

CITY UNION MISSION, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

**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, 2018 and 2017, 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, 2018 and 2017, 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 15, 2019

**CITY UNION MISSION, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2018 AND 2017**

	2018			2017				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
CURRENT ASSETS								
Cash and Cash Equivalents	\$ 1,355,394	\$ 394,274	\$ -	\$ 1,749,668	\$ 808,299	\$ 738,391	\$ -	\$ 1,546,690
Pledges Receivable - Net	74,348	30,000	-	104,348	91,358	33,333	-	124,691
Accounts Receivable	3,689	-	-	3,689	-	-	-	-
Due from (to) Other Funds	(163,625)	163,625	-	-	(44,976)	44,976	-	-
Prepaid Expenses	304,114	-	-	304,114	280,643	-	-	280,643
Inventories, Net	984,082	-	-	984,082	636,227	-	-	636,227
Total Current Assets	2,558,002	587,899	-	3,145,901	1,771,551	816,700	-	2,588,251
BENEFICIAL INTEREST IN COMMUNITY FOUNDATIONS								
	-	93,332	-	93,332	-	144,964	1,261,531	1,406,495
INVESTMENTS	14,502,172	51,447	1,261,531	15,815,150	14,352,618	-	-	14,352,618
PROPERTY AND EQUIPMENT - NET	19,100,751	-	-	19,100,751	18,727,888	-	-	18,727,888
OTHER ASSETS								
Long-Term Pledges Receivable - Net	-	25,000	-	25,000	-	-	-	-
Deposits	4,500	-	-	4,500	4,500	-	-	4,500
Total Other Assets	4,500	25,000	-	29,500	4,500	-	-	4,500
Total Assets	\$ 36,165,425	\$ 757,678	\$ 1,261,531	\$ 38,184,634	\$ 34,856,557	\$ 961,664	\$ 1,261,531	\$ 37,079,752
CURRENT LIABILITIES								
Accounts Payable	\$ 257,834	\$ -	\$ -	\$ 257,834	\$ 607,381	\$ -	\$ -	\$ 607,381
Accrued Liabilities	374,057	-	-	374,057	305,648	-	-	305,648
Current Portion of Charitable Gift Annuities	2,950	-	-	2,950	5,863	-	-	5,863
Total Current Liabilities	634,841	-	-	634,841	918,892	-	-	918,892
LONG-TERM LIABILITIES								
Charitable Gift Annuities	11,701	-	-	11,701	18,143	-	-	18,143
Total Liabilities	646,542	-	-	646,542	937,035	-	-	937,035
NET ASSETS								
Unrestricted:								
Undesignated	20,791,065	-	-	20,791,065	19,419,261	-	-	19,419,261
Board-Designated	14,727,818	-	-	14,727,818	14,500,261	-	-	14,500,261
Temporarily Restricted	-	757,678	-	757,678	-	961,664	-	961,664
Permanently Restricted	-	-	1,261,531	1,261,531	-	-	1,261,531	1,261,531
Total Net Assets	35,518,883	757,678	1,261,531	37,538,092	33,919,522	961,664	1,261,531	36,142,717
Total Liabilities and Net Assets	\$ 36,165,425	\$ 757,678	\$ 1,261,531	\$ 38,184,634	\$ 34,856,557	\$ 961,664	\$ 1,261,531	\$ 37,079,752

See accompanying Notes to Financial Statements.

CITY UNION MISSION, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018			2017			
	Unrestricted	Temporarily	Permanently	Total	Unrestricted	Temporarily	Permanently
		Restricted	Restricted			Restricted	Restricted
REVENUE, GAINS, LOSSES, AND OTHER SUPPORT							
Contributions	\$ 8,790,919	\$ 442,699	\$ -	\$ 9,233,618	\$ 8,210,450	\$ 366,507	\$ -
Contributed Services and Gifts-in-Kind	3,187,584	-	-	3,187,584	2,444,079	-	-
Receiving Center Sales	4,281,732	-	-	4,281,732	2,734,066	-	-
Special Events	481,167	-	-	481,167	779,952	-	-
Cost of Special Events	(35,216)	-	-	(35,216)	(168,616)	-	-
Vending Revenue	30,561	-	-	30,561	37,125	-	-
Miscellaneous Income	67,696	-	-	67,696	21,488	-	-
Investment Income	306,054	1,665	-	307,719	287,303	-	-
Realized Gains on Investments - Net	435,043	-	-	435,043	150,897	-	-
Beneficial Interest in Community Foundations	-	20,468	-	20,468	-	105,443	-
Camp Rental and Fees	62,129	-	-	62,129	58,333	-	-
Dormitory Fees	11,926	-	-	11,926	12,307	-	-
Loss on Disposal of Assets	(6,152)	-	-	(6,152)	(4,064)	-	-
Satisfaction of Purpose Restrictions	667,668	(667,668)	-	-	1,143,433	(1,143,433)	-
Total Revenue, Gains, Losses, and Other Support	18,281,111	(202,836)	-	18,078,275	15,706,753	(671,483)	-
EXPENSES							
Program Services	14,242,357	-	-	14,242,357	11,801,496	-	-
General and Administrative	910,964	-	-	910,964	994,261	-	-
Fundraising	1,618,986	-	-	1,618,986	1,795,082	-	-
Total Expenses	16,772,307	-	-	16,772,307	14,590,839	-	-
OTHER REVENUES (EXPENSES)							
Unrealized Gains on Investments - Net	90,557	(1,150)	-	89,407	939,224	-	-
CHANGES IN NET ASSETS							
	1,599,361	(203,986)	-	1,395,375	2,055,138	(671,483)	-
Net Assets - Beginning of Year	33,919,522	961,664	1,261,531	36,142,717	31,864,384	1,633,147	1,261,531
NET ASSETS - END OF YEAR	<u>\$ 35,518,883</u>	<u>\$ 757,678</u>	<u>\$ 1,261,531</u>	<u>\$ 37,538,092</u>	<u>\$ 33,919,522</u>	<u>\$ 961,664</u>	<u>\$ 1,261,531</u>
							<u>\$ 36,142,717</u>

See accompanying Notes to Financial Statements.

**CITY UNION MISSION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2018**

	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	\$ 411,440	\$ 1,683,163	\$ 336,633	\$ 2,000,395	\$ 1,326,227	\$ 5,757,858	\$ 433,205	\$ 455,782	\$ 6,646,845
Fringe Benefits	64,849	475,560	108,082	67,200	432,327	1,148,018	63,179	134,957	1,346,154
Contract Services	-	13,622	-	-	5,571	19,193	35,872	51,561	106,626
Groceries	-	728,015	34,848	-	439,169	1,202,032	-	-	1,202,032
Promos, Publications, and Postage	-	-	179	99,889	-	100,068	30,817	904,472	1,035,357
Clothing	18,282	23,452	1,036	184,792	145,924	373,486	-	-	373,486
Depreciation	101,127	667,340	139,358	143,447	170,586	1,221,858	20,449	-	1,242,307
Professional Fees	-	91,565	-	354,524	9,599	455,688	100,492	34,381	590,561
Utilities	44,205	213,469	75,586	156,087	125,485	614,832	12,396	12,396	639,624
Furniture and Household Items	-	7,284	630	-	725,297	733,211	-	-	733,211
Miscellaneous Expenses	-	29,032	32,350	51,006	142,320	254,708	603	36,381	291,692
Maintenance and Repairs	17,440	76,860	40,573	76,393	32,247	243,513	29,829	-	273,342
Paper Products and Supplies	19,344	-	-	-	-	19,344	-	-	19,344
Operating and Medical Supplies	26,423	33,096	998	-	18,256	78,773	-	-	78,773
Small Equipment Purchases	67,948	46,546	41,339	17,674	14,857	188,364	36,289	255	224,908
Christmas and Thanksgiving Expenses	32,765	7,409	367	-	179,620	220,161	-	-	220,161
Housekeeping Supplies Expenses	29,474	45,172	10,438	148,386	28,023	261,493	5,148	-	266,641
Property Insurance	36,558	159,301	60,180	132,747	106,201	494,987	14,160	14,160	523,307
Office Supplies	31	4,326	429	2,685	2,811	10,282	14,258	-	24,540
Travel - Seminars and Education	6,079	6,539	2,721	9,486	5,233	30,058	6,841	847	37,746
Spending Allowance	-	20,420	2,248	-	1,687	24,355	-	-	24,355
Emergency Relief	-	10,073	1,863	-	12,733	24,669	-	-	24,669
Building Equipment Rental	9,440	48,678	7,969	570,782	15,125	651,994	12,336	-	664,330
Automobile Expenses	63,122	-	24,102	26,643	476	114,343	-	-	114,343
Dues, Subscriptions, and Fees	2,079	14,951	10,194	10,975	11,897	50,096	14,461	9,010	73,567
Taxes and Licenses	2,681	-	441	1,147	-	4,269	2,142	-	6,411
Bad Debt Expense	-	-	-	-	-	-	-	-	-
Financial Expenses	-	-	-	68,581	-	68,581	78,487	-	147,068
Overhead Allocated	-	-	-	(123,877)	-	(123,877)	-	-	(123,877)
Total Expenses	953,287	4,405,873	932,564	3,998,982	3,951,671	14,242,357	910,964	1,654,202	16,807,523
Less: Expenses Included with Revenues on the Statement of Activities and Changes in Net Assets	-	-	-	-	-	-	-	35,216	35,216
TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION OF THE STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS	\$ 953,287	\$ 4,405,873	\$ 932,564	\$ 3,998,982	\$ 3,951,671	\$ 14,242,357	\$ 910,964	\$ 1,618,986	\$ 16,772,307

Less: Expenses Included with Revenues on the Statement of Activities and Changes in Net Assets

TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION OF THE STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

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.
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ 1,395,375	\$ 1,383,655
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	1,242,307	1,127,220
Unrealized Gains on Investments - Net	(89,407)	(939,224)
Realized Gains on Investments - Net	(435,043)	(150,897)
Loss on Disposal of Assets	6,152	4,064
Gifts-in-Kind Received for Inventory - Net	(347,855)	(133,309)
Increase on Beneficial Interest	(20,468)	(105,443)
Change in Annuity Payable	(6,177)	(33,682)
Effects of Changes in Operating Assets and Liabilities:		
Pledges Receivable - Net	(4,657)	63,553
Accounts Receivable - Net	(3,689)	-
Prepaid Expenses	(23,471)	(22,210)
Accounts Payable	(50,988)	15,972
Accrued Liabilities	68,409	59,728
Net Cash Provided by Operating Activities	1,730,488	1,269,427
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(1,919,881)	(2,071,336)
Purchases of Investments and Beneficial Interest	(1,199,065)	(1,169,220)
Proceeds from Maturity of Investments	1,573,446	1,139,805
Proceeds from Beneficial Interest to Fund Operations	21,168	24,856
Distributions to Annuitants	(3,178)	(14,653)
Proceeds from Sale of Assets	-	2,500
Net Cash Used by Investing Activities	(1,527,510)	(2,088,048)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	202,978	(818,621)
Cash and Cash Equivalents - Beginning of Year	1,546,690	2,365,311
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,749,668	\$ 1,546,690
SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING AND INVESTING ACTIVITIES		
Accounts Payable Related to Property and Equipment	\$ 98,033	\$ 396,592
Transfer from Beneficial Interest to Investments	\$ 1,312,463	\$ -

See accompanying Notes to Financial Statements.

**CITY UNION MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

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.

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.

CITY UNION MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the 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.

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.

CITY UNION MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

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.

**CITY UNION MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

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.

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 the board of directors (the 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.

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.

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, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

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 2018 or 2017. 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.

CITY UNION MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements Effective in Future Accounting Period

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-For-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*. This standard was issued to improve the information presented in financial statements and notes about a nonprofit entity's liquidity, financial performance, and cash flows. ASU 2016-14 is effective for fiscal year ending September 30, 2019. Management will be evaluating the effects of this new standard.

On May 28, 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The standard does not impact the recording of contributions. Since then, the FASB issued proposed ASU, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*. The amendments in this update defer the effective date of Update 2014-09 for all entities by one year, making the standard effective for fiscal year ending September 30, 2020. Management will be evaluating the effects of this new standard.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This update clarifies and improves current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. ASU 2018-08 is effective for the fiscal year ending September 30, 2020. Management will be evaluating the effects of this new standard.

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. This update increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of position and disclosing key information about leasing arrangements. ASU 2016-02 is effective for the fiscal year ending September 30, 2021. Management will be evaluating the effects of this new standard.

CITY UNION MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

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.

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.

CITY UNION MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

NOTE 2 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair values of other assets and liabilities measured on a recurring basis, as of September 30, 2018 and 2017, are as follows:

	September 30, 2018			
	Fair Value	Level 1	Level 2	Level 3
Equity Investments:				
Domestic Equity	\$ 5,819,256	\$ 5,819,256	\$ -	\$ -
International	1,836,319	1,836,319	-	-
Fixed Income and Bond Investments:				
Diversified Taxable	4,769,097	4,769,097	-	-
Credit	355,929	355,929	-	-
High Yield	364,871	364,871	-	-
Domestic Preferred Stock	47,712	47,712	-	-
Emerging Markets	125,419	125,419	-	-
U.S. Government Securities:				
Mortgage	181	-	181	-
Alternative Investments:				
Hedge	760,562	760,562	-	-
Infrastructure	217,483	217,483	-	-
Real Estate	113,867	113,867	-	-
Beneficial Interest in Community Foundations	93,332	-	-	93,332
Total Assets and Liabilities	<u>\$ 14,504,028</u>	<u>\$ 14,410,515</u>	<u>\$ 181</u>	<u>\$ 93,332</u>

	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>

The beneficial interest in community had no unfunded commitments, no restrictions on redemption frequency, and no redemption notice period at September 30, 2018 and 2017.

**CITY UNION MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

NOTE 2 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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, 2018 and 2017:

	Community Foundation
Balance - September 30, 2016	\$ 1,325,908
Appropriations	(24,856)
Changes in Fair Market Value	105,443
Balance - September 30, 2017	1,406,495
Appropriations	(21,168)
Transfer to Investments	(1,312,463)
Changes in Fair Market Value	20,468
Balance - September 30, 2018	<u>\$ 93,332</u>

NOTE 3 PROPERTY AND EQUIPMENT

The major classes of property and equipment are as follows:

	2018	2017
Land, Buildings, and Improvements:		
Warehouse	\$ 965,259	\$ 961,496
Men's Ministries	6,294,361	6,044,744
Farm, Camp and Chapel	5,282,847	5,104,545
Thrift Stores	391,566	278,739
Family and Youth Ministries	4,752,818	4,794,877
Christian Life Building	8,024,980	8,024,980
Together Center	2,069,712	185,375
General and Administrative Buildings	1,621,401	1,536,766
Vacant Land	35,062	35,062
Equipment:		
Warehouse	425,368	371,609
Men's Ministries	279,048	211,826
Farm, Camp and Chapel	430,309	377,018
Thrift Stores	859,110	808,672
Family and Youth Ministries	391,442	324,618
Christian Life Building	34,634	22,826
General and Administrative Buildings	457,909	453,613
Construction in Progress	98,691	1,386,517
Total Property and Equipment	32,414,517	30,923,283
Less: Accumulated Depreciation	13,313,766	12,195,395
Net Property and Equipment	<u>\$ 19,100,751</u>	<u>\$ 18,727,888</u>

Depreciation of \$1,242,307 and \$1,127,220 was recorded for the years ended September 30, 2018 and 2017, respectively.

CITY UNION MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

NOTE 4 GENERAL PLEDGES RECEIVABLE

Pledges receivable contains the following components:

	2018	2017
Pledges - General	\$ 81,114	\$ 156,409
Foundation Receivables	55,000	-
Wills and Trusts Receivable	9,240	33,333
Total Pledges	<u>145,354</u>	<u>189,742</u>
Less: Allowance for Uncollectible Pledges	16,006	65,051
Net Pledges Receivable	<u>129,348</u>	<u>124,691</u>
Less: Pledges Receivable, Current Portion - Net	104,348	124,691
Long-Term Pledges Receivable - Net	<u>\$ 25,000</u>	<u>\$ -</u>

Pledges are due in future years as follows:

<u>Amounts Due In:</u>	
2019	\$ 120,354
2020	25,000
Total	<u>\$ 145,354</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 \$77,177 for 2018 and \$71,911 for 2017.

NOTE 6 INVESTMENTS

Investments at September 30, 2018 consisted of the following:

<u>Description</u>	<u>Original Cost or Basis</u>	<u>Fair Market Value</u>	<u>Excess (Deficiency) of Market Over Cost</u>
At Cost:			
Cash and Cash Equivalents	\$ 1,404,454	\$ 1,404,454	\$ -
At Fair Market Value:			
Equity Investments	6,048,752	7,655,575	1,606,823
Fixed Income and Bond Investments	5,848,691	5,663,209	(185,482)
Alternative Investments	1,134,046	1,091,912	(42,134)
Total	<u>\$ 14,435,943</u>	<u>\$ 15,815,150</u>	<u>\$ 1,379,207</u>

**CITY UNION MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

NOTE 6 INVESTMENTS (CONTINUED)

Investment returns for the year ended September 30, 2018 consisted of the following:

Investment Income	\$ 307,719
Net Realized Gains	435,043
Net Unrealized Gains	89,407
Total Investment Returns	<u>\$ 832,169</u>
 Total Investment Fees	 <u>\$ 38,555</u>

Investments at September 30, 2017 consisted 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>

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

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

NOTE 7 INVENTORIES

Inventories consist of the following:

	2018	2017
Warehouse	\$ 614,820	\$ 390,842
Thrift Store	369,262	245,385
Total Inventories	<u>\$ 984,082</u>	<u>\$ 636,227</u>

**CITY UNION MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

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 \$93,332 and \$1,406,495 at September 30, 2018 and 2017, 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, 2018, none of the invested funds are permanently restricted by donor requirements as the portion of the account that was permanently restricted was transferred to the Mission's investment account, where they are now being held in an endowment. The balance of \$93,332 is available for approved uses. 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.

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 \$14,651 and \$24,006, respectively, at September 30, 2018 and 2017. Net revenue (expense) relative to gift annuities is \$6,176 and \$42,645, respectively, for the years ended September 30, 2018 and 2017.

Annuity payable:

	2018	2017
Current	\$ 2,950	\$ 5,863
Long-Term	11,701	18,143

CITY UNION MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

NOTE 11 BOARD-DESIGNATED NET ASSETS

The board of directors (the Board) 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:

	2018	2017
Reserve for Support of Future Operations	\$ 14,245,131	\$ 14,109,663
Thrift Store Payable to Trust Fund	482,687	390,598
Total	<u>\$ 14,727,818</u>	<u>\$ 14,500,261</u>

NOTE 12 TEMPORARILY RESTRICTED ASSETS

Temporarily restricted net assets consist of the following:

Name	Purpose	2018	2017
Homeless Trust	Provide for Transportation		
	Need of Clients	\$ 4,550	\$ -
Bike Promotion Fund	Promotion of Bike Run	-	815
School Supplies Fund	School Supplies for Needy Children	365	1
Taylor/Minor Scholarship Funds	Scholarships for Employees	-	5,948
Staff Benevolent Fund	Staff Emergencies	8,219	2,309
Bikers Fund	Assistance to the Mission Program		
	Families and Men	17,850	16,420
Klapmeyer Foundation	Mission Food Program	8,012	2,781
Cross Roads 5k Promo	Promotion of 5k Bike Run	640	640
Dental and Medical	Provide Medicine and Dental Care	2,357	3,081
SLE Program	Educational Training Program		
	for Clients	18,702	24,737
Missouri Tax Credit Funds	Capital Projects	262,561	287,105
Building Fund	Capital Projects	108,189	251,127
Major Donor Grant Writer	Development Positions Strategic to		
	Capacity-Building at the Mission	77,002	143,600
Miscellaneous	Various	104,452	78,136
Endowment Interest	Various	51,447	-
Beneficial Interest	Various	93,332	144,964
Total		<u>\$ 757,678</u>	<u>\$ 961,664</u>

NOTE 13 PERMANENTLY RESTRICTED ASSETS

Permanently restricted net assets were \$1,261,531 at September 30, 2018 and 2017. 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, 2018 AND 2017**

NOTE 14 ENDOWMENT

The purpose of the Copeland Trust Endowment is to provide for an annual distribution of income to be used for the Mission's areas of greatest need each year. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board has interpreted Missouri's enactment of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Consequently, the Mission classifies permanently restricted net assets as:

- The original value of gifts donated to the permanent endowment, and
- The original value of subsequent gifts to the permanent endowment.

The remaining portion of the donor-restricted endowment fund not classified as permanently restricted is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Board. In accordance with UPMIFA, the Mission considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purpose of the Mission and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Mission
7. The investment policies of the Mission

Return Objectives and Risk Parameters

The Mission has adopted investment objectives that are to maximize return within reasonable and prudent levels of risk; provide returns comparable to returns for similar investment options; provide exposure to a wide range of investment opportunities in various asset classes; and control administrative and management costs.

**CITY UNION MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

NOTE 14 ENDOWMENT (CONTINUED)

Spending Policy

The spending calculation is made annually and is authorized at the written direction of the Board. The appreciation for the investments held for future years is added to temporarily restricted net assets.

Endowment net asset composition by type of fund as of September 30, 2018:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor Restricted Endowment Funds:				
Vanderberg Ministry Endowment	\$ -	\$ 51,447	\$ 1,261,531	\$ 1,312,978
Total Funds	<u>\$ -</u>	<u>\$ 51,447</u>	<u>\$ 1,261,531</u>	<u>\$ 1,312,978</u>

Changes in endowment net assets for the fiscal year ended June 30, 2018 :

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net Assets - Beginning of Year	\$ -	\$ -	\$ -	\$ -
Investment Return:				
Investment Income	-	1,665	-	1,665
Net Depreciation	-	(1,150)	-	(1,150)
Net	<u>-</u>	<u>515</u>	<u>-</u>	<u>515</u>
Transfer from Beneficial Interest in Community Foundation	-	50,932	1,261,531	1,312,463
Appropriation of Endowment Assets for Expenditure	-	-	-	-
Net Assets - End of Year	<u>\$ -</u>	<u>\$ 51,447</u>	<u>\$ 1,261,531</u>	<u>\$ 1,312,978</u>

NOTE 15 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:

<u>Year Ending September 30,</u>	<u>Amount</u>
2019	\$ 357,268
2020	357,268
2021	366,268
2022	369,268
2023	329,939
Thereafter	<u>434,393</u>
Total	<u>\$ 2,214,404</u>

Combined lease expense for these three locations was \$355,228 and \$207,852 for the years ended September 30, 2018 and 2017, respectively.

CITY UNION MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

NOTE 16 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 \$333,093 and \$252,088 for the years ended September 30, 2018 and 2017, 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.

Construction in progress at September 30, 2018 includes various small projects, in addition to a parking lot project. In July 2016, the Mission entered into an agreement for approving a parking lot at an estimated cost of approximately \$260,000. At September 30, 2018, the remaining commitment on the contract was approximately \$164,500.

NOTE 17 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.

CITY UNION MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

NOTE 17 FEDERAL HOME LOAN GRANT (CONTINUED)

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.

NOTE 18 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 19 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 20 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 \$1,539,000 of collected balances in excess of FDIC limits at September 30, 2018.

NOTE 21 SUBSEQUENT EVENTS

Management evaluated subsequent events through January 15, 2019, the date the financial statements were available to be issued. Events or transactions occurring after September 30, 2018, but prior to January 15, 2019, that provided additional evidence about conditions that existed at September 30, 2018, have been recognized in the financial statements for the year ended September 30, 2018.

CITY UNION MISSION, INC.
SCHEDULE OF CONTRIBUTED SERVICES AND GIFTS-IN-KIND
YEAR ENDED SEPTEMBER 30, 2018
WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2017
(SEE INDEPENDENT AUDITORS' REPORT)

	Warehouse	Men's Ministry	Farm and Camp	Youth Ministries	Facilities	General and Administrative	Fundraising	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Clothing	-	23,452	1,036	146,255	-	-	-	170,743	264,397
Food	-	906,658	3,281	11,154	-	-	-	921,093	541,627
Donated Meals Prepared	-	168,000	-	83,264	-	-	2,978	254,242	80,216
Paper Products	19,344	-	-	-	-	-	-	19,344	83,892
Professional Services	-	91,565	-	-	-	47,721	9,599	148,885	201,617
Supplies	35,730	24,010	98	2,605	-	31	-	62,474	32,275
Miscellaneous	-	13,750	15,826	130,192	2,630	3,447	12,764	178,609	93,025
Radio Air Time	-	-	-	-	-	-	148,245	148,245	290,475
Public Education	-	-	-	-	-	-	7,639	7,639	16,250
Furniture and Household Items	-	7,284	630	725,297	-	-	-	733,211	613,813
Christmas/Thanksgiving Baskets	-	-	362	132,438	-	-	-	132,800	128,364
School Supplies	-	-	-	240	-	-	-	240	1,315
Equipment	63,604	54,900	49,963	55,484	150,000	23,590	-	397,541	80,572
Maintenance	144	-	8,887	1,987	1,500	-	-	12,518	16,241
Total	\$ 118,822	\$ 1,289,619	\$ 80,083	\$ 1,288,916	\$ 154,130	\$ 74,789	\$ 181,225	\$ 3,187,584	\$ 2,444,079

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 98,363 hours in 2018 and 113,230 hours in 2017, 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, 2018 AND 2017
(SEE INDEPENDENT AUDITORS' REPORT)

	<u>2018</u>	<u>2017</u>
Individuals	\$ 5,238,020	\$ 5,178,058
Bequests, Gifts, and Annuities	1,104,818	975,038
Churches/Civic Groups	257,452	236,014
Business Support	591,497	550,786
Matching Gifts	45,929	47,914
Other Restricted Gifts (Consists Primarily of Contributions from Individuals)	56,171	450,613
Foundations	1,920,113	1,109,801
Bikers	11,721	15,856
Klapmeyer Grocery	7,897	12,877
Total Contributions	<u>\$ 9,233,618</u>	<u>\$ 8,576,957</u>