

City Union Mission, Inc.

Independent Auditor's Report and Financial Statements

September 30, 2022



City Union Mission, Inc.
September 30, 2022

Contents

Independent Auditor’s Report.....	1
 Financial Statements	
Statement of Financial Position.....	4
Statement of Activities	5
Statement of Functional Expenses.....	6
Statement of Cash Flows	7
Notes to Financial Statements	8
 Supplementary Information	
Schedule of Contributed Services and Gifts-in-Kind	26
Schedule of Contributions	27

Independent Auditor's Report

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

Opinion

We have audited the financial statements of City Union Mission, Inc., which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of City Union Mission, Inc. as of September 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matters

As discussed in Note 8 to the financial statements, in 2022, City Union Mission, Inc. adopted ASU 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to this matter.

As discussed in Note 17 to the financial statements, the 2021 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Supplementary Information

Our audit was 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 schedule of contributions listed in the table of contents 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.

FORVIS,LLP

Kansas City, Missouri
February 17, 2023

City Union Mission, Inc.
Statement of Financial Position
September 30, 2022

Assets

Cash and cash equivalents	\$ 4,854,260
Restricted cash and cash equivalents	337,532
Contributions receivable	147,003
Other receivables	9,518
Inventories	1,067,813
Prepaid expenses and other assets	600,524
Beneficial interest in trusts	1,158,376
Investments	17,552,872
Property and equipment, net of accumulated depreciation - \$18,700,204	<u>21,860,002</u>
Total assets	<u><u>\$ 47,587,900</u></u>

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 519,020
Accrued expenses	603,207
Charitable gift annuities	<u>1,553</u>
Total liabilities	<u>1,123,780</u>

Net Assets

Without donor restrictions	43,300,075
With donor restrictions	<u>3,164,045</u>
Total net assets	<u>46,464,120</u>
Total liabilities and net assets	<u><u>\$ 47,587,900</u></u>

City Union Mission, Inc.
Statement of Activities
Year Ended September 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues, Gains and Other Support			
Contributions of cash and other financial assets	\$ 13,391,171	\$ 222,881	\$ 13,614,052
Contributions of nonfinancial assets	9,376,012	-	9,376,012
Receiving center sales	8,019,399	-	8,019,399
Miscellaneous income	95,199	26,458	121,657
Change in beneficial interests in trusts	-	(216,832)	(216,832)
Net investment return	1,627,130	147,031	1,774,161
Net assets released from restrictions	208,495	(208,495)	-
	<u>32,717,406</u>	<u>(28,957)</u>	<u>32,688,449</u>
Expenses and Losses			
Program Services			
Warehouse	2,938,365	-	2,938,365
Men's ministry	3,901,060	-	3,901,060
Warsaw programs	1,055,031	-	1,055,031
Women and family programs	3,870,066	-	3,870,066
Thrift stores	14,689,765	-	14,689,765
	<u>26,454,287</u>	<u>-</u>	<u>26,454,287</u>
Support Services			
General and administrative	2,126,175	-	2,126,175
Fundraising	2,708,710	-	2,708,710
	<u>4,834,885</u>	<u>-</u>	<u>4,834,885</u>
	<u>31,289,172</u>	<u>-</u>	<u>31,289,172</u>
Change in Net Assets from Operations	<u>1,428,234</u>	<u>(28,957)</u>	<u>1,399,277</u>
Non-Operating Activities			
Unrealized losses on investments	(4,566,681)	(416,870)	(4,983,551)
Change in Net Assets	<u>(3,138,447)</u>	<u>(445,827)</u>	<u>(3,584,274)</u>
Net Assets, Beginning of Year, as previously reported	46,438,522	2,477,197	48,915,719
Adjustment for Correction of Errors	<u>-</u>	<u>1,132,675</u>	<u>1,132,675</u>
Net Assets, Beginning of Year, as adjusted	<u>46,438,522</u>	<u>3,609,872</u>	<u>50,048,394</u>
Net Assets, End of Year	<u>\$ 43,300,075</u>	<u>\$ 3,164,045</u>	<u>\$ 46,464,120</u>

City Union Mission, Inc.
Statement of Functional Expenses
Year Ended September 30, 2022

	Program Services					Support Services				Total
	Warehouse	Men's Ministry	Warsaw Programs	Women and Family Programs	Thrift Stores	Total Program Services	General and Administrative	Fundraising	Total Support Services	
Salaries, benefits, payroll taxes and contract labor	\$ 1,110,523	\$ 2,228,647	\$ 545,928	\$ 2,314,082	\$ 3,695,751	\$ 9,894,931	\$ 1,193,766	\$ 920,747	\$ 2,114,513	\$ 12,009,444
Professional services	58,216	123,473	15,221	118,727	7,986	323,623	132,714	100,090	232,804	556,427
Staff development	17,215	18,576	8,985	27,516	50,057	122,349	72,794	30,959	103,753	226,102
Bank and payroll fees and postage	2,276	3,397	901	3,180	171,478	181,232	222,704	977	223,681	404,913
Equipment and supplies	16,563	5,694	2,805	6,534	838,713	870,309	87,533	18,174	105,707	976,016
Client support	1,050,687	101,799	19,103	591,464	610,282	2,373,335	1,370	1,503	2,873	2,376,208
Facilities	168,195	331,148	46,546	339,809	1,265,879	2,151,577	117,609	106,832	224,441	2,376,018
Utilities	88,057	175,324	23,067	180,655	232,669	699,772	78,426	55,598	134,024	833,796
Automobile expenses	266,796	-	70	130	61,077	328,073	218	157	375	328,448
IT Software, license and equipment	40,732	81,465	10,719	83,608	-	216,524	35,903	25,726	61,629	278,153
Marketing	-	-	-	-	-	-	-	778,002	778,002	778,002
Fundraising events	83	-	-	-	-	83	-	29,921	29,921	30,004
Appeals	-	-	-	-	-	-	-	640,024	640,024	640,024
Depreciation	119,022	831,537	381,686	204,361	31,220	1,567,826	183,138	-	183,138	1,750,964
Cost of sales	-	-	-	-	7,724,653	7,724,653	-	-	-	7,724,653
Total expenses by function	\$ 2,938,365	\$ 3,901,060	\$ 1,055,031	\$ 3,870,066	\$ 14,689,765	\$ 26,454,287	\$ 2,126,175	\$ 2,708,710	\$ 4,834,885	\$ 31,289,172

City Union Mission, Inc.
Statement of Cash Flows
Year Ended September 30, 2022

Operating Activities	
Change in net assets	\$ (3,584,274)
Items not requiring (providing) cash	
Depreciation	1,750,964
Losses on sale of property, plant and equipment	29,513
Net realized and unrealized losses on investments	3,613,594
Change in beneficial interests in trusts	216,832
Contribution of beneficial interest in trust	(164,743)
Changes in	
Accounts receivable	25,980
Inventories	(5,379)
Prepaid expenses and other assets	192,435
Contributions receivable	280,957
Accounts payable and accrued expenses	<u>422,978</u>
Net cash provided by operating activities	<u>2,778,857</u>
Investing Activities	
Purchase of property and equipment	(1,474,178)
Proceeds from disposition of property and equipment	15,840
Proceeds from disposition of investments	8,929,000
Purchases of investments	<u>(10,060,519)</u>
Net cash used in investing activities	<u>(2,589,857)</u>
Financing Activities	
Payments on annuities and trusts payable	<u>(5,120)</u>
Net cash used in financing activities	<u>(5,120)</u>
Increase in Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents	183,880
Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents, Beginning of Year	<u>5,007,912</u>
Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents, End of Year	<u>\$ 5,191,792</u>
Cash and cash equivalents	\$ 4,854,260
Restricted cash	<u>337,532</u>
Total cash, cash equivalents and restricted cash shown in the statement of financial position	<u>\$ 5,191,792</u>

City Union Mission, Inc.
Notes to Financial Statements
September 30, 2022

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

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 100 men each night. The Christian Life Program offers counseling and job skill training in a long-term, live-in setting for up to 50 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 four community thrift stores, along with two drop off locations, 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. 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. 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 clients through the thrift stores.

City Union Mission, Inc.
Notes to Financial Statements
September 30, 2022

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 Center department ministers to school age youth in the community, provides shelter and the long-term recovery program. Community assistance is provided through the Youth Center which includes utility assistance, food, clothing, furniture and school supplies. Clients can enter the nine to 18 months New Life Program that teaches life and parenting skills, work therapy and counseling. The New Life Program typically has 20 to 25 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

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. Actual results could differ from those estimates.

Cash and Cash Equivalents and Restricted Cash and Cash Equivalents

The Mission considers all liquid investments with original maturities of three months or less to be cash equivalents. Uninvested cash and cash equivalents included in investment accounts, including endowment accounts, are not considered to be cash and cash equivalents. At September 30, 2022, cash equivalents consisted primarily of money market accounts with brokers.

Restricted cash and cash equivalents represents cash restricted for long-term purposes (*e.g.*, acquisition of property and equipment). These amounts are restricted and not available for current operations.

At September 30, 2022, the Mission's cash accounts exceeded federally insured limits by approximately \$4,982,000.

Inventories

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

Thrift store inventories consist of donated used clothing, hard goods, furniture and other miscellaneous donated goods. Inventory is estimated based on the subsequent sales of goods and an estimated turnover ratio, which approximates fair value.

City Union Mission, Inc.
Notes to Financial Statements
September 30, 2022

Investments and Net Investment Return

The Mission measures securities, other than investments that qualify for the equity method of accounting, at fair value.

Investment return includes dividend, interest and realized and unrealized gains and losses on investments carried at fair value, less external and direct internal investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Investment return is reflected in the statement of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Property and Equipment

Property and equipment acquisitions over \$2,500 are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is charged to expense on the straight-line basis over the estimated useful life of each asset. Assets under leasehold improvements are amortized over the shorter of the lease term or respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Building and improvements	5 - 40 years
Equipment	3 - 10 years

Long-Lived Asset Impairment

The Mission evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the year ended September 30, 2022.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor or certain grantor restrictions. The governing board has designated, from net assets without donor or certain grantor restrictions, net assets for an operating reserve.

City Union Mission, Inc.
Notes to Financial Statements
September 30, 2022

Net assets with donor restrictions are subject to donor or certain grantor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor or grantor stipulates that resources be maintained in perpetuity.

Receiving Center Sales Revenue

Revenue from receiving center sales is recognized as the Mission satisfies performance obligations under its contracts. Revenue is reported at the estimated transaction price or amount that reflects the consideration to which the Mission expects to be entitled in exchange for providing goods. The Mission determines the transaction price based on standard charges for goods provided, reduced by implicit and explicit price concessions. The Mission determines its estimates of implicit and explicit price concessions based upon its discount policies and historical experience. The estimated amounts also include variable consideration for product discounts and returns.

Contributions

Contributions are provided to the Mission either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Mission overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

City Union Mission, Inc.
Notes to Financial Statements
September 30, 2022

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

All contributions receivable were due within one year as of September 30, 2022.

Income Taxes

The Mission is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Mission is subject to federal income tax on any unrelated business taxable income.

The Mission files tax returns in the U.S. federal jurisdiction.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, general and administrative and fundraising categories based on estimated time expended, usage and other methods.

Operating Measure

The Mission reports an operating income (loss) in the statement of activities which includes all revenues and expenses associated with operating the Mission. The measure of operations excludes unrealized gains and losses from investments.

Note 2: Inventories

Inventories consist of the following at September 30, 2022:

Warehouse	\$ 142,163
Thrift store	<u>925,650</u>
	<u>\$ 1,067,813</u>

City Union Mission, Inc.
Notes to Financial Statements
September 30, 2022

Note 3: Beneficial Interest in Trusts

The Mission has been named as an irrevocable beneficiary of several perpetual trusts held and administered by independent trustees. Perpetual trusts provide for the distribution of the net income of the trusts to the Mission; however, the Mission will never receive the assets of the trusts.

At the date the Mission receives notice of a beneficial interest, a contribution with donor restrictions of a perpetual nature is recorded in the statement of activities. A beneficial interest in perpetual trust is recorded in the statement of financial position at the fair value of the underlying trust assets. Thereafter, beneficial interests in the trusts are reported at the fair value of the trusts' assets in the statement of financial position, with trust distributions and changes in fair value recognized in the statement of activities.

The estimated value of the expected future cash flows is \$1,158,376, which represents the fair value of the trusts' assets at September 30, 2022. The distributions from these trusts for 2022 was \$56,152.

The Mission is the beneficiary under various charitable remainder trusts administered by various banks. The assets of these trusts are not included in the statement of financial position of the Mission since the trusts are either revocable at the discretion of the grantor or the Mission does not have adequate reliable and verifiable evidence to measure the amount of the interest (*e.g.*, age of current income beneficiaries).

Note 4: Property and Equipment

Property and equipment at September 30, 2022 consists of:

Land and land improvements	\$ 3,037,466
Buildings and leasehold improvements	32,774,611
Store and transportation equipment	1,035,490
Furniture and fixtures	3,544,455
Construction in progress	168,184
	<u>40,560,206</u>
Less accumulated depreciation and amortization	<u>18,700,204</u>
	<u><u>\$ 21,860,002</u></u>

City Union Mission, Inc.
Notes to Financial Statements
September 30, 2022

Note 5: Cloud Computing Arrangement

In May 2020, the Mission entered into a five-year cloud computing arrangement (CCA) that is considered a service contract. The value of the contract was paid upfront and is presented as a prepaid asset within the statement of financial position. Certain implementation costs associated with the CCA have also been capitalized and are included as a prepaid asset within the statement of financial position. As of September 30, 2022, the value of the capitalized implementation costs and related accumulated amortization were \$209,578 and \$41,916, respectively. During the year ended September 30, 2022, \$41,916 of amortization was recognized within the statement of activities.

Note 6: Operating Leases

Noncancellable operating leases for office space and equipment expire in various years through 2032. These leases generally contain renewal options for five year periods and require the Mission to pay all executory costs (property taxes, maintenance and insurance).

Future minimum lease payments at September 30, 2022, were:

2023	\$ 831,075
2024	859,734
2025	727,333
2026	467,843
2027	409,883
Thereafter	<u>1,548,158</u>
	<u><u>\$ 4,844,026</u></u>

Rental expense for all operating leases was \$720,763 for the year ended September 30, 2022.

Note 7: Revenue from Contracts with Customers

Transaction Price and Recognition

Receiving center sales revenue is measured as the amount of consideration the Mission expects to receive in exchange for transferring distinct goods to customers. Sales to the public revenues consist substantially of product sales and is reported net of sales discounts offered to customers, if any, and returns. The Mission determines its estimates for discounts and returns based upon its discount policies and historical experience. The Mission recognizes revenue when performance obligations under the terms of contracts with its customers are satisfied, which occurs when control passes to a customer to enable them to direct the use of and obtain benefit from a product. This typically occurs when a customer obtains legal title, obtains the risks and rewards of ownership,

City Union Mission, Inc.
Notes to Financial Statements
September 30, 2022

has received the goods at the point of sale or according to the contractual shipping terms either at the shipping point or destination and is obligated to pay for the product. Payment is due at the time of purchase and the Mission offers a 7-day return policy in which customers may return purchased goods for in-store credit.

All of the Mission’s receiving center sales are recognized at a point in time. The Mission has determined the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors:

- Type of product sold
- Geography of service location

Note 8: Contributed Non-financial Assets

Change in Accounting Principle

In 2022, the Mission adopted ASU 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* on a retrospective basis. ASU 2020-07 requires contributed nonfinancial assets to be presented separately from contributions of cash or other financial assets in the statement of activities and disclosures within the notes to the financial statements about the valuation methodology for, use of, and donor-imposed restrictions associated with contributed nonfinancial assets. Adoption of ASU 2020-07 had no impact on previously reported total change in net assets.

For the year ended September 30, 2022, contributed nonfinancial assets recognized within the statement of activities included:

Clothing	\$ 56,933
Food	737,188
Paper products	69,174
Supplies	168,600
Miscellaneous	548
Professional services	33,284
Radio air time	123,709
Public education	25,000
Furniture and household items	170,087
Christmas/Thanksgiving baskets	60,893
Equipment	44,614
Clothing and household goods for resale	<u>7,885,982</u>
	<u><u>\$ 9,376,012</u></u>

City Union Mission, Inc.
Notes to Financial Statements
September 30, 2022

The nonfinancial assets listed above were recognized within revenue. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Contributed items were utilized in the following programs:

Contributed Items	Programs
Clothing and Christmas/Thanksgiving baskets	Family and Youth ministries
Household goods, including paper products, supplies, furniture	Men’s ministry, Farm and Camp, Family and Youth ministries, and Facilities
Food	Men’s ministry, Farm and Camp, and Family and Youth ministries
Professional services	Men’s ministry, Facilities and Fundraising
Radio air time and Public education	Fundraising
Equipment	Facilities
Clothing and household goods for resale	Thrift stores

The following basis was used for valuing contributed items:

Contributed Items	Valuation Basis
Clothing, furniture/household items and clothing and household goods for resale	The Mission estimated the fair value on the basis of estimated sales price within their thrift stores.
Food, paper products, supplies and holiday baskets	The Mission estimated the fair value on the basis of value per pound of within Feeding America’s annual audited financial statements which is based on wholesale prices.
Professional services, radio air time and public education	The Mission estimated the fair value based on current rates for similar services.

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated.

City Union Mission, Inc.
Notes to Financial Statements
September 30, 2022

Note 9: Defined Contribution Plan

The Mission has a defined contribution pension plan for all employees who have obtained the age of 21 and have completed one year of service. The Mission may make discretionary matching and other contributions to the plan. For the year ended September 30, 2022, the Mission matched 75 percent of employee contributions, not to exceed 4 percent of employee wages. Pension expense was \$80,534 for the year ended September 30, 2022.

Note 10: Net Assets

Net Assets With Donor Restrictions

Net assets with donor restrictions at September 30, 2022 are restricted for the following purposes or periods:

Subject to expenditure for specified purpose	
Capital project	\$ 337,533
Bikers fund - assistance to mission program families and men	48,428
Car ministry	74,608
Miscellaneous	58,433
	<u>519,002</u>
 Endowments	
Subject to NFP endowment spending policy and appropriation	
General use	<u>1,486,667</u>
 Not subject to spending policy or appropriation	
Beneficial interest in trusts	<u>1,158,376</u>
	<u><u>\$ 3,164,045</u></u>

Net Assets Without Donor Restrictions

Net assets without donor restrictions at September 30, 2022 have been designated for the following purposes:

Undesignated	\$ 26,962,371
Designated by the Board for operating reserve	<u>16,337,704</u>
Net assets without donor restrictions	<u><u>\$ 43,300,075</u></u>

City Union Mission, Inc.
Notes to Financial Statements
September 30, 2022

Note 11: Endowment

The Mission’s governing body is subject to the *State of Missouri Prudent Management of Institutional Funds Act* (UPMIFA). As a result, the Mission classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures.

Additionally, in accordance with UPMIFA, the Mission considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Mission and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Mission
7. Investment policies of the Mission

The Mission’s endowment consists of one individual fund established to support the Mission’s greatest need each year. The endowment includes donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The composition of net assets by type of endowment fund at September 30, 2022, was:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 1,261,531	\$ 1,261,531
Accumulated investment gains	-	225,136	225,136
Total endowment funds	\$ -	\$ 1,486,667	\$ 1,486,667

City Union Mission, Inc.
Notes to Financial Statements
September 30, 2022

Changes in endowment net assets for the year ended September 30, 2022 were:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 1,763,143	\$ 1,763,143
Investment loss, net	-	(276,476)	(276,476)
Endowment net assets, end of year	\$ -	\$ 1,486,667	\$ 1,486,667

Investment and Spending Policies

The Mission has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Under the Mission’s policies, endowment assets are invested in a manner that is intended to maximize return within reasonable and prudent levels of risk; provide returns comparable to similar investment options; provide exposure to a wide range of investment opportunities in various asset classes and control administrative and management costs.

To satisfy its long-term rate of return objectives, the Mission relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Mission targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Mission has a spending calculation and is authorized at the written direction of the board.

Note 12: Liquidity and Availability

The Mission regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Mission has various sources of liquidity at its disposal, including cash and cash equivalents, investments, accounts receivable and contributions receivable. In addition to financial assets available to meet general expenditures over the next 12 months, the Mission anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identify the sources and uses of the Mission’s cash.

City Union Mission, Inc.
Notes to Financial Statements
September 30, 2022

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of September 30, 2022, comprise the following:

Cash and cash equivalents	\$ 4,854,260
Restricted cash and cash equivalents	337,532
Contributions receivable	147,003
Accounts receivable, net	9,518
Beneficial interests in trusts	1,158,376
Investments	<u>17,552,872</u>
 Total financial assets	 24,059,561
 Donor-imposed restrictions	
Restricted funds	519,002
Endowments	1,486,667
Beneficial interest in trusts	<u>1,158,376</u>
Net financial assets after donor imposed restrictions	<u>20,895,516</u>
 Internal designations	
Operating reserve	<u>16,337,704</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u><u>\$ 4,557,812</u></u>

The Mission’s endowment funds consist of a donor-restricted endowment. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

Although the Mission does not intend to spend from the board-designated operating reserve, these amounts could be made available if necessary.

Note 13: Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

City Union Mission, Inc.
Notes to Financial Statements
September 30, 2022

- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets
- Level 3** Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2022:

	Total Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Investments				
Money market funds	\$ 1,096,881	\$ 1,096,881	\$ -	\$ -
Equity mutual funds				
Domestic	5,887,010	5,887,010	-	-
International	1,446,721	1,446,721	-	-
Fixed income mutual funds				
Diversified taxable	7,219,059	7,219,059	-	-
Credit	349,309	349,309	-	-
Other	413,588	413,588	-	-
Exchange traded funds	286,844	286,844	-	-
Alternative mutual hedge funds	853,460	853,460	-	-
Total investments	17,552,872	17,552,872	-	-
Beneficial interest in trusts	1,158,376	-	-	1,158,376
Total assets	\$ 18,711,248	\$ 17,552,872	\$ -	\$ 1,158,376

City Union Mission, Inc.
Notes to Financial Statements
September 30, 2022

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended September 30, 2022.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. See the table below for inputs and valuation techniques used for Level 3 securities.

Beneficial Interest in Trusts

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

Unobservable (Level 3) Inputs

The following table presents quantitative information about unobservable inputs used in recurring Level 3 fair value measurements at September 30, 2022.

	Fair Value at 9/30/22	Valuation Technique	Unobservable Inputs
Beneficial interest in trusts	\$ 1,158,376	Discounted cash	Present value of estimated future cash flows

Note 14: Commitments

The Mission entered into an agreement with Thrift Management Specialists, LLC to provide management for the Mission's thrift store operations through August 31, 2022. This agreement may be extended upon mutual consent of the parties for one additional five-year term and, thereafter, will be automatically renewed for successive five-year terms. During the year ended September 30, 2022, the Mission extended the agreement for an additional six months through February 28, 2023. Management fees relating to this contract are paid monthly at a rate of

City Union Mission, Inc.
Notes to Financial Statements
September 30, 2022

10 percent of gross sales, but only up to the net profit of the stores and are calculated on a store-by-store basis. Additional one-time management fees are owed for any new stores opened. Management fees expense totaled \$746,754 for the year ended September 30, 2022.

From 2012 to 2014, the Mission was granted Affordable Housing Assistance Program (AHAP) tax credits from the Missouri Housing Development Commission. The tax credits were used to seek contributions for the purchase of a support facility and warehouse, various projects for the Christian Life Center, the Family Center, and 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 2021 and 2024.

Note 15: Federal Home Loan Grant

Federal Home Loan Bank of Des Moines (FHLB), Community America Credit Union and City Union Mission, Inc. 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 percent or less of the area mean income and 25 units for persons at 60 percent 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, Inc. 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, Inc. 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 percent 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, 2022

Note 16: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Investments

The Mission invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statement of financial position.

Beneficial Interests in Trusts

Estimates related to the valuation of beneficial interests in trusts are described in *Notes 3 and 13*.

Inventories

As discussed in *Note 1*, inventory value is estimated based on subsequent sales of goods adjusted for inventory turnover.

Functional Allocation of Expenses

As discussed in *Note 1*, certain costs have been allocated among the program, general and administrative and fundraising categories based upon estimated time expended, usage and other methods.

City Union Mission, Inc.
Notes to Financial Statements
September 30, 2022

Note 17: Restatement of Prior Year Financial Statements

In prior years, the Mission did not properly reflect its beneficial interest in certain irrevocable trusts. During 2022, the Mission corrected the accounting and recording of their beneficial interest in various trusts. The impact of this error correction on the 2021 reported change in net assets has not been determined. The effect of this correction on the 2022 beginning net asset balances is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, beginning of year, as previously reported	\$ 46,438,522	\$ 2,477,197	\$ 48,915,719
To remove beneficial interest in community foundation	-	(77,790)	(77,790)
To correct beneficial interest in trusts	-	1,210,465	1,210,465
Balance, beginning of year, as restated	<u>\$ 46,438,522</u>	<u>\$ 3,609,872</u>	<u>\$ 50,048,394</u>

Note 18: Subsequent Events

Subsequent events have been evaluated through February 17, 2023, which is the date the financial statements were available to be issued.

Note 19: Future Change in Accounting Principle

Accounting for Leases

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the statements of financial position as both a right-of-use asset and a liability. The standard has two types of leases for statements of activities recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2021, and any interim periods within annual reporting periods that begin after December 15, 2022. The Mission is evaluating the effect the standard will have on the financial statements; however, the standard is expected to have a material effect on the financial statements due to the recognition of additional assets and liabilities for operating leases.

Supplementary Information

City Union Mission, Inc.
Schedule of Contributed Services and Gifts-in-Kind
Year Ended September 30, 2022

	Warehouse	Men's Ministry	Farm and Camp	Thrift Stores	Family and Youth Ministries	Facilities	General and Administrative	Fundraising	Total
Clothing	\$ -	\$ -	\$ -	\$ -	\$ 56,933	\$ -	\$ -	\$ -	\$ 56,933
Food	-	341,624	44,950	-	350,614	-	-	-	737,188
Paper products	-	32,056	4,218	-	32,900	-	-	-	69,174
Supplies	-	57,214	7,983	-	74,004	28,881	518	-	168,600
Miscellaneous	-	36	-	-	-	442	70	-	548
Professional services	-	7,791	-	-	-	18,270	-	7,223	33,284
Radio air time	-	-	-	-	-	-	-	123,709	123,709
Public education	-	-	-	-	-	-	-	25,000	25,000
Furniture and household items	-	3,018	-	-	151,539	15,530	-	-	170,087
Christmas/Thanksgiving baskets	-	-	-	-	60,893	-	-	-	60,893
Equipment	-	-	-	-	-	44,614	-	-	44,614
Thrift store sale items for resale	-	-	-	7,885,982	-	-	-	-	7,885,982
	<u>\$ -</u>	<u>\$ 441,739</u>	<u>\$ 57,151</u>	<u>\$ 7,885,982</u>	<u>\$ 726,883</u>	<u>\$ 107,737</u>	<u>\$ 588</u>	<u>\$ 155,932</u>	<u>\$ 9,376,012</u>

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 47,000 hours in 2022, 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.
Schedule of Contributions
Year Ended September 30, 2022

Individuals	\$ 8,451,103
Bequests, gifts and annuities	750,735
Churches/civic groups	431,144
Business support	1,090,132
Foundations	2,791,387
Other	<u>99,551</u>
	<u><u>\$ 13,614,052</u></u>