

CITY UNION MISSION, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED SEPTEMBER 30, 2017 AND 2016

**CITY UNION MISSION, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
City Union Mission, Inc.
Kansas City, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of City Union Mission, Inc. (the Mission), which comprise the statements of financial position as of September 30, 2017 and 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of City Union Mission, Inc. as of September 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of contributed services and gifts-in-kind and the schedules of contributions (the supplementary information) are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

St. Joseph, Missouri
January 12, 2018

CITY UNION MISSION, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2017 AND 2016

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
CURRENT ASSETS								
Cash and Cash Equivalents	\$ 808,299	\$ 738,391	\$ -	\$ 1,546,690	\$ 942,084	\$ 1,423,227	\$ -	\$ 2,365,311
Pledges Receivable - Net	91,358	33,333	-	124,691	88,244	66,667	-	154,911
Due from (to) Other Funds	(44,976)	44,976	-	-	(45,543)	45,543	-	-
Prepaid Expenses	280,643	-	-	280,643	258,433	-	-	258,433
Inventories, Net	636,227	-	-	636,227	502,918	-	-	502,918
Total Current Assets	<u>1,771,551</u>	<u>816,700</u>	<u>-</u>	<u>2,588,251</u>	<u>1,746,136</u>	<u>1,535,437</u>	<u>-</u>	<u>3,281,573</u>
BENEFICIAL INTEREST IN COMMUNITY FOUNDATIONS	<u>-</u>	<u>144,964</u>	<u>1,261,531</u>	<u>1,406,495</u>	<u>-</u>	<u>64,377</u>	<u>1,261,531</u>	<u>1,325,908</u>
INVESTMENTS	<u>14,352,618</u>	<u>-</u>	<u>-</u>	<u>14,352,618</u>	<u>13,233,082</u>	<u>-</u>	<u>-</u>	<u>13,233,082</u>
PROPERTY AND EQUIPMENT - NET	<u>18,727,888</u>	<u>-</u>	<u>-</u>	<u>18,727,888</u>	<u>17,393,744</u>	<u>-</u>	<u>-</u>	<u>17,393,744</u>
OTHER ASSETS								
Long-Term Pledges Receivable - Net	-	-	-	-	-	33,333	-	33,333
Deposits	4,500	-	-	4,500	4,500	-	-	4,500
Total Other Assets	<u>4,500</u>	<u>-</u>	<u>-</u>	<u>4,500</u>	<u>4,500</u>	<u>33,333</u>	<u>-</u>	<u>37,833</u>
Total Assets	<u>\$ 34,856,557</u>	<u>\$ 961,664</u>	<u>\$ 1,261,531</u>	<u>\$ 37,079,752</u>	<u>\$ 32,377,462</u>	<u>\$ 1,633,147</u>	<u>\$ 1,261,531</u>	<u>\$ 35,272,140</u>
CURRENT LIABILITIES								
Accounts Payable	\$ 607,381	\$ -	\$ -	\$ 607,381	\$ 194,817	\$ -	\$ -	\$ 194,817
Accrued Liabilities	305,648	-	-	305,648	245,920	-	-	245,920
Current Portion of Charitable Gift Annuities	5,863	-	-	5,863	14,653	-	-	14,653
Total Current Liabilities	<u>918,892</u>	<u>-</u>	<u>-</u>	<u>918,892</u>	<u>455,390</u>	<u>-</u>	<u>-</u>	<u>455,390</u>
LONG-TERM LIABILITIES								
Charitable Gift Annuities	18,143	-	-	18,143	57,688	-	-	57,688
Total Liabilities	<u>937,035</u>	<u>-</u>	<u>-</u>	<u>937,035</u>	<u>513,078</u>	<u>-</u>	<u>-</u>	<u>513,078</u>
NET ASSETS								
Unrestricted:								
Undesignated	19,419,261	-	-	19,419,261	18,503,880	-	-	18,503,880
Board-Designated	14,500,261	-	-	14,500,261	13,360,504	-	-	13,360,504
Temporarily Restricted	-	961,664	-	961,664	-	1,633,147	-	1,633,147
Permanently Restricted	-	-	1,261,531	1,261,531	-	-	1,261,531	1,261,531
Total Net Assets	<u>33,919,522</u>	<u>961,664</u>	<u>1,261,531</u>	<u>36,142,717</u>	<u>31,864,384</u>	<u>1,633,147</u>	<u>1,261,531</u>	<u>34,759,062</u>
Total Liabilities and Net Assets	<u>\$ 34,856,557</u>	<u>\$ 961,664</u>	<u>\$ 1,261,531</u>	<u>\$ 37,079,752</u>	<u>\$ 32,377,462</u>	<u>\$ 1,633,147</u>	<u>\$ 1,261,531</u>	<u>\$ 35,272,140</u>

See accompanying Notes to Financial Statements.

CITY UNION MISSION, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE, GAINS, LOSSES, AND OTHER SUPPORT								
Contributions	\$ 8,210,450	\$ 366,507	\$ -	\$ 8,576,957	\$ 8,194,344	\$ 378,427	\$ -	\$ 8,572,771
Contributed Services and Gifts-in-Kind	2,444,079	-	-	2,444,079	2,739,957	-	-	2,739,957
Receiving Center Sales	2,734,066	-	-	2,734,066	2,711,997	-	-	2,711,997
Special Events	779,952	-	-	779,952	132,359	714,015	-	846,374
Cost of Special Events	(168,616)	-	-	(168,616)	(217,863)	-	-	(217,863)
Vending Revenue	37,125	-	-	37,125	44,682	-	-	44,682
Miscellaneous Income	21,488	-	-	21,488	47,192	-	-	47,192
Investment Income	287,303	-	-	287,303	296,501	-	-	296,501
Realized Gains on Investments - Net	150,897	-	-	150,897	86,481	-	-	86,481
Beneficial Interest in Community Foundations	-	105,443	-	105,443	-	84,664	-	84,664
Camp Rental and Fees	58,333	-	-	58,333	50,253	-	-	50,253
Dormitory Fees	12,307	-	-	12,307	14,208	-	-	14,208
Loss on Disposal of Assets	(4,064)	-	-	(4,064)	(5,202)	-	-	(5,202)
Satisfaction of Purpose Restrictions	1,143,433	(1,143,433)	-	-	70,991	(70,991)	-	-
TOTAL REVENUE, GAINS, LOSSES, AND OTHER SUPPORT	15,706,753	(671,483)	-	15,035,270	14,165,900	1,106,115	-	15,272,015
EXPENSES								
Program Services	11,801,496	-	-	11,801,496	12,087,210	-	-	12,087,210
General and Administrative	994,261	-	-	994,261	934,922	-	-	934,922
Fundraising	1,795,082	-	-	1,795,082	1,708,145	-	-	1,708,145
TOTAL EXPENSES	14,590,839	-	-	14,590,839	14,730,277	-	-	14,730,277
OTHER REVENUES (EXPENSES)								
Unrealized Gains on Investments - Net	939,224	-	-	939,224	658,009	-	-	658,009
CHANGES IN NET ASSETS	2,055,138	(671,483)	-	1,383,655	93,632	1,106,115	-	1,199,747
Net Assets - Beginning of Year	31,864,384	1,633,147	1,261,531	34,759,062	31,770,752	527,032	1,261,531	33,559,315
NET ASSETS - END OF YEAR	\$ 33,919,522	\$ 961,664	\$ 1,261,531	\$ 36,142,717	\$ 31,864,384	\$ 1,633,147	\$ 1,261,531	\$ 34,759,062

See accompanying Notes to Financial Statements.

**CITY UNION MISSION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2017**

	Warehouse	Men's Ministry	Farm and Camp	Thrift Stores	Family and Youth Ministries	Total Program	General and Administrative	Fundraising	Total
EXPENSES									
Salaries and Payroll Taxes	\$ 381,368	\$ 1,560,141	\$ 312,028	\$ 1,293,084	\$ 1,237,022	\$ 4,783,643	\$ 442,587	\$ 474,342	\$ 5,700,572
Fringe Benefits	64,302	460,828	117,886	17,802	428,677	1,089,495	75,413	156,707	1,321,615
Contract Services	-	6,518	-	-	1,647	8,165	40,927	57,561	106,653
Groceries	-	384,032	91,118	-	133,334	608,484	20	-	608,504
Promos, Publications, and Postage	-	2	39	40,036	-	40,077	42,981	1,180,829	1,263,887
Clothing	23,953	49,662	2,686	32,591	157,561	266,453	-	-	266,453
Depreciation	75,279	580,584	111,052	123,274	171,506	1,061,695	65,525	-	1,127,220
Professional Fees	-	130,120	-	252,088	51,996	434,204	78,249	6,108	518,561
Utilities	36,746	188,241	60,573	104,958	116,122	506,640	13,883	13,883	534,406
Furniture and Household Items	-	10,758	60	-	602,995	613,813	-	-	613,813
Miscellaneous Expenses	222	28,129	18,750	34,815	89,559	171,475	482	44,076	216,033
Maintenance and Repairs	15,137	68,432	33,377	54,849	27,129	198,924	37,149	-	236,073
Paper Products and Supplies	83,891	-	-	-	-	83,891	-	-	83,891
Operating and Medical Supplies	-	33,036	2,723	-	17,552	53,311	-	-	53,311
Small Equipment Purchases	8,097	62,371	16,103	17,076	35,725	139,372	43,177	73	182,622
Christmas and Thanksgiving Expenses	30,533	5,757	386	-	180,909	217,585	-	-	217,585
Housekeeping Supplies Expenses	17,248	25,070	8,595	98,222	20,760	169,895	4,897	-	174,792
Property Insurance	47,782	162,849	61,521	161,590	108,566	542,308	14,476	14,476	571,260
Office Supplies	-	6,960	602	2,533	2,137	12,232	7,798	-	20,030
Travel - Seminars and Education	3,530	3,671	3,616	4,120	5,055	19,992	8,234	1,164	29,390
Spending Allowance	-	19,562	1,742	-	2,075	23,379	-	-	23,379
Emergency Relief	-	10,364	1,198	-	21,757	33,319	-	-	33,319
Building Equipment Rental	15,656	46,887	8,751	430,068	15,146	516,508	12,037	-	528,545
Automobile Expenses	83,282	-	13,062	21,729	510	118,583	-	-	118,583
Dues, Subscriptions, and Fees	1,657	19,107	11,359	6,187	27,969	66,279	10,031	14,479	90,789
Taxes and Licenses	2,971	-	194	-	-	3,165	2,087	-	5,252
Bad Debt Expense	-	-	-	-	-	-	20,000	-	20,000
Financial Expenses	-	-	-	43,787	-	43,787	74,308	-	118,095
Overhead Allocated	-	-	-	(25,178)	-	(25,178)	-	-	(25,178)
TOTAL EXPENSES	891,654	3,863,081	877,421	2,713,631	3,455,709	11,801,496	994,261	1,963,698	14,759,455
Less Expenses Included with Revenues on the Statement of Activities and Changes in Net Assets	-	-	-	-	-	-	-	168,616	168,616
TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION OF THE STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS	\$ 891,654	\$ 3,863,081	\$ 877,421	\$ 2,713,631	\$ 3,455,709	\$ 11,801,496	\$ 994,261	\$ 1,795,082	\$ 14,590,839

See accompanying Notes to Financial Statements.

CITY UNION MISSION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2016

	Warehouse	Men's Ministry	Farm and Camp	Thrift Stores	Family and Youth Ministries	Total Program	General and Administrative	Fundraising	Total
EXPENSES									
Salaries and Payroll Taxes	\$ 386,502	\$ 1,592,735	\$ 316,229	\$ 1,220,268	\$ 1,261,403	\$ 4,777,137	\$ 439,432	\$ 391,995	\$ 5,608,564
Fringe Benefits	67,307	423,071	76,922	21,052	394,226	982,578	83,566	113,946	1,180,090
Contract Services	-	-	-	-	-	-	28,714	21,123	49,837
Groceries	-	927,010	136,976	-	218,124	1,282,110	-	-	1,282,110
Promos, Publications, and Postage	-	-	122	35,394	-	35,516	42,420	1,224,701	1,302,637
Clothing	20,918	49,417	3,720	5,964	153,449	233,468	-	-	233,468
Depreciation	74,994	588,517	128,569	112,444	168,892	1,073,416	38,497	-	1,111,913
Professional Fees	-	49,829	-	183,678	52,187	285,694	72,487	48,041	406,222
Utilities	33,285	177,807	50,306	95,023	119,844	476,265	13,778	13,777	503,820
Furniture and Household Items	-	8,068	-	-	614,685	622,753	-	-	622,753
Miscellaneous Expenses	447	25,546	19,447	19,772	60,952	126,164	10,355	83,873	220,392
Maintenance and Repairs	7,488	42,402	33,562	32,731	21,072	137,255	24,466	-	161,721
Paper Products and Supplies	137,821	-	-	-	-	137,821	-	-	137,821
Operating and Medical Supplies	-	36,173	2,409	-	19,973	58,555	-	-	58,555
Small Equipment Purchases	5,651	30,252	18,993	17,651	16,414	88,961	30,063	-	119,024
Christmas and Thanksgiving Expenses	30,267	31,687	620	-	152,456	215,030	-	-	215,030
Housekeeping Supplies Expenses	24,954	24,828	8,758	60,574	14,532	133,646	2,754	-	136,400
Property Insurance	33,638	185,663	70,139	169,980	123,776	583,196	16,503	16,503	616,202
Office Supplies	-	5,493	571	10,080	2,540	18,684	19,268	-	37,952
Travel - Seminars and Education	1,352	4,490	3,747	2,828	2,270	14,687	6,738	1,682	23,107
Spending Allowance	-	13,736	3,580	-	2,317	19,633	-	-	19,633
Emergency Relief	-	6,263	1,248	-	9,710	17,221	-	-	17,221
Building Equipment Rental	31,755	32,046	10,637	476,337	11,303	562,078	7,321	-	569,399
Automobile Expenses	120,695	-	11,451	20,452	6	152,604	-	-	152,604
Dues, Subscriptions, and Fees	1,380	24,162	7,669	9,743	17,138	60,092	10,391	10,367	80,850
Taxes and Licenses	5,687	-	524	-	-	6,211	1,506	-	7,717
Financial Expenses	-	-	-	40,923	-	40,923	86,663	-	127,586
Overhead Allocated	-	-	-	(54,488)	-	(54,488)	-	-	(54,488)
TOTAL EXPENSES	984,141	4,279,195	906,199	2,480,406	3,437,269	12,087,210	934,922	1,926,008	14,948,140
Less Expenses Included with Revenues on the Statement of Activities and Changes in Net Assets	-	-	-	-	-	-	-	217,863	217,863
TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION OF THE STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS	\$ 984,141	\$ 4,279,195	\$ 906,199	\$ 2,480,406	\$ 3,437,269	\$ 12,087,210	\$ 934,922	\$ 1,708,145	\$ 14,730,277

See accompanying Notes to Financial Statements.

**CITY UNION MISSION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ 1,383,655	\$ 1,199,747
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	1,127,220	1,111,913
Unrealized Gains on Investments - Net	(939,224)	(658,009)
Realized Gains on Investments - Net	(150,897)	(86,481)
Loss on Disposal of Assets	4,064	5,202
Gifts-in-Kind Received for Inventory - Net	(133,309)	237,643
(Increase) Decrease on Beneficial Interest	(105,443)	(84,664)
Change in Annuity Payable	(33,682)	11,504
Effects of Changes in Operating Assets and Liabilities:		
Pledges Receivable - Net	63,553	(121,294)
Prepaid Expenses	(22,210)	5,788
Accounts Payable	15,972	44,288
Accrued Liabilities	59,728	(83,199)
Net Cash Provided by Operating Activities	1,269,427	1,582,438
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(2,071,336)	(410,435)
Purchases of Investments and Beneficial Interest	(1,169,220)	(873,119)
Proceeds from Maturity of Investments	1,139,805	676,671
Proceeds from Beneficial Interest to Fund Operations	24,856	25,100
Distributions to Annuitants	(14,653)	(14,653)
Proceeds from Sale of Assets	2,500	-
Net Cash Used by Investing Activities	(2,088,048)	(596,436)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(818,621)	986,002
Cash and Cash Equivalents - Beginning of Year	2,365,311	1,379,309
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,546,690	\$ 2,365,311
SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING AND INVESTING ACTIVITIES		
Accounts Payable Related to Property and Equipment	\$ 396,592	\$ -

See accompanying Notes to Financial Statements.

**CITY UNION MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

City Union Mission, Inc. (the Mission) was formed in 1924 as a nonprofit mission in the state of Missouri. The Mission's principal activity is to provide a Christian ministry to men, women, and children who are destitute and homeless. The Mission provides food, clothing, shelter, education, counseling, and sharing of the gospel message to the people it serves. The donor base of the Mission consists primarily of residents and businesses in the greater Kansas City area.

The primary programs and activities of the Mission include:

Warehouse

This is the food warehouse and transportation department of the Mission. Purchased and donated food items are processed for distribution to programs throughout the Mission. The transportation department transports the items and clients around the Mission.

Men's Ministry

The Mission provides overnight shelter, housing, and meals to approximately 300 men each night. The Christian Life Program offers counseling and job skill training in a long-term live-in setting for up to 100 men at a time.

Farm and Camp

Located in the Ozark hills near Warsaw, Missouri, the Farm provides a place where men can get away from the pressure of Kansas City streets. Between 10 and 15 men live at Opportunity Farm year-round. There, simple living is characterized by bunkhouses, wood burning stoves, a comfortable lodge for fellowship and meals, and 600 acres for working, walking, and meditation. During the fall, winter, and spring months, the men maintain the farm and campgrounds, assisted by the professional skills of the staff.

Camp CUMCITO is a summer camp for children and youth who are poor and/or homeless. Each July, nearly 500 children, ages 4-16, spend a week at the camp located near Warsaw, Missouri.

Thrift Stores

The Mission operates three thrift stores that sell donated goods to support the Mission. The Mission's Christian Life Program clients work at the stores as part of their work therapy. The Mission also distributes clothing and household items to our clients through the thrift stores.

CITY UNION MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Family and Youth Ministries

The Family and Youth Center houses the emergency homeless shelter for overnight guests, including families and single women. The shelter can accommodate up to 114 clients. The Youth department ministers to school age youth in the community, provides shelter, and the long-term recovery program. Community assistance is provided through the Center which includes utility assistance, food, clothing, furniture, and school supplies. Clients can enter the 9 to 18 months New Life Program that teaches life and parenting skills, work therapy, and counseling. The New Life Program typically has 20 to 30 participants at a time. The Hotline for the Homeless operates out of the Family and Youth Center. Men, women, and families call the Hotline to find out which Kansas City shelters can provide temporary shelter for the night.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles 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 financial statements, and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Significant estimates incorporated into the Mission's financial statements include the timing and collectability of pledges receivable, the donation value of gifts-in-kind and the resulting carrying value of donated inventories, the estimated useful lives of depreciable assets, the factors included in determining the amounts payable for annuities, and the allocation of costs for the functional allocation reports. Actual results could differ from those estimates.

Basis of Presentation

Financial statement presentation follows the recommendations of Accounting Standards Codification (ASC) 958, *Financial Statements of Not-for-profit Organizations*. Under ASC 958, the Mission is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets include all net assets which are neither temporarily nor permanently restricted. This category includes board designated net assets.

Temporarily restricted net assets include contributed net assets for which donor-imposed time and purpose restrictions have not been met and the ultimate purpose of the contribution is not permanently restricted.

Permanently restricted net assets include contributed net assets which require, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

**CITY UNION MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor or by law. Amounts received, which are designated for future periods or restricted by the donor for specific purposes, are reported as temporarily restricted or permanently restricted support and increase those net asset classes. When a restriction is fulfilled in the same reporting period in which the contribution is received, the Mission reports the support as unrestricted.

Pledges Receivable

Contributions, including promises to give, are recorded when they become unconditional. Conditional promises to give are recognized when the conditions upon which they depend are substantially met. Unconditional promises to give, due in the next year, are recorded at their stated amount. Unconditional promises to give that are expected to be collected beyond the next year are recorded at the present value of estimated future cash flows. The discount on those amounts is computed at an appropriate discount rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Management establishes an allowance for uncollectible pledges based upon both individual donor payment history and the Mission's historical pledge collectability averages.

Donated Property and Equipment

Donated property and equipment is recorded at fair value as of the date of donation. Fair value is estimated based on quoted market prices for similar materials.

Donated Services

The Mission recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The value of contributed time not meeting the criteria outlined above is not reflected in these statements. Unpaid volunteers have made significant contributions of their time to the Mission's program activities that have not, accordingly, been valued. Professional services, however, to the extent measurable, are included in income and expense when the services are provided.

Gifts-in-Kind

Gifts-in-kind consist of donated merchandise such as food, clothing, household items, medical supplies, and miscellaneous items used in the operation of the Mission's programs. All such gifts, except for clothing, household items, and other donations to the thrift stores, are recorded at their estimated fair value at the date of donation. Thrift store items are not considered to have value until they have been renovated and sold or used in Mission operations.

CITY UNION MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Thrift Store Operations

The Mission operates three community thrift stores that serve the underprivileged populations of Kansas City with renovated clothing and home furnishings that have been donated. A significant portion of the materials distributed by the stores are sold at a reduced cost as a part of the Mission's outreach program. Beginning in the 2012 fiscal year, the Mission has contracted with a professional management company to oversee and develop its thrift store operations, including providing day-to-day management of the stores and collection operations.

Thrift store revenue is recognized only upon the renovation and sale of a donated item, at the amount of the sale.

Cash and Cash Equivalents

The Mission considers all liquid investments with a maturity of three months or less when purchased, which are available for general operations, to be cash equivalents. These investments, which are generally certificates of deposit and money market accounts, are recorded at cost. Cash equivalents that are restricted by either the donor or board are included as investments. Certain cash equivalents are considered to be an integral part of the Mission's investment program and are, accordingly, recognized as a component of investments in the statements of financial position.

Impairment of Long-Lived Assets

The Mission reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of their carrying amount or their fair value less costs to sell.

Property and Equipment

Land, buildings, improvements, and equipment additions over \$500 are stated at cost at the date of acquisition, or fair value at the date of donation in the case of gifts. The farm and camp (located near Warsaw, Missouri) were purchased in the 1930s and are reflected in the financial statements at an appraised value of \$500 per acre set in 1970, plus the cost of improvements added subsequent to the appraisal.

Property and equipment is depreciated on the straight-line basis over the estimated useful lives of the assets as follows:

Building and Improvements	5 – 40 Years
Equipment	3 – 10 Years

**CITY UNION MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Mission is a nonprofit organization and exempt from income taxes under section 501(c)(3) of the U.S. Internal Revenue Code. In addition, the Mission has been classified as a publicly supported organization which is not a private foundation within the meaning of Section 509 (a)(1) of the code.

Although it is exempt from federal and state income taxes on its principal operations, the Mission is subject to federal income taxes on the net income from certain operations that generate unrelated business income. No such unrelated business income tax was incurred during 2017 or 2016. The Mission follows the standard for evaluating uncertain tax positions and has determined no liability should be recorded for uncertain tax positions.

Functional Allocation of Expenses

The costs of providing the Mission's various programs and activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited according to formulas developed by management to appropriately reflect actual costs and efforts believed to be expended on each program or supporting service.

Investments

Investments include marketable equity securities, debt securities, money market funds, alternative investments, deferred annuity contracts, and other cash equivalents. Investments in marketable equity and debt securities are carried at fair value with unrealized and realized gains and losses reported as an increase or decrease in unrestricted, temporarily restricted, or permanently restricted net assets based upon donor-imposed restrictions. Money market funds and cash equivalents are carried at cost. Investment income is reported in the statement of activities as unrestricted, temporarily restricted, or permanently restricted revenue based upon donor-imposed restrictions.

Charitable Gift Annuities

The Mission is a party to a number of charitable gift annuity agreements. The gifted assets have been included in the Mission's investment portfolio and a liability has been recorded for the present value of estimated annuity payments due to the donors. The Mission has also been made the beneficiary of various annuity contracts. These are recorded in the financial statements at their estimated realizable value.

CITY UNION MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

Warehouse inventory consists of donated cleaning supplies, food, hygiene items, and other miscellaneous donated goods. The value of the inventory is determined by using the average price for similar categories of products at the end of the year.

Receiving Center inventory consists of donated used clothing, hard goods, furniture, and other miscellaneous donated goods. These items have little or no economic value to the Mission when first received and therefore are not recorded at the time of donation. The inventory is valued at cost, which is determined to be the sum of the applicable expenditures and charges directly or indirectly incurred in bringing an article to existing condition and location. Costs included in donated goods inventory include those incurred to collect, transport, and process donated items to place them for sale in the Mission's thrift stores, or to salvage and recycling dealers. The value of inventory does not include a value for the donated item itself.

NOTE 2 FAIR VALUE OF FINANCIAL INSTRUMENTS

In determining fair value, the Mission uses various valuation approaches within the ASC 820 fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs, by requiring that the most observable inputs be used when available. ASC 820 defines levels within the hierarchy based on the reliability of inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets; and

Level 2 – Valuations based on quoted prices for similar assets or liabilities, or identical assets or liabilities in less active markets, such as dealer or broker markets; and

Level 3 – Valuations derived from valuation techniques in which one or more significant inputs, or significant value drivers, are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer, or broker-traded transactions.

The following is a description of the valuation methodologies used for instruments measured at fair value and their classifications in the valuation hierarchy:

Investments

Securities listed on a national market or exchange are valued at the last sales price, or if there is no sale and the market is still considered active, at the last transaction price before year-end. Such securities are classified within Level 1 or Level 2 of the valuation hierarchy, as appropriate.

**CITY UNION MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

NOTE 2 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Investments (Continued)

Deferred annuity contracts are included in investments. These annuity contracts are held by a third party and are valued at the stated surrender value. These investments are classified within Level 3 of the valuation hierarchy.

Beneficial Interest in Community Foundation

The Mission holds a beneficial interest in certain assets held by the National Christian Foundation. The invested funds are held in a community fund and are classified within Level 3 of the valuation hierarchy. The value of the Mission's interest in the Foundation is equal to the principal contributed by the Mission or on its behalf, plus the earnings allocated to it by the Foundation.

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

Fair values of other assets and liabilities measured on a recurring basis, as of September 30, 2017 and 2016, are as follows:

	September 30, 2017			
	Fair Value	Level 1	Level 2	Level 3
Equity Investments:				
Domestic Equity	\$ 5,544,756	\$ 5,544,756	\$ -	\$ -
International	2,386,517	2,386,517	-	-
Fixed Income and Bond Investments:				
Diversified Taxable	4,093,880	4,093,880	-	-
Credit	423,801	373,023	50,778	-
High Yield	372,532	372,532	-	-
Domestic Preferred Stock	49,871	49,871	-	-
Emerging Markets	135,894	135,894	-	-
U.S. Government Securities:				
Mortgage	1,547	-	1,547	-
Alternative Investments:				
Hedge	744,136	744,136	-	-
Infrastructure	223,502	223,502	-	-
Real Estate	117,243	117,243	-	-
Beneficial Interest in Community Foundations	1,406,495	-	-	1,406,495
Total Assets and Liabilities	<u>\$ 15,500,174</u>	<u>\$ 14,041,354</u>	<u>\$ 52,325</u>	<u>\$ 1,406,495</u>

**CITY UNION MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

NOTE 2 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

	September 30, 2016			
	Fair Value	Level 1	Level 2	Level 3
Equity Investments:				
Domestic Equity	\$ 4,929,533	\$ 4,929,533	\$ -	\$ -
International	2,126,803	2,126,803	-	-
Fixed Income and Bond Investments:				
Diversified Taxable	3,695,779	3,695,779	-	-
Credit	487,434	383,659	103,775	-
High Yield	363,743	363,743	-	-
Domestic Preferred Stock	50,758	50,758	-	-
Emerging Markets	134,207	134,207	-	-
U.S. Government Securities:				
Mortgage	4,482	-	4,482	-
Alternative Investments:				
Hedge	759,945	759,945	-	-
Infrastructure	249,480	249,480	-	-
Real Estate	122,460	122,460	-	-
Deferred Annuity Contracts	30,736	-	-	30,736
Beneficial Interest in Community Foundations	1,325,908	-	-	1,325,908
Total Assets and Liabilities	<u>\$ 14,281,268</u>	<u>\$ 12,816,367</u>	<u>\$ 108,257</u>	<u>\$ 1,356,644</u>

The following is a reconciliation of the beginning and ending balances of assets and liabilities measured at fair value on a recurring basis using significant unobservable (Level 3) inputs during the years ended September 30, 2017 and 2016:

	Deferred Annuity Contracts	Community Foundation
Balance - September 30, 2015	\$ 30,736	\$ 1,266,344
Appropriations	-	(25,100)
Changes in Fair Market Value	-	84,664
Balance - September 30, 2016	30,736	1,325,908
Appropriations	-	(24,856)
Distributions	(23,533)	-
Changes in Fair Market Value	(7,203)	105,443
Balance - September 30, 2017	<u>\$ -</u>	<u>\$ 1,406,495</u>

**CITY UNION MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

NOTE 3 PROPERTY AND EQUIPMENT

The major classes of property and equipment are as follows:

	<u>2017</u>	<u>2016</u>
Land, Buildings, and Improvements:		
Warehouse	\$ 961,496	\$ 395,950
Men's Ministries	6,044,744	6,030,462
Farm, Camp and Chapel	5,104,545	5,078,157
Thrift Stores	278,739	276,568
Family and Youth Ministries	4,794,877	4,795,577
Christian Life Building	8,024,980	7,999,852
Together Center	185,375	185,375
General and Administrative Buildings	1,536,766	1,493,683
Vacant Land	35,062	35,062
Total Land, Buildings, and Improvements	<u>26,966,584</u>	<u>26,290,686</u>
Equipment:		
Warehouse	371,609	348,073
Men's Ministries	211,826	192,928
Farm, Camp and Chapel	377,018	349,746
Receiving Centers	808,672	591,116
Family and Youth Ministries	324,618	293,961
Christian Life Building	22,826	23,825
General and Administrative Buildings	453,613	415,496
Total Equipment	<u>2,570,182</u>	<u>2,215,145</u>
Construction in Progress	<u>1,386,517</u>	<u>21,819</u>
Total Property and Equipment	30,923,283	28,527,650
Less: Accumulated Depreciation	<u>12,195,395</u>	<u>11,133,906</u>
Net Property and Equipment	<u>\$ 18,727,888</u>	<u>\$ 17,393,744</u>

Depreciation of \$1,127,220 and \$1,111,913 was recorded for the years ended September 30, 2017 and 2016, respectively.

CITY UNION MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 4 GENERAL PLEDGES RECEIVABLE

Pledges receivable contains the following components:

	2017	2016
Pledges - General	\$ 156,409	\$ 133,295
Wills and Trusts Receivable	33,333	100,000
Total Pledges	<u>189,742</u>	<u>233,295</u>
Less: Allowance for Uncollectible Pledges	65,051	45,051
Net Pledges Receivable	<u>124,691</u>	<u>188,244</u>
Less: Pledges Receivable, Current Portion - Net	124,691	154,911
Long-Term Pledges Receivable - Net	<u>\$ -</u>	<u>\$ 33,333</u>

NOTE 5 RETIREMENT PLAN

The Mission provides a tax sheltered annuity plan for all employees who have attained the age of 21 and have completed one year of service. Eligible employees may elect to defer up to 25% of their wages, not to exceed \$17,000. The Mission will match 75% of employee contributions, not to exceed 4% of employee wages. The employer contributions totaled \$71,911 for 2017 and \$77,171 for 2016.

NOTE 6 INVESTMENTS

Investments at September 30, 2017 consist of the following:

Description	Original Cost or Basis	Fair Market Value	Excess (Deficiency) of Market Over Cost
At Cost:			
Cash and Cash Equivalents	\$ 258,940	\$ 258,940	\$ -
At Fair Market Value:			
Equity Investments	6,593,823	7,931,273	1,337,450
Fixed Income and Bond Investments	5,076,009	5,077,525	1,516
Alternative Investments	1,134,046	1,084,880	(49,166)
Total	<u>\$ 13,062,818</u>	<u>\$ 14,352,618</u>	<u>\$ 1,289,800</u>

**CITY UNION MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

NOTE 6 INVESTMENTS (CONTINUED)

Investment returns for the year ended September 30, 2017 consist of the following:

Investment Income	\$ 287,303
Net Realized Gains	150,897
Net Unrealized Gains	939,224
Total Investment Returns	<u>\$ 1,377,424</u>
 Total Investment Fees	 <u>\$ 36,812</u>

Investments at September 30, 2016 consist of the following:

Description	Original Cost or Basis	Fair Market Value	Excess (Deficiency) of Market Over Cost
At Cost:			
Cash and Cash Equivalents	\$ 277,722	\$ 277,722	\$ -
At Fair Market Value:			
Equity Investments	6,748,217	7,056,336	308,119
Fixed Income and Bond Investments	4,691,785	4,736,403	44,618
Alternative Investments	1,134,046	1,131,885	(2,161)
Deferred Annuity Contracts	30,736	30,736	-
Total	<u>\$ 12,882,506</u>	<u>\$ 13,233,082</u>	<u>\$ 350,576</u>

Investment returns for the year ended September 30, 2016, consist of the following:

Investment Income	\$ 296,501
Net Realized Gains	86,481
Net Unrealized Losses	658,009
Total Investment Returns	<u>\$ 1,040,991</u>
 Total Investment Fees	 <u>\$ 52,747</u>

NOTE 7 INVENTORIES

Inventories consist of the following:

	2017	2016
Warehouse	\$ 390,842	\$ 282,711
Thrift Store	245,385	220,207
Total Inventories	<u>\$ 636,227</u>	<u>\$ 502,918</u>

**CITY UNION MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

NOTE 8 BENEFICIAL INTEREST IN COMMUNITY FOUNDATION

The Mission invested funds with the National Christian Foundation (the Foundation). The Mission has a total beneficial interest in the assets held by the Foundation of \$1,406,495 and \$1,325,908 at September 30, 2017 and 2016, respectively. The investment earnings are available to be distributed to the Mission, upon request, for approved uses. The Mission has granted the Foundation variance power which gives the Foundation's Board the power to use the funds for other purposes in certain circumstances.

As of September 30, 2017, the total amount of invested funds that are permanently restricted by donor requirements is \$1,261,531 and the remaining balance of \$144,964 is available for approved uses. As of September 30, 2016, the total amount of invested funds that are permanently restricted by donor requirements is \$1,261,531 and the remaining balance of \$64,377 is available for approved uses.

NOTE 9 PLEDGES RECEIVABLE – TRUSTS

The Mission has been notified that it is designated as a beneficiary of a number of trusts. The present value of irrevocable trust amounts are recognized as income and reflected as receivables according to when they are to be received. Those trusts that are revocable are not recognized within the accompanying financial statements due to their conditional nature.

NOTE 10 CHARITABLE GIFT ANNUITIES

Gift annuities outstanding are recorded by the Mission using the actuarial method. Under this method, the present value of the aggregate liability for annuities payable is calculated based on life expectancy tables and interest assumptions commonly used by the industry. The actuarial adjustment recorded in the statement of activities reflects the gain or loss due to changes in the aggregate amount of annuities outstanding, and recomputation of the liability based on revised life expectancies. The gift annuity payable is \$24,006 and \$72,341, respectively, at September 30, 2017 and 2016. Net revenue (expense) relative to gift annuities is \$42,645 and \$(2,541), respectively, for the years ended September 30, 2017 and 2016.

Annuity payable:

	2017	2016
Current	\$ 5,863	\$ 14,653
Long-Term	18,143	57,688

**CITY UNION MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

NOTE 11 BOARD-DESIGNATED NET ASSETS

The board of directors has, by resolution, designated that certain of the Mission's resources be restricted to use for only specified purposes. A custodial account has been established at Commerce Bank to manage the investment and cash accounts set aside for these designated purposes. Earnings on these funds are similarly designated. These funds require action by the board prior to being available for use, and are designated for the following purposes:

	2017	2016
Reserve for Support of Future Operations	\$ 14,109,663	\$ 12,973,962
Thrift Store Payable to Trust Fund	390,598	386,542
Total	<u>\$ 14,500,261</u>	<u>\$ 13,360,504</u>

NOTE 12 TEMPORARILY RESTRICTED ASSETS

Temporarily restricted net assets consist of the following:

Name	Purpose	2017	2016
Bike Promotion Fund	Promotion of Bike Run	\$ 815	\$ 815
School Supplies Fund	School Supplies for Needy Children	1	992
Taylor/Minor Scholarship Funds	Scholarships for Employees	5,948	6,236
Staff Benevolent Fund	Staff Emergencies	2,309	2,070
Bikers Fund	Assistance to the Mission Program		
	Families and Men	16,420	23,848
Klapmeyer Foundation	Mission Food Program	2,781	345
Cross Roads 5k Promo	Promotion of 5k Bike Run	640	640
Ladies Auxiliary	Auxiliary Projects	-	349
Dental and Medical	Provide Medicine and Dental Care	3,081	1,941
SLE Program	Educational Training Program for Clients	24,737	30,802
Missouri Tax Credit Funds	Capital Projects	287,105	294,264
Building Fund	Capital Projects	251,127	937,374
Major Donor Grant Writer	Development Positions Strategic to		
	Capacity-Building at the Mission	143,600	228,682
Miscellaneous	Various	78,136	40,412
Beneficial Interest	Various	144,964	64,377
Total		<u>\$ 961,664</u>	<u>\$ 1,633,147</u>

NOTE 13 PERMANENTLY RESTRICTED ASSETS

Permanently restricted net assets are invested in a beneficial interest in a community foundation of \$1,261,531 at September 30, 2017 and 2016.

The investment income from these endowments is to be used to support the programs of the Mission.

**CITY UNION MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

NOTE 14 LEASE COMMITMENTS

The Mission has operating leases for three thrift store facilities with expiration dates ranging from December 31, 2022 to December 31, 2025. The leases provide for the following minimum annual lease payments for the years ended September 30:

2018	\$	355,228
2019		357,268
2020		357,268
2021		366,268
2022		369,268
Thereafter		764,332
Total	<u>\$</u>	<u>2,569,632</u>

The lease for the Wornall building previously required additional payments of 10% of gross sales in excess of \$1,000,000. Contingent amounts were capped at \$60,000 for each year. The contingent payment provision was no longer effective after January 1, 2016. The contingent payments paid during the 2016 fiscal year were \$15,560. This lease expires on December 31, 2025, and no other leases have contingent rental payments. Combined lease expense for these three locations was \$207,852 and \$213,152 for the years ended September 30, 2017 and 2016, respectively.

NOTE 15 OTHER COMMITMENTS

The Mission entered into an agreement with Thrift Management Specialists, LLC to provide management for the Mission's thrift store operations extending through November 30, 2017. The agreement was subsequently extended through August 31, 2022. This agreement may be extended upon mutual consent of the parties for one additional five-year term and will be automatically renewed for successive five-year terms. Management fees relating to this contract are paid monthly at a rate of 10% of gross sales, but only up to the net profit of the stores, and are calculated on a store-by-store basis. Management fees expense totaled \$252,088 and \$206,110 for the years ended September 30, 2017 and 2016, respectively.

From 2012 to 2014, the Mission was granted Affordable Housing Assistance Program (AHAP) tax credits from the Missouri Housing Development Commission. The tax credits are being used to seek contributions for the purchase of a support facility and warehouse, various projects for the Christian Life Center, the Family Center, the Community Assistance Center, to provide funding for the Mission's wastewater project at its Warsaw, Missouri Camp, and to construct a multi-purpose building at its Warsaw, Missouri Camp. The terms and conditions of the tax credit agreements require that property use restrictions govern the use of the properties for a period of 10 years. The resulting property use restriction agreements for the properties will expire between 2020 and 2024.

In July 2016, the Mission entered into an agreement for approving a parking lot at an estimated cost of approximately \$260,000.

CITY UNION MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 15 OTHER COMMITMENTS (CONTINUED)

Construction in progress at September 30, 2017 includes various small projects, in addition to a building renovation project which is expected to be complete in the 2018 fiscal year with an estimated cost of \$1,771,000. The remaining commitment on the project at September 30, 2017 is approximately \$555,000.

The Mission is involved in two legal issues that are now pending. It is the opinion of management, after reviewing such actions with counsel, that the outcome of any lawsuit or claim which is pending or threatened will not have a material adverse effect on the Mission's financial position.

NOTE 16 FEDERAL HOME LOAN GRANT

Federal Home Loan Bank of Des Moines (FHLB), Community America Credit Union, and City Union Mission entered into an Affordable Housing Program Agreement, effective June 27, 2007. The total loan grant of \$500,000 was drawn down in 2008. This loan grant does not have an interest requirement or repayment terms, and will be forgiven in year 2023 if all FHLB conditions are met. Those requirements include: maintaining 100 units of low-income housing (75 units for persons at 50% or less of the area mean income and 25 units for persons at 60% or less of the area mean income). Management believes the probability of the Mission failing to meet these requirements to be remote. Accordingly, the loan grant was recognized as grant revenue when received. Management annually assesses its compliance with these requirements, and will record a liability for repayment of the \$500,000 grant at any point that the likelihood of being required to repay the grant is assessed to be more than remote.

Federal Home Loan Bank of Des Moines (FHLB), Community America Credit Union, and City Union Mission entered into an Affordable Housing Program Agreement effective November 11, 2009. This total grant was drawn down in 2009, and is similar in all respects to the 2007 agreement discussed above. This loan will be forgiven in 2025 if all FHLB conditions are met. In the event of noncompliance, the Mission will record a liability for repayment of \$468,000.

Federal Home Loan Bank of Des Moines (FHLB), Community America Credit Union, and City Union Mission entered into an affordable Housing Program Agreement, effective November 10, 2011. The total loan grant for \$456,687 was drawn down in 2012. This loan grant does not have an interest requirement or repayment terms, and will be forgiven in year 2027 if all FHLB conditions are met. Those requirements include maintaining an additional 48 units of low-income housing (all units for persons at 50% or less of the area mean income). Management believes the probability of the Mission failing to meet these requirements to be remote. Accordingly, the loan grant was recognized as revenue when received. Management will annually assess its compliance with these requirements, and will record a liability for repayment of the \$456,687 grant at any point that the likelihood of being required to repay the grant is assessed to be more than remote.

CITY UNION MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 17 CONFLICT-OF-INTEREST POLICY

It is the policy of the Mission that all officers, directors, and committee members shall avoid any conflict between their own individual interests and the interests of the Mission. The Mission has a conflict-of-interest policy whereby board and committee members must advise the board of any direct or indirect interest in any transaction or relationship with the Mission, and do not participate in discussions and decisions regarding any action affecting their individual, professional, or business interests.

NOTE 18 FLUCTUATIONS IN INVESTMENT VALUES

The Mission's investment portfolio is subject to significant fluctuations in value. Because the values of individual investments fluctuate with market conditions, the amount of investment gains or losses that the Mission will recognize in its future financial statements, if any, cannot be determined.

NOTE 19 CONCENTRATIONS OF CREDIT RISK

The Mission maintains cash in local banks located in the United States. The balances on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. Balances in excess of FDIC limits are uninsured. There were approximately \$1,785,000 of collected balances in excess of FDIC limits at September 30, 2017.

NOTE 20 SUBSEQUENT EVENTS

Management evaluated subsequent events through January 12, 2018, the date the financial statements were available to be issued. Events or transactions occurring after September 30, 2017, but prior to January 12, 2018, that provided additional evidence about conditions that existed at September 30, 2017, have been recognized in the financial statements for the year ended September 30, 2017.

In November 2017, the Mission opened a new thrift store location. The Mission incurred costs of approximately \$147,000 subsequent to year end in preparing the store for service.

CITY UNION MISSION, INC.
SCHEDULE OF CONTRIBUTED SERVICES AND GIFTS-IN-KIND
YEAR ENDED SEPTEMBER 30, 2017 WITH SUMMARIZED
INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2016
(SEE INDEPENDENT AUDITORS' REPORT)

	Warehouse	Men's Ministry	Farm and Camp	Thrift Stores	Family and Youth Ministries	Facilities	General and Administrative	Fundraising	2017	2016
Clothing	\$ -	\$ 49,662	\$ 2,686	\$ 54,488	\$ 157,561	\$ -	\$ -	\$ -	\$ 264,397	\$ 206,586
Food	-	416,449	56,794	-	68,384	-	-	-	541,627	883,460
Donated Meals Prepared	-	40,883	-	-	37,019	-	-	2,314	80,216	88,322
Paper Products	83,892	-	-	-	-	-	-	-	83,892	89,099
Professional Services	-	120,987	-	-	16,478	-	28,634	35,518	201,617	124,058
Supplies	-	28,956	1,149	-	1,940	-	230	-	32,275	41,446
Miscellaneous	1,482	10,223	2,475	-	76,143	-	1,396	1,306	93,025	96,751
Radio Air Time	-	-	-	-	-	-	-	290,475	290,475	238,997
Public Education	-	-	-	-	-	-	-	16,250	16,250	30,096
Furniture and Household Items	-	10,758	60	-	602,995	-	-	-	613,813	622,753
Christmas/Thanksgiving Baskets	-	-	235	-	128,129	-	-	-	128,364	145,230
School Supplies	-	-	-	-	1,315	-	-	-	1,315	4,620
Equipment	16,895	14,747	410	-	18,584	-	29,936	-	80,572	158,797
Maintenance	-	-	13,726	-	1,015	1,500	-	-	16,241	9,742
Total	\$ 102,269	\$ 692,665	\$ 77,535	\$ 54,488	\$ 1,109,563	\$ 1,500	\$ 60,196	\$ 345,863	\$ 2,444,079	\$ 2,739,957

Nonprofessional Volunteer Time - A substantial number of nonprofessional volunteers donate time to the Mission. These volunteers are responsible for documenting their time with the Mission. This time, which management estimates to be approximately 113,230 hours in 2017 and 112,398 hours in 2016, was not recognized in the financial statements because it did not meet the criteria for recognition under ASC 958-605-25-16.

CITY UNION MISSION, INC.
SCHEDULES OF CONTRIBUTIONS
YEARS ENDED SEPTEMBER 30, 2017 AND 2016
(SEE INDEPENDENT AUDITORS' REPORT)

	<u>2017</u>	<u>2016</u>
Individuals	\$ 5,178,058	\$ 4,691,061
Bequests, Gifts, and Annuities	975,038	598,292
Churches/Civic Groups	236,014	274,311
Business Support	550,786	514,751
Matching Gifts	47,914	36,515
Other Restricted Gifts (Consists Primarily of Contributions from Individuals)	450,613	1,068,878
Foundations	1,109,801	1,362,526
Bikers	15,856	18,823
Klapmeyer Grocery	12,877	7,614
Total Contributions	<u>\$ 8,576,957</u>	<u>\$ 8,572,771</u>