



STEWART
MARTIN
DUDLEY
WEBB, PC

CERTIFIED PUBLIC ACCOUNTANTS

FAITH CITY, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019
with
INDEPENDENT AUDITOR'S REPORT

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Independent Auditor's Report

Board of Directors
Faith City, Inc.
Amarillo, Texas

We have audited the accompanying financial statements of Faith City, Inc. (a nonprofit organization), which comprise the statements of financial position, as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits 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 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 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.

Board of Directors
Faith City, Inc.
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Faith City, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Stewart, Martin, Dudley & Webb, P.C.

Amarillo, Texas
September 17, 2021

FINANCIAL STATEMENTS

FAITH CITY, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2020 and 2019

ASSETS	2020			2019		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Current assets:						
Cash and cash equivalents	\$ 934,036	\$170,996	\$1,105,032	\$ 747,627	\$135,512	\$ 883,139
Promises to give	-	-	-	-	5,000	5,000
Other receivables	-	-	-	108	-	108
Investments, at fair value	-	-	-	11,000	95,150	106,150
Prepaid expenses and other	14,894	-	14,894	54,711	-	54,711
Total current assets	948,930	170,996	1,119,926	813,446	235,662	1,049,108
Other assets	5,379	-	5,379	5,379	-	5,379
Land, buildings, and equipment, net of accumulated depreciation	8,367,747	-	8,367,747	8,112,916	-	8,112,916
Total assets	<u>\$9,322,056</u>	<u>\$170,996</u>	<u>\$9,493,052</u>	<u>\$8,931,741</u>	<u>\$235,662</u>	<u>\$9,167,403</u>
<u>LIABILITIES AND NET ASSETS</u>						
Current liabilities:						
Accounts payable	\$ 75,064	\$ -	\$ 75,064	\$ 95,824	\$ -	\$ 95,824
Notes payable to bank	192,000	-	192,000	292,000	-	292,000
Total current liabilities	267,064	-	267,064	387,824	-	387,824
Net assets:						
Without donor restrictions	9,054,992	-	9,054,992	8,543,917	-	8,543,917
With donor restrictions	-	170,996	170,996	-	235,662	235,662
Total net assets	<u>9,054,992</u>	<u>170,996</u>	<u>9,225,988</u>	<u>8,543,917</u>	<u>235,662</u>	<u>8,779,579</u>
	<u>\$9,322,056</u>	<u>\$170,996</u>	<u>\$9,493,052</u>	<u>\$8,931,741</u>	<u>\$235,662</u>	<u>\$9,167,403</u>

See accompanying notes.

FAITH CITY, INC.

STATEMENTS OF ACTIVITIES

Years ended December 31, 2020 and 2019

	2020			2019		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Support and revenue:						
Contributions and bequests	\$2,239,498	\$ 259,592	\$2,499,090	\$1,809,473	\$ 349,220	\$2,158,693
Program grants and contracts	71,500	-	71,500	41,800	1,875,000	1,916,800
Stock contributions	-	-	-	-	95,150	95,150
Special events, net of direct expenses	-	-	-	79,080	-	79,080
In-kind donations	-	-	-	11,424	-	11,424
Other revenue:						
Dividends and interest	6,846	-	6,846	8,422	-	8,422
Net unrealized gain from investments	-	-	-	11,000	-	11,000
Income from partnership interest	9,022	-	9,022	14,333	-	14,333
Clothing recycle income	4,732	-	4,732	6,922	-	6,922
Government contributions - PPP loan	190,900	-	190,900	-	-	-
Insurance income	-	-	-	314,620	-	314,620
Other income	18,610	-	18,610	8,006	-	8,006
	<u>2,541,108</u>	<u>259,592</u>	<u>2,800,700</u>	<u>2,305,080</u>	<u>2,319,370</u>	<u>4,624,450</u>
Net assets released from restrictions	<u>324,258</u>	<u>(324,258)</u>	<u>-</u>	<u>3,676,638</u>	<u>(3,676,638)</u>	<u>-</u>
Total support and revenue	2,865,366	(64,666)	2,800,700	5,981,718	(1,357,268)	4,624,450
Expenses:						
Program services:						
Mission	1,112,251	-	1,112,251	936,240	-	936,240
Family shelter	274,293	-	274,293	250,875	-	250,875
Outreach	282,956	-	282,956	252,180	-	252,180
Supporting services:						
General and administrative	319,082	-	319,082	282,583	-	282,583
Fundraising	365,709	-	365,709	377,197	-	377,197
Total expenses	<u>2,354,291</u>	<u>-</u>	<u>2,354,291</u>	<u>2,099,075</u>	<u>-</u>	<u>2,099,075</u>
Net increase (decrease) in net assets	511,075	(64,666)	446,409	3,882,643	(1,357,268)	2,525,375
Net assets at beginning of year	<u>8,543,917</u>	<u>235,662</u>	<u>8,779,579</u>	<u>4,661,274</u>	<u>1,592,930</u>	<u>6,254,204</u>
Net assets at end of year	<u>\$9,054,992</u>	<u>\$ 170,996</u>	<u>\$9,225,988</u>	<u>\$8,543,917</u>	<u>\$ 235,662</u>	<u>\$8,779,579</u>

See accompanying notes.

FAITH CITY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2020

	Program Services			Supporting Services		Total
	Mission	Family shelter	Outreach	General and administrative	Fundraising	
Personnel costs:						
Salaries and wages	\$ 448,611	\$152,207	\$ 32,044	\$152,207	\$ 16,022	\$ 801,091
Payroll taxes	34,266	11,626	2,448	11,626	1,224	61,190
Retirement plan contributions	4,740	-	-	-	-	4,740
Gifts and bonuses/temporary help	5,053	1,714	361	1,714	180	9,022
Workers' compensation insurance	6,137	2,082	438	2,082	219	10,958
Employee health insurance	45,415	15,409	3,244	15,409	1,622	81,099
Occupancy and equipment costs:						
Repairs and maintenance	87,253	1,094	-	-	-	88,347
Supplies	16,450	3,015	-	-	-	19,465
Equipment/equipment rental	672	4,270	-	-	-	4,942
Utilities and telephone	100,268	15,871	-	-	-	116,139
Property and liability insurance	72,215	24,501	5,158	24,501	2,579	128,954
Vehicle expense	23,937	-	-	-	-	23,937
Emergency expenses	22,468	-	-	-	-	22,468
Depreciation	98,600	33,454	7,043	33,454	3,521	176,072
Other costs:						
Food service	117,224	-	-	-	-	117,224
Residential programs	28,942	9,050	-	-	-	37,992
Training, conventions and seminars	-	-	-	-	2,026	2,026
Mail outs and postage	-	-	-	-	335,371	335,371
Foreign outreach	-	-	29,877	-	-	29,877
Missionary support	-	-	175,723	-	-	175,723
Other public relations/outreach	-	-	26,620	-	-	26,620
Professional fees	-	-	-	25,766	-	25,766
Staff training/uniforms	-	-	-	875	-	875
Computer costs	-	-	-	6,009	-	6,009
Office supplies	-	-	-	11,461	-	11,461
Postage	-	-	-	4,322	-	4,322
Dues and publications	-	-	-	4,216	-	4,216
Bank fees	-	-	-	15,849	-	15,849
Other expenses	-	-	-	9,591	-	9,591
Capital Campaign & Consulting	-	-	-	-	2,945	2,945
	<u>\$1,112,251</u>	<u>\$274,293</u>	<u>\$282,956</u>	<u>\$319,082</u>	<u>\$365,709</u>	<u>\$2,354,291</u>

See accompanying notes.

FAITH CITY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2019

	Program Services			Supporting Services		Total
	Mission	Family shelter	Outreach	General and administrative	Fundraising	
Personnel costs:						
Salaries and wages	\$437,108	\$148,031	\$ 26,658	\$151,069	\$ 14,492	\$ 777,358
Payroll taxes	33,087	11,324	2,039	11,557	1,109	59,116
Retirement plan contributions	4,925	-	-	-	-	4,925
Workers' compensation insurance	4,942	1,674	301	1,708	164	8,789
Employee health insurance	43,059	14,582	2,626	14,882	1,428	76,577
Occupancy and equipment costs:						
Repairs and maintenance	21,190	2,911	-	-	-	24,101
Supplies	14,813	4,246	-	-	-	19,059
Equipment rental	111	3,233	-	-	-	3,344
Utilities and telephone	89,315	19,881	-	-	-	109,196
Property and liability insurance	64,171	21,732	3,914	22,178	2,128	114,123
Vehicle expense	21,927	-	-	-	-	21,927
Emergency expenses	2,708	-	-	-	-	2,708
Depreciation	44,602	15,105	2,720	15,415	1,479	79,321
Other costs:						
Food service	135,337	-	-	-	-	135,337
Residential programs	18,945	8,156	-	-	-	27,101
Training, conventions and seminars	-	-	-	-	2,987	2,987
Mail outs and postage	-	-	-	-	319,601	319,601
Foreign outreach	-	-	25,285	-	-	25,285
Missionary support	-	-	163,032	-	-	163,032
Other public relations/outreach	-	-	25,605	-	-	25,605
Professional fees	-	-	-	18,687	-	18,687
Staff training/uniforms	-	-	-	1,187	-	1,187
Computer costs	-	-	-	3,081	-	3,081
Office supplies	-	-	-	12,428	-	12,428
Postage	-	-	-	6,711	-	6,711
Dues and publications	-	-	-	3,627	-	3,627
Directors' and officers' liability insurance	-	-	-	1,972	-	1,972
Bank fees	-	-	-	11,829	-	11,829
Other expenses	-	-	-	6,252	-	6,252
Capital Campaign & Consulting	-	-	-	-	33,809	33,809
	<u>\$936,240</u>	<u>\$250,875</u>	<u>\$252,180</u>	<u>\$282,583</u>	<u>\$377,197</u>	<u>\$2,099,075</u>

See accompanying notes.

FAITH CITY, INC.

STATEMENTS OF CASH FLOWS

Years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Increase in net assets	\$ 446,409	\$ 2,525,375
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	176,072	79,321
Government contribution revenue - PPP	(190,900)	-
Unrealized gain on investment	-	(11,000)
Stock contributions	-	(95,150)
(Increase) decrease in operating assets:		
Promises to give	5,000	7,000
Other receivables	108	992
Prepaid expenses and other	39,817	(18,696)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(20,760)	22,971
Refundable advances - PPP	190,900	-
	<u> </u>	<u> </u>
Net cash provided by operating activities	646,646	2,510,813
Cash flows from investing activities:		
Purchases of land, building and equipment	(430,903)	(3,526,327)
Net decrease in investments	<u>106,150</u>	<u>695,330</u>
Net cash used by investing activities	(324,753)	(2,830,997)
Net cash used by financing activities - payments on note payable to bank	<u>(100,000)</u>	<u>(100,000)</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	221,893	(420,184)
Cash, cash equivalents and restricted cash at beginning of year	<u>883,139</u>	<u>1,303,323</u>
Cash, cash equivalents and restricted cash at end of year	<u>\$1,105,032</u>	<u>\$ 883,139</u>

Non-cash operating activities of \$190,900 occurred for the PPP loan forgiveness during the year ended December 31, 2020.

See accompanying notes.

FAITH CITY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

1. Summary of significant accounting policies

Nature of organization and activities - Faith City, Inc. (the "Organization" or "Faith City") is a nonprofit voluntary welfare organization, established by Reverend and Mrs. Richard Hogan, Sr. under the laws of the State of Texas, and holding a corporate charter dated December 2, 1954. The entity owns and operates two adjacent facilities in the downtown area of the City of Amarillo: Faith City Mission, which was established at the inception of the Organization, and Faith City Family Shelter, which was opened in 1984. In 2014, Mission Ranch, located outside Amarillo, was acquired to enable the organization to further assist clients in returning to productive lives. Faith City acquired, through donation, a new facility on Tyler Street, formerly a hospice facility, that is intended to be a replacement for its original downtown locations, including both the Faith City Mission, as well as the Family Shelter, and its Mission Ranch operations. The new location is known as "Mission 2.0." These are controlled by a Board of Directors who employ an Executive Director to manage the day to day affairs of the Organization.

The facility designated as Mission 2.0 provides food, clothing, and shelter to homeless men, and has adopted a structured program to assist them in returning to productive lives. The facility known as the Family Shelter provides temporary emergency housing, food, and clothing to families, couples, single parents and women who are in need. Additionally, the Organization provides a number of outreach services, such as prison ministries.

Faith City is supported primarily by contributions and bequests from churches, foundations, and the general public.

Basis of accounting - The financial statements of Faith City have been presented in accordance with accounting principles generally accepted in the United States of America as applicable to nonprofit organizations.

FAITH CITY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

1. Summary of significant accounting policies (cont'd)

Basis of presentation - Faith City is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Cash, cash equivalents and restricted cash - For financial reporting purposes, cash equivalents include time deposits and highly liquid debt instruments that are readily convertible to cash and have original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes.

Statements of cash flows - Interest paid during the years ended December 31, 2020 and 2019, was \$17,086 and \$37,751, respectively. Of these amounts, \$17,086 and \$37,751 for the years ended December 31, 2020 and 2019, respectively, was capitalized as part of the ongoing construction projects at the Mission Ranch and Mission 2.0 properties.

Promises to give

Promises to give consist of pledges of contributions. Management believes that the pledges are fully collectible within one year. Management has made no provision for an allowance for doubtful accounts at December 31, 2020 and 2019. Long-term pledges are discounted at Faith City's incremental borrowing rate.

Investments - Except for cash equivalents as described above, time deposits and debt instruments are reported as investments.

Investments in marketable securities with readily determinable fair values and all investments in debt securities are presented at their fair values in the statements of financial position, with both realized and unrealized gains and losses included in the statements of activities. Fair values are determined by quoted market prices, when available. Local bank stock (Note 16) is determined by an annual valuation of the stock's fair value.

FAITH CITY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

1. Summary of significant accounting policies (cont'd)

Land, buildings and equipment - All acquisitions of property and equipment and all expenditures for repairs, maintenance, renewals and betterments of \$5,000 or more that materially prolong the useful lives of assets are capitalized. Property and equipment are recorded at cost or, in the case of donated property, at estimated fair value at the date of receipt. Faith City provides for depreciation of furniture and equipment using the straight-line method over the estimated useful lives of the assets.

Contributions - Contributions received are recorded as support with donor restrictions or without donor restrictions, depending on the existence or nature of any donor restrictions.

All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Federal income taxes - Faith City, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Internal Revenue Service has ruled that Faith City, Inc. is not a private foundation pursuant to Sections 509(a)(1) and (3) of the Internal Revenue Code and qualifies for the charitable contributions deduction for individual donors.

FAITH CITY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

1. Summary of significant accounting policies (cont'd)

Donated materials and services - Faith City serves over 100,000 meals annually to the homeless. In order to support these efforts, direct food costs were incurred in amounts of \$117,224 and \$135,337 for 2020 and 2019, respectively. Much of this food was purchased at discounted prices or received as in-kind contributions from the community. In addition to feeding services, the Organization provides clothing and household items to the homeless that have been donated to the Organization. Much of the clothing donated to the Organization must be disposed of by sales to recyclers, and these donations are valued at the sales proceeds net of expenses of cleaning and sorting. Neither the value of clothing that is distributed to the residents and other needy persons, nor the added value of discounted food purchases or donated food or household items, have been reflected in the accompanying financial statements because no objective basis is available to track and measure the value of such donations.

A large number of people have contributed significant amounts of time to the activities of Faith City without compensation. The financial statements do not reflect the value of those contributed services because, although clearly substantial, such services do not require identifiable specialized skills, and because no reliable basis exists for determining an appropriate amount.

FAITH CITY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

2. Liquidity and availability of financial assets

The following reflects Faith City's financial assets as of December 31, reduced by amounts not available for general use within one year of December 31:

	<u>2020</u>	<u>2019</u>
Financial assets, at year-end	\$1,105,032	\$ 994,397
Less those unavailable for general expenditures within one year, due to:		
Donor-imposed restrictions:		
Endowments	(125,000)	(125,000)
Mission Ranch and Mission Ranch 2.0	-	(95,150)
Purpose restrictions	(45,996)	(15,512)
Board designations:		
Operating reserves	-	(12)
	<u>\$ 934,036</u>	<u>\$ 758,273</u>

Generally, as part of Faith City's liquidity management, it has structured its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

3. Promises to give

Promises to give that are to be given in terms greater than one year are discounted at Faith City's incremental borrowing rate (5.25% at December 31, 2020).

Promises to give consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Promises to give	\$ -	\$ 5,000
Less amounts due in one year	-	(5,000)
Long-term portion of promises to give	<u>\$ -</u>	<u>\$ -</u>

FAITH CITY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

4. Investments

Investments consist of the following at December 31:

	<u>Fair</u>	<u>2019</u>	<u>Unrealized</u>
	<u>value</u>	<u>Cost</u>	<u>gain</u>
Local bank stock - 2,200 shares	<u>\$106,150</u>	<u>\$ 95,150</u>	<u>\$11,000</u>

Investment income from this investment for 2019 consisted solely of an unrealized gain of \$11,000. All shares of this investment were sold during the year ended December 31, 2020.

5. Land, buildings and equipment

Land, buildings and equipment consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Faith City Mission:		
Land	\$ 100,786	\$ 100,786
Buildings and improvements	1,287,606	1,287,606
Equipment	291,543	291,543
Furniture and fixtures	108,590	108,590
Autos and trucks	<u>136,725</u>	<u>136,725</u>
	1,925,250	1,925,250
Family Shelter:		
Land	49,510	49,510
Buildings and improvements	827,722	827,722
Equipment	56,744	56,744
Furniture and fixtures	<u>52,181</u>	<u>52,181</u>
	986,517	986,157
Mission Ranch:		
Land	131,684	-
Construction in progress	-	2,244,288
Buildings and improvements	2,159,104	-
Equipment	<u>30,571</u>	<u>19,900</u>
	2,321,359	2,264,188

FAITH CITY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

5. Land, buildings and equipment (cont'd)

	<u>2020</u>	<u>2019</u>
Mission 2.0:		
Land	\$ 56,250	\$ -
Construction in progress	-	4,574,184
Furniture and fixtures	46,401	33,849
Equipment	211,622	196,480
Buildings and improvements	<u>4,863,612</u>	<u>-</u>
	<u>5,177,885</u>	<u>4,804,513</u>
Total land, buildings and equipment	10,411,011	9,980,108
Less accumulated depreciation	<u>(2,043,264)</u>	<u>(1,867,192)</u>
	<u>\$ 8,367,747</u>	<u>\$ 8,112,916</u>

6. Other assets

Interest in a limited partnership, which holds producing oil and gas royalty interest, was received as a contribution in 1998. Faith City carries this investment on its books at the amount of its capital account as reflected on the partnership's federal income tax return. However, income in amounts of \$9,022 in 2020 and \$14,333 in 2019 indicate that the fair value of the partnership interest is substantially in excess of the partnership capital account.

7. Notes payable to bank

In 2014, Faith City acquired property it intends to renovate and use as a mission facility (Mission Ranch). In order to fund the purchase, Faith City entered into a note payable dated December 22, 2014, with a bank in Amarillo. The principal amount of the note was \$792,000, bore interest at the prime rate as published in the Wall Street Journal plus .75% with a floor of 4.00% and was originally due on demand or December 22, 2015. The note renewed on December 22, 2016, in the amount of \$592,000 with interest fixed at 5.75% and being due on demand or on December 22, 2021. The note is collateralized by Mission Ranch. The amount outstanding on the note was \$192,000 and \$292,000 as of December 31, 2020 and 2019, respectively.

FAITH CITY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

7. Notes payable to bank (cont'd)

During the year ended December 31, 2019, Faith City obtained a line of credit from a local bank in Amarillo that was most recently renewed on October 14, 2020. The line of credit has a revolving feature and matures October 14, 2021. The line of credit has a maximum balance of \$300,000 and bears interest at Prime, with a 4.25% floor (4.25% as of December 31, 2020). The outstanding balance as of December 31, 2020 and 2019, was \$0 and \$0, respectively.

8. Concentration of credit risk

Concentrations of credit risk for Faith City consist of cash deposit accounts. Cash deposit accounts at each financial institution, where accounts are held, are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At December 31, 2020 and 2019, Faith City had \$719,565 and \$391,651 in excess of the FDIC insured limit, respectively.

There were no donors that contributed more than 10% of Faith City's support for the year ended of December 31, 2020. Approximately 38% of Faith City's support for the year ended December 31, 2019, came from one granting agency. There were no outstanding promises to give from the agency as of December 31, 2020, or December 31, 2019.

9. Restricted net assets

Net assets with donor restriction as of December 31 are restricted for the following purposes:

Subject to expenditure for specified purposes:

	<u>2020</u>	<u>2019</u>
Women's ministry	\$ 15,903	\$ 4,642
Benevolence	15,000	-
Empty stocking	-	76
Mission Ranch and Mission 2.0	-	95,150
Car repairs	8,037	-
Various ongoing ministries	<u>7,056</u>	<u>10,794</u>

FAITH CITY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

9. Restricted net assets (cont'd)

	<u>2020</u>	<u>2019</u>
	45,996	110,662
Not available for expenditure - endowment fund	<u>125,000</u>	<u>125,000</u>
Total net assets with donor restrictions	<u>\$170,996</u>	<u>\$235,662</u>

Endowment funds consists of funds received in 2001 from the Alta Belle Briley Trust (Briley Trust). Per the governing document, the \$125,000 is to be held in an endowment fund bearing Alta Belle Briley's name and distribute only income from the fund in perpetuity.

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires Faith City to retain as a fund of perpetual duration. Deficiencies can result from unfavorable market fluctuations that occur after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors. Deficiencies as of December 31, 2020 and 2019, were \$0 and \$0, respectively.

10. Retirement plan

In 1994, Faith City adopted a tax sheltered annuity plan (the "Plan") under Internal Revenue Code Section 403(b). All full-time employees are eligible for the Plan after one year of service. The underlying annuity contracts are owned by the individual employees. Employees may make contributions to their retirement accounts at their discretion.

Faith City currently contributes 5% of the employee's salary to the Plan. The Organization's cost for the Plan in 2020 and 2019 was \$4,740 and \$4,925, respectively.

FAITH CITY, INC.

NOTES TO FINANCIAL STATEMENTS

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11. Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. The Family Shelter is operated as an adjunct to the Mission, and some indirect costs of operating this facility are included in Mission expenses.

12. Compensated absences

Vacation leave is earned by full-time and regular part-time employees. Vacation leave is accrued at the rate of five days per year and increases to ten days per year after one year of service. Unused vacation time at the end of each calendar year is lost. Employees that terminate during the year are entitled to vacation for accrued leave upon termination of employment.

All full-time and regular part-time employees accrue sick leave at the rate of one-half day per month of service. This time may accumulate from year to year for up to fifteen days, but employees are not compensated for accrued sick leave upon termination.

13. Fundraising

The Organization uses an outside fundraising company to handle much of its contribution solicitations. Fees, including postage, paid to this company for 2020 and 2019 were \$335,371 and \$319,601, respectively.

14. Grant Contingency & Bridge Note Payable

During the year ended December 31, 2019, Faith City met the requirements for, and received, a \$1,600,000 grant from the Federal Home Loan Bank of San Francisco ("FHLB"), as part of the Affordable Housing Program ("AHP"). The grant was restricted for the renovation of the Mission 2.0 facility which will be used partly for low-income housing. The grant is contingent upon, and includes, a monitoring period of 15 years and requires Faith City to maintain certain ratios of low-income tenants and to make certifications annually for its adherence to the grant's requirements.

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14. Grant Contingency & Bridge Note Payable (cont'd)

In anticipation of the AHP grant from the FHLB, Faith City obtained a \$1,200,000 line of credit from Raza Development Corporation. This line of credit was advanced in 2019 and was paid off, and closed, in June 2019 by the receipt of the aforementioned \$1,600,000 grant from the FHLB.

15. Fair value of financial instruments

Cash, receivables and payables - The carrying amount approximates fair value because of their short maturities or due dates.

Investments - The fair value of all investments is based on quoted market prices for those or similar investments.

The framework for measuring fair value produces a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Faith City has the ability to access.

Level 2: Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- quoted inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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NOTES TO FINANCIAL STATEMENTS

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16. Fair value of financial instruments (cont'd)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following table sets forth by level, within the fair value hierarchy, Faith City's assets at fair value as of December 31:

	<u>2019</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Local bank stock	\$ <u> -</u>	\$ <u> -</u>	\$ <u>106,150</u>	\$ <u>106,150</u>

The following schedules reconcile the beginning and ending balances of level 3 investments:

	<u>Bank stock</u>	
	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 106,150	\$ 695,330
Transfers out: sales	(106,150)	(695,330)
Transfers in: contributions	-	95,150
Unrealized gains	-	11,000
Ending balance	<u>\$ -</u>	<u>\$ 106,150</u>

Fair values for assets in Level 3 are calculated using assumptions about discounted cash flow and other present value techniques. There were no changes in the valuation techniques used at December 31, 2020 and 2019.

17. Related parties

Faith City uses the services of two businesses at which members of Faith City's Board of Directors are employed. Two construction contracts related to Mission 2.0 and Mission Ranch are managed by a member of Faith City's Board of Directors as superintendent. Payments on these contracts totaled \$0 and \$3,108,880 for the years ended December 31, 2020 and 2019, respectively. Additionally, Faith City's primary insurance provider (broker) employs a member of the Board of Directors. Amounts paid to the company for the years ended December 31, 2020 and 2019, were \$88,427 and \$132,627, respectively.

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NOTES TO FINANCIAL STATEMENTS

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18. Paycheck Protection Program

On April 5, 2020, the Organization received a loan in the amount of \$190,900 under the Paycheck Protection Program (PPP Loan). The PPP Loan and accrued interest are forgivable after the covered period, up to 24-weeks, if the borrower uses the PPP Loan proceeds for eligible purposes, including payroll, benefits, rent, utilities, covered operations expenditures, covered property damage, covered supplier costs, covered worker protection expenditures and maintains its payroll levels. The amount of the PPP Loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the covered period, up to 24 weeks. The unforgiven portion of the PPP Loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first 10 months after the covered period. The Organization expects to meet the PPP's eligibility criteria and, therefore, has concluded that the PPP Loan represents, in substance, a grant that is expected to be forgiven. As a result, the Organization has accounted for the PPP Loan in accordance with FASB ASC 958-605 as a conditional contribution. The Organization initially recorded the amount received as a refundable advance followed by a reduction in the advance and recognition of revenue as the aforementioned conditions are substantially met. On November 9, 2020, the PPP loan was forgiven, in full plus interest, by the Small Business Administration (SBA), resulting in recognition of the entire PPP Loan amount as government contribution revenue in the accompanying financial statements.

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19. Subsequent events

Faith City's operations may be affected by the recent outbreak of the coronavirus disease (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on Faith City's financial position, operations and cash flows. Possible effects may include, but are not limited to, disruption to Faith City's donors and contributions, absenteeism in Faith City's labor workforce, unavailability of products and supplies used in operations, and a decline in value of assets held by Faith City, including investments, and property and equipment. The related impact cannot be reasonably estimated at this time.

Subsequent to year end, Faith City sold its facility in downtown Amarillo, Texas. With the funds received, the Organization paid its remaining balance due on its note payable secured by the Mission Ranch property.

Subsequent events were evaluated through September 17, 2021, the date these financial statements were available to be issued.