

Downtown Jimmie Hale Mission
Financial Statements
Year Ended June 30, 2022

Downtown Jimmie Hale Mission

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POYTHRESS, HUGHETT & MATHEWS, L.L.C.

Certified Public Accountants

DAVID A. HUGHETT, CPA, CFE
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Downtown Jimmie Hale Mission

Opinion

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, 2022, and the related statements of support, revenue, and 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.

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, 2022, and its support, revenue, expenses and cash flows for the year then ended in accordance with the modified cash basis of accounting as described in Note 2.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Downtown Jimmie Hale Mission and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 2, and for 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 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 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 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 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 Downtown Jimmie Hale Mission's 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Downtown Jimmie Hale Mission's 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.

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

Poythress, Hughett & Mathews, L.L.C.
Birmingham, Alabama
October 24, 2022

DOWNTOWN JIMMIE HALE MISSION
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2022

Assets

Current Assets

Cash and cash equivalents - unrestricted	\$ 1,760,039
Cash with donor restrictions	649,151
Total Cash	2,409,190
Investments	1,967,515
Note receivable - current portion	8,509
Total Current Assets	4,385,214

Property and equipment - net 7,867,802

Other Noncurrent Assets:

Note receivable - long term portion	5,164
	5,164

Total Assets \$ 12,258,180

Liabilities and Net Assets

Liabilities \$ -

Net Assets

Without donor restrictions	11,595,872
With donor restrictions	662,308
Total Net Assets	12,258,180

Total Liabilities and Net Assets \$ 12,258,180

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, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Support:			
Contributions	\$ 5,498,265	\$ 300,693	\$ 5,798,958
Grants	83,582	-	83,582
Total Support	5,581,847	300,693	5,882,540
Revenue:			
Investment return	4,345	-	4,345
Miscellaneous program revenue	157,233	-	157,233
Gain on sale of fixed assets	19,234	-	19,234
Rent income	\$ 483,482		
Less Rent expense - Depreciation	(68,267)		
Less Rent expense - other	(84,880)		
Net Rent income	330,335	-	330,335
Net assets released from restrictions:			
Restrictions satisfied by capital campaign expenditures	138,385	(138,385)	-
Total Revenue	649,532	(138,385)	511,147
Total Support and Revenue	6,231,379	162,308	6,393,687
Expenses:			
Program Services:			
Men's Center	1,762,250		
Women's Center	820,750		
Substance Abuse Center	937,370		
Total Program Services	3,520,370	-	3,520,370
Supporting Services			
General and administrative expenses	1,763,463	-	1,763,463
Fundraising expenses	546,370		
Fundraising expense - capital campaign	138,385		
Total Fundraising expense	684,755	-	684,755
Total Supporting Services	2,448,218	-	2,448,218
Total Expenses	5,968,588	-	5,968,588
Increase in Net Assets	262,791	162,308	425,099
Net Assets, Beginning of Year	11,333,081	500,000	11,833,081
Net Assets, End of Year	\$ 11,595,872	\$ 662,308	\$ 12,258,180

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, 2022

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries and wages	\$ 1,914,265	\$ 973,069	\$ -	\$ 2,887,334
Hospital insurance	260,428	94,091	-	354,519
Depreciation expense	235,701	67,564	-	303,265
Advertising	-	-	278,632	278,632
Payroll taxes	174,891	79,094	-	253,985
Kitchen supplies	209,299	-	-	209,299
Electric	159,902	7,900	-	167,802
Printing	-	4,024	149,115	153,139
Fundraising Capital Campaign	-	-	138,404	138,404
I.T. supplies/equipment	9,068	107,989	-	117,057
Postage	-	30,474	72,757	103,231
Repairs and maintenance	86,226	13,033	-	99,259
Insurance - liability	-	99,145	-	99,145
Miscellaneous	37,975	53,970	-	91,945
Contract labor/consulting	-	26,838	45,847	72,685
Retirement/Pensions	46,408	23,920	-	70,328
Office supplies	48,265	12,161	-	60,426
Water	44,943	1,702	-	46,645
Telephone	29,357	12,206	-	41,563
Insurance - disability/life	23,200	10,667	-	33,867
Vehicle fuel	30,026	3,691	-	33,717
Benevolence men	31,587	-	-	31,587
Gas	30,227	-	-	30,227
License & subscription	407	29,343	-	29,750
Insurance - workers compensation	22,131	6,748	-	28,879
Vehicle insurance	23,967	4,185	-	28,152
Janitorial	27,869	219	-	28,088
Legal	-	23,864	-	23,864
Special events	-	23,256	-	23,256
Training/staff enrichment	9,744	12,401	-	22,145
Accounting	-	17,704	-	17,704
Medical	17,632	12	-	17,644
Garbage	15,909	-	-	15,909
Vehicle maintenance	10,677	2,730	-	13,407
New equipment	8,676	3,180	-	11,856
Organization dues	-	8,897	-	8,897
Conventions/meetings	-	7,162	-	7,162
Client care	4,979	-	-	4,979
Truist Foundation Grant 2000	3,275	-	-	3,275
Background checks	2,494	-	-	2,494
Property taxes	79	2,224	-	2,303
Children enrichment	763	-	-	763
Total	\$ 3,520,370	\$ 1,763,463	\$ 684,755	\$ 5,968,588

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, 2022**

Cash Flows from Operating Activities

Increase in net assets	\$	425,099
Adjustments to reconcile increase in net assets to net assets provided by operating activities:		
Depreciation expense		371,532
Gain on disposal of property and equipment		<u>(19,234)</u>
Net cash provided by operating activities	\$	<u>777,397</u>

Cash flows from Investing Activities

Collection of note receivable		8,096
Proceeds from disposal of equipment		19,234
Purchase of property and equipment		(160,963)
Purchase of investments		(2,257,436)
Proceeds from sale of investments		<u>289,921</u>
Net cash used by investing activities		<u>(2,101,148)</u>
Net decrease in cash	\$	(1,323,751)
Cash - Beginning of year		<u>3,732,941</u>
Cash - End of year	\$	<u><u>2,409,190</u></u>

Supplemental Information

Noncash transactions:
None

Table reconciling restricted and unrestricted cash

	Unrestricted	Restricted	Total
Cash beginning of year	\$ 3,232,941	\$ 500,000	\$ 3,732,941
Cash end of year	\$ 1,760,039	\$ 649,151	\$ 2,409,190

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 October 24, 2022, 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

The 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.

Cash and Cash Equivalents

For the 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.

Investments

The Mission's investments are recorded at cost. Investment income included interest, dividends, and realized gains and losses that are recorded as increases or decreases in net assets without donor restrictions. Interest and dividends are reported when paid. Realized gains and losses are recognized as the difference between the selling price and adjusted cost basis of investments sold and are reported on a trade-date basis.

Property and Equipment

Property and equipment are 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, 2019 through June 30, 2022 are within the statute of limitations for IRS examinations.

Advertising

The Mission expenses advertising costs when they are incurred.

DOWNTOWN JIMMIE HALE MISSION
NOTES TO FINANCIAL STATEMENTS

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 \$70,328.

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 expenses. The Mission separately accounted for postage and printing that were related to fundraising and included these costs as fundraising expense. Fundraising expenses also include professional fundraising advisory fees and fees associated with a fundraising event.

Note 5 – Investments

The Mission's investments consist of mutual funds and municipal and corporate bonds. The cost of the investments at June 30, 2022 was:

Mutual Funds	\$ 1,411,660
Municipal Bonds	292,792
Corporate Bonds	263,063
Total	<u>\$ 1,967,515</u>

The unrealized losses on investments at June 30, 2022 are as follows:

	Cost	Fair Market Value	Unrealized Losses
Mutual Funds	\$ 1,411,660	\$ 1,149,155	\$ 262,505
Municipal Bonds	292,792	261,144	31,648
Corporate Bonds	263,063	235,938	27,125
	<u>\$ 1,967,515</u>	<u>\$ 1,646,237</u>	<u>\$ 321,278</u>

DOWNTOWN JIMMIE HALE MISSION
NOTES TO FINANCIAL STATEMENTS

Note 6 – Property and Equipment

The following is a summary of property and equipment, less accumulated depreciation on June 30, 2022:

Land	\$ 1,243,870
Buildings and improvements	11,226,183
Furniture and equipment	766,027
Automotive equipment	244,948
Total Cost	<u>\$ 13,481,028</u>
Less: accumulated depreciation	<u>5,613,226</u>
Property and equipment - net	<u><u>\$ 7,867,802</u></u>

Depreciation expense for the year ended June 30, 2022 totaled \$371,532.

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 22 % of the total contributions.

Cash on deposit in excess of insurance limits

As of June 30, 2022, the Mission had a total of \$2,122,907 in excess of FDIC insurance coverage.

Note 8 – 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 9 – 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	\$ 4,376,705
Less those unavailable for general expenditure within one year	
Restricted cash	<u>649,151</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 3,727,554</u></u>

DOWNTOWN JIMMIE HALE MISSION
NOTES TO FINANCIAL STATEMENTS

Note 10 – 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
6/30/2023	36,000	176,250	24,000	236,250
6/30/2024	21,000	105,000	14,000	140,000
Total	\$ 57,000	\$ 281,250	\$ 38,000	\$ 376,250

Cost of Property leased:

	Eastwood Mall	Pinson	Hanceville	Total
Cost	\$ 762,047	\$ 1,477,970	\$ 749,225	\$ 2,989,242
Acc Depn	147,066	160,362	463,079	770,507
Net	\$ 614,981	\$ 1,317,608	\$ 286,146	\$ 2,218,735

In addition to the base rent payments there are contingent rental amounts based upon sales. The contingent rentals are recorded when received and totaled \$87,203 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 11 – 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 year ended June 30, 2021. Because the loan was paid off, the Mission is not expected to owe unrelated business income tax going forward. During the year ended June 30, 2022, the Mission received a refund of \$7,077 for estimated income taxes that were paid toward the year ended June 30, 2021.

DOWNTOWN JIMMIE HALE MISSION
NOTES TO FINANCIAL STATEMENTS

Note 12 – Capital Campaign

During the year ended June 30, 2021, the Mission launched a capital campaign with a goal to raise \$10,100,000. During the year ended June 30, 2022, the goal was reduced to \$6,025,000 to be used for the following purposes: renovation of the Shepura Men’s Center, facilities improvements for Royal Pines and Jessie’s Place, and the Xylem Project pilot program for rentals for program graduates. Campaign fundraising expenses are also being incurred.

During the year ended June 30, 2022, the Mission received donations of \$300,693 toward the campaign. Since the inception of the campaign, receipts and expenditures have been as follows:

Receipts	\$ 800,693
Campaign fundraising expenses	<u>138,385</u>
Capital campaign net assets	<u><u>\$ 662,308</u></u>