



CHRISTIAN HERALD ASSOCIATION, INC.  
AND SUBSIDIARIES

Consolidated and Combined Financial Statements  
With Independent Auditors' Report

September 30, 2023

# CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Christian Herald Association, Inc. and Subsidiaries  
New York, New York

### ***Opinion***

We have audited the accompanying consolidated and combined financial statements of Christian Herald Association Inc. and Subsidiaries, which comprise the consolidated and combined statement of financial position as of September 30, 2023, and the related consolidated and combined statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated and combined financial statements.

In our opinion, the consolidated and combined financial statements referred to above present fairly, in all material respects, the consolidated and combined financial position of Christian Herald Association Inc. and Subsidiaries as of September 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***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 Auditors' Responsibilities for the Audit of the Consolidated and Combined Financial Statements section of our report. We are required to be independent of Christian Herald Association Inc. and Subsidiaries 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.

### ***Responsibilities of Management for the Consolidated and Combined Financial Statements***

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

In preparing the consolidated and combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Christian Herald Association Inc. and Subsidiaries' ability to continue as a going concern within one year after the date that the consolidated and combined financial statements are available to be issued.

Board of Directors  
Christian Herald Association, Inc. and Subsidiaries  
New York, New York

***Auditors' Responsibilities for the Audit of the Consolidated and Combined Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated and combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated and combined 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 consolidated and combined 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 consolidated and combined 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 Christian Herald Association Inc. and Subsidiaries' 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 consolidated and combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Christian Herald Association Inc. and Subsidiaries' 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.

*Capin Crouse LLP*

New York, New York  
July 15, 2024

# CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

## Consolidated and Combined Statement of Financial Position

September 30, 2023

### ASSETS:

Cash and cash equivalents	\$ 1,198,524
Accounts receivable	55,885
Pledges receivable-net	2,721,600
Prepaid expenses	567,857
Deposits and other assets	554,424
Assets held for sale	3,607,034
Operating lease-right-of-use assets	501,310
Financing lease-right-of-use assets	37,897
Investments	11,101,363
Restricted cash	257,403
Land, buildings and equipment-net	42,873,847
Beneficial interest in perpetual trusts	1,626,713

Total Assets \$ 65,103,857

### LIABILITIES AND NET ASSETS:

#### Liabilities:

Accounts payable and accrued expenses	\$ 1,474,571
Operating lease liabilities	558,693
Financing lease liabilities	42,446
Post-retirement benefits payable	392,950
Notes payable - recoverable subsidies	4,540,000

Total liabilities 7,008,660

#### Net assets:

Without donor restrictions	47,791,839
With donor restrictions	10,303,358

Total net assets 58,095,197

Total Liabilities and Net Assets \$ 65,103,857

See notes to consolidated and combined financial statements

# CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

## Consolidated and Combined Statement of Activities

Year Ended September 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT, REVENUE AND RECLASSIFICATIONS:			
Support:			
Contributions	\$ 12,690,291	\$ 4,164,995	\$ 16,855,286
Special events-net (Note 11)	2,256,493	-	2,256,493
Gifts-in-kind	5,142,663	-	5,142,663
Volunteer services	6,440	-	6,440
Total support	<u>20,095,887</u>	<u>4,164,995</u>	<u>24,260,882</u>
Revenue:			
Dividends and interest (net of fees)	157,931	205,988	363,919
Retreat center, camp fees, and after school program	359,266	-	359,266
Other income	777,686	-	777,686
Total revenue	<u>1,294,883</u>	<u>205,988</u>	<u>1,500,871</u>
Reclassifications:			
Satisfaction of restrictions	<u>4,763,090</u>	<u>(4,763,090)</u>	<u>-</u>
Total Support, Revenue and Reclassifications	<u>26,153,860</u>	<u>(392,107)</u>	<u>25,761,753</u>

(continued)

See notes to consolidated and combined financial statements

# CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

## Consolidated and Combined Statement of Activities

Year Ended September 30, 2023

(continued)

	Without Donor Restrictions	With Donor Restrictions	Total
EXPENSES:			
Program services:			
The Bowery Mission Adult Programs	16,790,959	-	16,790,959
Mont Lawn Summer and City Camps and Retreat Center	1,672,655	-	1,672,655
New York City Rescue Mission	409,500	-	409,500
Goodwill Rescue Mission	10,662	-	10,662
Total program services	18,883,776	-	18,883,776
Supporting services:			
Management and general	1,603,584	-	1,603,584
Fundraising	5,851,753	-	5,851,753
Total supporting activities	7,455,337	-	7,455,337
Total Expenses	26,339,113	-	26,339,113
Change in Net Assets Before Other Changes	(185,253)	(392,107)	(577,360)
Other Changes in Net Assets:			
Realized and unrealized gain on investments	1,537	475,486	477,023
Change in liability for post-retirement benefits	232,834	-	232,834
Change in value of perpetual trusts	-	120,466	120,466
Total Other Changes in Net Assets	234,371	595,952	830,323
Change in Net Assets	49,118	203,845	252,963
Net Assets, Beginning of Year	47,742,721	10,099,513	57,842,234
Net Assets, End of Year	\$ 47,791,839	\$ 10,303,358	\$ 58,095,197

See notes to consolidated and combined financial statements

# CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

## Consolidated and Combined Statement of Cash Flows

Year Ended September 30, 2023

### CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 252,963
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	1,245,771
Loss on disposal of assets	43,989
Amortization of financing lease right-of-use assets	38,623
Contributions restricted for investment in land, buildings, and equipment	(236,092)
Realized and unrealized (gain) loss on investments	(477,023)
Change in value of beneficial interest in perpetual trusts	(120,466)
Bad debt expense	68,037
Change in liability for post-retirement benefits	(244,898)
Changes in:	
Accounts receivable	(16,998)
Pledges receivable	(40,152)
Prepaid expenses	(155,388)
Deposits and other assets	(18,132)
Accounts payable and accrued expenses	(591,725)
Net Cash Used by Operating Activities	<u>(251,491)</u>

### CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of investments	(4,188,728)
Proceeds from sale of investments	4,818,977
Cash paid for acquisition of land, buildings and equipment	(1,342,840)
Net Cash Used by Investing Activities	<u>(712,591)</u>

### CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from contributions restricted for investment in land, buildings, and equipment	236,092
Principal payments on notes and lines of credit payable	(82,017)
Net Cash Provided by Financing Activities	<u>154,075</u>

Change in Cash, Cash Equivalents and Restricted Cash (810,007)

Cash, Cash Equivalents and Restricted Cash, Beginning of Year 2,265,934

Cash, Cash Equivalents and Restricted Cash, End of Year \$ 1,455,927

(continued)

See notes to consolidated and combined financial statements



# CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

## Consolidated and Combined Statement of Cash Flows

Year Ended September 30, 2023

(continued)

Reconciliation of Cash, Cash Equivalents and Restricted Cash to the Consolidated and Combined Statements of Financial Position:	
Cash and cash equivalents	\$ 1,198,524
Restricted cash	257,403
	<u>1,455,927</u>
SUPPLEMENTAL DISCLOSURES:	
Cash paid for interest	<u>917</u>
Non-cash investing and financing transactions:	
Additions to land, buildings and equipment	\$ 1,302,638
Add: asset additions in accounts payable at prior year end paid for in current year	114,432
Less: asset additions in accounts payable at year end	<u>(74,230)</u>
Cash paid for land, buildings and equipment	<u>1,342,840</u>
Right-of-use assets obtained in exchange for operating lease obligations	<u>903,058</u>
Right-of-use assets obtained in exchange for financing lease obligations	<u>76,520</u>

See notes to consolidated and combined financial statements

# CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

## Consolidated and Combined Statement of Functional Expenses

Year Ended September 30, 2023

	Program Services					Supporting Services			Cost of Direct Benefit to Donors	Total
	The Bowery Mission Adult Programs	Mont Lawn Summer and City Camps and Retreat Center	New York City Rescue Mission	Goodwill Rescue Mission	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Salaries and benefits	\$ 7,681,723	\$ 1,058,054	\$ 74,849	\$ 1,051	\$ 8,815,677	\$ 698,496	\$ 2,985,243	\$ 3,683,739	\$ -	\$ 12,499,416
Gifts-in-kind distributed	1,719,344	-	-	-	1,719,344	-	-	-	-	1,719,344
Food	2,707,644	91,237	-	-	2,798,881	-	-	-	-	2,798,881
Occupancy	987,429	317,254	3,411	6,520	1,314,614	28,017	66,282	94,299	-	1,408,913
Advertising and promotion	20	-	-	-	20	-	437,762	437,762	-	437,782
Professional fees, consulting and outside services	978,512	16,727	13,684	2,624	1,011,547	579,993	1,529,262	2,109,255	-	3,120,802
Volunteer services	17,929	203	-	-	18,132	-	-	-	-	18,132
Program and general supplies	1,015,549	58,979	23	-	1,074,551	18,504	8,077	26,581	-	1,101,132
Printing and postage	2,212	403	32	-	2,647	689	50,871	51,560	-	54,207
Insurance	253,341	-	219	-	253,560	118,326	55,544	173,870	-	427,430
Interest	-	-	-	-	-	917	-	917	-	917
Travel and transportation	79,103	49,971	350	-	129,424	7,870	23,263	31,133	-	160,557
Telephone and communications	47,150	13,888	3,621	467	65,126	5,641	16,377	22,018	-	87,144
Equipment and maintenance	379,193	14,140	14,771	-	408,104	35,333	141,926	177,259	-	585,363
Staff training and development	50,766	29,812	1,143	-	81,721	3,467	10,493	13,960	-	95,681
Dues, subscriptions, and books	20,089	14,782	296	-	35,167	5,963	24,464	30,427	-	65,594
Bank and credit card fees	-	2,193	-	-	2,193	9,382	207,367	216,749	-	218,942
Bad debt expense	-	-	-	-	-	-	68,037	68,037	-	68,037
Other expenses	34,429	5,012	1,412	-	40,853	5,391	178,824	184,215	202,619	427,687
Depreciation	816,526	-	295,689	-	1,112,215	85,595	47,961	133,556	-	1,245,771
<b>Total expenses</b>	<b>16,790,959</b>	<b>1,672,655</b>	<b>409,500</b>	<b>10,662</b>	<b>18,883,776</b>	<b>1,603,584</b>	<b>5,851,753</b>	<b>7,455,337</b>	<b>202,619</b>	<b>26,541,732</b>
Less: cost of direct benefit to donors	-	-	-	-	-	-	-	-	(202,619)	(202,619)
<b>Total Expenses on Consolidated and Combined Statements of Activities</b>	<b>\$ 16,790,959</b>	<b>\$ 1,672,655</b>	<b>\$ 409,500</b>	<b>\$ 10,662</b>	<b>\$ 18,883,776</b>	<b>\$ 1,603,584</b>	<b>\$ 5,851,753</b>	<b>\$ 7,455,337</b>	<b>\$ -</b>	<b>\$ 26,339,113</b>

See notes to consolidated and combined financial statements

# CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

## Notes to Consolidated and Combined Financial Statements

September 30, 2023

### 1. NATURE OF ORGANIZATION:

Christian Herald Association, Inc. (doing business as The Bowery Mission), and its Subsidiaries, Heartsease Home, Inc., The Bowery Mission Foundation, Inc., Christian Herald Housing Development Fund Corporation, New York City Rescue Mission, Inc. and Goodwill Rescue Mission, Inc. (together referred to as "Christian Herald" in these notes), qualify as not-for-profit organizations which are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and comparable state laws. However, Christian Herald and its Subsidiaries are subject to federal income tax on any unrelated business taxable income. In addition, Christian Herald and its Subsidiaries are not classified as private foundations within the meaning of Section 509(a) of the IRC. Christian Herald Housing Development Fund Corporation is a Type D not-for-profit corporation as defined in Section 572(g) of the Private Housing Finance Law of the State of New York. Support and revenues are derived primarily from the general public, retreat center, camp and after-school program fees.

The primary programs of Christian Herald Association, Inc. (CHA) include providing compassionate services to New Yorkers experiencing homelessness and hunger; offering residential programs that provide adults in crisis with housing, vocational services, and relational case management as they make progress toward recovery and independence; and operating year-round enrichment and mentoring programs for children and youth from low-income neighborhoods. The names "The Bowery Mission," "The Bowery Mission Women's Center at Heartsease Home" and "Mont Lawn City Camp and Summer Camp" identify the programs that fulfill these purposes.

The Bowery Mission Foundation, Inc. (Foundation) exists to support CHA. It was formed in 2014 to serve new and existing supporters of The Bowery Mission. By offering a new dimension of giving opportunities, the Foundation expands existing fundraising capabilities to strengthen long-term sustainability.

Christian Herald Housing Development Fund Corporation (CHHDFC) was incorporated in 1987, pursuant to Article XI of the New York Private Housing Finance Law and Section 402 of the Not-For-Profit Corporation Law to develop and operate a housing project for persons of low income, which provides transitional housing facilities on a site at 45 - 51 Avenue D, in New York City. Title to this facility was conveyed to CHHDFC by the City of New York for the consideration of \$2 and CHHDFC's commitment to provide transitional housing for at least fifteen years exclusively to persons of low income referred to it by the City of New York. The establishment of CHHDFC was sponsored by The Bowery Mission and Young Men's Home, now merged into CHA, whose activities include providing food, shelter and counseling to homeless persons and related activities. As of June 30, 2017, CHHDFC chose not to renew its contract with the New York City Department of Homeless Services.

# CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

## Notes to Consolidated and Combined Financial Statements

September 30, 2023

1. NATURE OF ORGANIZATION, continued:

New York City Rescue Mission, Inc. (NYCRM) has served New Yorkers experiencing homelessness and hunger since 1872 through programs similar to The Bowery Mission. On November 1, 2017, the governing board of NYCRM approved the acquisition of NYCRM by CHA. As a result of the vote, NYCRM became a subsidiary of CHA and CHA management assumed control of the management of NYCRM.

In March 2022, the boards of directors of both NYCRM and CHA passed resolutions to approve the closing down of NYCRM as a separate legal entity, and to combine the assets, liabilities, net assets and activities of NYCRM with the CHA legal entity. This decision was made primarily for operational efficiency purposes. The activities of NYCRM would continue on as a program of CHA, with the NYCRM name continuing to be utilized as a "d/b/a". NYCRM and CHA have submitted the necessary paperwork to the State of New York for approval. The planned effective date will be the first October 1 following final approval from the State of New York. Subsequent to year end, the necessary approval has been received.

Goodwill Rescue Mission, Inc. (GRM), located in Newark, New Jersey, has provided daily meal service and other forms of basic needs care to those experiencing homelessness and hunger since 1896. On May 19, 2016, the governing board of GRM approved the acquisition of GRM by CHA. As a result of the vote, GRM became a subsidiary of CHA and CHA management assumed control of the management of GRM. GRM continues to operate as a separate 501(c)(3) entity. In addition, GRM controls Waterbrook, Inc. Waterbrook, Inc. is an inactive subsidiary with no balances or activity.

In March 2020, the decision was made to temporarily suspend operations at GRM in order to develop a more financially sustainable long term strategy for the NJ-based operations at GRM. This temporary suspension was still in place as of September 30, 2023. In the interim, GRM has connected guests with the life-transforming services of The Bowery Mission. As part of this strategy, GRM has entered into agreements for the redevelopment of its property, which includes the eventual sale of the property with a portion of the sales price being the deed to a unit in the redeveloped property that will function as GRM's new facility (see assets held for sale, Note 2).

# CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

## Notes to Consolidated and Combined Financial Statements

September 30, 2023

### 2. SIGNIFICANT ACCOUNTING POLICIES:

#### BASIS OF ACCOUNTING

The consolidated and combined financial statements of Christian Herald have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the consolidated and combined financial statements to the reader. The preparation of consolidated and combined financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated and combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### PRINCIPLES OF CONSOLIDATION AND COMBINATION

The accompanying consolidated and combined statement of financial position and consolidated and combined statements of activities, cash flows and functional expenses, include the accounts of CHA, Heartsease, the Foundation, CHHDFC, NYCRM and GRM. The accounts of Heartsease, the Foundation, NYCRM and GRM are consolidated due to CHA's economic interest in those entities. CHHDFC's accounts are combined as CHA and CHHDFC have common members of Board of Directors, officers and management. The accompanying consolidated and combined financial statements reflect balances and changes in net assets for CHA, Heartsease, the Foundation, NYCRM and GRM as of and for the year ended September 30, 2023, and for CHHDFC as of and for the year ended June 30, 2023.

Intercompany balances and transactions have been eliminated in consolidation and combination. The resulting intervening intercompany balances due to the difference in fiscal year end between CHA and CHHDFC have been disclosed, if any, in the appropriate footnote to which the balances relate.

#### CASH, CASH EQUIVALENTS, RESTRICTED CASH, AND CREDIT RISK

Christian Herald considers cash and cash equivalents to be amounts in checking and savings accounts, cash on hand, and securities purchased with original maturities of three months or less. Certain items meet the definition of cash and cash equivalents but are part of a larger pool of investments and are classified as investments. Restricted cash includes cash held for building improvements and equipment purchases. Christian Herald's consolidated and combined cash balances exceeded federally insured limits by approximately \$418,000 as of September 30, 2023.

#### ACCOUNTS RECEIVABLE

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management believes all receivable balances are collectible; therefore, no provision for uncollectible accounts was made.

# CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

## Notes to Consolidated and Combined Financial Statements

September 30, 2023

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### PLEDGES RECEIVABLE

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Discounts on those amounts, if necessary based on the expected collection of pledges in future years, are computed using risk adjusted interest rates applicable to the years in which the promises are received. The discount rate used was 6.25% for the year ended September 30, 2023. Amortization of discounts is reported as a component of contribution support.

Management provides for probable uncollectible amounts relating to pledges to give through an adjustment to a valuation allowance based on its assessment of the current status of individual pledges. Balances that are still outstanding after management has determined that payment will not be made are written off through a charge to the valuation allowance and a credit to the pledge receivable. Conditional pledges to give are not included as support until the conditions are substantially met.

#### INVESTMENTS

Investments consist of money market funds, certificates of deposit, mutual and exchange-traded funds and common stocks and are measured at fair value using the three-level fair value hierarchy. Investments in hedge funds are reported at fair value using net asset value, based upon the valuation of the underlying assets as provided by the respective fund manager and advisor. The hedge funds invest primarily in equity and equity related interests. Interest and dividends (net of investment fees) and realized and unrealized gains and losses are included as revenue without donor restrictions, or in the case of endowment assets, revenue with donor restrictions in the consolidated and combined statement of activities. Donated investments are recorded at the fair value on the date of donation and thereafter carried in accordance with the above provisions.

#### DISCLOSURES ABOUT FAIR VALUE OF ASSETS

Christian Herald follows the provisions of the *Fair Value Measurements and Disclosure* topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Christian Herald uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, Christian Herald measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are used only when Level 1 or Level 2 inputs are not available. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The following is a description of the valuation methodologies used for assets measured at fair value:

# CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

## Notes to Consolidated and Combined Financial Statements

September 30, 2023

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

DISCLOSURES ABOUT FAIR VALUE OF ASSETS, continued:

*Money market funds* are valued at quoted market prices in active markets.

*Common stocks, mutual funds and exchange-traded funds* are valued at the closing price as reported on respective markets.

*Beneficial interest in perpetual trusts* are determined by calculating the fair value of Christian Herald's share of the trust assets which are held as investments.

*Hedge funds* are reported at fair value using net asset value (NAV) as a practical expedient, as determined by the fund's professional managers, and are excluded from the fair value hierarchy.

Fair values of assets measured on a recurring basis are as follows:

	Fair Value	Level 1	Level 2	Level 3
September 30, 2023				
Investments:				
Money market funds	\$ 2,774,621	\$ 2,774,621	\$ -	\$ -
Mutual and exchange-traded funds	7,847,714	7,847,714	-	-
Common stocks	115,413	115,413	-	-
	10,737,748	10,737,748	-	-
Beneficial interest in perpetual trust	1,626,713	-	-	1,626,713
	12,364,461	\$ 10,737,748	\$ -	\$ 1,626,713
Non-leveled investments:				
Investments reported at NAV:				
Hedge funds	363,615			
	\$ 12,728,076			

# CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

## Notes to Consolidated and Combined Financial Statements

September 30, 2023

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### DISCLOSURES ABOUT FAIR VALUE OF ASSETS, continued

Christian Herald uses NAV to determine the fair value of all underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with measurement principles of an investment company or have attributes of an investment company. Christian Herald is invested in one fund measured at NAV as of September 30, 2023:

<u>Fund:</u>	<u>NAV in fund</u>	<u>Remaining life</u>	<u>Redemption terms / restrictions</u>
Hawk Ridge Partners Offshore Ltd.	<u>\$ 363,615</u>	Perpetual	Quarterly liquidity with 60 days notice required.

The following reconciles assets reported in the consolidated and combined statement of financial position for the year ended September 30, 2023, to the amounts shown in the fair value tables above:

Investments	\$ 11,101,363
Beneficial interest in perpetual trusts	<u>1,626,713</u>
	<u>\$ 12,728,076</u>



# CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

## Notes to Consolidated and Combined Financial Statements

September 30, 2023

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### ASSETS HELD FOR SALE

Assets are classified as held for sale when their carrying amount will be recovered principally through a sale transaction rather than continuing use. This condition is regarded as being met only when the sale is highly probable and the assets are available for immediate sale in their present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Assets designated as held for sale are recorded at the lower of carrying amount at the time the classification as held for sale was made or fair value less costs to sell. Depreciation is not charged against land, buildings and equipment classified as held for sale.

In March 2022, GRM entered in to a transaction with the planned result of the redevelopment of its property and facility in Newark, New Jersey. GRM has entered in to a ground lease with a developer (tenant) that includes an option for the developer to purchase the property. The ground lease is for 30 years unless terminated sooner based upon the provisions of the lease and related purchase option agreement, with total annual rent payments due from the tenant to GRM of \$180,000, increasing by 2.5% annually. During the term of the ground lease, the tenant is responsible for all property expenses and maintenance, and is responsible for securing all necessary plans, permits and approvals to demolish the existing building on the property and replace with a new building. The purchase option agreement is in effect for 5 years (option term) from the effective date of the ground lease and purchase option agreement dated March 2022. The tenant can exercise the purchase option for \$3,000,000 and the conveyance by unit deed a condominium unit of at least 10,000 square feet located within the new building, which is a planned 7 story mixed use development. The space obtained by GRM upon the tenant exercising the purchase option would be utilized for programmatic activity. GRM's onsite rescue mission operations will remain suspended while redevelopment takes place. Should the tenant decline to exercise the purchase option by the end of the 5 year option term, the purchase option agreement and the ground lease will terminate. Upon execution of the agreement, the tenant paid GRM \$350,000 in non-refundable deposits. If the purchase option is exercised, \$250,000 of the non-refundable deposits will be applied to the purchase price. Rent associated with the ground lease for the year ended September 30, 2023, was \$180,000 and recorded as a component of other income on the consolidated and combined statement of activities. For the year ended September 30, 2023, GRM's property and facility is classified as asset held for sale on the consolidated and combined statement of financial position and is reported at the lower of the carrying amount (net book value) and fair value less costs to sell. The carrying amount at September 30, 2023, was \$2,182,490. The transfer to assets held for sale was effective May 31, 2022, at which point no further depreciation of the assets has been charged.

Assets held for sale also consist of the building formerly used in operations by CHHDFC and is reported on the consolidated and combined statement of financial position at the lower of the carrying amount (net book value) and fair value less costs to sell. The building is currently on the market and has a carrying amount of \$1,424,543 at September 30, 2023. The transfer to assets held for sale was effective September 30, 2022, at which point no further depreciation of the assets has been charged.

# CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

## Notes to Consolidated and Combined Financial Statements

September 30, 2023

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### LAND, BUILDINGS, EQUIPMENT AND DEPRECIATION

Items capitalized as land, buildings and equipment are capitalized at cost at the date of acquisition, or fair value at the date of gift. The costs of additions and betterments are capitalized when they exceed \$5,000, and expenditures for repairs and maintenance are expensed when incurred. When items of land, buildings and equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is reported as income. Depreciation of buildings and equipment is provided utilizing the straight-line method over the estimated useful lives of the respective assets as follows:

Buildings and improvements	10 to 40 years
Furniture, fixtures, vehicles and equipment	3 to 20 years

Christian Herald reviews its investment in land, buildings and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of such property and equipment may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the land, buildings and equipment to the future net undiscounted cash flow expected to be generated by the assets and any estimated proceeds from the eventual disposition of the assets. If the land, building and equipment is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the asset exceeds the fair value of such assets. There were no impairment losses recognized in the year ended September 30, 2023.

#### BENEFICIAL INTEREST IN PERPETUAL TRUSTS

Christian Herald is a beneficiary of permanently restricted trusts. The principal must be held in perpetuity by trustees, and the earnings will be distributed annually to Christian Herald. Changes in fair value of the trusts are recorded as a component of net assets with donor restrictions.

# CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

## Notes to Consolidated and Combined Financial Statements

September 30, 2023

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### POST-RETIREMENT BENEFITS PAYABLE

Christian Herald provides post-retirement health care and prescription drug benefits to substantially all full-time employees hired prior to March 1998. The provisions of the *Defined Benefit Plans - Other Postretirement* topic of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC), requires employers to recognize the funded status of a defined benefit plan in the consolidated and combined statement of financial position and recognize changes in the funded status through changes in net assets without donor restrictions.

#### NOTES PAYABLE - RECOVERABLE SUBSIDIES

CHA has received two Federal Home Loan Bank of New York (FHLB) recoverable subsidies of \$1,200,000 and \$640,000 under the Affordable Housing Program (AHP) relating to facility expansion and renovation projects at West 130th Street, New York City and at the Bowery Mission at 227 Bowery, New York City. NYCRM has also received an FHLB recoverable subsidy of \$2,700,000 under the AHP program relating to facility expansion. The subsidies are conditional, including a 15 year retention period during which FHLB can recover a portion or all of the funds should CHA or NYCRM not comply with various programmatic and reporting conditions. Additionally, should CHA or NYCRM sell the related facilities prior to the expiration of the retention period, it would be required to repay the subsidy in full to FHLB.

FHLB's interest is secured through promissory notes payable and security agreements, with the related facilities as collateral. The notes payable do not have principal repayment terms during the retention period. Additionally, the notes payable do not provide for interest accrual or payments during the retention period, unless the notes payable are determined to be in default, at which time a default rate of interest would be charged at a rate to be determined at the time of default and within local legal default rate limits. This lack of interest accrual and payment has been determined to be the market rate for the notes payable under the AHP program.

Due to the terms of the subsidies and the related promissory notes payable, the funds received from FHLB are reported as notes payable - recoverable subsidies in the consolidated and combined statement of financial position. At the end of each of the retention periods, the subsidies will no longer be recoverable by the FHLB, the notes payable will be cancelled, and CHA and NYCRM will recognize the subsidies as revenue in the consolidated and combined statement of activities. The retention periods for CHA's subsidies expire in approximately 2030 through 2031. The retention period for NYCRM's subsidy expires in approximately 2028.

# CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

## Notes to Consolidated and Combined Financial Statements

September 30, 2023

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### NET ASSETS

The consolidated and combined financial statements report amounts by class of net assets:

*Net assets without donor restrictions* are those which include all resources which are not subject to donor-imposed restrictions of a more specific nature than those which only obligate the organization to utilize funds in furtherance of its mission, designated by the board for specific use, and resources invested in land, buildings and equipment, less related depreciation.

*Net assets with donor restrictions* are those stipulated by donors for specific operating purposes, subject to a time restriction, or those not currently available for use until commitments regarding their use have been fulfilled. Net assets with donor restrictions are also those that are subject to donor-imposed restrictions that will never lapse, thus requiring the funds to be permanently retained. Generally, the donors of these funds permit Christian Herald to use all or part of the income earned on related investments or other assets, and the net capital appreciation thereon, for general or specific purposes.

#### SUPPORT, REVENUE, RECLASSIFICATIONS AND EXPENSES

Support is recognized when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to Christian Herald. Christian Herald reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated amounts. It is Christian Herald's policy to report donor-restricted contributions whose restrictions are met in the same reporting period as support without donor restrictions. When a stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated and combined statements of activities as reclassifications for satisfaction of restrictions. Retreat center, camp and afterschool fees and other revenue is recognized in the period earned. Investment income and changes in other assets or liabilities are recognized in the period earned or incurred and are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

CHA, NYCRM and GRM receive donations of food, clothing, and supplies which it uses internally in the operation of its programs or distributes to other charities with similar missions and values to use and distribute to end beneficiaries. Donated goods are recorded as support at their estimated fair value at the date of donation and are expensed for program services. Items that are not used internally or distributed to other charities are considered waste and are not recorded in the consolidated and combined financial statements (Note 12).

Christian Herald's services could not be fully achieved without the dedicated efforts of many volunteers. Only those contributed services that meet the "specialized skills" requirements under current accounting standards are recognized in the consolidated and combined statement of activities. Christian Herald reported volunteer services of approximately \$6,000 for the year ended September 30, 2023, that meet current accounting standards.

# CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

## Notes to Consolidated and Combined Financial Statements

September 30, 2023

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### SUPPORT, REVENUE, RECLASSIFICATIONS AND EXPENSES, continued

Gifts of land, buildings and equipment are reported as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of land, buildings and equipment with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire plant assets are reported as support with donor restrictions. Absent any donor stipulations, these restrictions expire when the asset is acquired or placed in service, and a reclassification is made from net assets with donor restrictions to net assets without donor restrictions at that time. Donated property and equipment are valued at the fair market value at date of receipt.

Directly identifiable expenses are charged to program services and supporting services which include management and general and fundraising. Expenses related to more than one function are charged to program services and supporting services on the basis of periodic time and expense studies. Supporting services' expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of Christian Herald. The categories of expenses that are allocated include salaries and benefits, occupancy, professional fees, consulting and outside services, program and general supplies, printing and postage, insurance, telephone and communications, equipment and maintenance, staff training and development, other expenses and depreciation, which are allocated on the basis of estimates of time and effort. Advertising and promotion costs are expensed when incurred and were approximately \$438,000 for the year ended September 30, 2023. Christian Herald incurred no joint costs for the year ended September 30, 2023.

#### INTERMEDIATE MEASURE OF OPERATIONS

Christian Herald separates certain activity in its consolidated and combined statement of activities into the category "other changes in net assets". Activity presented in this category includes realized and unrealized gains and losses on investments, changes in liability for post-retirement benefits, changes in value of perpetual trusts, and other activities considered to be of a more unusual or nonrecurring nature, if any.

# CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

## Notes to Consolidated and Combined Financial Statements

September 30, 2023

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### RECENTLY ADOPTED ACCOUNTING STANDARDS

In 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842 of the FASB ASC). Christian Herald adopted the provisions of this new standard during the year ended September 30, 2023. The new standard requires organizations that lease assets with terms of more than 12 months to recognize in the consolidated and combined statement of financial position the assets and liabilities for the right of use and obligations created by the leases. Lessor accounting remained largely unchanged under the new standard. Christian Herald elected the transition package relief provisions from ASU 2018-11, *Leases* (Topic 842): *Targeted Improvements*, and recorded the impact of the adoption as of October 1, 2022, without restating any prior-year amounts. Christian Herald also elected the practical expedient to not separate lease and non-lease components and the accounting policy election to exclude short-term leases with lease terms of 12 months or less. Additional disclosures were added in Note 13. Adoption of ASUs 2016-02 and 2018-11 resulted in the recognition of operating lease right-of-use and financing lease right-of-use assets of approximately \$903,000 and \$77,000, respectively, and operating and financing lease liabilities of approximately \$995,000 and \$84,000, respectively, as of October 1, 2022. Christian Herald did not adjust beginning net assets as of October 1, 2022, for the cumulative effect adjustment of adopting ASUs 2016-02 and 2018-11 due to the impact being immaterial to the consolidated and combined financial statements. Christian Herald also elected the accounting policy election to exclude short-term leases with lease terms of 12 months or less.

# CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

## Notes to Consolidated and Combined Financial Statements

September 30, 2023

### 3. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflects Christian Herald's financial assets, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, perpetual endowments and accumulated earnings net of appropriations within one year, or because the governing board has set aside the funds for specific purposes. The following table represents liquidity at September 30, 2023:

#### Financial assets:

Cash and cash equivalents	\$ 1,198,524
Accounts receivable	55,885
Pledges receivable-net	2,721,600
Investments	11,101,363
Restricted cash	257,403
Beneficial interest in perpetual trusts	1,626,713
Financial assets, at year end	<u>16,961,488</u>

#### Less those unavailable for general expenditure within one year, due to:

Pledges receivable expected to be collected beyond one year	(696,388)
Restricted cash	(257,403)
Perpetual endowments and accumulated earnings	(5,674,267)
Beneficial interest in perpetual trusts	(1,626,713)
	<u>(8,254,771)</u>

#### Financial assets available to meet cash needs for general expenditures within one year

\$ 8,706,717

Christian Herald is substantially supported by contributions without and with donor restrictions. Those contributions with donor restrictions require resources to be used in a particular manner or in a future period. Christian Herald must maintain sufficient resources to meet those responsibilities to its donors. Thus, at times financial assets may not be available for general expenditure within one year. Christian Herald has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Christian Herald has a revolving line of credit totaling \$5,000,000 (Note 7), which is collateralized by certain investment accounts (Note 5), with borrowing capacity available of approximately \$5,000,000 as of September 30, 2023, that can be drawn on in the event of a liquidity need.

# CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

## Notes to Consolidated and Combined Financial Statements

September 30, 2023

4. PLEDGES RECEIVABLE-NET:

Pledges receivable-net consist of the following at September 30, 2023:

Due within one year	\$	2,212,067
Due in one to three years		696,388
		2,908,455
Less allowance for uncollectible pledges		(182,736)
Less unamortized discount		(4,119)
		\$ 2,721,600

5. INVESTMENTS:

Investments consist of the following at September 30, 2023:

Money market funds	\$	2,774,621
Mutual and exchange-traded funds		7,847,714
Common stocks		115,413
Hedge funds		363,615
		\$ 11,101,363

Endowment assets at September 30, 2023, comprise of approximately \$5,673,000 of investment balances.

Investment income for the year ended September 30, 2023, is comprised of:

	Without Donor Restrictions	With Donor Restrictions	Totals
Dividends and interest	\$ 197,032	\$ 261,404	\$ 458,436
Realized and unrealized gains	1,537	475,486	477,023
Investment advisory fees	(39,101)	(55,416)	(94,517)
	\$ 159,468	\$ 681,474	\$ 840,942



# CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

## Notes to Consolidated and Combined Financial Statements

September 30, 2023

5. INVESTMENTS, continued:

### ASSETS PLEDGED AS COLLATERAL

Christian Herald has a line of credit with a bank of up to \$5,000,000 (See Note 7). The line of credit is fully collateralized by cash and investments held at the bank in certain accounts. Christian Herald is only permitted to have outstanding borrowing on its line of credit in an amount up to 100% of the market value of cash and money market funds; 85% of the market value of equity securities; and 90% of the market value of fixed income securities held with the bank in the specified accounts at any given time. As of September 30, 2023, Christian Herald had no outstanding borrowings on the line of credit and as such, was in compliance with this requirement.

### RISKS AND UNCERTAINTIES RELATED TO INVESTMENTS

Investment securities are exposed to various risks, such as changes in interest rates or credit ratings and market fluctuations. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is possible that the value of Christian Herald's investments could fluctuate materially. Christian Herald maintains custody accounts with a primary custodian. Although Christian Herald monitors the custodian and believes that they are an appropriate custodian, there is no guarantee that the custodian will not become insolvent. Christian Herald believes that, in the event of the insolvency of its custodian, some of Christian Herald's assets may be unavailable for a period of time, but that it would ultimately have full recovery of its assets.

# CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

## Notes to Consolidated and Combined Financial Statements

September 30, 2023

6. LAND, BUILDINGS AND EQUIPMENT-NET:

Land, buildings and equipment-net is summarized as follows at September 30, 2023:

Land	\$ 18,145,758
Buildings and improvements	33,935,404
Furniture and fixtures	403,960
Vehicles and equipment	1,589,101
	<hr/>
	54,074,223
Less accumulated depreciation and amortization	(13,201,725)
	<hr/>
	40,872,498
Construction in progress	2,001,349
	<hr/>
	<u>\$ 42,873,847</u>

Construction in progress primarily includes various renovations and improvements underway at The Bowery Mission and Mont Lawn Camp.

7. LINE OF CREDIT PAYABLE:

CHA has a line of credit from a bank up to \$5,000,000. The line of credit is collateralized by investments held at that bank in certain accounts, as such from time to time the borrowing limit may be less than the maximum. Interest is calculated at a variable rate equal to the bank's prime rate (8.5% at September 30, 2023) and payments of interest are due monthly based on the daily outstanding balance for each day in that month. Principal is paid down periodically such that the balance does not exceed the maximum. The line of credit is payable in full by June 2025. The line of credit balance was \$-0- as of September 30, 2023.

CHA is required to meet various loan covenants. As of September 30, 2023, CHA was in compliance with or had obtained waivers for these covenants.

# CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

## Notes to Consolidated and Combined Financial Statements

September 30, 2023

8. POST-RETIREMENT BENEFITS PAYABLE:

Christian Herald provides post-retirement health care and prescription drug benefits to substantially all full-time employees hired prior to March 1998. The benefit was closed to new participants after that date.

The net periodic cost for post-retirement benefits includes the following for the year ended September 30, 2023:

Service cost	\$	1,946
Interest cost		29,661
Amortization of actuarial (gain) loss		<u>(38,934)</u>
	\$	<u><u>(7,327)</u></u>

The accumulated post-retirement benefit obligation recognized in the consolidated and combined statement of financial position is computed as follows for the year ended September 30, 2023:

Accumulated post-retirement benefit obligation at beginning of year	\$	637,848
Service cost		1,946
Interest cost		29,661
Actuarial (gain) loss		(261,468)
Benefits paid		<u>(15,037)</u>
Accumulated post-retirement benefit obligation at end of year	\$	<u><u>392,950</u></u>

The accumulated post-retirement benefit obligation consists of the following at September 30, 2023:

Retirees	\$	247,402
Active employees		<u>145,548</u>
	\$	<u><u>392,950</u></u>

# CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

## Notes to Consolidated and Combined Financial Statements

September 30, 2023

### 8. POST-RETIREMENT BENEFITS PAYABLE, continued:

#### FUNDED STATUS OF PLAN ASSETS

No plan assets are set aside for the post-retirement benefits. Christian Herald will fund benefits as covered costs are incurred.

#### ASSUMPTIONS

The weighted average assumptions used to determine future benefit obligations is as follows:

Discount rate - CHA calculation	5.60%
Discount rate - CHHDFC calculation	4.91%

Changes in discount rate, demographics and mortality assumptions in 2023 constitute a change in estimate.

Assumed health care and prescription drug cost trend rates have a significant effect on the amounts reported for the post-retirement benefit plan. The rate of increase in per capita cost of covered health care benefits is assumed to be 4.40% in 2023, decreasing gradually to 3.83% in 2075. The rate of increase in per capita cost of covered prescription drug benefits is assumed to be 6.60% in 2023 decreasing gradually to 3.83% in 2075.

#### CASH FLOWS

Christian Herald expects to expend an amount equal to the estimated future benefit payments for 2023. Shown below are estimated benefit payments, which reflect expected future service costs:

<u>Year Ending September 30,</u>	
2024	26,000
2025	26,000
2026	26,000
2027	27,000
2028-2032	139,000

# CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

## Notes to Consolidated and Combined Financial Statements

September 30, 2023

### 9. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of the following at September 30, 2023:

Subject to expenditure for a specified time or purpose:

Pledges receivable - time restricted	\$ 2,721,600
Buildings and equipment	257,403
Other restricted purposes	23,375
	<u>3,002,378</u>

Subject to endowment spending policy and appropriation:

Accumulated gains on endowment assets	170,644
Endowment funds restricted in perpetuity	5,503,623
	<u>5,674,267</u>

Beneficial interest in perpetual trusts

1,626,713

\$ 10,303,358

### 10. ENDOWMENTS:

Christian Herald's endowments include donor-restricted funds and consist of individual funds established for specific program and general purposes. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions as specified in the Summary of Significant Accounting Policies outlined in these notes.

Christian Herald classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

# CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

## Notes to Consolidated and Combined Financial Statements

September 30, 2023

### 10. ENDOWMENTS, continued:

Christian Herald considers the following factors in making a determination to appropriate or accumulate donor restricted funds:

- (1) The duration and preservation of the fund
- (2) The purposes of Christian Herald and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of Christian Herald
- (7) The investment policies of Christian Herald

### RETURN OBJECTIVES, RISK PARAMETERS AND SPENDING POLICY

#### *Endowment Pool*

The investment objective of Christian Herald emphasizes total return; that is, aggregate return from capital appreciation, interest and dividends. The Board of Directors (the Board) has earmarked 4% of portfolio value based on the prior 8 quarters rolling average value of the total portfolio to be used to satisfy current cash flow needs for operations. The primary objective of management of the total portfolio is, at a minimum, to have the portfolio maintain its purchasing power after meeting the Board's earmark. The target allocation of invested assets at market value is Money Market/CD/Cash (0-15%), Equities (35-65%) and Fixed Income (25-60%).

A specified goal of each investment manager, over the investment horizon, shall be to:

- (1) Meet or exceed the market index selected and agreed upon by the Investment Committee of the Board.
- (2) Display an overall level of risk in the portfolio that is consistent with the risk associated in the benchmark specified above.
- (3) For the purpose of preserving capital, the asset guidelines cited in the paragraph above may be exceeded with the approval of the Investment Committee. When these conditions exist, the investment manager may contact the Chair of the Investment Committee for the approval to exceed these guidelines, including moving to larger concentration in cash, to as much as a 100% cash position with the portfolio. Upon approving the proposal, the Chair of the Investment Committee will notify the other Investment Committee members and the Chair of the Board of the specifics of the decision.

#### *Memorial Fund*

The minimum yield target for the fund should be 4% or the prevailing one-year Treasury note rate plus 2%, whichever is greater. Target rates should be reviewed no less than annually. Yield is to be made up of actual income (e.g., interest and dividends). In order to preserve the purchasing power of the fund, the total return target should include the prevailing inflation rate. A minimum of 75% of the fixed income portion of the portfolio should be in investment grade securities. Only marketable, publicly traded securities are eligible to be in the fund.

# CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

## Notes to Consolidated and Combined Financial Statements

September 30, 2023

10. ENDOWMENTS, continued:

FUNDS WITH DEFICIENCIES

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires Christian Herald to retain as a fund of perpetual duration. As of September 30, 2023, there were 4 funds with deficiencies totaling approximately \$363,000. The original gift value of these funds was approximately \$3,080,000 at September 30, 2023, compared to the fair market value of the associated assets of approximately \$2,717,000 at September 30, 2023. The primary reason for the deficits is additional appropriations during the year ended September 30, 2019, by Christian Herald from endowment assets to fund programmatic needs, which have not fully recovered through investment earnings over time. Christian Herald has temporarily reduced appropriations from the endowment pool to make up for the additional appropriations made during the year ended September 30, 2019.

Endowment net asset composition by type of fund as of September 30, 2023, is as follows:

	Original Gift Amount	Accumulated Gains (Losses)	Total
General purposes	\$ 3,527,742	\$ 239,043	\$ 3,766,785
Restricted purposes	1,975,881	(68,399)	1,907,482
	\$ 5,503,623	\$ 170,644	\$ 5,674,267

Changes in endowment funds for the fiscal year ended September 30, 2023, consisted of the following:

	Original Gift Amount	Accumulated Gains (Losses)	Total
Endowment net assets, beginning of year	\$ 5,503,623	\$ (436,159)	\$ 5,067,464
Interest and dividends-net	-	205,990	205,990
Realized and unrealized gains	-	475,486	475,486
Amounts appropriated for expenditure	-	(74,673)	(74,673)
	-	606,803	606,803
Endowment net assets, end of year	\$ 5,503,623	\$ 170,644	\$ 5,674,267

# CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

## Notes to Consolidated and Combined Financial Statements

September 30, 2023

11. SPECIAL EVENTS - NET:

Special events-net for the year ended September 30, 2023, consist of the following:

Contributions	\$ 2,256,493
Revenues	202,619
Related direct expenses	<u>(202,619)</u>
	<u><u>\$ 2,256,493</u></u>

12. GIFTS-IN-KIND:

Gifts-in-kind consisted of the following for the year ended September 30, 2023:

	Received By Christian Herald	Distributed to the Community	Used at Christian Herald Facilities
Food	\$ 4,090,067	\$ 1,433,449	\$ 2,656,618
Clothing	711,420	285,895	425,525
Supplies	<u>341,176</u>	<u>-</u>	<u>341,176</u>
	<u><u>\$ 5,142,663</u></u>	<u><u>\$ 1,719,344</u></u>	<u><u>\$ 3,423,319</u></u>

Donated food, clothing and supplies received by Christian Herald are recorded as gifts-in-kind contributions at estimated fair value on the date of donation. Expenses are recognized when the donated items are utilized or distributed by Christian Herald, and are reported as program services expenses. Donated items that are unusable by Christian Herald are considered waste and not recorded. Christian Herald utilized three gifts-in-kind valuation methods during the year ended September 30, 2023, for food. These methods include (1) \$1.91 per pound for general food donations; (2) \$12.92 per pound for donated prepared meals; and (3) \$3.55 per pound for supermarket food donations. Christian Herald utilized a \$13.25 per pound valuation method for donated clothing, and for other items, Christian Herald utilized the average price located on publicly available websites or similar sources, less a discount if the item donated had been used. Christian Herald determined the valuation methodologies used in estimating fair value by conducting pricing studies involving estimating the average price per pound based on Salvation Army, Feeding America, costs to purchase similar items, and other data sources. For the year ended September 30, 2023, all gifts-in-kind are without donor restrictions. Christian Herald does not hold gifts-in-kind for sale.



# CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

## Notes to Consolidated and Combined Financial Statements

September 30, 2023

### 13. LEASE RIGHT-OF-USE ASSETS AND LEASE LIABILITIES:

Christian Herald leases office space, program space, office equipment, and vehicles under various operating and financing leases expiring in 2024 through 2027. The leases require various payments ranging between approximately \$7,000 and \$399,000 annually. The discount rate represents the implicit rate as stated within the lease or the risk-free discount rate using a period comparable with that of the individual lease term on the adoption date. Lease right-of-use assets and liabilities, as well as lease cost, consist of the following as of September 30, 2023:

#### Assets:

Operating right-of-use	\$	501,310
Financing right-of-use	\$	37,897

#### Liabilities:

Operating lease liabilities	\$	558,693
Financing lease liabilities	\$	42,446

#### Lease cost:

##### Finance lease costs:

Amortization of ROU assets	\$	38,623
Interest on lease liabilities		2,671
Operating lease costs		433,869

\$ 475,163

#### Weighted-average discount rate:

Operating leases	4.00%
Financing leases	4.11%

#### Weighted-average remaining lease term (in years):

Operating leases	2.37
Financing leases	1.03

# CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

## Notes to Consolidated and Combined Financial Statements

September 30, 2023

13. LEASE RIGHT-OF-USE ASSETS AND LEASE LIABILITIES, continued:

Future minimum lease payments required under operating and financing leases that have an initial or remaining non-cancelable lease term in excess of one year are as follows:

<u>Year Ending September 30,</u>	<u>Financing</u>	<u>Operating</u>
2024	\$ 39,777	\$ 343,253
2025	3,670	74,566
2026	-	77,168
2027	-	79,864
2028	-	13,386
	<u>43,447</u>	<u>588,237</u>
Less imputed interest	<u>(1,001)</u>	<u>(29,544)</u>
	<u>\$ 42,446</u>	<u>\$ 558,693</u>

14. RETIREMENT PLANS:

Christian Herald sponsors a defined contribution pension plan under IRC Section 403(b) that covers substantially all of its full-time employees. Contributions are currently based on 4% of each covered employee's wages. Such amounts totaled approximately \$319,000 for the year ending September 30, 2023.

Christian Herald also sponsors a non-qualified deferred compensation 457(b) plan that may be offered to certain members of management. Contributions for the year ending September 30, 2023, totaled approximately \$5,500.

15. RELATED PARTY TRANSACTIONS:

Members of the Board of Directors contributed approximately \$1,148,000 to Christian Herald during the year ended September 30, 2023.

# CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

## Notes to Consolidated and Combined Financial Statements

September 30, 2023

16. EASEMENT:

During the year ended September 30, 2022, Christian Herald entered into an egress easement agreement with another organization whereby Christian Herald agreed to encumber a portion of their property in perpetuity with an egress easement for the benefit of the other party. The organization agreed to deposit \$1,000,000 into an escrow account to fund the easement fee, which would be held and not released until the approval of the egress easement plan was granted by the New York City Department of Buildings. Recognition of the easement fee as revenue by Christian Herald is contingent on the New York City Department of Buildings approving the easement plan. Should the easement plan be denied and Christian Herald and the organization be unable to move forward with the easement, the funds in escrow will be returned to the organization. As of September 30, 2023, the approval of the easement plan was partially granted by the New York City Department of Buildings and Christian Herald earned and received \$500,000, which is recorded as a component of other income in the consolidated and combined statement of activities. Subsequent to year end, Christian Herald completed the remaining steps required to earn and receive the remaining \$500,000.

17. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through July 15, 2024, which is the date the consolidated and combined financial statements were available to be issued. Subsequent events after that date have not been evaluated.

## **SUPPLEMENTARY INFORMATION**

**INDEPENDENT AUDITORS' REPORT  
ON SUPPLEMENTARY INFORMATION**

Board of Directors  
Christian Herald Association, Inc. and Subsidiaries  
New York, New York

We have audited the consolidated and combined financial statements of Christian Herald Association Inc. and Subsidiaries as of and for the year ended September 30, 2023, and have issued our report thereon dated July 15, 2024, which contained an unmodified opinion on those consolidated and combined financial statements, appears on page 1. Our audit was performed for the purpose of forming an opinion on the consolidated and combined financial statements as a whole. The consolidating and combining schedules of financial position and change in net assets are presented for the purposes of additional analysis of the consolidated and combined financial statements rather than to present the financial position and results of operations of the individual organizations, and it is not a required part of the consolidated and combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated and combined financial statements. The consolidating and combining information has been subjected to the auditing procedures applied in the audits of the consolidated and combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated and combined financial statements or to the consolidated and combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated and combined financial statements as a whole.

*Capin Crouse LLP*

New York, New York  
July 15, 2024

# CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

## Consolidating and Combining Schedule of Financial Position

September 30, 2023

	CHA	Heartsease	Foundation	CHHDFC	NYCRM	GRM	Elimination Entry	Totals
<b>ASSETS:</b>								
Cash and cash equivalents	\$ 375,454	\$ 66,642	\$ 28,421	\$ -	\$ 184,102	\$ 543,905	\$ -	\$ 1,198,524
Accounts receivable	2,172,312	23,914	110,077	-	22,617	5,664	(2,278,699)	55,885
Pledges receivable-net	2,721,600	-	-	-	-	-	-	2,721,600
Prepaid expenses	525,194	-	-	-	38,208	4,455	-	567,857
Deposits and other assets	193,363	-	-	11,061	-	350,000	-	554,424
Assets held for sale	-	-	-	1,424,543	-	2,182,491	-	3,607,034
Operating lease-right-of-use assets	501,310	-	-	-	-	-	-	501,310
Financing lease-right-of-use assets	37,897	-	-	-	-	-	-	37,897
Investments	11,022,911	-	-	-	-	78,452	-	11,101,363
Restricted cash	257,403	-	-	-	-	-	-	257,403
Land, buildings and equipment-net	16,749,364	100,000	-	50,306	25,974,177	-	-	42,873,847
Beneficial interest in perpetual trusts	1,626,713	-	-	-	-	-	-	1,626,713
<b>Total Assets</b>	<b>\$ 36,183,521</b>	<b>\$ 190,556</b>	<b>\$ 138,498</b>	<b>\$ 1,485,910</b>	<b>\$ 26,219,104</b>	<b>\$ 3,164,967</b>	<b>\$ (2,278,699)</b>	<b>\$ 65,103,857</b>

(continued)

See independent auditors' report on supplementary information

# CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

## Consolidating and Combining Schedule of Financial Position

September 30, 2023  
(continued)

	CHA	Heartsease	Foundation	CHHDFC	NYCRM	GRM	Elimination Entry	Totals
<b>LIABILITIES AND NET ASSETS:</b>								
Liabilities:								
Accounts payable and accrued expenses	\$ 1,510,726	\$ -	\$ -	\$ 347,157	\$ 1,720,125	\$ 175,262	\$ (2,278,699)	\$ 1,474,571
Operating lease liabilities	558,693	-	-	-	-	-	-	558,693
Financing lease liabilities	42,446	-	-	-	-	-	-	42,446
Post-retirement benefits payable	303,829	-	-	89,121	-	-	-	392,950
Notes payable - recoverable subsidies	1,840,000	-	-	-	2,700,000	-	-	4,540,000
<b>Total liabilities</b>	<b>4,255,694</b>	<b>-</b>	<b>-</b>	<b>436,278</b>	<b>4,420,125</b>	<b>175,262</b>	<b>(2,278,699)</b>	<b>7,008,660</b>
Net Assets:								
Without donor restrictions	21,702,919	190,556	138,498	1,049,632	21,798,979	2,911,255	-	47,791,839
With donor restrictions	10,224,908	-	-	-	-	78,450	-	10,303,358
<b>Total net assets</b>	<b>31,927,827</b>	<b>190,556</b>	<b>138,498</b>	<b>1,049,632</b>	<b>21,798,979</b>	<b>2,989,705</b>	<b>-</b>	<b>58,095,197</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 36,183,521</b>	<b>\$ 190,556</b>	<b>\$ 138,498</b>	<b>\$ 1,485,910</b>	<b>\$ 26,219,104</b>	<b>\$ 3,164,967</b>	<b>\$ (2,278,699)</b>	<b>\$ 65,103,857</b>

See independent auditors' report on supplementary information

# CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

## Consolidating and Combining Schedule of Change in Net Assets

Year Ended September 30, 2023

	CHA	Heartsease	Foundation	CHHDFC	NYCRM	GRM	Elimination Entry	Totals
SUPPORT AND REVENUE:								
Support:								
Contributions and grants	\$ 15,939,986	\$ -	\$ 120,950	\$ -	\$ 480,502	\$ 313,848	\$ -	\$ 16,855,286
Special events-net (Note 11)	2,256,493	-	-	-	-	-	-	2,256,493
Gifts-in-kind	5,142,663	-	-	-	-	-	-	5,142,663
Volunteer services	6,440	-	-	-	-	-	-	6,440
Total support	23,345,582	-	120,950	-	480,502	313,848	-	24,260,882
Revenue:								
Dividends and interest (net of fees)	363,851	-	-	-	-	68	-	363,919
Retreat center, camp fees and after school program	359,266	-	-	-	-	-	-	359,266
Other income (loss)	617,430	12,000	-	-	(22,644)	182,900	(12,000)	777,686
Total revenue	1,340,547	12,000	-	-	(22,644)	182,968	(12,000)	1,500,871
Total Support and Revenue	24,686,129	12,000	120,950	-	457,858	496,816	(12,000)	25,761,753

(continued)

See independent auditors' report on supplementary information



## CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

### Consolidating and Combining Schedule of Change in Net Assets

Year Ended September 30, 2023

(continued)

	CHA	Heartsease	Foundation	CHHDFC	NYCRM	GRM	Elimination Entry	Totals
EXPENSES:								
Program services:								
The Bowery Mission Adult Programs	16,799,949	44	-	2,966	-	-	(12,000)	16,790,959
Mont Lawn Summer and City Camps and Retreat Center	1,672,655	-	-	-	-	-	-	1,672,655
New York City Rescue Mission	-	-	-	-	409,500	-	-	409,500
Goodwill Rescue Mission	-	-	-	-	-	10,662	-	10,662
Total program services	<u>18,472,604</u>	<u>44</u>	<u>-</u>	<u>2,966</u>	<u>409,500</u>	<u>10,662</u>	<u>(12,000)</u>	<u>18,883,776</u>
Supporting services:								
Management and general	1,501,021	-	-	-	90,286	12,277	-	1,603,584
Fundraising	5,599,220	-	-	-	176,935	75,598	-	5,851,753
Total supporting services	<u>7,100,241</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>267,221</u>	<u>87,875</u>	<u>-</u>	<u>7,455,337</u>
Total Expenses	<u>25,572,845</u>	<u>44</u>	<u>-</u>	<u>2,966</u>	<u>676,721</u>	<u>98,537</u>	<u>(12,000)</u>	<u>26,339,113</u>
Change in Net Assets Before Other Changes	<u>(886,716)</u>	<u>11,956</u>	<u>120,950</u>	<u>(2,966)</u>	<u>(218,863)</u>	<u>398,279</u>	<u>-</u>	<u>(577,360)</u>

(continued)

See independent auditors' report on supplementary information

# CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

## Consolidating and Combining Schedule of Change in Net Assets

Year Ended September 30, 2023

(continued)

	CHA	Heartsease	Foundation	CHHDFC	NYCRM	GRM	Elimination Entry	Totals
Other Changes in Net Assets:								
Realized and unrealized loss on investments	475,407	-	-	-	-	1,616	-	477,023
Change in liability for post-retirement benefits	49,814	-	-	183,020	-	-	-	232,834
Change in value of perpetual trusts	120,466	-	-	-	-	-	-	120,466
Total Other Changes in Net Assets	<u>645,687</u>	<u>-</u>	<u>-</u>	<u>183,020</u>	<u>-</u>	<u>1,616</u>	<u>-</u>	<u>830,323</u>
Change in Net Assets	(241,029)	11,956	120,950	180,054	(218,863)	399,895	-	252,963
Net Assets, Beginning of Year	<u>32,168,856</u>	<u>178,600</u>	<u>17,548</u>	<u>869,578</u>	<u>22,017,842</u>	<u>2,589,810</u>	<u>-</u>	<u>57,842,234</u>
Net Assets, End of Year	<u><u>\$ 31,927,827</u></u>	<u><u>\$ 190,556</u></u>	<u><u>\$ 138,498</u></u>	<u><u>\$ 1,049,632</u></u>	<u><u>\$ 21,798,979</u></u>	<u><u>\$ 2,989,705</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 58,095,197</u></u>

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