

People's City Mission

**Consolidated Financial Statements and
Independent Auditors' Report**

December 31, 2020 and 2019



People's City Mission

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INDEPENDENT AUDITORS' REPORT

Board of Directors
People's City Mission
Omaha, Nebraska

Report on the Consolidated Financial Statements

We have audited the accompanying 2020 consolidated financial statements of People's City Mission (the Organization), which comprise the consolidated statement of financial position as of December 31, 2020 and the related consolidated statement of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the 2020 consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 2020 consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 2020 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the 2020 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of People's City Mission as of December 31, 2020, and the changes in its consolidated net assets and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter – Predecessor Auditor

The consolidated financial statements of People's City Mission as of and for the year ended December 31, 2019 were audited by other auditors, whose report dated August 20, 2020 expressed an unmodified opinion on those statements.

Other Matter – Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the 2020 consolidated financial statements as a whole. The accompanying 2020 supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2020 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 2020 consolidated financial statements as a whole.

Lutz & Company, P.C.

June 22, 2021

People's City Mission

Consolidated Statements of Financial Position

December 31, 2020 and 2019

ASSETS	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,823,122	\$ 1,020,991
Bequests and Other Receivables	87,366	141,090
Grant Reimbursements Receivable	33,235	89,234
Inventories	380,662	292,383
Prepaid Expenses and Other Current Assets	72,683	34,704
Total Current Assets	2,397,068	1,578,402
PROPERTY AND EQUIPMENT, NET	2,185,007	2,281,730
OTHER ASSETS		
Investments	-	5,286
Investment in Curtis Center Housing, LP	97,626	97,626
Beneficial Interest in Perpetual and Remainder Trusts	120,839	190,767
Other Assets	97,254	98,254
Total Other Assets	315,719	391,933
TOTAL ASSETS	\$ 4,897,794	\$ 4,252,065

See Notes to Consolidated Financial Statements.

People's City Mission

Consolidated Statements of Financial Position

December 31, 2020 and 2019

LIABILITIES	<u>2020</u>	<u>2019</u>
CURRENT LIABILITIES		
Accounts Payable	\$ 105,613	\$ 188,245
Accrued Liabilities	184,456	199,369
Current Portion of Long-Term Debt	44,370	54,604
Total Current Liabilities	334,439	442,218
LONG-TERM LIABILITIES		
Paycheck Protection Program Loan	375,000	-
Long-Term Debt, Less Current Portion	626,561	670,929
Total Long-Term Liabilities	1,001,561	670,929
Total Liabilities	1,336,000	1,113,147
NET ASSETS		
Without Donor Restrictions	3,416,079	2,918,274
With Donor Restrictions	145,715	220,644
Total Net Assets	3,561,794	3,138,918
TOTAL LIABILITIES AND NET ASSETS	\$ 4,897,794	\$ 4,252,065

See Notes to Consolidated Financial Statements.

People's City Mission

Consolidated Statement of Activities and Changes in Net Assets

Year Ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT			
Contributions	\$ 3,170,781	\$ -	\$ 3,170,781
In-Kind Contributions	12,596,393	-	12,596,393
Probation Housing Revenue	391,798	-	391,798
Grants	295,402	-	295,402
Clothing Recycling	617,072	-	617,072
Other Income	172,141	-	172,141
Net Assets Released from Restrictions	85,229	(85,229)	-
Total Revenues, Gains and Other Support	17,328,816	(85,229)	17,243,587
EXPENSES			
Program	15,674,322	-	15,674,322
Management and General	622,033	-	622,033
Fundraising	526,070	-	526,070
Total Expenses	16,822,425	-	16,822,425
Operating Income	506,391	(85,229)	421,162
Nonoperating - Investment Return	(8,586)	10,300	1,714
Change in Net Assets	497,805	(74,929)	422,876
Net Assets, Beginning of Year	2,918,274	220,644	3,138,918
NET ASSETS, END OF YEAR	\$ 3,416,079	\$ 145,715	\$ 3,561,794

See Notes to Consolidated Financial Statements.

People's City Mission

Consolidated Statement of Activities and Changes in Net Assets

Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Contributions	\$ 2,060,175	\$ 50,333	\$ 2,110,508
In-Kind Contributions	9,346,449	-	9,346,449
Probation Housing Revenue	724,330	-	724,330
Grants	337,208	-	337,208
Clothing Recycling	752,209	-	752,209
Other Income	159,343	-	159,343
Net Assets Released from Restrictions	557,936	(557,936)	-
Total Revenues, Gains and Other Support	13,937,650	(507,603)	13,430,047
EXPENSES			
Program	12,640,370	-	12,640,370
Management and General	670,505	-	670,505
Fundraising	503,706	-	503,706
Total Expenses	13,814,581	-	13,814,581
Operating Income	123,069	(507,603)	(384,534)
Nonoperating - Investment Return	1,019	24,138	25,157
Change in Net Assets	124,088	(483,465)	(359,377)
Net Assets, Beginning of Year	2,794,186	704,109	3,498,295
NET ASSETS, END OF YEAR	\$ 2,918,274	\$ 220,644	\$ 3,138,918

See Notes to Consolidated Financial Statements.

People's City Mission

Consolidated Statement of Functional Expenses

Year Ended December 31, 2020

	Program								Management and General	Fundraising
	Men's Shelter	Family and Women's	Food Services	Help Center	Medical Clinic	Transitional	Recycling	Total Program		
Salaries and Wages	\$ 393,334	\$ 333,036	\$ 123,443	\$ 392,661	\$ 140,192	\$ 151,645	\$ 160,115	\$ 1,694,426	\$ 313,453	\$ 172,436
Payroll Taxes	29,263	24,899	9,853	29,420	-	11,475	11,501	116,411	14,074	26,744
Employee Benefits	153,549	57,074	17,295	44,108	-	27,158	20,641	319,825	67,429	39,195
Total Salaries and Related Expenses	576,146	415,009	150,591	466,189	140,192	190,278	192,257	2,130,662	394,956	238,375
Advertising	1,045	226	-	26	-	-	-	1,297	840	107,825
Bank Fees	-	-	-	-	-	-	-	-	38,176	-
Conferences and Travel	135	392	-	-	-	100	-	627	995	5,450
Depreciation	75,725	75,725	-	3,787	-	-	3,787	159,024	9,466	20,824
Insurance	17,670	17,481	2,966	19,551	248	3,292	12,064	73,272	25,697	5,385
Interest Expense	7,888	7,888	-	8,195	-	-	362	24,333	8,107	-
Miscellaneous	6,314	7,984	403	3,167	2,231	11,231	1,252	32,582	26,280	1,894
Occupancy and Rent	17,234	43,934	8,754	182,036	6,370	43,595	105,123	407,046	19,044	-
Postage and Shipping	5	-	-	-	-	-	173	178	2,794	2,280
Printing and Publications	-	-	-	-	-	-	-	-	-	70,710
Professional Fees	3,853	11,853	3,538	3,603	10,100	3,478	3,538	39,963	38,513	32,079
Recycling	-	-	-	-	-	-	84,111	84,111	-	-
Repairs and Maintenance	6,355	5,563	951	2,675	6,506	20	16,596	38,666	781	4,010
Special Events	-	-	-	-	-	-	-	-	2,475	25,046
Specific Assistance to Individuals	1,110	80,309	443,312	7,540,886	27,786	-	4,240,992	12,334,395	23,802	500
Supplies	20,725	19,885	154,732	4,302	9,605	50,605	18,383	278,237	20,469	2,380
Telephone and Internet	4,271	5,571	1,610	6,100	1,122	424	677	19,775	5,120	4,379
Transportation	4,039	5,785	2,820	1,548	-	49	35,913	50,154	4,518	4,933
TOTAL EXPENSES	\$ 742,515	\$ 697,605	\$ 769,677	\$ 8,242,065	\$ 204,160	\$ 303,072	\$ 4,715,228	\$ 15,674,322	\$ 622,033	\$ 526,070

See Notes to Consolidated Financial Statements.

People's City Mission

Consolidated Statement of Functional Expenses

Year Ended December 31, 2019

	Program								Management and General	Fundraising
	Men's Shelter	Family and Women's	Food Services	Help Center	Medical Clinic	Transitional	Recycling	Total Program		
Salaries and Wages	\$ 316,297	\$ 345,621	\$ 99,668	\$ 512,808	\$ 126,068	\$ 107,937	\$ 99,830	\$ 1,608,229	\$ 281,612	\$ 233,075
Employee Benefits	97,413	64,901	18,073	42,167	-	27,482	20,721	270,757	45,614	46,389
Payroll Taxes	20,430	26,710	8,107	40,211	-	11,243	7,331	114,032	20,812	18,752
Total Salaries and Related Expenses	434,140	437,232	125,848	595,186	126,068	146,662	127,882	1,993,018	348,038	298,216
Advertising	-	-	-	-	-	-	-	-	146,460	-
Bank Fees	-	-	-	-	-	-	-	-	21,908	-
Conferences and Travel	1,985	3,037	680	1,746	853	387	15,107	23,795	872	2,465
Depreciation	80,338	80,338	-	4,017	-	-	4,017	168,710	10,042	22,094
Insurance	17,680	34,416	3,813	19,447	6,940	-	16,995	99,291	15,544	6,921
Interest Expense	8,263	8,263	-	8,569	-	-	935	26,030	9,029	-
Miscellaneous	4,791	3,448	66	-	301	2,375	159	11,140	16,386	2,315
Occupancy and Rent	23,175	62,030	8,049	194,733	8,095	97,586	154,931	548,599	31,254	31,982
Other Program Expenses	-	30	29	-	9,622	36,271	-	45,952	-	55
Postage and Shipping	55	55	-	-	-	-	-	110	690	6,402
Printing and Publications	-	-	-	-	-	-	-	-	-	63,121
Professional Fees	4,075	6,660	4,368	4,075	7,088	-	4,075	30,341	46,826	8,569
Recycling	-	-	-	-	-	-	55,089	55,089	-	-
Repairs and Maintenance	5,728	19,296	3,515	1,604	1,312	-	6,408	37,863	4,185	47
Special Events	-	-	-	-	-	-	-	-	95	50,429
Specific Assistance to Individuals	686	2,942	492,795	8,671,507	33,790	-	-	9,201,720	-	-
Supplies	18,015	102,308	234,267	3,775	1,970	-	18,157	378,492	14,758	6,502
Telephone and Internet	3,814	6,134	1,131	5,704	1,324	20	2,093	20,220	4,418	4,588
TOTAL EXPENSES	\$ 602,745	\$ 766,189	\$ 874,561	\$ 9,510,363	\$ 197,363	\$ 283,301	\$ 405,848	\$ 12,640,370	\$ 670,505	\$ 503,706

See Notes to Consolidated Financial Statements.

People's City Mission

Consolidated Statements of Cash Flows

Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 422,876	\$ (359,377)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Change in Contributed Inventories	(88,279)	98,818
Depreciation	189,314	200,846
Gain on Sale of Property and Equipment	-	(31)
Net Realized and Unrealized Gains on Investments	(231)	(256)
Gain on Beneficial Interest in Perpetual and Remainder Trusts	(1,015)	(24,138)
Noncash Contributions	-	(5,030)
Decrease (Increase) in Current Assets:		
Bequests and Other Receivables	53,724	436,560
Grant Reimbursements Receivable	55,999	41,872
Prepaid Expenses and Other Current Assets	(37,979)	1,293
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(82,632)	(14,075)
Accrued Liabilities	(14,913)	16,227
Net Cash Provided by Operating Activities	496,864	392,709
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(92,591)	(35,949)
Proceeds from Sales of Property and Equipment	-	1,000
Proceeds from Sales of Investments	5,517	-
Proceeds from Beneficial Interest in Perpetual and Remainder Trust:	70,943	-
Decrease in Other Assets	1,000	2,431
Net Cash Used in Investing Activities	(15,131)	(32,518)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program Loan	375,000	-
Repayments of Long-Term Debt	(54,602)	(68,323)
Net Cash Provided by (Used in) Financing Activities	320,398	(68,323)
Net Increase in Cash and Cash Equivalents	802,131	291,868
Cash and Cash Equivalents, Beginning of Year	1,020,991	729,123
Cash and Cash Equivalents, End of Year	\$ 1,823,122	\$ 1,020,991
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	\$ 32,440	\$ 34,789
NONCASH ACTIVITIES		
Increase in Accounts Payable for Purchase of Property and Equipmer	\$ -	\$ 8,986

See Independent Auditors' Report and Notes to Consolidated Financial Statements.

People's City Mission

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

1. Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements is set forth below.

Principles of Consolidation

The consolidated financial statements of the People's City Mission include the accounts and operations of the following organizations – The People's City Mission Home, People's City Mission Foundation, PCM Medical Clinic, and PCM Housing Corporation, collectively (the "Organization"). All significant intercompany balances and transactions have been eliminated in consolidation.

Nature of Operations

The Organization is a not-for-profit organization whose mission and principal activities are to provide temporary housing for the homeless in Lincoln, Nebraska. Residents and low-income individuals in the community are provided with casework services to help them obtain employment, used clothing, food, medical care, and referrals. The Organization's revenues and other support are derived principally from contributions and grants.

The Organization's main programs include:

Men's Shelter: Provides a safe, secure, clean shelter with a bed, showers, clean clothing, personal hygiene items, employment assistance, laundry facilities, mail services, and access to legal assistance.

Family and Women's Shelter: Provides a safe, secure, clean shelter for homeless single women, single mothers with children, single fathers with children, and married couples with or without children. Living quarters are in shared rooms with bath and laundry facilities provided. Clothing, personal care items, and childcare items are available as needed.

Food Service: Provides meals to shelter guests.

Help Center: The primary receiving, sorting, and distribution point for free food, clothing, household items, furniture, toys, and personal care items.

Medical Clinic: Provides health and dental care to uninsured residents of Lincoln and Lancaster County who are homeless or low-income.

Transitional: A transitional housing program for men and women that includes private sleeping rooms equipped with a refrigerator, microwave, and sink. Other amenities include laundry facilities, a community lounge, a library, courtyards, and 24-hour staff. Residents must be accepted into this program and the maximum stay is 24 months.

Recycling: Recycles donated clothing and goods.

People's City Mission

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

Financial Statement Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and support, revenue, expenses, and losses are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Asset Without Donor Restrictions – Net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by contract or by board designation.

Net Assets With Donor Restrictions – Net assets whose use by the Organization has been limited by donors to later periods of time, after specified dates, or to specified purposes. At December 31, 2020 and 2019, the Organization had \$81,907 and \$162,195, respectively, in assets with donor restrictions that were temporary in nature. Other donor-imposed restrictions may stipulate resources be maintained permanently but may permit the Organization to use up or expend part or all of the income (or economic benefits) derived from the donated assets. At December 31, 2020 and 2019, the Organization had \$63,808 and \$58,449, respectively, in assets with donor restrictions considered to be permanent in nature.

Use of Estimates

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and other support, expenses and losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2020 and 2019, cash equivalents consisted primarily of money market accounts with brokers.

Concentration of Credit Risk

The Organization has several types of financial instruments subject to credit risk. The Organization maintains bank accounts in which the balances sometimes exceed the Federal Deposit Insurance Corporation (FDIC) limit of \$250,000. At December 31, 2020 and 2019, there were cash balances in excess of FDIC limits at the bank of approximately \$1,169,000 and \$445,000, respectively.

The Organization's receivables are also subject to credit risk.

People's City Mission

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

Bequests and Other Receivables

Bequests and other receivables are stated at the amount of consideration from donors of which the Organization has an unconditional right to receive. Based on a review of outstanding receivables, historical collection information, and existing economic conditions, no allowance for doubtful accounts is deemed necessary.

Grant Reimbursements Receivable

The Organization receives its grant support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the funding agreement. Since the consolidated financial statements of the Organization are prepared on the accrual basis, all earned portions of the grants not received as of December 31, 2020 and 2019 have been recorded as receivables. Unearned portions of the grants are conditional upon the satisfaction of grant requirements and therefore are not included in the consolidated financial statements.

Inventories

Inventories consist primarily of donated food, clothing, furniture, toys, pharmaceuticals, and personal care items. Purchased inventory is stated at the lower of cost or net realizable value. Donated items are stated at an average market price comparable to discounted retail or thrift store prices at the time of donation. Clothing that is packaged for recycling is reduced to the lower of cost or net realizable value.

Property and Equipment

Property and equipment are recorded at cost. Expenditures for additions and betterments are capitalized; expenditures for maintenance and repairs are charged to expense as incurred. The costs of assets disposed and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses from property disposals are recognized in the year of disposal.

Depreciation is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and Improvements	7-39
Furniture and Equipment	3-10
Vehicles	5

Long-Lived Asset Impairment

The Organization 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 assets is 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 the long-lived asset exceeds its fair value. Management does not believe any impairment existed at December 31, 2020 and 2019.

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Notes to Consolidated Financial Statements

December 31, 2020 and 2019

Investments

Investments in equity securities having a readily determinable fair value are carried at fair value. Investment return includes dividend, interest, and other investment income and realized and unrealized gains and losses on investments carried at fair value.

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

Investment in Curtis Center Housing, LP

Investment in Curtis Center Housing, LP consists of a 0.01% ownership interest in Curtis Center Housing, LP. The investment is stated at initial cost plus equity in the affiliate's undistributed net income since acquisition.

Beneficial Interest in Perpetual and Remainder Trusts

The Organization is the beneficiary of certain perpetual and charitable remainder trusts. Under the perpetual trusts, the Organization has the irrevocable right to receive the income earned on the trust assets in perpetuity; however, the underlying assets can never be redeemed. Under the charitable remainder trusts, the Organization has the right to receive the trust assets upon termination or maturity of the corresponding trust. The beneficial interest in perpetual and remainder trusts are classified under net assets with donor restrictions and are adjusted annually through the consolidated statements of activities and changes in net assets for changes in fair value. During 2020, the Organization received \$70,943 from the maturity of a certain remainder trust.

Paycheck Protection Program Loan

In April 2020, the Organization was granted a loan from a bank in the aggregate amount of \$375,000, pursuant to the Paycheck Protection Program ("PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020 (the "PPP Loan"). Under the terms of the PPP Loan, certain amounts of the PPP Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

There is no guidance in accounting principles generally accepted in the United States of America that specifically addresses accounting for obtaining a forgivable loan from a government entity; however, when the Organization receives government assistance that is not considered revenue or a loan, the Organization analogizes to other guidance. The Organization elected to account for the PPP Loan as a financial liability under long-term debt in accordance with FASB ASC 470, *Debt*. In accordance with FASB ASC 405-20-40-1, *Extinguishment of Liabilities*, the Organization will not recognize any income from the extinguishment of its debt until it has been legally released as the primary obligor under the loan by the Small Business Administration. Any amount forgiven will be recognized in the statements of activities and changes in net assets under revenues, gains and other support. Management believes the funds have been used in accordance with program guidance and are in the process of obtaining forgiveness from the Small Business Administration.

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Notes to Consolidated Financial Statements

December 31, 2020 and 2019

Revenue Recognition

The Organization's revenues, gains and other support are substantially made up of contributions and grants. Contributions and grants that do not meet the definition of an exchange transaction in accordance with ASC 606 are accounted for under the guidance in ASC 958 "Not-for-Profit Entities." Contributions and grants are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions unless the restrictions are satisfied in the period the contribution is received, in which case they are reported as increases in net assets without donor restrictions. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions of donated non-cash assets are recorded at estimated fair value when received.

In-Kind Contributed Services

In-kind 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. Contribution revenue recognized from contributed services during 2020 and 2019 consisted of advertising and marketing services totaling \$0 and \$34,450, respectively, for management and general activities. In addition, professional services provided by doctors and nurses totaling \$142,817 and \$125,191 were recognized in 2020 and 2019, respectively, as in-kind contributions and program expenses for the medical clinic.

In-Kind Contributions of Goods

In addition to receiving cash contributions, the Organization receives in-kind contributions of food, clothing, furniture, toys, pharmaceuticals, and personal care items from various donors. It is the policy of the Organization to record the estimated fair value of certain in-kind donations as an increase in contribution revenue when the items are received and as an expense when the items are distributed to those in need, used in the Organization's operations, or packaged for recycling. For the years ended December 31, 2020 and 2019, \$12,453,576 and \$9,186,808, respectively, was received in in-kind contributions. In-kind contribution expense related to the distribution or recycling of in-kind inventory for the years ended December 31, 2020 and 2019 was \$12,364,156 and \$9,200,087, respectively, and is included in specific assistance to individuals in program expenses.

Government Grants

Support funded by grants is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

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Notes to Consolidated Financial Statements

December 31, 2020 and 2019

Clothing Recycling

Certain in-kind contributions of clothing are eventually identified for recycling. During 2020, the initial in-kind contribution of recycled clothing is recorded at thrift store value estimated at \$1.50 per pound and is included in in-kind contributions and specific assistance to individuals in program expenses under recycling. For the year ended December 31, 2020, the Organization sold approximately 2,827,000 pounds of recycled clothing. See Note 11 for a description of a change in accounting estimate related to the valuation of in-kind contributions of recycled clothing.

Clothing recycling revenues are recognized at a point in time when the recycled goods are shipped. Contracts have a single performance obligation and are typically considered short-term in nature. Payment is generally required within 30 days.

Advertising and Marketing Costs

The costs of advertising and marketing are expensed as incurred. Advertising and marketing costs were approximately \$110,000 and \$146,000 for the years ended December 31, 2020 and 2019, respectively.

Functional Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Certain categories of expenses are attributable to more than one program or supporting function; therefore, these expenses require allocation on a reasonable basis that is consistently applied. These expenses are allocated based on square footage, estimates of time and effort of personnel, and other methods.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. The consolidated financial statements will not reflect a provision for income taxes, except for the tax on unrelated business income. For the years ended December 31, 2020 and 2019, the Organization had no tax liability for unrelated business income.

The Organization follows the provisions of FASB Codification Topic 740-10 related to uncertain income tax positions. Management believes it has appropriate support for any tax positions taken, and as such, does not have any uncertain positions that are material to the consolidated financial statements. The Organization's Federal Returns of Organization Exempt from Income Tax (Form 990) for December 31, 2019, 2018, and 2017 are subject to examination by the IRS, generally for three years after they were filed.

Reclassifications

Certain reclassifications have been made to the 2019 consolidated financial statements to conform to the 2020 presentation.

People's City Mission

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

Subsequent Events

Subsequent events are events or transactions that occur after the consolidated statement of financial position date, but before the consolidated financial statements are available to be issued and may require potential recognition or disclosure in the consolidated financial statements. Management has considered such events or transactions through June 22, 2021, noting no items requiring disclosure.

2. Liquidity and Cash Management

The following reflects the Organization's financial assets as of the consolidated statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of December 31, 2020.

Financial Assets at December 31, 2020	\$ 1,943,723
Less Amounts Unavailable for General Expenditures Within One Year:	
Temporarily Restricted - Time	<u>(24,876)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 1,918,847</u>

Beneficial interests in perpetual and remainder trusts are included in net assets with donor restrictions but are not included within financial assets at December 31, 2020. The Organization has a policy to structure its financial assets to be available as its general expenditures and other obligations come due.

3. Inventories

Inventories at December 31 consists of the following:

	<u>Unit Value Range</u>	<u>2020</u>	<u>2019</u>
Clothing	\$2.00 - \$7.20 per item	\$ 64,362	\$ 39,270
Clothing - Recycling	\$0.14 - \$0.25 per lb.	8,800	28,171
Household items	\$2.00 - \$45.00 per item	177,876	30,867
Meat	\$1.75 per lb.	24,988	53,034
Other Food	\$1.75 per lb.	70,043	76,088
Pharmacy and Medical Supplies	Variable	31,820	56,881
Miscellaneous	Variable	2,773	8,072
		<u>\$ 380,662</u>	<u>\$ 292,383</u>

People's City Mission

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

4. Property and Equipment

Property and equipment at December 31 consists of the following:

	<u>2020</u>	<u>2019</u>
Land	\$ 506,752	\$ 506,752
Buildings and Improvements	4,180,095	4,174,794
Furniture and Equipment	1,129,101	1,085,363
Vehicles	144,903	101,351
	<u>5,960,851</u>	<u>5,868,260</u>
Less: Accumulated Depreciation	<u>(3,775,844)</u>	<u>(3,586,530)</u>
Property and Equipment, Net	<u>\$ 2,185,007</u>	<u>\$ 2,281,730</u>

5. Fair Value Measurements

FASB Codification Topic 820-10 on Fair Value Measurements (FASB 820-10) establishes a framework for measuring fair value and provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB 920-10 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or by other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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Notes to Consolidated Financial Statements

December 31, 2020 and 2019

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2020 and 2019.

Equity Securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Beneficial Interest in Remainder Trusts: Valued at the present value of the future distributions expected to be received over the term or upon termination of the agreements.

Beneficial Interest in Perpetual Trusts: Valued using the fair value of the assets held in trust. Income earned on trust assets is distributed to the Organization annually or semi-annually, as provided in the agreements.

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

The following table presents, by level within the fair value hierarchy, the Organization's investments at fair value at December 31, 2020.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial Interest in Remainder Trusts	\$ -	\$ 57,031	\$ -	\$ 57,031
Beneficial Interest in Perpetual Trusts	-	-	63,808	63,808
Total Beneficial Interest in Perpetual and Remainder Trusts	<u>\$ -</u>	<u>\$ 57,031</u>	<u>\$ 63,808</u>	<u>\$ 120,839</u>

The following table presents, by level within the fair value hierarchy, the Organization's investments at fair value at December 31, 2019.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments in Equity Securities	<u>\$ 5,286</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,286</u>
Beneficial Interest in Remainder Trusts	-	132,318	-	132,318
Beneficial Interest in Perpetual Trusts	-	-	58,449	58,449
Total Beneficial Interest in Perpetual and Remainder Trusts	<u>\$ -</u>	<u>\$ 132,318</u>	<u>\$ 58,449</u>	<u>\$ 190,767</u>

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Notes to Consolidated Financial Statements

December 31, 2020 and 2019

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statements of financial position using significant unobservable (Level 3) inputs:

	Beneficial Interest in Perpetual Trusts
Balance, December 31, 2018	\$ 53,260
Change in Beneficial Interest in Perpetual Trusts	5,189
Balance, December 31, 2019	<u>58,449</u>
Change in Beneficial Interest in Perpetual Trusts	5,359
Balance, December 31, 2020	<u>\$ 63,808</u>

Change in beneficial interest in perpetual trusts is included in investment return in the statements of activities and changes in net assets.

6. Investment in Curtis Center Housing, LP

Ownership Interest

PCM Housing Corporation (PCM Housing) is a general partner and has a 0.01% ownership interest in Curtis Center Housing, L.P. (CCH). The financial position and results of operations for the years ended December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 245,471	\$ 244,228
Other Assets	14,706	35,129
Property and Equipment, Net	1,671,128	1,815,769
Total Assets	<u>\$ 1,931,305</u>	<u>\$ 2,095,126</u>
Current Liabilities	\$ 102,196	\$ 154,926
Mortgage Notes and Loans Payable	664,423	556,374
Total Liabilities	766,619	711,300
Partner's Equity, Net	1,164,686	1,383,826
Total Liabilities and Partners' Equity	<u>\$ 1,931,305</u>	<u>\$ 2,095,126</u>
Total Revenues	\$ 215,322	\$ 269,792
Net Loss	\$ (219,140)	\$ (202,156)

People's City Mission

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

Guarantees

CCH was formed for the purpose of acquiring, constructing, operating, managing, and leasing an apartment complex located on land owned by The People’s City Mission Home (PCM Home). PCM Housing is the General Partner in CCH.

Under the Partnership Agreement, PCM Housing is responsible for the overall management and control of CCH. During the 15-year compliance period, PCM Housing is responsible for ensuring that the apartment complex is operated as a low-income housing project, which includes monitoring compliance with rent levels, income certifications, and other low-income housing requirements, including related reporting requirements.

PCM Housing and PCM Home entered into a guaranty agreement on May 1, 2007 with the limited partner investor in which they agreed to perform the following obligations:

1. Carry out its management duties
2. Advance all funds necessary to pay any operating deficits
3. Guarantee against reduced tax benefits
4. Purchase the interest of the investor limited partner if the apartment complex is condemned, subjected to a taking, or otherwise damaged or destroyed as a result of any exceptions to title insurance coverage

If PCM Housing fails to perform the above obligations, it may be subjected to removal as general partner or be obligated for damages. Additionally, the Limited Partner has certain rights and abilities under the Partnership Agreement, including the right to veto or override decisions of the General Partner.

Operating Lease

The apartment complex was constructed on land owned by PCM Home and a ground lease was signed between PCM Home and CCH. Annual rent of \$1 is owed through October 2071.

Incentive Management Agreement

PCM Housing is entitled to a management fee per the Incentive Management Agreement. The fee is only paid if there are available cash flows. No management fee was paid in 2020 or 2019.

7. Long-Term Debt

Long-term debt at December 31 consists of the following:

	<u>2020</u>	<u>2019</u>
Non-interest bearing note payable to a local municipality, due in monthly installments of \$625, through July 2029, collateralized by a deed of trust on the Organization’s property.	\$ 63,125	\$ 70,625
Note payable to a bank, due in monthly installments of \$5,544, including interest at 4.95%, through March 2023, collateralized by a deed of trust on the Organization’s property, a commercial security agreement covering all business assets, and PCM Foundation’s investments.	607,806	642,786

People's City Mission

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Capital lease obligation to a third party, through June 2020, collateralized by the assets being leased. This note was paid in full in 2020.	\$ -	\$ 1,820
Note payable to a bank, due in monthly installments of \$1,385, including interest at 5.00%, due February 2020, collateralized by a deed of trust on the Organization's property, a commercial security agreement covering all business assets, PCM Foundation's investments, and a vehicle. This note was paid in full in 2020.	-	2,757
Note payable to a lessor, due in monthly installments of \$368, including interest at 5.00%, through December 2020, collateralized by the related leasehold improvements. This note was paid in full in 2020.	-	4,671
Note payable to a bank, due in monthly installments of \$366, including interest at 5.00%, through August 2020, collateralized by a deed of trust on the Organization's property, a commercial security agreement covering all business assets, PCM Foundation's investments, and a vehicle. This note was paid in full in 2020.	-	2,874
Total Long-Term Debt	670,931	725,533
Less Current Portion	44,370	54,604
Long-Term Debt, Less Current Portion	\$ 626,561	\$ 670,929

The aggregate maturities of long-term debt for the years ending after December 31, 2020 are as follows:

<u>Year Ending December 31,</u>	
2021	\$ 44,370
2022	46,264
2023	539,672
2024	7,500
2025	7,500
Thereafter	25,625
	<u>\$ 670,931</u>

People's City Mission

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

8. Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31 are restricted for the following purposes or periods:

	<u>2020</u>	<u>2019</u>
Perpetual in Nature	\$ 63,808	\$ 58,449
Time-Restricted for Future Periods		
Beneficial Interest in Remainder Trust	57,031	52,090
United Way	-	5,000
Subject to Passage of Time	24,876	105,105
	<u>\$ 145,715</u>	<u>\$ 220,644</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors as follows for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Purpose Restrictions Fulfilled	\$ -	\$ 15,000
Expiration of Time Restrictions	85,229	542,936
	<u>\$ 85,229</u>	<u>\$ 557,936</u>

9. Commitments and Contingencies

Operating Leases

Noncancellable operating leases for distribution facilities and office equipment expire in various years through 2030. The distribution facilities lease contains one seven-year renewal option and requires the Organization to pay all common area maintenance (property taxes, maintenance, and insurance).

Future minimum lease payments (excluding common area maintenance) at December 31, 2020 are as follows:

<u>Year Ending December 31,</u>	
2021	\$ 139,136
2022	143,310
2023	147,610
2024	126,068
	<u>\$ 556,124</u>

Rental expense for all operating leases was approximately \$157,000 and \$214,000 for the years ended December 31, 2020 and 2019, respectively.

People's City Mission

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

Medical Malpractice

PCM Medical Clinic (the "Clinic") purchases medical malpractice insurance under a claims-made (or occurrence basis) policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require the Clinic to accrue the expense of its share of malpractice claims costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimately costs of the incidents. Based upon the Clinic's claim experience, no such accrual has been made. It is reasonably possible this estimate could change materially in the near term.

10. **Defined Contribution Plan**

The Organization has a defined contribution plan covering substantially all employees. The Organization provides a matching contribution of up to 5% of eligible compensation for employees making voluntary contributions to the plan. Defined contribution expense was approximately \$34,000 and \$32,000 for the years ending December 31, 2020 and 2019, respectively.

11. **Change in Accounting Estimate**

For the year ended December 31, 2019, the Organization did not estimate the value of in-kind contributions that were ultimately packaged and sold for recycling. During 2020, the Organization determined these donations had a fair value at the time of donation that should be reflected as an in-kind contribution. The effect of this change in estimate was to record additional in-kind contributions and in-kind expense totaling \$4,240,992 for the year ended December 31, 2020. The in-kind expense is reflected in the 2020 consolidated statement of functional expenses as specific assistance to individuals under recycling.

SUPPLEMENTARY INFORMATION

People's City Mission

Consolidating Statement of Financial Position

December 31, 2020

ASSETS	PCM Home	PCM Foundation	PCM Housing	PCM Medical Clinic	Eliminations	Total
CURRENT ASSETS						
Cash and Cash Equivalents	\$ 1,388,467	\$ 394,368	\$ -	\$ 40,287	\$ -	\$ 1,823,122
Bequests and Other Receivables	87,366	-	-	-	-	87,366
Intercompany Receivables	396,857	-	-	-	(396,857)	-
Grant Reimbursements Receivable	33,235	-	-	-	-	33,235
Inventories	348,842	-	-	31,820	-	380,662
Prepaid Expenses and Other Current Assets	68,580	-	-	4,103	-	72,683
Total Current Assets	2,323,347	394,368	-	76,210	(396,857)	2,397,068
PROPERTY AND EQUIPMENT, NET	2,185,007	-	-	-	-	2,185,007
OTHER ASSETS						
Investment in Curtis Center Housing, LP	-	-	97,626	-	-	97,626
Beneficial Interest in Perpetual and Remainder Trusts	120,839	-	-	-	-	120,839
Other Assets	97,254	-	-	-	-	97,254
Total Other Assets	218,093	-	97,626	-	-	315,719
TOTAL ASSETS	\$ 4,726,447	\$ 394,368	\$ 97,626	\$ 76,210	\$ (396,857)	\$ 4,897,794
LIABILITIES						
CURRENT LIABILITIES						
Accounts Payable	\$ 105,218	\$ -	\$ -	\$ 395	\$ -	\$ 105,613
Intercompany Payable	-	6,928	-	389,929	(396,857)	-
Accrued Liabilities	184,456	-	-	-	-	184,456
Current Portion of Long-Term Debt	44,370	-	-	-	-	44,370
Total Current Liabilities	334,044	6,928	-	390,324	(396,857)	334,439
LONG-TERM LIABILITIES						
Paycheck Protection Program Loan	375,000	-	-	-	-	375,000
Long-Term Debt, Less Current Portion	626,561	-	-	-	-	626,561
Total Long-Term Liabilities	1,001,561	-	-	-	-	1,001,561
Total Liabilities	1,335,605	6,928	-	390,324	(396,857)	1,336,000
NET ASSETS						
Without Donor Restrictions	3,270,003	362,564	97,626	(314,114)	-	3,416,079
With Donor Restrictions	120,839	24,876	-	-	-	145,715
Total Net Assets	3,390,842	387,440	97,626	(314,114)	-	3,561,794
TOTAL LIABILITIES AND NET ASSETS	\$ 4,726,447	\$ 394,368	\$ 97,626	\$ 76,210	\$ (396,857)	\$ 4,897,794

See Independent Auditors' Report.

People's City Mission

Consolidating Statement of Activities and Changes in Net Assets

Year Ended December 31, 2020

	<u>PCM Home</u>	<u>PCM Foundation</u>	<u>PCM Housing</u>	<u>PCM Medical Clinic</u>	<u>Eliminations</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT						
Contributions	\$ 3,085,759	\$ 58,619	\$ -	\$ 26,403	\$ -	\$ 3,170,781
In-Kind Contributions	12,453,576	-	-	142,817	-	12,596,393
Probation Housing Revenue	391,798	-	-	-	-	391,798
Grants	275,402	-	-	20,000	-	295,402
Clothing Recycling	617,072	-	-	-	-	617,072
Other	172,141	-	-	-	-	172,141
Grants from Interrelated Organizations	76,745	-	-	-	(76,745)	-
Total Revenues, Gains and Other Support	17,072,493	58,619	-	189,220	(76,745)	17,243,587
EXPENSES						
Program Services						
Men's Shelter	742,515	-	-	-	-	742,515
Family and Women's Shelter	697,605	-	-	-	-	697,605
Food Service	769,677	-	-	-	-	769,677
Help Center	8,242,065	-	-	-	-	8,242,065
Medical Clinic	-	-	-	204,160	-	204,160
Transitional	303,072	-	-	-	-	303,072
Recycling	4,715,228	-	-	-	-	4,715,228
Grants to Interrelated Organizations	-	76,745	-	-	(76,745)	-
Total Program Services	15,470,162	76,745	-	204,160	(76,745)	15,674,322
Management and General	615,613	6,420	-	-	-	622,033
Fundraising	526,070	-	-	-	-	526,070
Total Expenses	16,611,845	83,165	-	204,160	(76,745)	16,822,425
Operating Income (Loss)	460,648	(24,546)	-	(14,940)	-	421,162
Nonoperating - Investment Return	10,300	(8,586)	-	-	-	1,714
Change in Net Assets	470,948	(33,132)	-	(14,940)	-	422,876
Net Assets, Beginning of Year	2,919,894	420,572	97,626	(299,174)	-	3,138,918
NET ASSETS, END OF YEAR	\$ 3,390,842	\$ 387,440	\$ 97,626	\$ (314,114)	\$ -	\$ 3,561,794

See Independent Auditors' Report.

Lutz