




City Union Mission, Inc.

Independent Auditor's Report and Financial Statements

September 30, 2023 and 2022



City Union Mission, Inc.
September 30, 2023 and 2022

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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 statements of financial position as of September 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years 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, 2023 and 2022, 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.

Basis for Opinion

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

Emphasis of Matter

As discussed in *Note 15* to the financial statements, in 2023, City Union Mission, Inc. adopted ASU 2016-02, *Leases* (Topic 842). 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 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 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 audits 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
January 29, 2024

City Union Mission, Inc.
Statements of Financial Position
September 30, 2023 and 2022

Assets	2023	2022
Cash and cash equivalents	\$ 2,067,542	\$ 4,854,260
Restricted cash and cash equivalents	479,482	337,532
Contributions receivable	22,639	147,003
Other receivables	13,369	9,518
Inventories	1,081,888	1,067,813
Prepaid expenses and other assets	408,219	600,524
Beneficial interest in trusts	1,494,819	1,158,376
Investments	19,419,972	17,552,872
Right-of-use assets - operating leases	4,362,788	-
Property and equipment, net of accumulated depreciation - 2023 - \$20,331,801; 2022 - \$18,700,204	<u>21,287,930</u>	<u>21,860,002</u>
Total assets	<u><u>\$ 50,638,648</u></u>	<u><u>\$ 47,587,900</u></u>
 Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 611,651	\$ 519,020
Accrued expenses	774,704	603,207
Charitable gift annuities	-	1,553
Operating lease liabilities, net	<u>4,403,471</u>	<u>-</u>
Total liabilities	<u>5,789,826</u>	<u>1,123,780</u>
 Net Assets		
Without donor restrictions	41,159,475	43,300,075
With donor restrictions	<u>3,689,347</u>	<u>3,164,045</u>
Total net assets	<u>44,848,822</u>	<u>46,464,120</u>
Total liabilities and net assets	<u><u>\$ 50,638,648</u></u>	<u><u>\$ 47,587,900</u></u>

City Union Mission, Inc.
Statement of Activities
Year Ended September 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues, Gains and Other Support			
Contributions of cash and other financial assets	\$ 12,351,434	\$ 496,949	\$ 12,848,383
Contributions of nonfinancial assets	10,036,769	-	10,036,769
Receiving center sales	8,787,740	-	8,787,740
Miscellaneous income	336,290	19,732	356,022
Change in beneficial interests in trusts	-	75,514	75,514
Net investment return	728,884	106,150	835,034
Net assets released from restrictions	248,082	(248,082)	-
	<u>32,489,199</u>	<u>450,263</u>	<u>32,939,462</u>
Expenses and Losses			
Program Services			
Warehouse	2,964,779	-	2,964,779
Men's ministry	5,665,132	-	5,665,132
Warsaw programs	1,242,786	-	1,242,786
Women and family programs	3,569,209	-	3,569,209
Thrift stores	16,891,013	-	16,891,013
	<u>30,332,919</u>	<u>-</u>	<u>30,332,919</u>
Support Services			
General and administrative	2,158,804	-	2,158,804
Fundraising	3,103,328	-	3,103,328
	<u>5,262,132</u>	<u>-</u>	<u>5,262,132</u>
Total expenses and losses	<u>35,595,051</u>	<u>-</u>	<u>35,595,051</u>
Change in Net Assets from Operations	(3,105,852)	450,263	(2,655,589)
Non-Operating Activities			
Unrealized gains on investments	965,252	75,039	1,040,291
Change in Net Assets	(2,140,600)	525,302	(1,615,298)
Net Assets, Beginning of Year	43,300,075	3,164,045	46,464,120
Net Assets, End of Year	<u>\$ 41,159,475</u>	<u>\$ 3,689,347</u>	<u>\$ 44,848,822</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	1,428,234	(28,957)	1,399,277
Non-Operating Activities			
Unrealized losses on investments	(4,566,681)	(416,870)	(4,983,551)
Change in Net Assets	(3,138,447)	(445,827)	(3,584,274)
Net Assets, Beginning of Year	46,438,522	3,609,872	50,048,394
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, 2023

	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	\$ 1,321,449	\$ 3,869,017	\$ 742,005	\$ 2,487,561	\$ 3,922,564	\$ 12,342,596	\$ 1,135,532	\$ 1,020,454	\$ 2,155,986	\$ 14,498,582
Professional services	19,796	75,752	5,653	39,572	3,256	144,029	61,588	56,697	118,285	262,314
Staff development	38,229	122,651	11,390	65,395	42,260	279,925	88,100	38,157	126,257	406,182
Bank and payroll fees and postage	19,312	72,036	7,559	37,631	204,444	340,982	59,464	12,819	72,283	413,265
Equipment and supplies	32,324	51,731	8,475	35,576	1,071,621	1,199,727	48,926	43,908	92,834	1,292,561
Client support	1,135,156	61,862	46,756	327,888	730,060	2,301,722	9,377	2,178	11,555	2,313,277
Facilities	94,364	282,077	71,466	128,003	1,549,346	2,125,256	178,642	27,784	206,426	2,331,682
Utilities	52,030	196,872	14,817	105,811	381,480	751,010	159,990	34,764	194,754	945,764
Automobile expenses	168,708	3,791	283	1,980	76,022	250,784	122,540	660	123,200	373,984
IT Software, license and equipment	30,001	116,608	8,624	63,132	-	218,365	93,336	20,130	113,466	331,831
Marketing	38	143	12	75	-	268	117	909,619	909,736	910,004
Fundraising events	-	-	-	-	-	-	-	65,139	65,139	65,139
Appeals	-	-	-	-	61,814	61,814	-	871,019	871,019	932,833
Depreciation	53,372	812,592	325,746	276,585	164,961	1,633,256	201,192	-	201,192	1,834,448
Cost of sales	-	-	-	-	8,683,185	8,683,185	-	-	-	8,683,185
Total expenses by function	\$ 2,964,779	\$ 5,665,132	\$ 1,242,786	\$ 3,569,209	\$ 16,891,013	\$ 30,332,919	\$ 2,158,804	\$ 3,103,328	\$ 5,262,132	\$ 35,595,051

See Notes to Financial Statements

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.
Statements of Cash Flows
Years Ended September 30, 2023 and 2022

	2023	2022
Operating Activities		
Change in net assets	\$ (1,615,298)	\$ (3,584,274)
Items not requiring (providing) cash		
Depreciation	1,834,448	1,750,964
Noncash operating lease expense	704,601	-
(Gains) losses on sale of property, plant and equipment	(244,095)	29,513
Net realized and unrealized (gains) losses on investments	(1,259,103)	3,613,594
Change in beneficial interests in trusts	(75,514)	216,832
Contribution of beneficial interest in trust	(260,929)	(164,743)
Contributions received restricted for the capital project	(134,480)	-
Changes in		
Accounts receivable	(3,851)	25,980
Inventories	(14,075)	(5,379)
Prepaid expenses and other assets	192,305	192,435
Contributions receivable	124,364	280,957
Accounts payable and accrued expenses	237,718	422,978
Operating lease liability	(663,918)	-
Net cash provided by (used in) operating activities	(1,177,827)	2,778,857
Investing Activities		
Purchase of property and equipment	(1,333,090)	(1,474,178)
Proceeds from disposition of property and equipment	341,219	15,840
Proceeds from disposition of investments	3,474,168	8,929,000
Purchases of investments	(4,082,165)	(10,060,519)
Net cash used in investing activities	(1,599,868)	(2,589,857)
Financing Activities		
Proceeds from contributions restricted for the capital project	134,480	-
Payments on annuities and trusts payable	(1,553)	(5,120)
Net cash provided by (used in) financing activities	132,927	(5,120)
Increase (Decrease) in Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents	(2,644,768)	183,880
Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents, Beginning of Year	5,191,792	5,007,912
Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents, End of Year	\$ 2,547,024	\$ 5,191,792
Cash and cash equivalents	\$ 2,067,542	\$ 4,854,260
Restricted cash and cash equivalents	479,482	337,532
Total cash, cash equivalents, restricted cash and restricted cash equivalents as shown in the statements of financial position	\$ 2,547,024	\$ 5,191,792

See Notes to Financial Statements

City Union Mission, Inc.
Notes to Financial Statements
September 30, 2023 and 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.

Warsaw Programs

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 300 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, 2023 and 2022

Women and Family Programs

The Family and Youth Center houses the emergency homeless shelter for overnight guests, including families and single women. The shelter can accommodate up to 148 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 can accommodate up to 25 participants. 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, 2023, 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, 2023, the Mission's cash accounts exceeded federally insured limits by approximately \$2,268,000.

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, 2023 and 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 statements 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 years ended September 30, 2023 and 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, 2023 and 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, 2023 and 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 statements 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, 2023 and 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 statements of activities. The statements 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 statements of activities which includes all revenues and expenses associated with operating the Mission. The measure of operations excludes unrealized gains and losses from investments.

City Union Mission, Inc.
Notes to Financial Statements
September 30, 2023 and 2022

Note 2: Inventories

Inventories consist of the following at September 30:

	2023	2022
Warehouse	\$ 185,816	\$ 142,163
Thrift store	896,072	925,650
	\$ 1,081,888	\$ 1,067,813

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 statements of activities. A beneficial interest in perpetual trust is recorded in the statements 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 statements of financial position, with trust distributions and changes in fair value recognized in the statements of activities.

The estimated value of the expected future cash flows is \$1,494,819 and \$1,158,376, which represents the fair value of the trusts' assets at September 30, 2023 and 2022, respectively. The distributions from these trusts for 2023 and 2022 was \$24,477 and \$56,152, respectively.

The Mission is the beneficiary under various charitable remainder trusts administered by various banks. The assets of these trusts are not included in the statements 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).

City Union Mission, Inc.
Notes to Financial Statements
September 30, 2023 and 2022

Note 4: Property and Equipment

Property and equipment consists of the following at September 30:

	2023	2022
Land and land improvements	\$ 3,082,011	\$ 3,037,466
Buildings and leasehold improvements	33,241,242	32,774,611
Store and transportation equipment	1,294,603	1,035,490
Furniture and fixtures	3,709,289	3,544,455
Construction in progress	292,586	168,184
	41,619,731	40,560,206
Less accumulated depreciation and amortization	20,331,801	18,700,204
	\$ 21,287,930	\$ 21,860,002

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 statements of financial position. Certain implementation costs associated with the CCA totaling \$209,578 have been capitalized and are included as a prepaid asset within the statements of financial position as of September 30, 2023 and 2022. During the years ended September 30, 2023 and 2022, \$41,916 of amortization was recognized each year within the statements of activities.

Note 6: 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, 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.

City Union Mission, Inc.
Notes to Financial Statements
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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 7: Contributed Non-financial Assets

For the years ended September 30, 2023 and 2022, contributed nonfinancial assets recognized within the statements of activities included:

	2023	2022
Clothing	\$ 93,922	\$ 56,933
Food	796,260	737,188
Paper products	37,985	69,174
Supplies	77,939	168,600
Miscellaneous	49,624	548
Professional services	50,880	33,284
Advertising	73,674	123,709
Public education	3,980	25,000
Furniture and household items	69,036	170,087
Christmas/Thanksgiving baskets	76,051	60,893
Equipment	53,812	44,614
Clothing and household goods for resale	8,653,606	7,885,982
	\$ 10,036,769	\$ 9,376,012

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

City Union Mission, Inc.
Notes to Financial Statements
September 30, 2023 and 2022

Contributed items were utilized in the following programs:

Contributed Items	Programs
Clothing and Christmas/Thanksgiving baskets	Warehouse, Men’s Ministry, Warsaw Programs, Women and Family Programs
Household goods, including paper products, supplies, furniture	Warehouse, Warsaw Programs, Women and Family Programs, Facilities
Food	Warehouse, Men’s Ministry, Warsaw Programs, Women and Family Programs
Professional services	Warehouse and Facilities
Advertising and Public education	Women and Family Programs and Fundraising
Equipment	Warsaw Programs and Women and Family Programs
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, advertising 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, 2023 and 2022

Note 8: 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 years ended September 30, 2023 and 2022, the Mission matched 75% of employee contributions, not to exceed 4% of employee wages. Pension expense was \$101,523 and \$80,534 for the years ended September 30, 2023 and 2022, respectively.

Note 9: Net Assets

Net Assets With Donor Restrictions

Net assets with donor restrictions at September 30, 2023 and 2022 are restricted for the following purposes or periods:

	2023	2022
Subject to expenditure for specified purpose		
Capital project	\$ 479,483	\$ 337,533
Bikers fund - assistance to mission program families and men	30,373	48,428
Car ministry	15,000	74,608
Holiday food	32,000	-
Miscellaneous	16,047	58,433
	572,903	519,002
Endowments		
Subject to NFP endowment spending policy and appropriation		
General use	1,621,625	1,486,667
Not subject to spending policy or appropriation		
Beneficial interest in trusts	1,494,819	1,158,376
	\$ 3,689,347	\$ 3,164,045

City Union Mission, Inc.
Notes to Financial Statements
September 30, 2023 and 2022

Net Assets Without Donor Restrictions

Net assets without donor restrictions at September 30, 2023 and 2022 have been designated for the following purposes:

	2023	2022
Undesignated	\$ 23,411,096	\$ 26,962,371
Designated by the Board for operating reserve	17,748,379	16,337,704
Net assets without donor restrictions	<u>\$ 41,159,475</u>	<u>\$ 43,300,075</u>

Note 10: 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.

City Union Mission, Inc.
Notes to Financial Statements
September 30, 2023 and 2022

The composition of net assets by type of endowment fund at September 30, 2023 and 2022, was:

	2023		
	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	-	360,094	360,094
Total endowment funds	\$ -	\$ 1,621,625	\$ 1,621,625
	2022		
	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, 2023 and 2022

Changes in endowment net assets for the years ended September 30, 2023 and 2022 were:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 1,486,667	\$ 1,486,667
Investment return, net	-	134,958	134,958
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 1,621,625</u>	<u>\$ 1,621,625</u>
	2022		
	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	<u>\$ -</u>	<u>\$ 1,486,667</u>	<u>\$ 1,486,667</u>

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.

City Union Mission, Inc.
Notes to Financial Statements
September 30, 2023 and 2022

Note 11: 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 statements of cash flows which identify the sources and uses of the Mission's cash.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of September 30, 2023 and 2022, comprise the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 2,067,542	\$ 4,854,260
Restricted cash and cash equivalents	479,482	337,532
Contributions receivable	22,639	147,003
Accounts receivable, net	13,369	9,518
Beneficial interests in trusts	1,494,819	1,158,376
Investments	<u>19,419,972</u>	<u>17,552,872</u>
 Total financial assets	 23,497,823	 24,059,561
 Donor-imposed restrictions		
Restricted funds	572,903	519,002
Endowments	1,621,625	1,486,667
Beneficial interest in trusts	<u>1,494,819</u>	<u>1,158,376</u>
Net financial assets after donor imposed restrictions	<u>19,808,476</u>	<u>20,895,516</u>
 Internal designations		
Operating reserve	<u>17,748,379</u>	<u>16,337,704</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 2,060,097</u>	 <u>\$ 4,557,812</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.

City Union Mission, Inc.
Notes to Financial Statements
September 30, 2023 and 2022

Note 12: 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
- 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 are significant to the fair value of the assets

City Union Mission, Inc.
Notes to Financial Statements
September 30, 2023 and 2022

Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying statements 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, 2023 and 2022:

	Fair Value Measurements Using			
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2023				
Assets				
Investments				
Money market funds	\$ 436,657	\$ 436,657	\$ -	\$ -
Equity mutual funds				
Domestic	7,429,413	7,429,413	-	-
International	1,768,975	1,768,975	-	-
Fixed income mutual funds				
Diversified taxable	8,016,064	8,016,064	-	-
Credit	373,400	373,400	-	-
Exchange traded funds				
Domestic	1,518	1,518	-	-
International	320,934	320,934	-	-
Treasury	61,539	61,539	-	-
Alternative mutual hedge funds	1,011,472	1,011,472	-	-
Total investments	<u>19,419,972</u>	<u>19,419,972</u>	<u>-</u>	<u>-</u>
Beneficial interest in trusts	<u>1,494,819</u>	<u>-</u>	<u>-</u>	<u>1,494,819</u>
Total assets	<u><u>\$ 20,914,791</u></u>	<u><u>\$ 19,419,972</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,494,819</u></u>

City Union Mission, Inc.
Notes to Financial Statements
September 30, 2023 and 2022

	<u>Fair Value Measurements Using</u>			
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2022				
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	<u>17,552,872</u>	<u>17,552,872</u>	<u>-</u>	<u>-</u>
Beneficial interest in trusts	<u>1,158,376</u>	<u>-</u>	<u>-</u>	<u>1,158,376</u>
Total assets	<u>\$ 18,711,248</u>	<u>\$ 17,552,872</u>	<u>\$ -</u>	<u>\$ 1,158,376</u>

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 statements 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 years ended September 30, 2023 and 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.

City Union Mission, Inc.
Notes to Financial Statements
September 30, 2023 and 2022

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 tables present quantitative information about unobservable inputs used in recurring Level 3 fair value measurements at September 30, 2023 and 2022.

	Fair Value at 9/30/23	Valuation Technique	Unobservable Inputs
Beneficial interest in trusts	\$ 1,494,819	Discounted cash	Present value of estimated future cash flows

	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 13: 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. During the year ended September 30, 2023, the Mission extended the agreement through February 29, 2028. 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. Additional one-time management fees are owed for any new stores opened. Management fees expense totaled \$713,765 and \$746,754 for the years ended September 30, 2023 and 2022, respectively.

City Union Mission, Inc.
Notes to Financial Statements
September 30, 2023 and 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 14: 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 was forgiven in 2023 upon all FHLB conditions being met. Those requirements included: 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). The loan grant was recognized as grant revenue when received.

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% 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, 2023 and 2022

Note 15: Leases

Change in Accounting Principle

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). This ASU requires lessees to recognize a lease liability and a right-of-use (ROU) asset on a discounted basis, for substantially all leases, as well as additional disclosures regarding leasing arrangements. Disclosures are required to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. In July 2018, the FASB issued ASU 2018-11, *Leases* (Topic 842): *Targeted Improvements*, which provides an optional transition method of applying the new lease standard. Topic 842 can be applied using either a modified retrospective approach at the beginning of the earliest period presented or, as permitted by ASU 2018-11, at the beginning of the period in which it is adopted, *i.e.*, the comparatives under ASC 840 option.

The Mission adopted Topic 842 on October 1, 2022 (the effective date), using the comparatives under ASC 840 transition method, which applies Topic 842 at the beginning of the period in which it is adopted. Prior period amounts have not been adjusted in connection with the adoption of this standard. The Mission elected the package of practical expedients under the new standard, which permits entities to not reassess lease classification, lease identification or initial direct costs for existing or expired leases prior to the effective date. The Mission has lease agreements with nonlease components that relate to the lease components. The Mission elected the practical expedient to account for nonlease components and the lease components to which they relate as a single lease component for all. The Mission did not elect the hindsight practical expedient in determining the lease term for existing leases as of October 1, 2022.

The most significant impact of adoption was the recognition of operating lease ROU assets and operating lease liabilities of \$5,067,389 and \$5,067,389, respectively. The standard did not significantly affect the statements of activities or cash flows.

Accounting Policies

The Mission determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of ROU assets and lease liabilities on the statements of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Mission determines lease classification as operating or finance at the lease commencement date.

The Mission combines lease and nonlease components, such as common area and other maintenance costs, and accounts for them as a single lease component in calculating the ROU assets and lease liabilities for its office buildings and employee vehicles.

At lease commencement, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Mission has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

City Union Mission, Inc.
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September 30, 2023 and 2022

The lease term may include options to extend or to terminate the lease that the Mission is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

Nature of Leases

The Mission has entered into the following lease arrangements:

Operating Leases

The Mission has leases for Thrift Store spaces that expire in various years through 2032. Certain leases contain renewal options for periods ranging from five to 15 years and require the Mission to pay select executory costs (property taxes, maintenance and insurance). Certain lease payments have an escalating fee schedule, generally which range from a 4% to 9% increase each year. Termination of the leases is generally prohibited unless there is a violation under the lease agreement.

The Mission leases multiple vehicles that expire in various years through 2028. Termination of the leases is generally prohibited unless there is a violation under the lease agreement.

All Leases

The Mission has no material related-party leases.

The Mission's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Quantitative Disclosures

The lease cost and other required information for the year ended September 30, 2023 are:

	2023
Lease cost	
Operating lease cost	\$ 874,198
	\$ 874,198
Other information	
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 833,345
Weighted-average remaining lease term	
Operating leases	7.00 years
Weighted-average discount rate	
Operating leases	3.94%

City Union Mission, Inc.
Notes to Financial Statements
September 30, 2023 and 2022

Future minimum lease payments and reconciliation to the statement of financial position at September 30, 2023, are as follows:

	Operating Leases
2024	\$ 817,566
2025	836,544
2026	664,813
2027	633,956
2028	593,573
Thereafter	1,510,084
Total future undiscounted cash flows	5,056,536
Less: present value discount	(653,065)
Lease liabilities	\$ 4,403,471

Disclosures Related to Periods Prior to Adoption of ASC

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

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

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

City Union Mission, Inc.
Notes to Financial Statements
September 30, 2023 and 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 statements of financial position.

Beneficial Interest in Trusts

Estimates related to the valuation of beneficial interest in trusts are described in *Notes 3 and 12*.

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.

Note 17: Subsequent Events

Subsequent events have been evaluated through January 29, 2024, which is the date the financial statements were available to be issued.

Supplementary Information

City Union Mission, Inc.
Schedule of Contributed Services and Gifts-in-Kind
Year Ended September 30, 2023
(With Summarized Information for the Year Ended September 30, 2022)

	Warehouse	Men's Ministry	Warsaw Programs	Thrift Stores	Women and Family Programs	Facilities	General and Administrative	Development	2023 Total	2022 Total
Clothing	\$ 81,551	\$ 125	\$ 8,565	\$ -	\$ 1,277	\$ -	\$ 2,404	\$ -	\$ 93,922	\$ 56,933
Food	792,863	-	301	-	3,061	-	35	-	796,260	737,188
Paper products	1,440	19	7,905	-	900	27,441	280	-	37,985	69,174
Supplies	35,681	7,642	10,681	-	20,892	1,733	1,310	-	77,939	168,600
Miscellaneous	-	49,624	-	-	-	-	-	-	49,624	548
Professional services	63	-	-	-	-	6,157	44,660	-	50,880	33,284
Advertising	-	-	-	-	2,200	-	-	71,474	73,674	123,709
Public education	-	-	-	-	-	-	-	3,980	3,980	25,000
Furniture and household items	63,200	-	5,642	-	115	-	79	-	69,036	170,087
Christmas/Thanksgiving baskets	472	-	161	-	75,418	-	-	-	76,051	60,893
Equipment	-	-	5,079	-	787	47,946	-	-	53,812	44,614
Thrift store sale items for resale	-	-	-	8,653,606	-	-	-	-	8,653,606	7,885,982
	<u>\$ 975,270</u>	<u>\$ 57,410</u>	<u>\$ 38,334</u>	<u>\$ 8,653,606</u>	<u>\$ 104,650</u>	<u>\$ 83,277</u>	<u>\$ 48,768</u>	<u>\$ 75,454</u>	<u>\$ 10,036,769</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 38,000 hours in 2023 and 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.
Schedules of Contributions
Years Ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Individuals	\$ 7,763,501	\$ 8,451,103
Bequests, gifts and annuities	1,319,145	750,735
Churches/civic groups	275,150	431,144
Business support	1,310,049	1,090,132
Foundations	2,177,353	2,791,387
Other	<u>3,185</u>	<u>99,551</u>
	<u>\$ 12,848,383</u>	<u>\$ 13,614,052</u>