

DOWNTOWN JIMMIE HALE MISSION

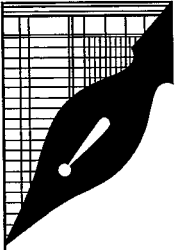
FINANCIAL STATEMENTS

Year Ended June 30, 2021

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.....	7-12



POYTHRESS, HUGHETT & MATHEWS, L.L.C.
Certified Public Accountants

DAVID A. HUGHETT, CPA, CFE
C. BRADLEY MATHEWS, CPA

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, 2021, 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, 2021, 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 14, 2021

DOWNTOWN JIMMIE HALE MISSION
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2021

Assets

Current Assets

Cash and cash equivalents - unrestricted	\$ 3,232,941
Cash with donor restrictions	500,000
Total Cash	\$ 3,732,941
Note receivable - current portion	8,095
Total Current Assets	\$ 3,741,036

Property and equipment - net

8,078,371

Other Noncurrent Assets:

Note receivable - long term portion	13,674
	13,674

Total Assets

\$ 11,833,081

Liabilities and Net Assets

Liabilities

-

Net Assets

Without donor restrictions	\$ 11,333,081
With donor restrictions	500,000
Total Net Assets	\$ 11,833,081

Total Liabilities and Net Assets

\$ 11,833,081

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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Support:			
Contributions	\$ 5,641,566	500,000	\$ 6,141,566
PPP Loan forgiveness	767,500		767,500
Alabama Grant	35,000		35,000
Total Support	\$ 6,444,066	\$ 500,000	\$ 6,944,066
Revenue:			
Interest income	\$ 2,458		
Miscellaneous program revenue	213,051		
Rent income	\$ 466,284		
Less Rent expense - Depreciation	(67,682)		
Less Rent expense - Interest	(38,111)		
Less Rent expense - other	(107,506)		
Net Rent income (loss)	<u>252,985</u>		
Total Revenue	<u>468,494</u>	-	468,494
Total Support and Revenue	6,912,560	500,000	\$ 7,412,560
Expenses:			
Program Services:			
Men's Center	1,695,418		
Women's Center	845,788		
Substance abuse Center	824,546		
Discovery Club Center	110,648		
Total Program Services	<u>\$ 3,476,400</u>		
Supporting Services			
General and Administrative expenses	\$ 1,731,986		
Fundraising expenses	\$ 562,102		
Fundraising expense - capital campaign	52,227		
Total Fundraising expense	<u>614,329</u>		
Total Supporting Services	<u>2,346,315</u>		
Total Expenses	5,822,715		5,822,715
Increase (Decrease) in Net Assets	\$ 1,089,845	\$ 500,000	\$ 1,589,845
Net Assets, Beginning of Year	10,243,236	-	10,243,236
Net Assets, End of Year	<u>\$ 11,333,081</u>	<u>\$ 500,000</u>	<u>\$ 11,833,081</u>

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, 2021

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries and wages	1,821,921	972,502		2,794,423
Advertising			291,363	291,363
Fundraising Capital Campaign			52,227	52,227
Fundraising Expense - other			58,127	58,127
Hospital insurance	270,844	95,092		365,936
Depreciation expense	230,252	67,007		297,259
Discovery Club subsidy	100,000			100,000
Payroll taxes	181,077	67,887		248,964
Electric	145,938	7,766		153,704
Printing		3,204	143,866	147,070
Kitchen supplies	165,669			165,669
Repairs and maintenance	132,689	10,363		143,052
Contract labor/consulting		59,112		59,112
Miscellaneous	33,739	47,120		80,859
Retirement/Pensions	45,371	22,138		67,509
Insurance - liability		96,584		96,584
Water	49,249	1,888		51,137
Postage		35,669	68,746	104,415
Telephone	35,916	15,742		51,658
Office supplies	43,204	18,561		61,765
Janitorial	30,153	773		30,926
Insurance - workers compensation		33,055		33,055
Benevolence men	24,754			24,754
New equipment	21,959			21,959
Vehicle fuel	20,327	6,730		27,057
Insurance - disability/life	25,627	13,934		39,561
Garbage	16,086			16,086
Gas	29,633			29,633
License & subscription	427	35,749		36,176
Special events		14,109		14,109
Vehicle insurance	15,734	3,270		19,004
Organization dues		14,248		14,248
Medical	16,000			16,000
Vehicle maintenance	7,130	2,290		9,420
Class allowances	225			225
Accounting		14,490		14,490
Conventions/meetings		4,285		4,285
Literature/Supplies	286			286
I.T. supplies/equipment	3,894	6,952		10,846
Training/staff enrichment	6,805	5,674		12,479
Learning center	96			96
Children enrichment	1,185			1,185
Property taxes	80	2,224		2,304
Income tax		53,568		53,568
Benevolence women	130			130
Total	\$ 3,476,400	\$ 1,731,986	\$ 614,329	\$ 5,822,715

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, 2021**

Cash Flows from Operating Activities	
Increase (decrease) in net assets	\$ 1,589,845
Adjustments to reconcile increase in net assets to net assets provided by operating activities:	
Forgiveness of PPP Loan	(767,500)
Depreciation expense	<u>364,941</u>
Net Cash provided (used) by operating activities	\$ 1,187,286
 Cash flows from Investing Activities	
Collection of Note Receivable	\$ 7,701
Purchase of property and equipment	<u>(153,709)</u>
Net Cash provided (used) by investing activities	(146,008)
 Cash flows from Financing Activities	
Repayment of loans	<u>\$ (1,152,074)</u>
Net Cash provided (used) by financing activities	<u>(1,152,074)</u>
Net Increase (Decrease) in cash	\$ (110,796)
Cash - Beginning of year	<u>3,843,737</u>
Cash - End of year	<u><u>\$ 3,732,941</u></u>
 Supplemental Information	
Cash paid for interest	<u><u>\$ 38,111</u></u>

Noncash transactions:
None

Table reconciling restricted and unrestricted cash

	Unrestricted	Restricted	Total
Cash beginning of year	\$ 3,843,737	\$ -	\$ 3,843,737
Cash end of year	\$ 3,232,941	\$ 500,000	\$ 3,732,941

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.

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

Stewart Learning Centers:

Computer based education remediation and job readiness centers

The Mission has entered into an agreement to provide employment preparation, education and training services to individuals who receive benefits under the Supplemental Nutrition Assistance Program (SNAP). Under the agreement, the Mission receives reimbursement for expenses incurred. These expenses are included as a part of Shepura Men’s expenses in these financial statements. The reimbursements are included as a part of miscellaneous program revenue.

Note 2 - Summary of Significant Accounting Policies

Date of Management’s Review

Management has evaluated subsequent events through September 14, 2021, 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, 2018 through June 30, 2021 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 \$67,509.

DOWNTOWN JIMMIE HALE MISSION
NOTES TO FINANCIAL STATEMENTS

Note 4 - Functional 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 assigned as fundraising costs.

Fundraising costs:

Rather than allocating costs, the Mission, in its accounting records, segregated its fundraising costs. The Mission considers 100% of advertising costs to be fundraising expense. The Mission separately accounted for postage and printing that were related to fundraising and included these costs as fundraising expense. Fundraising expense also includes professional fundraising advisory fees and fees associated with a fundraising event.

Note 5 – Property and Equipment

The following is a summary of property and equipment, less accumulated depreciation on June 30, 2021:

Land	\$ 1,243,870
Buildings and improvements	11,095,416
Furniture and equipment	735,831
Automotive equipment	270,303
Total Cost	<u>\$ 13,345,420</u>
Less: accumulated depreciation	5,267,049
Property and equipment - net	<u><u>\$ 8,078,371</u></u>

Depreciation expense for the year ended June 30, 2021 totaled \$364,941.

Note 6 – Discovery Club

Effective July 1, 2020, the Mission transferred ownership of the Discovery Club school outreach program to Child Evangelism Fellowship of Alabama (CEF). Under the agreement, the Mission paid a transitional funding subsidy of \$100,000 to CEF during the year ended June 30, 2021. This payment ended the Mission's obligation to fund the Discovery Club program. During the year ended June 30, 2021, the Mission also paid Discovery Club expenses totaling \$10,648 that had accrued as of June 30, 2020, but were paid after the transfer.

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 19 % of the total contributions.

Cash on deposit in excess of insurance limits

As of June 30, 2021, the Mission had a total of \$2,188,280 in excess of FDIC insurance coverage.

DOWNTOWN JIMMIE HALE MISSION
NOTES TO FINANCIAL STATEMENTS

Note 8 – Notes payable

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

The Mission had financed the purchase of the Pinson property with a mortgage dated September 22, 2014 and collateralized by the financed real estate. Monthly payments were made on the loan until the Mission paid off the remaining balance on May 19, 2021.

Interest Expense:

Interest expense in the amount of \$38,111 was paid on the loan during the year.

Payroll Protection Program loan:

On April 24, 2020, the Mission received a U.S Small Business Administration (SBA) Payroll Protection Program Loan in the amount of \$767,500. The loan was recorded as a liability in the prior year financial statements. On about November 5, 2020 the loan was forgiven and the forgiveness has been recorded as income in the current fiscal year.

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	<u>June 30, 2021</u> \$ 3,741,036
Less those unavailable for general expenditure within one year Restricted cash	<u>500,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,241,036</u>

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
6/30/2022	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
Total	\$ 93,000	\$ 447,000	\$ 62,000	\$ 602,000

Cost of Property leased:

	Eastwood Mall	Pinson	Hanceville	Total
Cost	\$ 762,047	\$ 1,477,970	\$ 749,225	\$ 2,989,242
Acc Depn	138,111	142,284	434,515	714,910
Net	\$ 623,936	\$ 1,335,686	\$ 314,710	\$ 2,274,332

In addition to the base rent payments there are contingent rental amounts based upon sales. The contingent rentals are recorded when received and totaled \$112,327 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).

Note 12 – Income Taxes

The Mission was subject to unrelated business income tax on its rental revenues to the extent that its rental property was financed. The Pinson Bargain Center/Shopping Center was financed but the mortgage was paid off during the current fiscal year – See Note 8. Because the loan was paid off, the Mission is not expected to owe unrelated business income tax going forward but income tax was incurred during the current fiscal year.

Consistent with the modified cash basis of accounting, income tax expense is recorded as payments are made. During the current fiscal year, income tax payments of \$26,568 were paid for taxes that had accrued as of June 30, 2020. Additionally estimated tax payments of \$27,000 were paid toward the June 30, 2021 liability; therefore, income taxes paid during the current fiscal year totaled \$53,568.

The estimated tax payments of \$27,000 that were paid toward the June 30, 2021 liability were more than sufficient to cover the tax liability. There is a combined federal and state overpayment of \$7,448.

DOWNTOWN JIMMIE HALE MISSION
NOTES TO FINANCIAL STATEMENTS

Note 13 – Capital Campaign

Late in the fiscal year, the Mission launched a capital campaign with a goal to raise \$10,100,000 for the following purposes:

Establish Graduate Living Communities	\$ 3,850,000
Create a Continuum of Care Campus for Women	3,225,000
Renovate Men's Center Dormitories	1,625,000
Provide Educational Enrichment	<u>1,400,000</u>
Total	<u><u>\$ 10,100,000</u></u>

As of June 30, 2021, the Mission had received a donation of \$500,000 toward the campaign and none of the money had been spent. This donation has been accounted for as cash and net assets with donor restrictions in these financial statements.