

CITY GOSPEL MISSION & SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

Years Ended September 30, 2022 and 2021 (restated)

SCROGGINS GREAR
Certified Public Accountants

The PDF file of the financial statement and all accompanying schedules, letters, etc. being sent to you are for your internal use only. The PDF file may not be altered or changed in any way. Should you wish to publish the report, you must obtain our written permission, as we have a professional duty to review any documents in which the report is incorporated.

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	3
FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position	6
Consolidated Statements of Activities	7
Consolidated Statements of Functional Expenses	8
Consolidated Statements of Cash Flows	10
Notes to Consolidated Financial Statements	11
SUPPLEMENTARY INFORMATION	
INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION	41
Consolidating Statements of Financial Position	43
Consolidating Statements of Activities	44



INDEPENDENT AUDITORS' REPORT

To the Board of Trustees & Management of
City Gospel Mission & Subsidiaries

Opinion

We have audited the accompanying consolidated financial statements of City Gospel Mission (a nonprofit organization) & Subsidiaries, which comprise the consolidated statements of financial position as of September 30, 2022 and 2021 (restated), and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of City Gospel Mission & Subsidiaries as of September 30, 2022 and 2021 (restated), 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.

Emphasis of a Matter

As discussed in Note U to the consolidated financial statements, the 2021 consolidated financial statements have been restated to correct prior period misstatements. Our opinion is not modified with respect to this matter.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City Gospel Mission & Subsidiaries 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 generally accepted auditing standards 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, including omissions, 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Gospel Mission & Subsidiaries' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City Gospel Mission & Subsidiaries' 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.

Cincinnati, Ohio
May 18, 2023

CITY GOSPEL MISSION & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
September 30, 2022 and 2021 (restated)

	2022			2021 (restated)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
CURRENT ASSETS						
Cash & cash equivalents	\$ 3,113,489	\$ 157,828	\$ 3,271,317	\$ 1,590,860	\$ 363,120	\$ 1,953,980
Capital campaigns promises to give	-	279,800	279,800	-	289,100	289,100
Accounts receivable	66,556	-	66,556	8,745	-	8,745
Employee Retention Credit refund receivable	1,683,772	-	1,683,772	1,683,772	-	1,683,772
Prepaid expenses & other	46,760	-	46,760	33,747	-	33,747
<i>Total current assets</i>	4,910,577	437,628	5,348,205	3,317,124	652,220	3,969,344
INVESTMENTS	6,710,327	2,933,549	9,643,876	9,288,464	3,644,437	12,932,901
LAND, BUILDINGS & EQUIPMENT						
Land & improvements	727,839	-	727,839	727,839	-	727,839
Buildings & improvements	19,284,479	-	19,284,479	19,245,653	-	19,245,653
Vehicles	247,040	-	247,040	247,040	-	247,040
Furniture & equipment	1,829,092	-	1,829,092	1,823,602	-	1,823,602
Computer equipment	235,330	-	235,330	235,330	-	235,330
Construction in progress	1,923,422	-	1,923,422	133,220	-	133,220
	24,247,202	-	24,247,202	22,412,684	-	22,412,684
Less: Accumulated depreciation & amortization	(6,470,400)	-	(6,470,400)	(5,645,433)	-	(5,645,433)
<i>Total land, buildings & equipment, net</i>	17,776,802	-	17,776,802	16,767,251	-	16,767,251
OTHER ASSETS						
Leveraged loan receivable	2,136,400	-	2,136,400	2,136,400	-	2,136,400
Investment in Grove Street PSH, LLC	1,050,340	-	1,050,340	1,050,479	-	1,050,479
Capital campaigns promises to give, net of discount	-	-	-	-	265,555	265,555
<i>Total other assets</i>	3,186,740	-	3,186,740	3,186,879	265,555	3,452,434
TOTAL ASSETS	\$ 32,584,446	\$ 3,371,177	\$ 35,955,623	\$ 32,559,718	\$ 4,562,212	\$ 37,121,930

	2022			2021 (restated)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
CURRENT LIABILITIES						
Accounts payable & other accruals	\$ 569,568	\$ -	\$ 569,568	\$ 354,460	\$ -	\$ 354,460
Accrued payroll & retirement	234,550	-	234,550	186,877	-	186,877
Unearned revenues	703	-	703	351	-	351
Charitable gift annuities	6,617	-	6,617	8,230	-	8,230
<i>Total current liabilities</i>	<u>811,438</u>	<u>-</u>	<u>811,438</u>	<u>549,918</u>	<u>-</u>	<u>549,918</u>
LONG-TERM DEBT						
Note payable - OHFA	3,000,000	-	3,000,000	3,000,000	-	3,000,000
Notes payable - NMTC Leveraged XXXVII, LLC	3,880,000	-	3,880,000	3,880,000	-	3,880,000
Debt issuance costs, net	(99,656)	-	(99,656)	(102,358)	-	(102,358)
<i>Total long-term debt</i>	<u>6,780,344</u>	<u>-</u>	<u>6,780,344</u>	<u>6,777,642</u>	<u>-</u>	<u>6,777,642</u>
NET ASSETS	<u>24,992,664</u>	<u>3,371,177</u>	<u>28,363,841</u>	<u>25,232,158</u>	<u>4,562,212</u>	<u>29,794,370</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 32,584,446</u>	<u>\$ 3,371,177</u>	<u>\$ 35,955,623</u>	<u>\$ 32,559,718</u>	<u>\$ 4,562,212</u>	<u>\$ 37,121,930</u>

The accompanying notes are an integral part of the consolidated financial statements.

CITY GOSPEL MISSION & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES
Years ended September 30, 2022 and 2021 (restated)

	2022			2021 (restated)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT & REVENUE						
Contributions & grants	\$ 8,186,139	\$ 1,139,054	\$ 9,325,193	\$ 7,791,995	\$ 2,942,060	\$ 10,734,055
Noncash donations	4,062,612	-	4,062,612	3,839,311	-	3,839,311
Program service fees	167,091	-	167,091	186,591	-	186,591
Special events, net of direct costs	583,481	-	583,481	349,923	-	349,923
Employee Retention Credit refund	-	-	-	1,205,922	-	1,205,922
Other income	75,571	-	75,571	1,503,639	-	1,503,639
Realized & unrealized gain (loss) on investments	(2,146,293)	-	(2,146,293)	1,301,090	-	1,301,090
Net investment return (loss)	604,601	-	604,601	243,447	-	243,447
Total public support & revenue	11,533,202	1,139,054	12,672,256	16,421,918	2,942,060	19,363,978
NET ASSETS RELEASED FROM RESTRICTION	2,330,089	(2,330,089)	-	1,299,364	(1,299,364)	-
EXPENSES						
Program services						
Homeless services	3,654,224	-	3,654,224	5,059,473	-	5,059,473
Recovery services	1,444,328	-	1,444,328	1,324,459	-	1,324,459
Youth services	4,634,458	-	4,634,458	2,636,163	-	2,636,163
Jobs Plus employment	522,354	-	522,354	484,923	-	484,923
Total program services	10,255,364	-	10,255,364	9,505,018	-	9,505,018
Support services						
Management & general	1,033,608	-	1,033,608	884,413	-	884,413
Fundraising & development	2,813,813	-	2,813,813	2,496,755	-	2,496,755
Total expenses	14,102,785	-	14,102,785	12,886,186	-	12,886,186
CHANGE IN NET ASSETS	(239,494)	(1,191,035)	(1,430,529)	4,835,096	1,642,696	6,477,792
NET ASSETS AT BEGINNING OF YEAR, RESTATED	25,232,158	4,562,212	29,794,370	20,397,062	2,919,516	23,316,578
NET ASSETS AT END OF YEAR	\$ 24,992,664	\$ 3,371,177	\$ 28,363,841	\$ 25,232,158	\$ 4,562,212	\$ 29,794,370

The accompanying notes are an integral part of the consolidated financial statements.

CITY GOSPEL MISSION & SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2022

	Program Services					Supporting Services		Total
	Homeless Services	Recovery Services	Youth Services	Jobs Plus Employment	Total	Management & General	Fundraising & Development	
Salaries	\$ 1,745,596	\$ 885,660	\$ 2,714,726	\$ 334,069	\$ 5,680,051	\$ 370,964	\$ 784,087	\$ 6,835,102
Employee benefits	173,234	96,178	212,324	19,855	501,591	79,770	181,007	762,368
Payroll taxes	139,714	55,740	76,432	26,669	298,555	26,911	58,442	383,908
Total salaries & related expenses	2,058,544	1,037,578	3,003,482	380,593	6,480,197	477,645	1,023,536	7,981,378
Communications	30,090	17,203	7,764	3,401	58,458	28,648	20,938	108,044
Consultants	-	8,403	-	1,820	10,223	1,669	-	11,892
Development activities	-	-	-	-	-	6,420	1,735,183	1,741,603
Dues, fees, & subscriptions	51,245	15,553	16,038	3,771	86,607	87,079	38,082	211,768
Insurance	42,376	18,259	2,814	1,876	65,325	9,505	3,502	78,332
Interest	54,069	-	-	-	54,069	-	-	54,069
Maintenance & repairs	63,358	42,941	5,091	2,516	113,906	48,626	8,253	170,785
Office supplies	48,145	7,891	6,008	2,602	64,646	33,368	2,798	100,812
Professional fees	12,740	28,878	8,498	6,866	56,982	289,253	20,727	366,962
Board expenses	28,472	-	-	144	28,616	12,646	-	41,262
Program activities - facilities	15,233	8,200	1,313,900	68,750	1,406,083	-	-	1,406,083
Program activities - materials & supplies	526,749	108,718	185,860	17,639	838,966	9,146	2,775	850,887
Miscellaneous	8,093	-	-	-	8,093	126	-	8,219
Staff training & support	11,056	7,741	3,411	266	22,474	2,684	3,749	28,907
Transportation	30,922	8,011	7,957	3,638	50,528	9,700	2,543	62,771
Utilities	129,538	34,170	6,059	509	170,276	11,283	12,278	193,837
Functional expenses before depreciation	3,110,630	1,343,546	4,566,882	494,391	9,515,449	1,027,798	2,874,364	13,417,611
Depreciation	543,594	100,782	67,576	27,963	739,915	34,371	50,682	824,968
Total functional expenses	3,654,224	1,444,328	4,634,458	522,354	10,255,364	1,062,169	2,925,046	14,242,579
Less expenses included in revenues on the statement of activities								
Investment fees	-	-	-	-	-	(28,561)	-	(28,561)
Special event direct costs	-	-	-	-	-	-	(111,233)	(111,233)
Total expenses included in the expense section on the statement of activities	\$ 3,654,224	\$ 1,444,328	\$ 4,634,458	\$ 522,354	\$ 10,255,364	\$ 1,033,608	\$ 2,813,813	\$ 14,102,785

The accompanying notes are an integral part of the consolidated financial statements.

CITY GOSPEL MISSION & SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2021

	Program Services					Supporting Services		Total
	Homeless Services	Recovery Services	Youth Services	Jobs Plus Employment	Total	Management & General	Fundraising & Development	
Salaries	\$ 3,106,907	\$ 772,412	\$ 890,108	\$ 282,982	\$ 5,052,409	\$ 270,499	\$ 791,633	\$ 6,114,541
Employee benefits	160,588	86,644	194,959	36,539	478,730	13,995	144,858	637,583
Payroll taxes	82,673	49,794	58,376	19,101	209,944	64,285	62,911	337,140
Total salaries & related expenses	3,350,168	908,850	1,143,443	338,622	5,741,083	348,779	999,402	7,089,264
Communications	16,375	10,949	6,511	4,139	37,974	24,736	8,470	71,180
Consultants	840	-	4,456	-	5,296	4,279	719	10,294
Development activities	-	-	-	-	-	-	1,415,210	1,415,210
Dues, fees, & subscriptions	21,036	2,964	3,517	1,848	29,365	111,108	28,041	168,514
Insurance	31,916	16,038	4,583	3,072	55,609	12,093	5,756	73,458
Interest	54,069	-	-	-	54,069	-	-	54,069
Maintenance & repairs	53,450	85,491	14,610	5,282	158,833	51,791	4,888	215,512
Office supplies	52,596	2,923	8,292	6,593	70,404	22,361	13,739	106,504
Professional fees	32,406	46,243	524	9,525	88,698	219,709	18,834	327,241
Board expenses	-	-	-	-	-	26,697	-	26,697
Program activities - facilities	38,188	8,200	1,185,200	65,000	1,296,588	-	-	1,296,588
Program activities - materials & supplies	706,878	68,076	172,203	10,479	957,636	638	2,092	960,366
Miscellaneous	8,091	-	-	-	8,091	15,615	40	23,746
Staff training & support	9,149	3,125	6,932	1,245	20,451	895	1,928	23,274
Transportation	14,318	12,329	11,759	2,860	41,266	13,270	2,323	56,859
Utilities	100,939	48,711	-	5,582	155,232	21,204	15,748	192,184
Functional expenses before depreciation	4,490,419	1,213,899	2,562,030	454,247	8,720,595	873,175	2,517,190	12,110,960
Depreciation	569,054	110,560	74,133	30,676	784,423	37,976	55,600	877,999
Total functional expenses	5,059,473	1,324,459	2,636,163	484,923	9,505,018	911,151	2,572,790	12,988,959
Less expenses included in revenues on the statement of activities								
Investment fees	-	-	-	-	-	(26,738)	-	(26,738)
Special event direct costs	-	-	-	-	-	-	(76,035)	(76,035)
Total expenses included in the expense section on the statement of activities	\$ 5,059,473	\$ 1,324,459	\$ 2,636,163	\$ 484,923	\$ 9,505,018	\$ 884,413	\$ 2,496,755	\$ 12,886,186

The accompanying notes are an integral part of the consolidated financial statements.

CITY GOSPEL MISSION & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended September 30, 2022 and 2021 (restated)

	2022	2021 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,430,529)	\$ 6,477,792
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	824,968	877,999
Amortization of loan cost	2,702	2,703
Forgiveness of PPP loan	-	(950,100)
Donation of investments	(1,041,221)	(151,558)
Realized & unrealized (gain) loss on investments	2,146,293	(1,301,190)
Reinvested dividends & interest	(1,325)	(1,366)
Change in assets - (increase) decrease:		
Contributions receivable, net	-	15,546
Capital campaigns promises to give	9,300	826,424
Accounts receivable	(57,811)	17,938
Grants receivable - FHLB	-	1,125,000
Employee Retention Credit refund receivable	-	(1,205,922)
Developer fee reimbursement receivable	-	154,942
Prepaid expenses & other	(13,013)	58,705
Long-term pledge receivable	265,555	(265,555)
Change in liabilities - increase (decrease):		
Accounts payable & other accruals	215,108	62,466
Equity payable - Grove Street PSH, LLC	-	(562,500)
Accrued payroll & retirement	47,673	(1,357)
Deferred & unearned revenue	352	351
Charitable gift annuities	(1,613)	(1,612)
<i>Net cash provided by (used in) operating activities</i>	966,439	5,178,706
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions of building & equipment	(1,834,519)	(160,982)
Purchase of securities	(10,075,036)	(6,105,347)
Proceeds from sale of securities	12,260,314	876,583
Investment in Grove Street PSH, LLC	139	599
<i>Net cash provided by (used in) investing activities</i>	350,898	(5,389,147)
INCREASE (DECREASE) IN RESTRICTED AND UNRESTRICTED CASH & CASH EQUIVALENTS	1,317,337	(210,441)
RESTRICTED AND UNRESTRICTED CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	1,953,980	2,164,421
RESTRICTED AND UNRESTRICTED CASH & CASH EQUIVALENTS AT END OF YEAR	\$ 3,271,317	\$ 1,953,980
Supplemental disclosures of cash flow information		
Cash paid during the year for:		
Interest	\$ 51,366	\$ 51,366
Income taxes	\$ -	\$ -
Schedule of noncash investing & financing transactions:		
Donated fixed assets	\$ 3,000	\$ 2,000
Forgiveness of PPP loan	\$ -	\$ 950,100

The accompanying notes are an integral part of the consolidated financial statements.

CITY GOSPEL MISSION & SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2022 and 2021 (restated)

NOTE A - NATURE OF ACTIVITIES

City Gospel Mission & Subsidiaries (the Organization) is a Christ-centered ministry that works to break the cycle of poverty and despair, one life at a time. This is accomplished primarily by working with local churches to provide for the physical and spiritual needs of men, women and children who have lost hope and are least able to meet their own needs. The Organization is supported primarily through grants and contributions.

The following program and supporting services are included in the accompanying consolidated statements of activities:

Program Services

Homeless Services

The Organization seeks to provide basic life necessities while building positive relationships. Meals are served every day of the year. Short-term shelter is available. A day program and case management are offered to all participants in the shelter.

Recovery Services

The Organization seeks to engage, equip and empower men and women in the throes of addiction to recover and restore their lives. The programs are self-paced and include transitional housing.

Youth Services

The Organization partners with over 100 area churches, schools, community volunteers and organizational partners to provide tutoring, mentoring, character building, summer camp, arts programs, and sports programs.

Jobs Plus Employment Services

The Organization provides job readiness, coaching, and placement for participants. The Organization works with both the participants and employers to create the right environment and offer support for long-term success.

Supporting Services

Management & General

This supporting service category includes the functions necessary to secure proper administrative functioning of the Organization's governing board, maintain an adequate working environment, and manage financial responsibilities of the Organization.

Fundraising & Development

This supporting service category includes expenditures which provide the structure necessary to encourage and secure financial support for the Organization's operations.

CITY GOSPEL MISSION & SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 September 30, 2022 and 2021 (restated)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of 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 (GAAP).

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions. The Board of Directors may designate net assets without donor restrictions for specific purposes. For the years ended September 30, 2022 and 2021 the Board voluntarily designated net assets, as follows:

	2022	2021
Having the Courage to Change Project	\$ -	\$ 1,000,000
Special projects	2,777,296	-
6 months reserves for future operations	4,376,667	8,056,468
	\$ 7,153,963	\$ 9,056,468

Net Assets With Donor Restrictions - Net assets whose use is limited by donor-imposed time and/or purpose restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time, unappropriated income and appreciation on the perpetually restricted donor-designated endowment funds, or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Organization has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

CITY GOSPEL MISSION & SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2022 and 2021 (restated)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Consolidation

The accompanying consolidated financial statements include the accounts of the Organization and its wholly owned subsidiaries:

- City Gospel Mission Operations, LLC - includes all transactions for all program services for the City Gospel Mission ministry
- CURE Properties, LLC - holds all vacant properties
- CGM Properties, LLC - holds property for the Main Campus
- CGM Exodus Properties, LLC - holds property for the Men's Recovery program
- HTCTC Properties, LLC - holds property for the Women's Recovery program
- CG Development Company, LLC (inactive) - intended for the development of social enterprises
- Hope House Rescue Mission, Inc. (HHRM) - separate 501(c)(3) for Middletown homeless operations
- Grove Street PSH Associates, LLC - owned 100% by HHRM; managing member of Grove Street PSH, LLC, of which Grove Street PSH Associates, LLC owns .1%
- Grove Street Shelter, LLC - owned 100% by HHRM; holds portion of building for use as an emergency shelter, resource center and office space

These entities are under common control and management. All significant inter-company accounts and transactions have been eliminated in consolidation. (See Note T)

Grove Street PSH, LLC and Grove Street PSH Associates, LLC were created to facilitate the construction of a mixed-use development. (See Note Q) On October 30, 2018, Grove Street PSH Associates, LLC, entered into an amended and restated Operating Agreement with Ohio Equity Fund for Housing Limited Partnership XXVIII for the ownership and operation of Grove Street PSH, LLC, whose purpose shall be (a) to acquire, construct, own, finance, lease and operate the portion of the Project Property that qualifies as low-income housing, (b) to eventually sell or otherwise dispose of the Project Property in a manner consistent with the provisions of the Operating Agreement, and (c) to engage in all other activities incidental or related thereto. Grove Street PSH, LLC is owned .1% by Grove Street PSH Associates, LLC, which is the managing member, and 99.9% by Ohio Equity Fund for Housing Limited Partnership XXVIII, which is the investing partner.

On September 9, 2019, Hope House Rescue Mission, Inc. created another wholly owned subsidiary named Grove Street Shelter, LLC. This entity was created for the sole purpose of facilitating a New Markets Tax Credit (NMTC) transaction for the construction of a new homeless shelter project. Its purpose is to construct, own, and lease the building to HHRM for use as an emergency shelter, resource center and office space. Grove Street Shelter, LLC is exempt from federal income tax under IRC Section 501(c)(3).

CITY GOSPEL MISSION & SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2022 and 2021 (restated)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. *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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates, and those estimates could be material.

4. *Cash & Cash Equivalents*

The Organization considers all highly liquid investments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. There were \$1,695,453 and \$533,625 of cash equivalents invested in money market funds at September 30, 2022 and 2021, respectively.

5. *Investments and Fair Value Measurements*

The Organization reports certain assets and liabilities at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available.

The Organization classifies certain of its assets and liabilities based upon the established fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are as described below:

Level 1 Inputs: Valuation based on quoted prices in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date, and where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 Inputs: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

CITY GOSPEL MISSION & SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2022 and 2021 (restated)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Investments and Fair Value Measurements (Continued)

Level 3 Inputs: Unobservable inputs for asset or liability. In these situations, the Organization develops inputs using the best information in the circumstances.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Although the Organization uses its best judgment in determining the fair value of financial instruments, there are inherent limitations in any methodology. Future confirming events could affect the estimates of fair value and could be material to the financial statements. These events could also affect the amount realized upon liquidation of the instruments.

The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the consolidated statements of financial position. Net investment return (loss) is reported in the consolidated statements of activities and consists of interest and dividend income less external and direct internal investment expenses.

6. Property & Equipment

Purchases of property and equipment (excluding computers and other electronics) of \$5,000 or more are capitalized and recorded at cost. Purchases of computers and other electronics of \$1,000 or more are capitalized and recorded at cost. Donations of property and equipment are recorded as public support and revenue (noncash donations) at their estimated fair values on the date of receipt. Such donations are reported as unrestricted public support and revenue unless the donor restricted the donated asset for a specific purpose. Depreciation and amortization on the property and equipment is computed using the straight-line method over the estimated useful lives of the assets that range from three to thirty years. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation and amortization are removed from the accounts, and any remaining gain or loss is included in operations. Maintenance and repairs are charged to expense when incurred.

Depreciation expense was \$824,968 and \$877,999, respectively, for the years ended September 30, 2022 and 2021.

CITY GOSPEL MISSION & SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2022 and 2021 (restated)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Contributions & Grants

The Organization recognizes contributions and grants received and made, including unconditional promises to give, as public support in the period received or made. Contributions and grants received are reported as either public support without donor restrictions or with donor restrictions. Contributions and grants with donor restrictions that are used for the purpose specified by the donor in the same year it is received are recognized as public support without donor restrictions. Promises to give that stipulate conditions to be met before the contribution or grant is made are not recorded until the conditions are met.

8. Revenue Recognition

Program service fees are recognized at a point in time when earned. The performance obligation is satisfied when the specific service is provided. Unearned revenues were \$703 and \$351 on September 30, 2022 or 2021, respectively.

Payments under cost-reimbursement grant contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred. These advance payments are recorded as deferred income until such time as the Organization meets its performance obligation. There were no advance payments received at September 30, 2022 and 2021.

9. Contributions & Grants Receivable

Contributions and grants receivable consist of unconditional promises to give and are recorded in the year the promise is made. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The Organization believes all receivables are fully collectible. At September 30, 2022 and 2021, no allowance was deemed necessary for contributions and grants receivable.

10. In-Kind Contributions

Donated materials and facilities are recorded at fair value at the date of donation and reported as expense when utilized. Donated professional services and volunteer services that create or enhance a nonfinancial asset (program service) are recorded at the respective fair values of the services received. Unless otherwise noted, in-kind contributions do not have donor restrictions.

CITY GOSPEL MISSION & SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2022 and 2021 (restated)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11. Functional Allocation of Expenses

The costs of providing various programs and supporting activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Organization are reported as expenses of those functional areas while indirect costs that benefit multiple functional areas have been allocated among the various functional areas based on square footage and/or time spent on the various programs and activities.

12. Income Tax Status

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. It is classified as a faith-based organization and therefore is exempt from filing a Return of Organization Exempt from Income Tax (Form 990) with the IRS. However, the Organization has chosen to file the form annually for transparency. The Organization is required to make the appropriate tax payments on any income considered unrelated to its exempt purpose. The Organization did not incur Federal and State income tax expense related to unrelated business income for the years ended September 30, 2022 or 2021.

The Organization follows the provisions of FASB ASC Topic 740-10, *Accounting for Income Taxes*, and management believes it has no material uncertain tax positions or any related penalties and interest to accrue for the years ended September 30, 2022 and 2021, and, accordingly, there is no liability for unrecognized tax benefits.

The Organization files IRS Form 990 annually with the federal government, and the returns are still open to examination by tax authorities generally for three years after they were filed.

13. Charitable Gift Annuities

Under charitable gift annuity contracts, the Organization receives immediate and unrestricted title to contributed assets and agrees to make fixed recurring payments over the stipulated period. Contributed assets are recorded at fair value on the date of receipt. The related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discounts rate designed to reflect the assumptions market participants would use in pricing the liability. The excess of contributed assets over the annuity liability is recorded as an unrestricted contribution. In subsequent years, the liability for future annuity payments is reduced by payments made to the specified beneficiaries and is adjusted to reflect amortization of the discount and changes in actuarial assumptions at the end of the year. Upon termination of the annuity contract, the remaining liability is removed and recognized as income.

CITY GOSPEL MISSION & SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2022 and 2021 (restated)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

14. Concentrations of Credit & Market Risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist primarily of cash and cash equivalents. At September 30, 2022 and 2021, cash deposits at one financial institution were in excess of FDIC limits. In addition, cash equivalents (money market funds) held with the Organization's investment company were not insured or guaranteed by the FDIC or any other government agency. The investment company is a member of the Securities Investor Protection Corporation (SIPC), but deposit accounts and bank sweep accounts are not insured.

Investments in general, are subject to various risks including credit, interest, and overall market volatility risks. Due to the material amount of investments, it is reasonably possible that changes in values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the consolidated financial statements.

For the year ended September 30, 2022, the Organization had one donor that represented 11% of their public support. There was no donor concentration for the year ended September 30, 2021.

15. Endowment

In December 1997, the Organization received a \$25,000 donation that was used to establish a restricted endowment fund. The Organization accepted this gift under the condition that the Organization establish a segregated trust account where the principal is to be invested in U.S. Treasury bills and/or common shares of companies designated by the donor. The net income is to be used to support the salaries of one or more full-time personnel of the Organization. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board has determined that the Ohio Prudent Management of Institutional Funds Act (OH-PMIFA), an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), applies to the Organization's endowment fund. UPMIFA provides guidance and authority to charitable organizations concerning the management and investment of funds held by those organizations, and UPMIFA imposes additional duties on those who manage and invest charitable funds. These duties provide additional protections for charities and also protect the interests of donors who want to see their contributions used wisely.

The Organization classifies, as net assets with donor restrictions (a time restriction in perpetuity), the original value of the gift donated to the donor restricted endowment. Investment income from the donor restricted endowment is classified as net assets with donor restrictions (a purpose restriction) until those amounts are appropriated for expenditure by the Organization in a manner consistent with the donor stipulated purpose within the standard of prudence prescribed by UPMIFA.

CITY GOSPEL MISSION & SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2022 and 2021 (restated)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

15. Endowment (Continued)

The fundamental investment objectives for investments are to ensure safety and preservation of principal, meet liquidity needs, apply diversification and risk limits appropriate to the investment pools, and achieve optimal net investment returns subject to the risk tolerance, investment pool objectives, and policy constraints. The asset pools in which the endowment funds are invested require current income, which is the minimum needed for expenses and prudent liquidity, growth of income for planning and execution of distributions, and capital growth for long-term growth and sustainability.

In making expenditures from the endowment fund, the Board complies first with any restrictions or requirements in the gift instrument as to purpose and amount. Except as otherwise provided by the gift instrument, in making expenditures from the endowment fund, the Board takes into account all relevant considerations including, but not limited to, the long and short-term needs of the Organization in carrying out its purposes, its present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions. The Board conducts an annual analysis of the historic dollar value of the endowment fund plus an inflation factor of three percent (3%) and spends any amount in excess of inflation-adjusted historic dollar value so long as such amount is attributable to net realized gains from any property or unrealized gains attributable to marketable securities.

The Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization complies with the OH-PMIFA, an enacted version of UPMIFA, and has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. The Organization had no underwater endowment funds at September 30, 2022 or 2021.

16. Loan Closing Costs

Loan closing costs on the purchase of the Grove Street property are being amortized over 39.5 years using the straight-line method. Amortization expense for the loan closing costs were \$2,702 and \$2,703 for the years ended September 30, 2022 and 2021, respectively.

17. Advertising Costs

Advertising costs, which are classified as development activities and fundraising & development expense, are expensed as incurred. The advertising costs were \$116,338 and \$106,980 for the years ended September 30, 2022 and 2021, respectively.

CITY GOSPEL MISSION & SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2022 and 2021 (restated)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

18. Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, "*Leases (Topic 842)*." The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities. The new standard is effective for the Organization for the fiscal year ending September 30, 2023. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available.

19. Recent Accounting Pronouncements Adopted

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. The new standard is effective for annual reporting periods beginning after June 15, 2021. Adoption of this standard did not have a significant impact on the Organization's financial statements, with the exception of increased disclosure.

NOTE C - RETIREMENT PLAN CONTRIBUTIONS

The Organization (excluding HHRM) has a defined contribution retirement plan. All employees over 21 years of age with 1,000 hours of service in a year are eligible to participate in the plan after one year of service. Contributions are at the discretion of the Board. For the years ended September 30, 2022 and 2021, contributions to the plan were \$116,482 and \$70,156, respectively.

NOTE D - SPECIAL EVENTS

At September 30, 2022 and 2021, direct costs of special events of \$111,233 and \$76,035, respectively, are netted against revenues received.

CITY GOSPEL MISSION & SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2022 and 2021 (restated)

NOTE E - LIQUIDITY & AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following at September 30, 2022 and 2021:

	2022	2021
Financial assets:		
Cash & cash equivalents	\$ 3,113,489	\$ 1,590,860
Accounts receivable	66,556	8,745
Employee Retention Credit refund receivable	1,683,772	1,683,772
Operating investments	6,710,327	9,288,464
	\$ 11,574,144	\$ 12,571,841
Less those unavailable for general expenditures within one year due to:		
Designated by Board for special projects	(2,777,296)	(1,000,000)
	\$ 8,796,848	\$ 11,571,841

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE F - CHARITABLE GIFT ANNUITIES

The Organization had two charitable gift annuities at September 30, 2022 and three charitable gift annuities at September 30, 2021. These annuities provide for payments to the donors throughout the donors' remaining lives. The Organization has established a liability of \$6,617 and \$8,230 as of September 30, 2022 and 2021, respectively, based on the actuarially computed present value of future payments due to these donors.

NOTE G - NET ASSETS

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net asset changes therein are classified and reported as follows:

CITY GOSPEL MISSION & SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2022 and 2021 (restated)

NOTE G - NET ASSETS (Continued)

Net assets with donor restrictions are restricted as follows at September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Hope House Rescue Mission affiliation	\$ 12,984	\$ 12,984
Jobs Plus	-	2,036
Jobs Van	-	73,115
Bike trip	1,136	1,155
KAA	8,941	21,861
Step Forward	-	138,995
Drama program	-	3,500
Having the Courage to Change capital contributions	3,176,932	4,151,762
Grove Street Shelter capital contributions	4,800	14,100
Urban Scholars	-	1,424
Jeremiah scholarship	134,606	67,021
Hope House Rescue Mission programs	-	37,491
Other	161	3,538
<i>Total subject to expenditure for specified purpose</i>	<u>3,339,560</u>	<u>4,528,982</u>
Subject to the passage of time:		
Charitable gift annuities	<u>6,617</u>	<u>8,230</u>
<i>Total subject to the passage of time</i>	<u>6,617</u>	<u>8,230</u>
Endowments:		
Subject to endowment spending policy & appropriation:		
Personnel expenses	<u>25,000</u>	<u>25,000</u>
<i>Total net assets with donor restrictions</i>	<u>\$ 3,371,177</u>	<u>\$ 4,562,212</u>

CITY GOSPEL MISSION & SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2022 and 2021 (restated)

NOTE G - NET ASSETS (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors. The net assets released from restrictions are as follows for the years ended September 30:

	<u>2022</u>	<u>2021</u>
Expiration of time restrictions	\$ 10,913	\$ 103,036
Purpose restrictions accomplished		
Capital campaign expenditures	2,045,599	1,138,766
Food/shelter	37,491	6,509
Recovery	138,995	8,421
Jobs	75,151	-
Youth	21,940	42,632
<i>Total purpose restrictions accomplished</i>	<u>2,319,176</u>	<u>1,196,328</u>
Net assets released from restrictions	<u>\$ 2,330,089</u>	<u>\$ 1,299,364</u>

NOTE H - IN-KIND CONTRIBUTIONS

The Organization's financial statements include the following in-kind contributions and related expense:

Donated Services

The Organization received donated services that would typically be purchased if not provided as an in-kind contribution. These donated services include salaries, maintenance, consulting, coaching, counseling, and other professional fees. These services, which require specialized skills, are recorded as in-kind contributions at fair value, with a corresponding expense allocated to salaries expense when the services are rendered. Donated services are valued and reported at the estimated fair value in the financial statements based on current market rates for similar salaries, maintenance, consulting, coaching, counseling, and other professional fees.

Donated Materials

The Organization received donated materials (food, clothing, and supplies) used for program services. Materials facilities are recorded as in-kind contributions at fair value, with a corresponding expense allocated to related program expenses. In valuing food, clothing, and supplies, the Organization estimated the fair value based on wholesale values that would be received for selling similar products in the United States.

Donated Facilities

The Organization received donated facilities used for program services. Facilities are recorded as in-kind contributions at fair value, with a corresponding expense allocated to related program expenses. The estimated fair value of the facilities was provided by the donor, who estimated the fair value based on rental fees charged to others during the year.

CITY GOSPEL MISSION & SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2022 and 2021 (restated)

NOTE H - IN-KIND CONTRIBUTIONS (Continued)

Public support and revenue from donated materials, facilities, and services received during the years ended September 30, 2022 and 2021 are as follows:

	2022						
	Program Services				Support Services		Total
	Homeless Services	Recovery Services	Youth Services	Jobs Plus Employment	Management & General	Fundraising & Development	
Materials	\$ 341,202	\$ 26,925	\$ 69,600	\$ 3,280	\$ 25,870	\$ -	\$ 466,877
Facilities	7,308	8,200	1,313,900	68,750	3,400	-	1,401,558
Services	<u>114,402</u>	<u>54,559</u>	<u>1,873,736</u>	<u>21,280</u>	<u>127,200</u>	<u>-</u>	<u>2,191,177</u>
Total	\$ 462,912	\$ 89,684	\$ 3,257,236	\$ 93,310	\$ 156,470	\$ -	\$ 4,059,612

	2021						
	Program Services				Support Services		Total
	Homeless Services	Recovery Services	Youth Services	Jobs Plus Employment	Management & General	Fundraising & Development	
Materials	\$ 455,771	\$ 19,120	\$ 62,300	\$ 10,960	\$ 12,870	\$ -	\$ 561,021
Facilities	21,980	8,200	1,185,200	65,000	3,400	-	1,283,780
Services	<u>139,222</u>	<u>53,533</u>	<u>1,644,598</u>	<u>24,640</u>	<u>130,517</u>	<u>-</u>	<u>1,992,510</u>
Total	\$ 616,973	\$ 80,853	\$ 2,892,098	\$ 100,600	\$ 146,787	\$ -	\$ 3,837,311

Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Donated Fixed Assets

During the year ended September 30, 2022, one vehicle was donated to the Organization that was valued at \$3,000. During the year ended September 30, 2021, four vehicles were donated to the Organization that were valued at \$2,000. Donated fixed assets are recorded in the consolidated financial statements at their estimated fair market value at the date of receipt as public support and revenue (noncash donations) and as a fixed asset.

NOTE I - SALARIES

For the years ended September 30, 2022 and 2021, respectively, the \$6,835,102 and \$6,114,541 of salaries expense includes the value of donated salaries and services not paid for by the Organization. The value of donated salaries and services was estimated based on volunteer hours and estimated hourly rates. For the years ended September 30, 2022 and 2021, respectively, there were \$2,191,177 and \$1,992,510 of donated salaries and services included in salaries expense. (See Note H)

CITY GOSPEL MISSION & SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2022 and 2021 (restated)

NOTE J - JOINT COSTS

Certain costs have been allocated among the programs and supporting services benefited. The Organization incurred joint costs for activities that included fundraising appeals. Of those costs, \$1,029,109 and \$1,015,233 were allocated to fundraising & development expenses for the years ended September 30, 2022 and 2021, respectively.

NOTE K - COST REIMBURSEMENT GRANTS

The Organization entered into a cost reimbursement agreement with Strategies to End Homelessness, Inc. (STEH). STEH reimbursed the Organization for emergency shelter expenses. The term of the original agreement was January 1, 2020 through December 31, 2020. The agreement was renewed for the period January 1, 2021 through December 31, 2021 and the period January 1, 2022 through December 31, 2022. An additional agreement for COVID-19 pandemic expenses was granted in 2021. Reimbursements are made after services are rendered or expenses are incurred. As of September 30, 2022 and 2021, there were \$169,950 and \$331,686, respectively, of grant funds received to reimburse the Organization for expenses incurred.

The Organization entered into a cost reimbursement grant agreement with the Ohio Development Services Agency for homeless supportive services for the period January 1, 2020 through February 28, 2021. The agreement was renewed for the period January 1, 2021 through February 28, 2023. Reimbursements are made after services are rendered or expenses are incurred. As of September 30, 2022 and 2021, there were \$276,675 and \$118,575, respectively, of grant funds received to reimburse the Organization for expenses incurred.

The Organization also entered into a cost reimbursement grant agreement in the amount of \$125,000 with the Ohio Development Services Agency for additional expenses that occurred as a result of the COVID-19 pandemic for the period June 23, 2020 through August 22, 2022. Reimbursements are made after services are rendered or expenses are incurred. As of September 30, 2022 and 2021, there were \$125,000 and \$60,630, respectively, of grant funds received to reimburse the Organization for expenses incurred.

NOTE L - CAPITAL CAMPAIGNS PROMISES TO GIVE

During 2018, the Organization began a capital campaign to raise funds to build the new Grove Street homeless shelter. The pledges were restricted for costs to build the new facility. Those restrictions expired as building expenses were incurred. The total estimated cost of the project, which included the building of the homeless shelter and low-income housing apartments in a shared building project was \$11.7 million. Tax credits and grants covered \$8.4 million of the cost and \$1.4 million was received from an anonymous donor as a match to a Board approved \$1.4 million reserve fund withdrawal. The remaining cost was funded by the capital campaign. The

CITY GOSPEL MISSION & SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2022 and 2021 (restated)

NOTE L - CAPITAL CAMPAIGNS PROMISES TO GIVE (Continued)

total outstanding capital campaign promises to give for the new Grove Street homeless shelter at September 30, 2022 and 2021 were \$4,800 and \$14,100, respectively.

During 2019, the Organization began a capital campaign to raise funds for a new building for the Having the Courage to Change program. The pledges were restricted for costs related to the new building. Those restrictions are considered to expire when building expenses have been incurred. The total estimated cost of the project was \$4,935,200. The Organization received pledges for the project of \$2,575,000. The total outstanding capital campaign promises to give for the new building as of September 30, 2022 and 2021 were \$275,000 and \$550,000 respectively. The effective interest rate used to calculate the present value of the long-term pledges was 3%. The discount calculated using that rate was \$9,445 at September 30, 2021. The remaining capital campaign promises to give of \$275,000 at September 30, 2022 are to be received in less than one year.

NOTE M - LONG-TERM DEBT

Note Payable - OHFA:

In August 2013, the Organization entered into a funding agreement with the Ohio Housing Finance Agency (OHFA) to facilitate the development and construction of the Dalton Street and York Street facilities. The disbursement of the funds was contingent upon the Organization expending funds on eligible project costs in accordance with the terms of the agreement. OHFA loaned \$3,000,000 to the Organization for a period of thirty years, with an interest rate of 0%. Under the terms of this loan, if the Organization maintains the facility as a safe, decent and sanitary emergency homeless shelter for transitioning occupants from homelessness to permanent housing for thirty years, all principal shall be forgiven at August 1, 2044. At September 30, 2022, Management believes the Organization is in compliance with the terms of this loan.

Notes Payable - NMTC Leveraged XXXVII, LLC:

On November 4, 2019, under the NMTC transaction (See Note S), Grove Street Shelter, LLC (Grove Street Shelter) obtained two Qualified Low-Income Community Investment Loans (QLICI Loans) from the Community Development Entity, NMTC Leveraged XXXVII, LLC. The following QLICI A and B loans were made to Grove Street Shelter:

QLICI Loan A	\$ 2,136,400
QLICI Loan B	<u>1,743,600</u>
	<u>\$ 3,880,000</u>

The QLICI Loans bear interest at a fixed rate of 1.32387% and mature on November 4, 2049. The Loans are collateralized by the land and building. Quarterly interest-only payments are

CITY GOSPEL MISSION & SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2022 and 2021 (restated)

NOTE M - LONG-TERM DEBT (Continued)

required through 2026. As a part of these QLICI Loans, Grove Street Shelter was required to pay \$106,750 in debt issuance costs, which is being amortized over 39½ years. Debt issuance costs amortization was \$2,702 and \$2,703 for the years ended September 30, 2022 and 2021, respectively, and was recorded as interest expense.

Total interest expense related to these loans was \$54,069 for the years ended September 30, 2022 and 2021, respectively.

	2022	2021
Note payable - OHFA	\$ 3,000,000	\$ 3,000,000
Notes payable - QLICI	3,880,000	3,880,000
Total debt	\$ 6,880,000	\$ 6,880,000
Less: debt issuance costs, net	(99,656)	(102,358)
Less: current portion of long-term debt	-	-
Long-term debt, net of current portion	\$ 6,780,344	\$ 6,777,642

Current maturities of long-term debt for the years ending September 30,

2023	\$		-
2024			-
2025			-
2026			-
2027			-
Thereafter		6,880,000	
		6,880,000	
		\$ 6,880,000	

Paycheck Protection Program SBA Loans:

On April 28, 2020, City Gospel Mission received a Paycheck Protection Program SBA Loan in the amount of \$179,700. Per the promissory note dated April 25, 2020, the interest rate was 1.0% and was due to mature on April 25, 2022. On January 13, 2021, the loan was forgiven. The amount forgiven was recorded as other income on the consolidated statements of activities for the year ended September 30, 2021.

On April 28, 2020, City Gospel Mission Operations, LLC received a Paycheck Protection Program SBA Loan in the amount of \$690,400. Per the promissory note dated April 25, 2020, the interest rate was 1.0% and was due to mature on April 25, 2022. On January 13, 2021, the

CITY GOSPEL MISSION & SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2022 and 2021 (restated)

NOTE M - LONG-TERM DEBT (Continued)

loan was forgiven. The amount forgiven was recorded as other income on the consolidated statements of activities for the year ended September 30, 2021.

On April 28, 2020, Hope House Rescue Mission received a Paycheck Protection Program SBA Loan in the amount of \$80,000. Per the promissory note dated April 27, 2020, the interest rate was 1.0% and was due to mature on April 27, 2022. On March 19, 2021, the loan was forgiven. The amount forgiven was recorded as other income on the consolidated statements of activities for the year ended September 30, 2021.

NOTE N - COMMITMENTS

On March 15, 2020, Hope House Rescue Mission and Grove Street Shelter, LLC entered into a facility lease agreement. Per the agreement, Hope House Rescue Mission is leasing the Grove Street Shelter property through December 2049 with monthly payments of \$5,114. Hope House Rescue Mission paid \$61,366 in rent to Grove Street Shelter, LLC during the years ended September 30, 2022 and 2021. These transactions are eliminated in the consolidation. (See Note T)

The Organization also leases office equipment under third-party agreements that extend through May 2025. Total office equipment lease expense for the years ended September 30, 2022 and 2021 was \$9,842 and \$12,441, respectively.

The future minimum payments are as follows at September 30, 2022:

	Office Equipment
2023	\$ 8,822
2024	7,631
2025	3,893
2026	-
2027	-
Thereafter	-
	\$ 20,346

CITY GOSPEL MISSION & SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2022 and 2021 (restated)

NOTE O - FAIR VALUE MEASUREMENTS

Financial assets and liabilities measured at fair value on a recurring basis are summarized in the following table as of September 30, 2022 and 2021:

	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Observable Inputs Other Than Quoted Prices (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<u>September 30, 2022</u>				
<u>Assets</u>				
Bonds	\$ 7,364,168	\$ -	\$ -	\$ 7,364,168
Common stock & exchange traded funds	2,151,200	-	-	2,151,200
Mutual funds	<u>128,508</u>	<u>-</u>	<u>-</u>	<u>128,508</u>
<i>Total</i>	<u>\$ 9,643,876</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,643,876</u>
<u>Liabilities</u>				
Charitable gift annuities	\$ -	\$ -	\$ 6,617	\$ 6,617
<i>Total</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,617</u>	<u>\$ 6,617</u>
<u>September 30, 2021</u>				
<u>Assets</u>				
Bonds	\$ 4,541,895	\$ -	\$ -	\$ 4,541,895
Common stock & exchange traded funds	8,329,789	-	-	8,329,789
Mutual funds	<u>61,217</u>	<u>-</u>	<u>-</u>	<u>61,217</u>
<i>Total</i>	<u>\$ 12,932,901</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,932,901</u>
<u>Liabilities</u>				
Charitable gift annuities	\$ -	\$ -	\$ 8,230	\$ 8,230
<i>Total</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,230</u>	<u>\$ 8,230</u>

Level 1 Fair Value Measurements

The fair value of the bonds, common stock and exchange traded funds, and other open-ended mutual funds held by the Organization at year-end is based on quoted daily values.

CITY GOSPEL MISSION & SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2022 and 2021 (restated)

NOTE O - FAIR VALUE MEASUREMENTS (Continued)

Level 3 Fair Value Measurements

The fair value of the charitable gift annuities is based on the computed present value of future payments due.

The following table presents the changes in the charitable gift annuities measured at fair value using significant unobservable inputs (Level 3) for the years ended September 30, 2022 and 2021:

	Fair Value Measurements Inputs (Level 3)	
	2022	2021
Beginning balance	\$ 8,230	\$ 9,842
Payments	(1,613)	(1,612)
Change in value	-	-
Ending balance	\$ 6,617	\$ 8,230

NOTE P - CONDITIONAL GRANTS

York Street

On November 21, 2013, the Organization was approved to receive a \$540,000 grant from the Federal Home Loan Bank of Cincinnati to be used for the York Street Project. All grant monies were received, and the York Street Project was completed on July 30, 2015.

On November 18, 2015, the Organization signed a Property Management Agreement with the Federal Home Loan Bank. The agreement states that the Organization must comply with certain Affordable Housing Program regulations for the York Street facilities for a minimum of 15 years. The regulations require that the Organization comply with Fair Housing Laws, have tenant intake procedures, meet income and occupancy requirements, reserve units for homeless households and special needs residents, and provide social services. If these conditions are not met for a minimum of 15 years, the grant monies will be required to be returned to the Federal Home Loan Bank. As of September 30, 2022, Management believes the Organization is in compliance with the terms of this grant and expects all conditions will be met at the end of the 15-year term (November 19, 2030).

CITY GOSPEL MISSION & SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2022 and 2021 (restated)

NOTE P - CONDITIONAL GRANTS (Continued)

Dalton Street

On November 21, 2013, the Organization was approved to receive a \$1,000,000 grant from the Federal Home Loan Bank of Cincinnati to be used for the Dalton Street Project. All grant monies were received, and the Dalton Street Project was completed on July 30, 2015.

On February 4, 2016, the Organization signed a Property Management Agreement with the Federal Home Loan Bank. The agreement states that the Organization must comply with certain Affordable Housing Program regulations for the Dalton Street facilities for a minimum of 15 years. The regulations require that the Organization comply with Fair Housing Laws, have tenant intake procedures, meet income and occupancy requirements, reserve units for homeless households and special needs residents, and provide social services. If these conditions are not met for a minimum of 15 years, the grant monies will be required to be returned to the Federal Home Loan Bank. As of September 30, 2022, Management believes the Organization is in compliance with the terms of this grant and expects all conditions will be met at the end of the 15-year term (February 5, 2031).

Grove Street Shelter (#201801-0061/0124)

On November 15, 2018, the Organization entered into two Affordable Housing Program Agreements for a total grant amount of \$750,000 with the Federal Home Loan Bank of Cincinnati to be used for the Grove Street Shelter Project. These subsidies were used to fund the project construction and are conditional upon meeting the requirements of the Affordable Housing Program and the Federal Housing Finance Agency. The agreement states that the Organization must comply with certain Affordable Housing Program regulations for the Grove Street Shelter facilities for a minimum of 15 years. The regulations require that the Organization comply with Fair Housing Laws, have tenant intake procedures, meet income and occupancy requirements, reserve units for homeless households and special needs residents, and provide social services. If these conditions are not met for a minimum of 15 years, the grant monies will be required to be returned to the Federal Home Loan Bank. On December 17, 2019, \$187,500 of the grant monies was received. The remaining \$562,500 of grant monies were received on April 9, 2021. The Grove Street Shelter Project was completed on April 14, 2020. As of September 30, 2022, Management believes the Organization is in compliance with the terms of this grant and expects all conditions will be met at the end of the 15-year term (November 16, 2033). (See Note Q)

Grove Street PSH, LLC (#201801-0037)

On November 15, 2018, the Organization also entered into two Affordable Housing Program Agreements for a total grant amount of \$750,000 with the Federal Home Loan Bank of Cincinnati to be used for the Grove Street PSH 2018 Project. These subsidies were used to fund the equity investment and are conditional upon meeting the requirements of the Affordable Housing Program and the Federal Housing Finance Agency. The agreement states that the Organization must comply with certain Affordable Housing Program regulations for the Grove

CITY GOSPEL MISSION & SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2022 and 2021 (restated)

NOTE P - CONDITIONAL GRANTS (Continued)

Grove Street PSH, LLC (#201801-0037) (Continued)

Street Shelter facilities for a minimum of 15 years. The regulations require that the Organization comply with Fair Housing Laws, have tenant intake procedures, meet income and occupancy requirements, reserve units for homeless households and special needs residents, and provide social services. If these conditions are not met for a minimum of 15 years, the grant monies will be required to be returned to the Federal Home Loan Bank. On May 16, 2019, \$187,500 of the grant monies were received. On November 16, 2020, the remaining \$562,500 of grant monies were received. The Grove Street Shelter Project was completed on April 14, 2020. At September 30, 2022, Management believes the Organization is in compliance with the terms of this grant and expects all conditions will be met at the end of the 15-year term (November 16, 2033). (See Note Q)

NOTE Q - MIXED USE DEVELOPMENT ON GROVE STREET

In August 2019, Hope House Rescue Mission acquired real property located at 1001 Grove Street for \$1 to be used to build a mixed-use development (Project). The Project scope was to build 30 units of permanent support housing, a shelter for 50 emergency shelter beds, and administrative offices.

On August 22, 2019, a Declaration of Covenants, Conditions and Restrictions and By-Laws of Hope House Condominium Owners Association, Inc. (The Condominium Association) was made and entered into by HHRM and Grove Street PSH, LLC for the purpose of the real property and all structures, improvements and other permanent fixtures, and all rights and privileges belonging or pertaining thereto to be owned under condominium ownership. The Condominium Association is a not-for-profit corporation owned by the owners to manage and preserve the property, building and improvements.

Permanent Support Housing:

On October 30, 2018, the wholly owned subsidiary of Hope House Rescue Mission, Inc., Grove Street PSH Associates, LLC (Associates), and Ohio Equity Fund for Housing Limited Partnership XXVIII (Ohio Equity Fund), an unrelated third party, entered into an amended and restated Operating Agreement for the ownership and operation of Grove Street PSH, LLC (the Partnership), whose purpose shall be (a) to acquire, construct, own, finance, lease and operate the portion of the Project Property as a qualified low income housing project within the meaning of Section 42 of the Internal Revenue Code of 1986, (b) to eventually sell or otherwise dispose of the Project Property in a manner consistent with the provisions of the Operating Agreement, and (c) to engage in all other activities incidental or related thereto. Grove Street PSH, LLC is owned .1% by Associates. Ohio Equity Fund owns 99.9%. At September 30, 2022 and 2021, the investment in Grove Street PSH, LLC by Associates was \$1,050,340 and \$1,050,479, respectively.

CITY GOSPEL MISSION & SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2022 and 2021 (restated)

NOTE Q - MIXED USE DEVELOPMENT ON GROVE STREET (Continued)

Permanent Support Housing (Continued):

The Organization is using the equity method of accounting for the Partnership since the Operating Agreement does not give Associates a controlling interest in the Partnership. For the year ended September 30, 2022, \$208,963 of rental income and \$348,328 of expenses to operate the facility were recognized. For the year ended September 30, 2021, \$355,400 of rental income and \$692,126 of expenses to operate the facility were recognized. Associates received .1% of the net income (loss) of the Partnership, which totaled \$(139) and \$(337) for September 30, 2022 and 2021, respectively.

Associates is the Managing General Partner of the Partnership; however, the Partnership is jointly controlled with Ohio Equity Fund. The partnership obligations are set forth in the Grove Street PSH, LLC Amended and Restated Operating Agreement. Under the terms of the Guaranty Agreements, Associates, HHRM, City Gospel Mission (CGM), and the Model Group, Inc. guarantee to provide funds so as to permit the Partnership to meet all current costs of owning, maintaining and operating the Project Property and common areas owned by the Condominium Association. The foregoing obligation shall be unlimited prior to 100% Qualified Occupancy but shall be limited to the Operating Guaranty Amount after 100% Qualified Occupancy and continuing through the Operating Guaranty Period. After 100% Qualified Occupancy and use of all but \$30,000 of the funds in the Operating Reserve to pay operating expenses and debt service payments of the Partnership, continuing shortfalls shall be funded by the Guarantors, jointly and severally in an amount not to exceed the Operating Guaranty Amount.

Associates and HHRM also guaranteed jointly and severally a Loan Shortfall Guaranty, and a Repurchase and Credit Adjuster Guaranty and Capital Contribution Guaranty. As security for HHRM's performance of its obligations under the Guaranty Agreement, HHRM agreed to pledge funds in the aggregate amount of \$154,942, pursuant to the terms and conditions agreed upon in the Pledge Agreement. The full pledge amount has been paid to the Partnership.

At the end of the fifteen-year compliance period, there are put and call agreements between Associates and Ohio Equity Fund (the investor in the qualified equity investment "QEI" funds) that can be executed. If the Ohio Equity Fund does not exercise their put option, Associates has the ability to call the ownership in the interest in the QEI funds for fair market value. The put option is \$1,000 and should be what is exercised at the end of the period. The call option at fair market value is added in the agreement in case the put option would not be exercised. At the end of the fifteen-year compliance period, ownership of the low-income housing project would transfer to HHRM.

To finance the construction of the Project, the Partnership and HHRM executed a Construction Loan Promissory Note on October 30, 2018 with RiverHills Bank in the amount of \$2,400,000 with a 24-month term and an interest rate at Prime Commercial Rate. This property is jointly owned and is used for a new homeless shelter for HHRM and for permanent support housing for Grove Street PSH, LLC. The loan is collateralized by the fixtures at the Project, the real estate upon which the Project is to be constructed, along with all other collateral encumbered by certain

CITY GOSPEL MISSION & SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2022 and 2021 (restated)

NOTE Q - MIXED USE DEVELOPMENT ON GROVE STREET (Continued)

Open-End Mortgage of Real Property, Security Agreement, Financing Statement and Assignment of Rents granted by HHRM and certain Open-End Mortgage of Real Property, Security Agreement, Financing Statement and Assignment of Rents granted by the Partnership. On November 4, 2019, RiverHills Bank modified and amended the Mortgage to reflect the change in the legal description of the Original Mortgaged Property, the conveyance to Grove Street PSH, LLC as fee simple owner of Unit 2 of the Condominium Association, the assumption by Grove Street PSH, LLC of the Mortgage, and the release of HHRM from the Mortgage. At September 30, 2021, the Construction Loan had been paid in full.

The Model Group, Inc. and HHRM (collectively or individually the “Guarantor”) also entered into a Payment and Performance Guaranty with RiverHills Bank whereby the Guarantor guaranteed full payment of the loan plus any accrued interest, and to perform all of the duties and obligations under the Loan and Loan documents, together with its Operating Agreement and any amendments thereto.

On October 30, 2018, Hope House Rescue Mission, Inc. (Lessor) and Grove Street PSH, LLC (Lessee) entered into a ground lease agreement. The lessor was leasing .95 acres of real property to the lessee. The primary term of the lease was 75 years with automatic successive renewal terms of five years for a maximum of ninety-five years. The base rent was \$1.00 per year. On November 4, 2019, this agreement was terminated as the property was conveyed to the Lessee by the Lessor.

Homeless Shelter Housing:

On October 9, 2018, HHRM entered an agreement with Model Construction, LLC, the contractor, for the construction of the Grove Street Shelter portion of the Project in the amount of \$3,748,418, subject to additions and deductions as provided in the contract documents. On November 4, 2019, the contract agreement was assigned to Grove Street Shelter, LLC.

On September 9, 2019, Hope House Rescue Mission, Inc. created another wholly owned subsidiary named Grove Street Shelter, LLC. This entity was created for the sole purpose of facilitating a New Markets Tax Credit (“NMTC”) transaction for the new homeless shelter project construction. (See Note S) Its purpose is to construct, own, and lease to HHRM the building for use as an emergency shelter, resource center and office space. (See Note N)

All construction is complete for this Project.

On October 28, 2019, Grove Street Shelter, LLC entered into a Development Services Agreement with Model Property Development, LLC (Developer) for the purpose of the Developer continuing to provide services with respect to the development of the Project. For the Development Services, Grove Street Shelter, LLC paid a Developer Fee of \$350,000 upon the

CITY GOSPEL MISSION & SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2022 and 2021 (restated)

NOTE Q - MIXED USE DEVELOPMENT ON GROVE STREET (Continued)

Homeless Shelter Housing (Continued):

closing and placement in service of the Project. The Developer Fee was capitalized and included in the original construction cost.

HHRM entered into two Affordable Housing Program Agreements with the Federal Home Loan Bank of Cincinnati for the total grant amount of \$750,000. The grant was used to fund the construction and is conditional upon meeting the requirements of the Affordable Housing Program and the Federal Housing Finance Agency. (See Note P)

NOTE R - LEVERAGED LOAN RECEIVABLE

On November 4, 2019, as part of the NMTC transaction (See Note S), City Gospel Mission entered into a loan agreement with COCRF Investor 163, LLC, (the Investment Fund). City Gospel Mission loaned principal, in the amount of \$2,136,400, to the Investment Fund. The Leverage Loan bears an interest rate of 1.00% and matures on November 4, 2042. Quarterly interest-only payments will be made by the Investment Fund for the first 7 years of the loan. Quarterly principal and interest payments of \$36,165 will then begin on March 20, 2027.

The proceeds of this Leverage Loan were used by the Investment Fund to make a Qualified Equity Investment (QEI) into the Community Development Entity (CDE) named NMTC Leveraged XXXVII, LLC, which in turn made loans to Grove Street Shelter, LLC.

NOTE S - NEW MARKET TAX CREDITS

On November 4, 2019, HHRM entered into a New Markets Tax Credit (NMTC) transaction to help finance the construction of the Grove Street Shelter portion of the Project. The NMTC Program was designed to stimulate investment and economic growth in low-income communities by offering a seven-year, 39% federal tax credit for Qualified Equity Investments (QEI) made through investment vehicles known as Community Development Entities (CDEs). CDEs use capital derived from tax credits to make loans to or investments in businesses and projects in low-income areas under favorable economic terms.

The NMTC transaction is composed of several sub-transactions, as described below:

QALICB: For the sole purpose of facilitating the NMTC transaction as a Qualified Active Low-Income Community Business (QALICB), HHRM created Grove Street Shelter, LLC.

Leverage Loan: As part of the transaction, City Gospel Mission loaned \$2,136,400 to COCRF Investor 163, LLC, the Investment Fund. The proceeds of this Leverage Loan were used by the

CITY GOSPEL MISSION & SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2022 and 2021 (restated)

NOTE 5 - NEW MARKET TAX CREDITS (Continued)

Investment Fund to make a QEI into a CDE as listed below. The Leverage Loan bears an interest rate of 1.00% and matures on November 4, 2042. (See Note R)

Qualified Low-Income Community Investment Loan (QLICI Loan): Under the NMTC transaction, Grove Street Shelter obtained two QLICI Loans from NMTC Leveraged XXXVII, LLC, (the CDE). The following QLICI A and B loans were made to Grove Street Shelter:

QLICI Loan A	\$ 2,136,400
QLICI Loan B	<u>1,743,600</u>
	<u>\$ 3,880,000</u>

The QLICI Loans bear interest at a fixed rate of 1.32387% and mature in 30 years on November 4, 2049. CGM and HHRM are guarantors on the loans.

As part of the NMTC transaction, HHRM executed a Master Lease Agreement with Grove Street Shelter, LLC on November 1, 2019. The term of the lease is for 29 years from the date of the NMTC transaction with provisions to cancel it when the put and call agreements are exercised on the seventh-year anniversary as discussed below. Rent commenced upon completion of the premises for occupancy, which was in March 2020.

Neither HHRM nor Grove Street Shelter, LLC controls or has economic interest in the assets of either the QEI or the CDE. The QEI is controlled and wholly owned by Capital One, N.A. and COCRF Investor 163, LLC controls and funds the CDE.

To earn the tax credit, the QEI must remain invested in the CDE for a seven-year period. Grove Street Shelter, LLC has significant reporting requirements to its lenders, including financial reports and community impact reports. Grove Street Shelter, LLC is restricted against accumulating and holding certain type of assets (including options, stock, promissory notes and excess cash), having its own employees, or otherwise engaging in activities unrelated to HHRM. Provided Grove Street Shelter, LLC satisfies the foregoing requirements and avoids violating the foregoing restrictions, it will remain in substantial compliance with its obligations pursuant to the NMTC financing.

CGM and Capital One, N. A. have executed an Investment Fund Put and Call Agreement to take place at the end of the seven-year compliance period. Under the agreement, Capital One, N.A. can exercise a put option to sell all interest in the QEI for \$1,000 to CGM. If Capital One, N.A. does not exercise the put option within 90 days of the seven-year period, CGM can exercise a call option to purchase the interest of the QEI at an appraised fair market value. At the end of the seven-year compliance period, ownership of the shelter will transfer to HHRM.

These put and call options do not represent embedded derivatives, and accordingly, have not been accounted for as derivative instruments in the consolidated financial statements.

CITY GOSPEL MISSION & SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2022 and 2021 (restated)

NOTE S - NEW MARKET TAX CREDITS (Continued)

If the Investment Fund Put and Call Agreement is exercised at the seventh-year anniversary of the NMTC transaction, CGM would gain control of all outstanding loans payable and receivable, there would be no residual amounts due to or from any external third parties, and CGM would record a net gain of \$1,743,600 associated with the dissolution of the \$2,136,400 Leverage Loan receivable and the \$3,880,000 QLICI Loans payable.

NOTE T - RELATED PARTY ACTIVITY

During the year ended September 30, 2022, there were several related party transactions between City Gospel Mission, Hope House Rescue Mission, Grove Street Shelter, LLC, and Grove Street Shelter PSH Associates, LLC. The following is a summary of those transactions:

- City Gospel Mission received \$59,350 of income that was recorded as an expense on Hope House Rescue Mission.
- Hope House Rescue Mission received \$111,864 of income that was recorded as an expense on City Gospel Mission.
- Hope House Rescue Mission received \$10,000 in income that was recorded as an expense on Grove Street Shelter, LLC.
- Grove Street Shelter, LLC received \$2,726 of income that was recorded as an expense on Hope House Rescue Mission.
- Grove Street Shelter, LLC received \$76,708 of rental income that was reported as rental expense on Hope House Rescue Mission.

During the year ended September 30, 2021, there were several related party transactions between City Gospel Mission, Hope House Rescue Mission, Grove Street Shelter, and Grove Street PSH, LLC. The following is a summary of those transactions:

- City Gospel Mission received \$655,690 of income that was recorded as an expense on Hope House Rescue Mission.
- Hope House Rescue Mission received \$37,387 of income that was recorded as an expense on City Gospel Mission.
- Hope House Rescue Mission received \$7,500 in income that was recorded as an expense on Grove Street Shelter, LLC.
- Grove Street Shelter, LLC received \$2,726 of income that was recorded as an expense on Hope House Rescue Mission.
- Grove Street Shelter, LLC also received \$81,821 of rental income that was reported as rental expense on Hope House Rescue Mission.

All of these transactions were eliminated in consolidation.

CITY GOSPEL MISSION & SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2022 and 2021 (restated)

NOTE T - RELATED PARTY ACTIVITY (Continued)

On March 15, 2020, Hope House Rescue Mission and Grove Street Shelter, LLC entered into a facility lease agreement. Per the agreement, Hope House Rescue Mission is leasing the Grove Street Shelter property through December 2049, with monthly payments of \$5,114. Hope House Rescue Mission paid \$61,368 in rent to Grove Street Shelter, LLC during the years ended September 30, 2022 and 2021. This transaction was eliminated in consolidation. (See Note Q)

Also, during the year ended September 30, 2021 there were \$4,643 of expenses paid by City Gospel Mission on behalf of Hope House Rescue Mission. These expenses were not reimbursed by Hope House Rescue Mission.

NOTE U - PRIOR PERIOD RESTATEMENTS

Employee Retention Credit Refund

Under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) signed into law on March 27, 2020 and the subsequent extension of the CARES Act, the Organization was eligible for a refundable employee retention credit (ERC) subject to certain criteria. As modified, the ERC provides eligible employers with less than 500 employees a refundable tax credit against the employer's share of social security taxes. In February 2023, the Organization filed amended Forms 941-X Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund for the 2nd and 3rd quarters of 2020 and claimed a refund of \$477,850, which resulted in an increase in net income for 2020 and restatement of net assets as of October 1, 2020 as reflected in these consolidated financial statements. Additionally, the Organization filed amended Forms 941-X for the 4th quarter of 2020 and 1st and 2nd quarters of 2021 and claimed a refund of \$1,205,922, which resulted in a restatement of net income for the year ended September 31, 2021 as reflected in these consolidated financial statements. All refunds, totaling \$1,683,772, are reported as employee retention credit refund receivable as of September 30, 2022 and 2021.

Developer Fee Income

During the September 30, 2022 audit, it was discovered that \$154,942 of developer fee income to Hope House Rescue Mission for the Grove Street PSH, LLC Project was not recorded as income and a receivable at September 30, 2020, which resulted in an increase in net income for 2020 and restatement of net assets as of October 1, 2020 as reflected in these consolidated financial statements.

It was also discovered that the \$154,942 was improperly recorded as an Operating Guarantee Pledge Liability on Grove Street PSH Associates, LLC financial statements at September 30, 2021 when the funds were received. There is no effect on net assets as this would have offset the receivable of Hope House Rescue Mission after consolidation (see above).

CITY GOSPEL MISSION & SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2022 and 2021 (restated)

NOTE U - PRIOR PERIOD RESTATEMENTS (Continued)

The accompanying 2021 financial statements have been restated to reflect these amounts. The effect was an increase of \$1,683,772 in employee retention credit refund receivable, a decrease of \$154,942 in unearned revenues, and an increase of \$1,205,922 in public support and revenue (employee retention credit refund) for the year ended September 30, 2021. The total net effect was an increase of \$477,850 in beginning net assets and an increase of \$1,205,922 in the change in net assets for the year ended September 30, 2021.

NOTE V - DATE OF MANAGEMENT'S REVIEW & SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 18, 2023, which is the date on which the consolidated financial statements were available to be issued.

In February 2023, City Gospel Mission and Hope House Rescue Mission filed amended Forms 941-X Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund for the 2nd, 3rd and 4th quarters of 2020 and for the 1st and 2nd quarters of 2021, and claimed refunds totaling \$1,683,772, which were reported as employee retention credit refund receivable as of September 30, 2022 and 2021.

No other subsequent events were identified that would require an adjustment to the accompanying consolidated financial statements.



SUPPLEMENTARY INFORMATION



INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Trustees & Management of
City Gospel Mission & Subsidiaries

We have audited the consolidated financial statements of City Gospel Mission (a nonprofit organization) & Subsidiaries as of and for the years ended September 30, 2022 and 2021, and our report thereon dated May 18, 2023, which expressed an unmodified opinion on those consolidated financial statements on page 3. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position as of September 30, 2022 and 2021 and the consolidating statements of activities for the years then ended are presented for purposes of additional analysis and are 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 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 consolidating statements of financial position and activities are fairly stated in all material respects in relation to the consolidated financial statements as a whole.

A handwritten signature in cursive script that reads "Scroggins Grear".

May 18, 2023

CITY GOSPEL MISSION & SUBSIDIARIES
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
September 30, 2022 and 2021 (restated)

	2022				2021 (restated)			
	City Gospel Mission**	Hope House Rescue Mission***	Eliminations	Consolidated	City Gospel Mission**	Hope House Rescue Mission***	Eliminations	Consolidated
CURRENT ASSETS								
Cash & cash equivalents	\$ 2,370,295	\$ 901,022	\$ -	\$ 3,271,317	\$ 977,787	\$ 976,193	\$ -	\$ 1,953,980
Capital campaigns promises to give	275,000	4,800	-	279,800	275,000	14,100	-	289,100
Accounts receivable	50,035	16,521	-	66,556	8,645	100	-	8,745
Accounts receivable - related party	-	62,398	(62,398)	-	-	106,022	(106,022)	-
Employee Retention Credit refund receivable	1,458,511	225,261	-	1,683,772	1,458,511	225,261	-	1,683,772
Prepaid expenses & other	38,606	8,154	-	46,760	26,778	6,969	-	33,747
Total current assets	4,192,447	1,218,156	(62,398)	5,348,205	2,746,721	1,328,645	(106,022)	3,969,344
INVESTMENTS	9,364,299	279,577	-	9,643,876	12,639,277	293,624	-	12,932,901
LAND, BUILDINGS & EQUIPMENT								
Land & improvements	473,431	254,408	-	727,839	473,431	254,408	-	727,839
Buildings & improvements	15,198,223	4,086,256	-	19,284,479	15,198,223	4,047,430	-	19,245,653
Vehicles	204,042	42,998	-	247,040	204,042	42,998	-	247,040
Furniture & equipment	806,339	1,022,753	-	1,829,092	806,339	1,017,263	-	1,823,602
Computer equipment	235,330	-	-	235,330	235,330	-	-	235,330
Construction in progress	1,923,422	-	-	1,923,422	133,220	-	-	133,220
	18,840,787	5,406,415	-	24,247,202	17,050,585	5,362,099	-	22,412,684
Less: Accumulated depreciation	(5,627,999)	(842,401)	-	(6,470,400)	(5,045,445)	(599,988)	-	(5,645,433)
Total land, buildings & equipment, net	13,212,788	4,564,014	-	17,776,802	12,005,140	4,762,111	-	16,767,251
OTHER ASSETS								
Leveraged loan receivable	2,136,400	-	-	2,136,400	2,136,400	-	-	2,136,400
Investment in Grove Street PSH, LLC	-	1,050,340	-	1,050,340	-	1,050,479	-	1,050,479
Capital campaigns promises to give, net of discount	-	-	-	-	265,555	-	-	265,555
Total other assets	2,136,400	1,050,340	-	3,186,740	2,401,955	1,050,479	-	3,452,434
TOTAL ASSETS	\$ 28,905,934	\$ 7,112,087	\$ (62,398)	\$ 35,955,623	\$ 29,793,093	\$ 7,434,859	\$ (106,022)	\$ 37,121,930

	2022				2021 (restated)			
	City Gospel Mission**	Hope House Rescue Mission***	Eliminations	Consolidated	City Gospel Mission**	Hope House Rescue Mission***	Eliminations	Consolidated
CURRENT LIABILITIES								
Accounts payable & other accruals	\$ 556,156	\$ 13,412	\$ -	\$ 569,568	\$ 348,088	\$ 6,372	\$ -	\$ 354,460
Accounts payable - related party	62,398	-	(62,398)	-	106,022	-	(106,022)	-
Accrued payroll & retirement	225,192	9,358	-	234,550	180,709	6,168	-	186,877
Unearned revenues	-	703	-	703	-	351	-	351
Charitable gift annuities	6,617	-	-	6,617	8,230	-	-	8,230
Total current liabilities	850,363	23,473	(62,398)	811,438	643,049	12,891	(106,022)	549,918
LONG-TERM DEBT								
Note payable - OHFA	3,000,000	-	-	3,000,000	3,000,000	-	-	3,000,000
Notes payable - NMTC Leveraged XXXVII, LLC	-	3,880,000	-	3,880,000	-	3,880,000	-	3,880,000
Debt issuance costs, net	-	(99,656)	-	(99,656)	-	(102,358)	-	(102,358)
Total long-term debt	3,000,000	3,780,344	-	6,780,344	3,000,000	3,777,642	-	6,777,642
NET ASSETS	25,055,571	3,308,270	-	28,363,841	26,150,044	3,644,326	-	29,794,370
TOTAL LIABILITIES & NET ASSETS	\$ 28,905,934	\$ 7,112,087	\$ (62,398)	\$ 35,955,623	\$ 29,793,093	\$ 7,434,859	\$ (106,022)	\$ 37,121,930

** Includes City Gospel Mission, City Gospel Mission Operations, LLC; CURE Properties, LLC; CGM Properties, LLC; CGM Exodus Properties, LLC; and HTCTC Properties, LLC

*** Includes Hope House Rescue Mission; Grove Street Shelter, LLC; and Grove Street PSH Associates, LLC

CITY GOSPEL MISSION & SUBSIDIARIES
CONSOLIDATING STATEMENTS OF ACTIVITIES
Years ended September 30, 2022 and 2021 (restated)

	2022				2021 (restated)			
	City Gospel Mission**	Hope House Rescue Mission***	Eliminations	Consolidated	City Gospel Mission**	Hope House Rescue Mission***	Eliminations	Consolidated
PUBLIC SUPPORT & REVENUE								
Public support	\$ 8,258,285	\$ 1,066,908	\$ -	\$ 9,325,193	\$ 9,628,689	\$ 1,105,366	\$ -	\$ 10,734,055
Noncash donations	4,011,558	51,054	-	4,062,612	3,809,698	29,613	-	3,839,311
Program service fees	106,734	60,357	-	167,091	146,591	40,000	-	186,591
Special events, net of direct costs	583,481	-	-	583,481	349,923	-	-	349,923
Employee Retention Credit refund	-	-	-	-	1,064,323	141,599	-	1,205,922
Other income	25,375	50,196	-	75,571	1,246,199	257,440	-	1,503,639
Other income - related party	59,350	111,864	(171,214)	-	655,690	37,387	(693,077)	-
Realized & unrealized gain (loss) on investments	(2,079,348)	(66,945)	-	(2,146,293)	1,295,541	5,549	-	1,301,090
Net investment return (loss)	591,557	13,044	-	604,601	240,796	2,651	-	243,447
Total public support & revenue	11,556,992	1,286,478	(171,214)	12,672,256	18,437,450	1,619,605	(693,077)	19,363,978
EXPENSES								
Program services								
Homeless services	2,502,403	1,151,821	-	3,654,224	4,168,221	891,252	-	5,059,473
Recovery services	1,444,328	-	-	1,444,328	1,324,459	-	-	1,324,459
Youth services	4,634,458	-	-	4,634,458	2,636,163	-	-	2,636,163
Jobs Plus employment	522,354	-	-	522,354	484,923	-	-	484,923
Total program services	9,103,543	1,151,821	-	10,255,364	8,613,766	891,252	-	9,505,018
Support services								
Management & general	880,785	174,187	(21,364)	1,033,608	773,101	148,699	(37,387)	884,413
Fundraising & development	2,667,137	296,526	(149,850)	2,813,813	2,310,319	842,126	(655,690)	2,496,755
Total expenses	12,651,465	1,622,534	(171,214)	14,102,785	11,697,186	1,882,077	(693,077)	12,886,186
CHANGE IN NET ASSETS	(1,094,473)	(336,056)	-	(1,430,529)	6,740,264	(262,472)	-	6,477,792
NET ASSETS AT BEGINNING OF YEAR, RESTATED	26,150,044	3,644,326	-	29,794,370	19,409,780	3,906,798	-	23,316,578
NET ASSETS AT END OF YEAR	\$ 25,055,571	\$ 3,308,270	\$ -	\$ 28,363,841	\$ 26,150,044	\$ 3,644,326	\$ -	\$ 29,794,370

** Includes City Gospel Mission, City Gospel Mission Operations, LLC; CURE Properties, LLC; CGM Properties, LLC; CGM Exodus Properties, LLC; and HTCTC Properties, LLC

*** Includes Hope House Rescue Mission, Grove Street Shelter, LLC; and Grove Street PSH Associates, LLC