58,339 from June 2022 through June 2029, then semi-annual principal and interest payments ranging from $82,343 to $236,766, maturing on December 31, 2053. The notes are collateralized by a security interest in the property and building that is being constructed, through a deed of trust.

The loans and compliance agreements restrict the use of the funds to the Mission and its continued operation as a qualified low-income community business for the term of the notes. At September 30, 2023, the Mission was not aware of any non-compliance with such requirements.

Additional financing was obtained in 2022 for the second phase construction of the Opportunity Center building which consisted of a $7,500,000 construction term note with a bank at a variable interest rate equal to the Prime Rate less 50 basis points, currently 8.0%. Monthly interest-only payments begin April 1, 2022, and in addition, beginning April 1, 2024, annual principal payments equal to twenty percent (20%) of the balance will be due until maturity on March 15, 2029. The note is secured by deposit and brokerage accounts and receivables.

The Mission is subject to certain restrictive debt covenant ratios for the term note. At September 30, 2023, management was not aware of any non-compliance with such covenants.

Notes payable consisted of the following at September 30:

	2023	2022
NMTC Loans		
Note payable - COCRF A	$ 2,052,300	$ 2,052,300
Note payable - COCRF B	947,700	947,700
Note payable - Hope New Markets A	9,857,400	9,857,400
Note payable - Hope New Markets B	3,722,600	3,722,600
Note payable - Brownfield A	2,202,300	2,202,300
Note payable - Brownfield B	737,700	737,700
Note Payable - Hope CDE A	10,075,800	10,075,800
Note payable - Hope CDE B	3,504,200	3,504,200
Total NMTC loans	33,100,000	33,100,000
Construction term note	6,250,000	6,500,000
	39,350,000	39,600,000
Less unamortized debt issuance costs	(859,715)	(887,728)
	$ 38,490,285	$ 38,712,272

Principal maturities of notes payable are as follows for the years ending September 30:

2024	$ 1,250,000
2025	1,250,000
2026	1,250,000
2027	1,250,000
2028	1,250,000
Thereafter	33,100,000
	$ 39,350,000

NOTE 9 – COMMITMENTS

The Mission has entered into certain contracts related to the second phase of construction of the Opportunity Center building still in progress at year-end. Those contracts have unearned and unbilled amounts outstanding of approximately $197,000 at September 30, 2023.

NOTE 10 – BOARD-DESIGNATED NET ASSETS

Net assets were designated by the Board of Directors for the following purposes at September 30:

	2023	2022
Cash and Cash Equivalents		
Capital projects	$ 105,014	$ 100,583
Investments		
Operating reserve	828,647	712,894
Long-term purposes	670,758	650,312
	$ 1,604,419	$ 1,463,789

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets were restricted by donors for the following purposes at September 30:

	2023	2022
Purpose Restrictions		
Moriah House	$ 74,300	$ -

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or other events specified by donors as follows for the years ended September 30:

	2023	2022
Satisfaction of Purpose Restrictions		
Capital projects	$ 67,823	$ 1,002,902
Moriah House	85,700	-
	$ 153,523	$ 1,002,902

NOTE 12 – RETIREMENT PLAN

The Mission sponsors a 403(b) plan that covers eligible employees. Participants may defer a portion of their compensation by contributing such amounts to the plan. The Mission made no employer contributions to the plan for the years ended September 30, 2023 and 2022.

NOTE 13 – CONTINGENCIES

The Mission is periodically engaged in legal proceedings incidental to its normal operating activities. Management consults legal counsel as considered necessary and currently, the resolution of such matters is not expected to have a material adverse effect on the Mission's financial position, results of operations, or cash flows.