Financial Statements
June 30, 2020

Phoenix Rescue Mission™

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Independent Auditor's Report

The Board of Directors
Phoenix Gospel Mission, Inc. dba Phoenix Rescue Mission
Phoenix, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of Phoenix Gospel Mission, Inc. dba Phoenix Rescue Mission (the Mission), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Mission as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2020, on our consideration of the Mission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Mission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Mission's internal control over financial reporting and compliance.

Eide Bailly LLP

Phoenix, Arizona
December 15, 2020

Current Assets	
Cash and cash equivalents	$ 11,616,772
Grants receivable	100,802
Current portion of promises to give	921,701
Inventories	40,814
Prepaid expenses and other current assets	360,483
Total current assets	13,040,572
Promises to Give, Net, Less Current Portion	239,392
Endowment	
Investments	2,577,282
Estate receivable	41,672
Investments	3,666,075
Assets Held Under Split-Interest Agreements	253,664
Property and Equipment, Net	16,803,586
Other Long-Term Assets	24,830
Total assets	$ 36,647,073
Liabilities and Net Assets	
Current Liabilities	
Accounts payable	$ 2,199,067
Accrued expenses and other liabilities	456,019
Refundable advance - paycheck protection program	1,006,774
Current portion of liabilities under split-interest agreements	8,641
Current portion of capital leases payable	14,067
Current portion of notes payable	733,685
Total current liabilities	4,418,253
Liabilities Under Split-Interest Agreements, Less Current Maturities	106,636
Capital Leases Payable, Less Current Maturities	32,527
Notes Payable, Less Current Portion	2,782,477
Refundable advance - Federal Home Loan Bank	2,000,000
Deferred Compensation Payable	6,830
Total liabilities	9,346,723
Net Assets	
Without donor restrictions	
Board designated operating reserves	3,444,527
Board designated endowment fund	2,199,862
Undesignated	15,886,365
Total without donor restrictions	21,530,754
With donor restrictions	
Purpose restrictions	5,350,504
Restricted endowment earnings	19,092
Perpetual in nature	400,000
Total with donor restrictions	5,769,596
Total net assets	27,300,350
Total liabilities and net assets	$ 36,647,073

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions	$ 12,838,290	$ 4,097,151	$ 16,935,441
Grants and contracts	518,620	-	518,620
Donated food and supplies	9,116,599	-	9,116,599
Program service fees	450,184	-	450,184
Social enterprise revenue	225,698	-	225,698
Other income	129,703	9,631	139,334
Total support and revenue before net assets released from restriction	23,279,094	4,106,782	27,385,876
Net assets released from restrictions	137,461	(137,461)	-
Total support and revenue	23,416,555	3,969,321	27,385,876
Expenses			
Program services	16,347,815	-	16,347,815
Supporting services			
Fundraising	3,799,456	-	3,799,456
Management and general	1,296,489	-	1,296,489
Total supporting services	5,095,945	-	5,095,945
Total expenses	21,443,760	-	21,443,760
Change in Net Assets	1,972,795	3,969,321	5,942,116
Net Assets, Beginning of Year	19,557,959	1,800,275	21,358,234
Net Assets, End of Year	$ 21,530,754	$ 5,769,596	$ 27,300,350

	Program Services	Fundraising	Management and General	Total
Staff Salaries	$ 3,583,760	$ 927,153	$ 777,139	$ 5,288,052
Payroll Taxes and Employee Benefits	799,988	191,999	149,942	1,141,929
Total payroll costs	4,383,748	1,119,152	927,081	6,429,981
Professional Fees	-	42,737	132,982	175,719
Office Expenses	106,175	160,880	105,693	372,748
Informational Technology	136,908	97,560	49,209	283,677
Occupancy	642,071	17,147	11,776	670,994
Vehicle and Travel	67,903	8,270	3,174	79,347
Insurance	95,761	1,482	29,177	126,420
Promotion and Public Relations	36,031	2,161,522	-	2,197,553
Direct Program Supplies and Other	858,555	1,386	-	859,941
Interest	137,734	5,807	-	143,541
Miscellaneous	1,011	148,860	386	150,257
Cost of Goods Sold	112,734	-	-	112,734
Total expenses before donated food and supplies and depreciation and amortization	6,578,631	3,764,803	1,259,478	11,602,912
Donated Food and Supplies	9,039,371	3,556	19,176	9,062,103
Depreciation and Amortization	729,813	31,097	17,835	778,745
Total expenses	$ 16,347,815	$ 3,799,456	$ 1,296,489	$ 21,443,760

Operating Activities	
Change in net assets	$ 5,942,116
Adjustments to reconcile change in net assets to net cash from operating activities	
Loss on disposal of assets	13,314
Depreciation and amortization	778,745
Donated property and equipment	(15,102)
Realized/unrealized gain on operating investments	(693)
Endowment net investment return	4,264
Contribution restricted to endowment	(821,119)
Change in value of split-interest agreements	(232)
Changes in operating assets and liabilities	
Grants receivable	42,281
Promises to give, net	(758,457)
Inventories	93,456
Prepaid expenses and other current assets	19,769
Other long-term assets	128,608
Accounts payable	1,996,656
Accrued expenses and other liabilities	36,481
Deferred compensation payable	(125,421)
Refundable advance - paycheck protection program	1,006,774
Net Cash from Operating Activities	8,341,440
Investing Activities	
Purchases of property and equipment	(3,250,066)
Purchases of operating investments	(85,648)
Purchases of endowment investments	(1,722,621)
Proceeds from sales of endowment investments	1,259,079
Net purchases of assets held under split-interest agreements	(9,864)
Net Cash used for Investing Activities	(3,809,120)
Financing Activities	
Payments on notes payable	(189,679)
Payments on capital leases payable	(13,503)
Collections of contributions restricted to endowment	821,119
Refundable advance - Federal Home Loan Bank	2,000,000
Payments to beneficiaries of split interest agreements	(6,943)
Net Cash from Financing Activities	2,610,994
Net Change in Cash and Cash Equivalents	7,143,314
Cash and Cash Equivalents, Beginning of Year	4,473,458
Cash and Cash Equivalents, End of Year	$ 11,616,772
Supplemental Disclosure of Cash Flow Information	
Cash paid for interest	$ 156,190

Note 1 - Nature of Operations and Significant Accounting Policies

Mission and Nature of Operations

Phoenix Gospel Mission, Inc. dba Phoenix Rescue Mission (the Mission) is an Arizona non-profit corporation incorporated in May 1954. The Mission's purpose is to provide physical care, mental support, and spiritual guidance to men, women, and children who are destitute, homeless, or at risk of becoming homeless. Services include family and community outreach, vocational development, addiction recovery program and programs for other life controlling issues.

Family and community outreach helps families and individuals with basic needs. Special yearly events for Easter, back-to-school, Thanksgiving, and Christmas provide working poor families with new clothing and holiday meals. Outreach to the homeless in the local area consists of delivering food, water, Bibles, and encouragement.

The Changing Lives Center for Women and Children provides physical care, counseling, and spiritual guidance to women and their children who are homeless and struggle with physical addiction, abuse, and despair.

The Men's and Women's Addiction Recovery Program is a structured, 12 to 18-month Christ-centered process that helps people change their lives by dealing with their addictions using Christian principles. The program includes counseling, educational evaluation and advancement, Bible studies, as well as job search at the completion of the program. Upon graduation, they have the tools to hold a job in order to re-enter society as a contributing member in the local community and church.

In July 2016, the Mission started a Rescue Assess Place Unit (RAP). RAP is a maximum 7-day Christ-centered residential program for men, women, and mothers with children facing homelessness and seeking recovery from addiction or other life-controlling problems. RAP meets basic needs, builds relationships, provides opportunity for Christian growth, and assesses clients in order to place them in the appropriate solution pathway.

The Mission started a vocational development program, an eight-month course designed to get participants back on their feet. Vocational programs include Mission Cookies and Mission Catering. In October of 2017, the Mission expanded its Vocational program to include Mission Possible Café.

The Mission operates a food bank for those in need.

Concentrations of Credit Risk

The Mission maintains its cash accounts in various deposit accounts, the balances of which are periodically in excess of federally-insured limits.

Cash and Cash Equivalents

The Mission considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, permanent endowment, or other long-term purposes are excluded from this definition.

Promises to Give

Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. The Mission determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At June 30, 2020, the allowance was $15,000.

At June 30, 2020, one donor accounted for approximately 64% of the total promises to give balance.

Inventories

Inventories are stated at the lower of cost, determined on a first in, first out basis, or net realizable value.

Donated inventories are stated at the estimated fair value per pound as determined by Feeding America and the Nation's Food Bank Network, a national association of food banks which provides assistance and valuation of food and grocery products. Inventory consists of donated food and goods that have not been distributed to one of the Mission's programs. In 2020, donated food is valued at $1.52 per pound, donated water and beverages are valued at $1.07 per pound, donated household goods are valued at $4.38 per pound, health and beauty valued at $21.59 per pound, and donated clothing is valued at $12.59 per pound.

Property and Equipment

Property and equipment additions over $5,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 60 years. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. For the year ended June 30, 2020, there were no indicators of asset impairment.

Assets Held and Liabilities under Split-Interest Agreements

Charitable Gift Annuities

Under charitable gift annuity contracts, the Mission 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 discount rates 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 contributions without donor restrictions. 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 assumptions at the end of the year. Upon termination of the annuity contract, the remaining liability is removed and recognized as income.

Investments

The Mission records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at fair value in the statement of financial position. Net investment return/(loss) is reported in the statement of activities, as part of other income, and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) restrictions. Some donor or grantor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Mission reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets.

The Mission reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

The Mission's federal and state contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, at June 30, 2020, conditional contributions approximating $4,000,000, for which no amounts had been received in advance, have not been recognized in the accompanying financial statements.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to the Mission's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles (GAAP). Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received (Note 13).

Advertising Costs

Advertising costs are expensed as incurred, and were $280,212 during the year ended June 30, 2020.

Income Taxes

The Mission is organized as an Arizona non-profit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contribution deduction under Section 170, and has been determined not to be a private foundation under Section 509(a)(1). The Mission is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Mission is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. The Mission has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Mission believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Mission would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional expense basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include payroll costs, professional fees, promotion and fundraising, which are allocated on the basis of time and effort, and office expenses, information technology, occupancy, vehicle and travel, insurance, direct program supplies and other, interest, miscellaneous, which are allocated on a square footage basis.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle of ASU 2014-09 is that revenue should be recognized in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 defines a five-step process in order to achieve this core principle which may require the use of judgment and estimates. The entity may adopt ASU 2014-09 either by using a full retrospective approach for all periods presented or a modified retrospective approach. The effective date for this standard has been delayed to annual reporting periods beginning after December 15, 2019.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of the expense recognition in the statement of activities. The effective date for this standard has been delayed to annual reporting periods beginning after December 15, 2021. Early adoption of the amendment is permitted. The Mission is currently evaluating the impact of this amendment on its financial statements.

Change in Accounting Policy

The Mission has adopted the provisions of FASB Accounting Standards Update 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (ASU 2018-08) applicable to contributions received. ASU 2018-08 clarifies and improves the scope and accounting guidance for contributions received and contributions made. Management has adopted this standard because it assists the Mission in evaluating whether transactions should be accounted for as contributions or exchange transactions and in determining whether a contribution is conditional. As of July 1, 2019, the Mission has implemented the provisions of ASU 2018-08 applicable to contributions received on a modified prospective basis to agreements that were not completed as of the date of adoption or were entered after the date of adoption. Management has determined that the adoption of this standard did not have a significant impact on the Mission's financial statements.

Subsequent Events

The Mission has evaluated subsequent events through December 15, 2020, the date which the financial statements were available to be issued.

Note 2 - Liquidity and Availability

The Mission strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in certificates of deposit, money market funds and other short-term investments.

The following table reflects the Mission's financial assets as of June 30, 2020 reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	$ 11,616,772
Investments	3,666,075
Board-designated endowment	2,577,282
Grants receivable	100,802
Current portion of promises to give	921,701
Total financial assets	18,882,632
Board designated reserves	(5,644,389)
Grants receivable restricted for program use	(100,802)
Promises to give restricted for the capital campaign	(919,447)
Financial assets available to meet cash needs for general expenditures within one year	$ 12,217,994

Note 3 - Fair Value Measurements and Disclosures

The Mission 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. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Mission can access at the measurement date.

Level 2 – 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.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Mission develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk or liquidity profile of the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk or liquidity profile of the asset or liability.

Investments in equity mutual funds, exchange traded funds, equities and other investments are classified within Level 1 because they are securities with readily determinable fair values. Certificates of deposit are invested and traded in the financial markets. The certificates of deposit and fixed income investments are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market-rate assumptions, and are classified within Level 2.

The following table presents assets and liabilities measured at fair value on a recurring basis at June 30, 2020:

		Fair Value Measurements at Report Date Using		
Assets	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Operating Investments				
Money market (at cost)	$ 2,661,700	$ -	$ -	$ -
Certificates of deposit	1,004,375	-	1,004,375	-
	$ 3,666,075	$ -	$ 1,004,375	$ -
Assets Held under Split-Interest Agreements				
Money market (at cost)	$ 32,323	$ -	$ -	$ -
Equity mutual funds	221,341	221,341	-	-
	$ 253,664	$ 221,341	$ -	$ -
Endowment Investments				
Money market (at cost)	$ 175,323	$ -	$ -	$ -
Equity mutual funds	962,616	962,616	-	-
Fixed income	301,678	-	301,678	-
Exchange traded funds	346,950	346,950	-	-
Equities	710,924	710,924	-	-
Other investments	79,791	79,791	-	-
	$ 2,577,282	$ 2,100,281	$ 301,678	$ -

Note 4 - Net Investment Return

Net investment return consists of the following at June 30, 2020:

Operating Investments	
Interest and dividends	$ 81,966
Net realized and unrealized loss	693
	$ 82,659
Endowment Investments	
Interest and dividends	$ 55,308
Net realized and unrealized loss	(21,218)
Less investment management and custodial fees	(38,354)
	$ (4,264)

Note 5 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2020:

Within one year	$ 921,701
In one to five years	270,075
Over five years	824
	1,192,600
Less allowance for uncollectable promises to give	(15,000)
Less discount to net present value at 4.1%	(16,507)
Promises to give, net	$ 1,161,093

Amounts are presented on the accompanying statement of financial position as follows:

Current portion of promises to give	$ 921,701
Promises to give, net, less current portion	239,392
	$ 1,161,093

Note 6 - Property and Equipment

Property and equipment consisted of the following at June 30, 2020:

Cost and donated value	
Land	$ 1,333,744
Buildings and improvements	16,704,103
Furniture and equipment	779,354
Assets held under capital leases	70,934
Vehicles	550,794
Construction in process	3,378,365
Total cost and donated value	22,817,294
Less accumulated depreciation	(6,013,708)
Property and equipment, net	$ 16,803,586

The Mission has entered into a construction contract for ongoing construction for approximately $10,000,000, of which approximately $3,000,000 is included in construction in process resulting in a remaining commitment of approximately $7,000,000 as of June 30, 2020.

Note 7 - Notes Payable

Notes payable consisted of the following at June 30, 2020:

Mortgage payable, collateralized by real property, payable in monthly installments of $3,731, including interest of 3.94% with a final balloon payment of $529,384 due upon maturity in January 2021.	$	541,097
Mortgage payable, collateralized by real property, payable in monthly installments of $26,033, including interest at a fixed rate of 4.1%. Loan and regulatory agreements restrict the use of the property in a manner consistent with the Mission's current programs.		2,975,065
		3,516,162
Less current maturities		(733,685)
Total notes payable	$	2,782,477

Future maturities of notes payable are as follows:

Years Ending June 30,		
2021	$	733,685
2022		200,507
2023		209,003
2024		217,602
2025		2,155,365
Total annual debt maturities	$	3,516,162

Interest expense totaled $143,541 for the year ended June 30, 2020.

Note 8 - Paycheck Protection Program Award (PPP)

The Mission was granted a $1,006,774 award under the PPP administered by a Small Business Administration (SBA) eligible for forgiveness of up to 100% of the award, upon meeting certain requirements. The Mission has initially recorded the award as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right to return of the PPP award. Proceeds from the award are eligible for forgiveness if they are used for certain payroll, rent, and utility expenses. No contribution revenue has been recorded for the year ended June 30, 2020. The Mission will be required to repay any remaining balance, plus interest accrued at 1 percent, in monthly payments commencing upon notification of forgiveness or partial forgiveness.

Note 9 - Federal Home Loan Bank

In 2020, an Affordable Housing Program Agreement for Rental Project was entered into between the Federal Home Loan Bank of San Francisco and the Mission. The Mission has initially recorded the award as a refundable advance and will record the revenue in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right to return of the award. The total award amount of $2,000,000 is for a community solutions center that is expected to have an occupancy of 120 people. The Mission must continue to provide housing to the specified population for a period of 15 years.

Note 10 - Leases

The Mission leases office equipment under various short and long-term operating and capital leases. The leases expire at various dates through 2024.

Future minimum lease payments are as follows:

Years Ending June 30,	Capital Leases	Operating Leases
2021	$ 15,715	$ 22,177
2022	15,715	4,517
2023	15,715	893
2024	2,619	670
Total minimum lease payments	49,764	$ 28,257
Less amount representing interest	(3,170)	
Capital lease obligation	$ 46,594	

During the asset purchase of the Hope for Hunger Corporation in August 2017, the Mission assumed the lease agreement with the City of Glendale, Arizona for a building to be used as the food distribution center. The lease is set to expire in January 2022. The lease is for $1 per year. The Mission records in-kind lease expense for the fair market value each year. The fair value of the lease expense was $17,552 for June 30, 2020. Total lease expense for the year ended June 30, 2020 totaled $65,516.

Leased property under capital leases at June 30, 2020 includes the following:

Copiers	$ 60,097
Less accumulated amortization	(26,009)
	$ 34,088

Note 11 - Endowments

The Mission's endowment (the Endowment) consists of a fund established by a donor to provide funding for specific activities of the Mission. The Endowment also includes certain net assets without donor restrictions designated for endowment by the board of directors – the PRM endowment fund formerly known as the REACH endowment fund. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The board of directors of the Mission has interpreted the Arizona Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2020, there were no such donor stipulations. As a result of this interpretation, the Mission retains in perpetuity (a) the original value of original and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts donated to the endowment and (b) and accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. The remaining portion of the donor-restricted endowment is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Mission considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

The purpose of the PRM endowment fund is to provide sustained funding to the Mission's community outreach programs. These programs exist to serve the needs of homeless individuals, at-risk families, and at-risk elderly shut-ins through a variety of outreach services and activities. These services include the Hope Coach street outreach program to the homeless, distribution of food boxes, and other assistance to at-risk families and elderly shut-ins, and specific outreach activities benefiting pre-school and school-age children and youth who are at-risk.

As of June 30, 2020, the Mission had the following endowment net asset composition by type of fund:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment	$ 2,199,862	$ -	$ 2,199,862
Original donor-restricted gift amount and amounts to be maintained in perpetuity by donor	-	400,000	400,000
Accumulated investment gains	-	19,092	19,092
Total Endowments	$ 2,199,862	$ 419,092	$ 2,618,954

Investment and Spending Policy

The Mission has adopted investment and spending policies for the endowment that attempts to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should provide a relatively predictable and stable payout stream that increases over time at least as much as the general rate of inflation, and to achieve growth of the corpus that increases over time at least as much as the general rate of inflation. Actual returns in any given year may vary from this amount. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A significant portion of the funds are invested to seek growth of principal over time.

No more than one distribution per year will be taken from the Board-designated endowment. Distributions will be computed as a percentage of the total value of assets, based upon the aggregate value of all assets of the Board-designated endowment as of the last day of June. Contributions made to the Board-designated endowment during the last six months of the fiscal year, shall be excluded from the aggregate value including appreciation or depreciation of such assets.

The Mission uses an endowment spending-rate formula to determine the maximum amount to spend from the endowment each year. The rate, determined and adjusted from time to time by the Board of Directors, is applied to the aggregate value of all assets of the endowment as of the last day of June. Contributions made to the endowment during the last six months of the fiscal year, shall be excluded from the aggregate value including appreciation or depreciation of such assets. It is the intent of the Mission that no distributions will be made until the Board-designated endowment reaches total assets of more than $1,000,000. Additionally, no amounts may be spent from the donor-restricted endowment until it reaches $500,000. In establishing this policy, the Mission considered the long-term expected return on the endowment and set the rate with the objective of maintaining the purchasing power of the endowment over time.

Changes in Board-designated and Donor Endowment Funds net assets for the year ended June 30, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 2,000,215	$ 159,461	$ 2,159,676
Investment return			
Investment income, net of fees	5,605	11,971	17,576
Net realized and unrealized gain	(18,878)	(2,340)	(21,218)
	(13,273)	9,631	(3,642)
Contributions	571,119	250,000	821,119
Expenditures	(358,199)	-	(358,199)
Endowment net assets, end of year	$ 2,199,862	$ 419,092	$ 2,618,954

Note 12 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods.

Endowments	
Perpetual in nature, earnings from which are subject to endowment spending policy appropriation	$ 400,000
Endowment earnings subject to appropriation when a specified event occurs	19,092
Purpose restrictions	
Capital Campaign	5,234,580
Playground Resurface	20,000
Holiday Turkeys (Roofing Southwest)	2,000
MPC Pylon LED sign with Permitting	12,452
Little Angel Foundation	10,099
2017 Chevy Express - Glendale Works Van	16,138
Little Angel Foundation - HFH Infant	5,282
2019 Movement Mortgage Water	4,507
Little Angel Foundation - RAP Starter	11,207
Dental Dental	9,438
Sunrise Fdn (CLC Outdoor Equipment)	6,545
Sunrise Fdn CLC Misc Field Trips	4,219
CLC Water Heater/AV Equipment	11,369
Other	2,668
Total net assets with donor restrictions	$ 5,769,596

Net assets were released from restrictions as follows during the year ended June 30, 2020:

Satisfaction of purpose restrictions	
2018 Movement Mortgage Water	$ 1,391
Bellevue Heights - MPC Delivery Vehicle	25,000
FY 2019 KERR Fellowship	18,226
Virginia D Piper Holiday Grant	10,616
2019 -2020 School Uniforms	7,964
Mp Café Seating - Phyllis Barbee	5,783
Little Angel Foundation	11,048
2017 Chevy Express - Glendale Works Van	4,611
Little Angel Foundation - HFH Infant	14,718
2019 Movement Mortgage Water	19,709
Little Angel Foundation - RAP Starter	7,108
Dental Dental	1,697
Sunrise Fdn (CLC Outdoor Equipment)	455
Sunrise Fdn CLC Misc Field Trips	781
CLC Water Heater/AV Equipment	1,179
Other	7,175
Total net assets released from restrictions	$ 137,461

Note 13 - Donated Food, Supplies, and Services

Donated food, supplies, and services are at their estimated fair value if they enhance the Mission's non-financial assets or require specialized skills that the Mission would normally purchase if not provided by donation.

No amounts have been reflected in the accompanying financial statements for certain donated volunteer services because they did not qualify under GAAP; however, in 2020 over 2,300 volunteers have donated over 35,000 hours in processing donated food as well in the Mission's other program services and administrative support.

The Mission capitalized $15,102 of donated property, plant and equipment for the year ended June 30, 2020. Donated food, supplies, and services were recognized as follows for the year ended June 30, 2020:

	Program Services	Management and General	Fundraising	Total
Food	$ 6,728,496	$ -	$ -	$ 6,728,496
Water	1,237,820	-	-	1,237,820
Clothing	197,522	-	-	197,522
Household goods	338,233	-	-	338,233
Health and beauty	410,970	-	-	410,970
Other goods	76,683	-	-	76,683
Other services	61,028	8,298	3,053	72,379
Total	$ 9,050,752	$ 8,298	$ 3,053	$ 9,062,103

Note 14 - Employee Benefit Plan

The Mission has a 401(k) plan that covers substantially all employees. The plan provides that all full-time employees who have completed three months of service and non-full-time employees who have completed one year of service may voluntarily contribute any amount up to the maximum allowable amount under the IRS. The Mission matches 100% of the employee's contribution limited to 4% of their total compensation. During the year ended June 30, 2020, the Mission matched employee voluntary contributions, resulting in contributions to the plan of $105,088.

Note 15 - Deferred Compensation Plan

The Mission offers an unqualified deferred compensation plan (the Plan) for certain management under Section 457(b), eligible deferred compensation. Under this arrangement, participants can defer the payment of federal and state income taxes on their contributions to the Plan. In accordance with the Plan, eligible participants' deferrals are matched by the Mission at 100% of the deferral up to 6% of the participant's W-2 compensation. As of June 30, 2020, the Mission's liability for this deferred compensation plan was $6,830. Contributions by the Mission for the year ended June 30, 2020 totaled $7,858.

Note 16 - Related Party Transactions

During the year ended June 30, 2020, the Mission received contributions from board members and ambassadors of approximately $278,500.

Note 17 - Contingencies

The Mission is subject to certain claims that arise in the ordinary course of business. In the opinion of management, no pending or threatened claims, actions, or proceedings against the Mission are expected to have a material adverse effect on the Mission's operations or financial condition.

During 2020, the world-wide coronavirus pandemic impacted national and global economies. The Mission is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the current and future full impact to the Mission is not known.