

**DOWNTOWN JIMMIE HALE MISSION**

**FINANCIAL STATEMENTS**

**Year Ended June 30, 2019**

**D R A F T**

Downtown Jimmie Hale Mission

Table of Contents

	PAGE NO.
Independent Auditor’s Report.....	1-2
Statement of Assets, Liabilities and Net Assets – Modified Cash Basis.....	3
Statement of Support, Revenue, Expenses and Changes in Net Assets- Modified Cash Basis .....	4
Statement of Functional Expenses – Modified Cash Basis .....	5
Statement of Cash Flows – Modified Cash Basis .....	6
Notes to Financial Statements.....	7-11

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Downtown Jimmie Hale Mission

We have audited the accompanying financial statements of Downtown Jimmie Hale Mission (a nonprofit organization), which comprise the statement of assets, liabilities and net assets – modified cash basis as of June 30, 2019, and the related statements of support, revenue, expenses and changes in net assets – modified cash basis, functional expenses – modified cash basis, and cash flows – modified cash basis 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 the modified cash basis of accounting as described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **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. 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 entity's preparation and fair presentation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Downtown Jimmie Hale Mission as of June 30, 2019, and its support, revenue, and expenses and its cash flows for the year then ended in accordance with the modified cash basis of accounting described in Note 2.

**Basis of Accounting**

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

*Poythress, Hughett & Mathews, L.L.C.*

Poythress, Hughett & Mathews, L.L.C.  
September 17, 2019

**DOWNTOWN JIMMIE HALE MISSION**  
**STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS**  
**JUNE 30, 2019**

**Assets**

**Current Assets**

Cash and cash equivalents	\$ 3,270,867
Note receivable - current portion	<u>7,327</u>
Total Current Assets	\$ 3,278,194

**Property and equipment - net**

8,614,235

**Other Noncurrent Assets:**

Note receivable - long term portion	<u>29,470</u>
-------------------------------------	---------------

**Total Assets**

\$ 11,921,899

**Liabilities and Net Assets**

**Current Liabilities**

Pinson property loan - current portion	\$ 60,047
--	-----------

**Long Term Liabilities**

Pinson property loan - long term portion	<u>1,151,183</u>
--	------------------

**Total Liabilities**

\$ 1,211,230

**Net Assets (all unrestricted)**

10,710,669

**Total Liabilities and Net Assets**

\$ 11,921,899

The accompanying notes are an integral part of this statement

**DOWNTOWN JIMMIE HALE MISSION**  
**STATEMENT OF SUPPORT, REVENUE, EXPENSES AND CHANGES IN NET ASSETS**  
**MODIFIED CASH BASIS**  
**YEAR ENDED JUNE 30, 2019**

Support and Revenue:

Support:

Contributions		\$ 5,903,704
Thrift store/Recycling Center sales (of mostly donated items)	\$ 857,186	
Less merchandise purchased	(10,839)	
Net from Thrift store sales	<u>846,347</u>	
Total Support		\$ 6,750,051

Revenue:

Interest income	\$ 62,191	
Miscellaneous program revenue	47,285	
Gain on sale of assets	11,617	
Rent income	\$ 159,589	
Less Rent expense - Depreciation	(36,166)	
Less Rent expense - Interest	(16,556)	
Less Rent expense - other	(109,044)	
Net Rent income (loss)	<u>(2,177)</u>	
Total Revenue		<u>118,916</u>

Total Support and Revenue \$ 6,868,967

Expenses:

Program Services:

Thrift Stores/Recycling Center	\$ 1,214,367
Men's Center	1,597,584
Women's Center	637,383
Substance abuse Center	842,159
Discovery Club Center	217,666
Total Program Services	<u>\$ 4,509,159</u>

Supporting Services

General and Administrative expenses	\$ 2,096,941
Fundraising expenses	880,683
Total Supporting Services	<u>2,977,624</u>

Total Expenses 7,486,783

Increase (Decrease) in Net Assets \$ (617,816)

Net Assets, Beginning of Year 11,328,485

Net Assets, End of Year \$ 10,710,669

The accompanying notes are an integral part of this statement

**DOWNTOWN JIMMIE HALE MISSION**  
**STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS**  
**YEAR ENDED JUNE 30, 2019**

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries and wages	2,335,976	1,068,064		3,404,040
Advertising	8,013	78,650	716,123	802,786
Hospital insurance	327,889	89,998		417,887
Depreciation expense	272,674	72,099		344,773
Payroll taxes	187,190	80,495		267,685
Electric	228,029	7,693		235,722
Printing		67,330	107,220	174,550
Kitchen supplies	154,600			154,600
Repairs and maintenance	125,640	8,393		134,033
Contract labor/consulting		129,456		129,456
Miscellaneous	41,541	63,316		104,857
Retirement/Pensions	65,867	34,487		100,354
Insurance - liability		96,939		96,939
Water	84,762	3,259		88,021
Postage		14,335	57,340	71,675
Telephone	53,193	12,746		65,939
Building lease	63,608			63,608
Office supplies	47,565	13,754		61,319
Janitorial	59,318	1,197		60,515
Insurance - workers compensation		59,478		59,478
Benevolence men	48,745			48,745
New equipment	46,835	590		47,425
Vehicle fuel	32,280	13,883		46,163
Insurance - disability/life	26,245	17,148		43,393
Garbage	40,772			40,772
Gas	39,704	590		40,294
License & subscription	1,803	37,678		39,481
Vehicle lease	36,820			36,820
Building improvements	35,789			35,789
Special events		35,261		35,261
Interest expense	30,028			30,028
Vehicle insurance	23,387	3,763		27,150
75th Anniversary preparation		25,243		25,243
Organization dues		22,201		22,201
Medical	21,726			21,726
Vehicle maintenance	15,718	5,109		20,827
Processing fees	14,581			14,581
Class allowances	14,406			14,406
Accounting		14,180		14,180
Conventions/meetings		10,774		10,774
Literature/Supplies	6,618	334		6,952
Broker fees	5,985			5,985
I.T. supplies/equipment	1,389	3,581		4,970
Training/staff enrichment	3,599	797		4,396
Legal fees		4,120		4,120
Security	2,232			2,232
Learning center	1,416			1,416
Fire protection	1,375			1,375
Children enrichment	1,083			1,083
Benevolence women	758			758
<b>Total</b>	<b>\$ 4,509,159</b>	<b>\$ 2,096,941</b>	<b>\$ 880,683</b>	<b>\$ 7,486,783</b>

The accompanying notes are an integral part of this statement

**DOWNTOWN JIMMIE HALE MISSION  
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS  
YEAR ENDED JUNE 30, 2019**

**Cash Flows from Operating Activities**

Increase (decrease) in net assets	\$	(617,816)
Adjustments to reconcile increase in net assets to net assets provided by operating activities:		
Depreciation expense		<u>380,939</u>
Net Cash provided (used) by operating activities	\$	(236,877)

**Cash flows from Investing Activities**

Sale of property and equipment		26,366
Issuance of Note Receivable for equipment sold		(37,983)
Repayment of Note Receivable		1,186
Purchase of property and equipment		<u>(131,563)</u>
Net Cash provided (used) by investing activities		(141,994)

**Cash flows from Financing Activities**

Repayment of loans	\$	<u>(57,118)</u>
Net Cash provided (used) by financing activities		<u>(57,118)</u>
Net Increase (Decrease) in cash	\$	(435,989)
Cash - Beginning of year		<u>3,706,856</u>
Cash - End of year	\$	<u><u>3,270,867</u></u>

**Supplemental Information**

Cash paid for interest	\$	<u>30,028</u>
Noncash transactions		None

The accompanying notes are an integral part of this statement



**DOWNTOWN JIMMIE HALE MISSION**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 1 - Nature of Activities**

Downtown Jimmie Hale Mission ("Mission") was formed in 1944 to help the hungry, hurting, and homeless by ministering to their physical and spiritual needs in Jesus' name.

Activities of the Mission are funded mainly through public support either in the form of cash donations or through donations of clothing and other noncash items. These donated items are made available to the public, at low prices, through thrift stores operated by the Mission.

The Mission operates the following programs:

Shepura Men's Center:

A bed shelter and recovery program

Royal Pines Recovery Center:

A 16-week men's substance abuse recovery program

Jessie's Place for Women and Children:

Women and children's intermediate shelter

Discovery Club Center:

School Outreach Program

Stewart Learning Centers:

Computer based education remediation and job readiness centers

**Note 2 - Summary of Significant Accounting Policies**

*Date of Management's Review*

Management has evaluated subsequent events through September 17, 2019, the date on which the financial statements were available to be issued.

*Basis of Accounting*

The financial statements of Downtown Jimmie Hale Mission have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. This basis differs from generally accepted accounting principles primarily because the Mission does not record revenue from donated merchandise until it is sold and the cash is received. Additionally, the Mission records contribution revenue when received instead of recognizing unconditional promises to give in the period the promise is received and contributed services are not recognized as income. Also, expenses are not recorded until cash is disbursed.

Modifications to the cash basis of accounting include recording property and equipment as fixed assets (rather than being expensed upon purchase) and recognizing depreciation on such property and equipment. Additionally, loan proceeds and repayment of loans are accounted for as debt incurred and repaid rather than as income and expense.

**DOWNTOWN JIMMIE HALE MISSION**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 2 - Summary of Significant Accounting Policies (continued)**

*Financial Statement Presentation*

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its FASB ASU 2016-14. Under this standard, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. The Organization's net assets are all without donor restrictions.

*Cash and Cash Equivalents*

For purposes of the Statement of Cash Flows, the Mission considers all bank accounts, money market funds and petty cash funds as cash and cash equivalents.

*Property and Equipment*

Property and equipment is stated at cost. Acquisitions of property and equipment in excess of \$1,000 are capitalized. Donated property and equipment are not recorded as assets (under the modified cash basis of accounting). Depreciation is computed using the straight-line and the double declining methods over estimated useful lives of the respective assets, which range as follows:

	<u>Years</u>
Furniture & equipment	5-15
Automotive equipment	5
Buildings	27-40

*Estimates*

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from estimates.

*Income Taxes*

Downtown Jimmie Hale Mission is a not-for-profit religious organization exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and is classified as other than a private foundation. The federal nonprofit tax returns for the years ended June 30, 2016 through June 30, 2019 are within the statute of limitations for IRS examinations. The Mission is subject to unrelated business income tax on its rental revenues to the extent the rental property is financed.

*Advertising*

The Mission expenses advertising costs when they are incurred.

**Note 3 - Employee Retirement Plan**

The Mission has a defined contribution retirement plan covering all employees who work at least 20 hours per week and worked at least 1000 hours in the plan year (with no waiting period). The Mission makes matching contributions to the plan each month equal to 4% of compensation of all participating employees that contribute at least 2% of their compensation. If the employee does not meet this contribution threshold, the Mission does not offer any matching contribution. The Mission's matching contributions for the current year totaled \$100,354.

**DOWNTOWN JIMMIE HALE MISSION**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 4 - Functional Allocation of Expenses**

The costs of providing program services and supporting services have been summarized on a functional basis in the statement of support, revenue and expenses. Accordingly, certain costs have been allocated between the program and supporting services.

Certain joint costs of informational materials and activities that include a fund-raising appeal have been incurred and allocated between the fund-raising and the general and administrative functions. These joint costs relate to expenditures for advertising, postage expenses and printing costs. The portions allocated to each functional expense category are reflected on the statement of functional expenses – cash basis. Eighty nine percent of advertising costs, sixty one percent of printing costs, and eighty percent of postage costs have been allocated to fundraising expense.

**Note 5 – Property and Equipment**

The following is a summary of property and equipment, less accumulated depreciation at June 30, 2019:

Land	\$	1,243,870
Buildings and improvements		11,010,412
Furniture and equipment		623,298
Automotive equipment		311,432
Total Cost	\$	13,189,012
Less: accumulated depreciation		4,574,777
Property and equipment - net	\$	8,614,235

Depreciation expense for the year ended June 30, 2019 totaled \$380,939.

**Note 6 - Commitments**

Facility Leases:

The Mission has a non-cancelable operating lease for its recycling/distribution center. There is also a month to month lease on its Discovery Club Center. These leases expire as follows:

Discovery Club Center	Month to month	
Distribution Center	July 31, 2019	No renewal options

Office Equipment Leases:

The Mission has also entered into leases for various items of office equipment.

Future minimum lease payments under facility and equipment leases as of June 30, 2019 are:

Years ending June 30:	Facilities	Equipment	Total
2020	4,438	9,636	14,074
2021		4,354	4,354
2022		3,840	3,840
2023		3,840	3,840
2024		3,840	3,840
Total	\$ 4,438	\$ 25,510	\$ 29,948

**DOWNTOWN JIMMIE HALE MISSION**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 7 – Concentrations, Credit Risk**

Geographic area of operations/donor base

The mission operates in and its donor base is mainly from the Birmingham, Alabama area and surrounding regions. In the current year, one contributor (a trust) gave approximately 18 % of the total contributions.

**Note 8 – Notes payable**

Note Payable for the purchase of the Pinson Bargain Center/Shopping Center:

The Mission has financed the purchase of the Pinson property with a mortgage dated September 22, 2014 and collateralized by the financed real estate. The note bears interest at 3.70% and the monthly payments are calculated using an 83-month amortization with the entire remaining balance due on September 25, 2021.

Interest Expense:

Interest expense in the amount of \$46,584 was paid on the loan during the year and is reflected as an expense in these financial statements - \$30,028 as program service expense and \$16,556 as rental expense.

Loan Maturities:

Year ended June 30:

	Principal	Interest	Total
2020	60,047	43,655	103,702
2021	62,307	41,395	103,702
2022	1,088,876	9,986	1,098,862
Total	\$ 1,211,230	\$ 95,036	\$ 1,306,266

**Note 9 – Grant Agreement**

The Mission completed the Royal Pines construction project on around August 16, 2011. Funding for the project included an \$800,000 subsidy under a grant agreement sponsored by Regions Bank. Under the terms of the agreement, the Mission signed a promissory note for \$800,000 at zero percent interest to be repaid only if the units at Royal Pines do not remain occupied by households at or below levels specified in the agreement during the 15-year period following project completion (through August 16, 2026). There is also a related mortgage and security agreement whereby the real estate at the Royal Pines Recovery Center secures the note.

**Note 10 – Liquidity and Availability of Financial Assets**

The following reflects the Organization’s financial assets as of its fiscal year end, reduced by amounts not available for general use because of contractual obligations or donor-imposed restrictions within one year.

Financial assets at year-end	June 30, 2019 \$ 3,278,194
Less those unavailable for general expenditure within one year	None
Financial assets available to meet cash needs for general expenditures within one year	\$ 3,278,194

**DOWNTOWN JIMMIE HALE MISSION**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 11 – Bargain Center Leases**

As of February 1, 2019, the three bargain centers were converted to lease arrangements whereby the Mission no longer receives and sells goods at the bargain centers, but instead collects lease payments. Another entity now leases the Bargain Centers from the Mission and operates the Thrift Stores. The leases run from February 1, 2019 through January 30, 2024 plus sixty-month renewal options at then negotiated terms. Under the agreements, the rent for the first three months of each lease was abated.

Future minimum lease payments (base rents):

Years ending	Eastwood Mall	Pinson	Hanceville	Total
6/30/2020	\$ 36,000	\$ 162,000	\$ 24,000	\$ 222,000
6/30/2021	36,000	162,000	24,000	222,000
6/30/2022	36,000	165,750	24,000	225,750
6/30/2023	36,000	176,250	24,000	236,250
6/30/2024	21,000	105,000	14,000	140,000
<b>Total</b>	<b>\$ 165,000</b>	<b>\$ 771,000</b>	<b>\$ 110,000</b>	<b>\$ 1,046,000</b>

Cost of Property leased:

	Eastwood Mall	Pinson	Hanceville	Total
Cost	\$ 762,047	\$ 1,477,970	\$ 749,225	\$ 2,989,242
Acc Deprn	117,904	106,128	377,387	601,419
Net	<b>\$ 644,143</b>	<b>\$ 1,371,842</b>	<b>\$ 371,838</b>	<b>\$ 2,387,823</b>

In addition to the base rent payments there are contingent rental amounts based upon sales. The contingent rentals are recorded when received and totaled \$8,728 during the current fiscal year.

The fixtures at the bargain centers were also sold to the entity in return for a Note Receivable payable over fifty-seven months at \$750 per month (\$250 per month for each bargain center).