

**CITY ON A HILL, INC.
MILWAUKEE, WISCONSIN**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2020 AND 2019**

CITY ON A HILL, INC.
MILWAUKEE, WISCONSIN

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	3
Financial Statements	
Statements of Financial Position	5
Statements of Activities	6 - 7
Statements of Cash Flows	8
Statements of Functional Expenses	9 - 10
Notes to Financial Statements	11

1214 BRIDGE STREET
P.O. BOX 368
GRAFTON, WISCONSIN 53024

TELEPHONE: (262) 377-9988
FAX: (262) 377-9617

Independent Auditor's Report

Board of Directors
City on a Hill, Inc.
Milwaukee, Wisconsin

We have audited the accompanying financial statements of City on a Hill, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, cash flows and functional expenses 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of City on a Hill, 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.

A handwritten signature in black ink that reads "Krause & Associates, SC". The signature is written in a cursive style.

Krause & Associates, SC
Grafton, Wisconsin
July 15, 2021

CITY ON A HILL, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
	<u>ASSETS</u>	
Cash and cash equivalents	\$ 346,004	\$ 196,095
Accounts receivable	7,042	24,702
Prepaid expenses	10,432	7,901
 PROPERTY AND EQUIPMENT		
Land	357,300	357,300
Building and improvements	1,890,923	1,872,856
Equipment and furniture	367,656	359,063
Vehicles	<u>24,468</u>	<u>24,468</u>
Total property and equipment	2,640,347	2,613,687
Less accumulated depreciation	<u>(1,266,037)</u>	<u>(1,181,136)</u>
 Property and equipment, net	 <u>1,374,310</u>	 <u>1,432,551</u>
 TOTAL ASSETS	 <u>\$ 1,737,788</u>	 <u>\$ 1,661,249</u>
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable	\$ 18,673	\$ 19,038
Accrued real estate taxes	7,585	6,610
Accrued payroll and payroll taxes	29,324	21,496
Deferred revenue	6,000	5,337
Security deposits	15,202	16,367
Capitalized leases	-	28,503
Notes payable	<u>736,672</u>	<u>754,414</u>
TOTAL LIABILITIES	813,456	851,765
 NET ASSETS		
Without donor restrictions		
Undesignated	795,487	665,345
Board designated	<u>23,608</u>	<u>36,727</u>
	819,095	702,072
With donor restrictions		
Time-restricted for future periods	<u>105,237</u>	<u>107,412</u>
 TOTAL NET ASSETS	 <u>924,332</u>	 <u>809,484</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 1,737,788</u>	 <u>\$ 1,661,249</u>

The accompanying notes are an integral part of this financial statement.

CITY ON A HILL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions	\$ 1,009,342	\$ 62,335	\$ 1,071,677
In-kind contributions	323,761	-	323,761
Government grants	61,455	-	61,455
Payroll Protection Loan Forgiveness	163,920	-	163,920
Program services income	25,341	1,740	27,081
Property	228,620	-	228,620
Interest and other	3,568	-	3,568
Released from restrictions	66,250	(66,250)	-
	<u>1,882,257</u>	<u>(2,175)</u>	<u>1,880,082</u>
EXPENSES			
Program services:			
Youth & family	764,123	-	764,123
Health	256,483	-	256,483
Training	183,424	-	183,424
Community center	265,379	-	265,379
Total program services	<u>1,469,409</u>	<u>-</u>	<u>1,469,409</u>
Supporting services:			
General and administrative	226,506	-	226,506
Fundraising and development	69,319	-	69,319
Total supporting services	<u>295,825</u>	<u>-</u>	<u>295,825</u>
Total expenses	<u>1,765,234</u>	<u>-</u>	<u>1,765,234</u>
Changes in net assets	<u>117,023</u>	<u>(2,175)</u>	<u>114,848</u>
Beginning net assets	702,072	107,412	809,484
Ending net assets	<u>\$ 819,095</u>	<u>\$ 105,237</u>	<u>\$ 924,332</u>

The accompanying notes are an integral part of these financial statements.

CITY ON A HILL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions	\$ 1,018,699	\$ 144,390	\$ 1,163,089
In-kind contributions	361,968	-	361,968
Government grants	61,293	-	61,293
Program services income	69,478	5,895	75,373
Property	257,876	-	257,876
Event	32,999	-	32,999
Interest and other	25,726	-	25,726
Released from restrictions	118,317	(118,317)	-
	<u>1,946,356</u>	<u>31,968</u>	<u>1,978,324</u>
EXPENSES			
Program services:			
Youth & family	623,844	-	623,844
Health	309,713	-	309,713
Training	173,790	-	173,790
Community center	290,964	-	290,964
Total program services	<u>1,398,311</u>	<u>-</u>	<u>1,398,311</u>
Supporting services:			
General and administrative	219,815	-	219,815
Fundraising and development	131,364	-	131,364
Total supporting services	<u>351,179</u>	<u>-</u>	<u>351,179</u>
Total expenses	<u>1,749,490</u>	<u>-</u>	<u>1,749,490</u>
Changes in net assets	<u>196,866</u>	<u>31,968</u>	<u>228,834</u>
Beginning net assets	505,206	75,444	580,650
Ending net assets	<u>\$ 702,072</u>	<u>\$ 107,412</u>	<u>\$ 809,484</u>

The accompanying notes are an integral part of these financial statements.

CITY ON A HILL, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 114,848	\$ 228,834
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	84,901	79,247
In-kind donations capitalized	(1,312)	(29,888)
(Increase) decrease in accounts receivable	17,660	(18,640)
(Increase) decrease in prepaid expenses	(2,531)	(2,001)
Increase (decrease) in accounts payable	(365)	(5,763)
Increase (decrease) in accrued liabilities	8,803	5,231
Increase (decrease) in deferred revenue	663	(1,587)
Increase (decrease) in security deposits	<u>(1,165)</u>	<u>203</u>
Net cash provided by operating activities	<u>221,502</u>	<u>255,636</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(25,348)</u>	<u>(103,753)</u>
Net cash provided by (used in) investing activities	(25,348)	(103,753)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of notes payable – mortgage	(17,742)	(17,143)
Repayment on capitalized leases	<u>(28,503)</u>	<u>(3,082)</u>
Net cash provided by (used in) financing activities	<u>(46,245)</u>	<u>(20,225)</u>
Net increase (decrease) in cash and cash equivalents	149,909	131,658
Cash and cash equivalents, beginning of year	<u>196,095</u>	<u>64,437</u>
Cash and cash equivalents, end of year	<u>\$ 346,004</u>	<u>\$ 196,095</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 24,244</u>	<u>\$ 31,802</u>
In-kind contributions received	<u>\$ 323,761</u>	<u>\$ 361,968</u>
Equipment financed through capitalized lease arrangements	<u>\$ -</u>	<u>\$ 31,585</u>

The accompanying notes are an integral part of this financial statement.

CITY ON A HILL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Services					Supporting Services		
	Youth & family	Health	Training	Community Center	Total	General & administrative	Fundraising & Development	Total
Advertising and promotion	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,992	\$ 5,079	\$ 7,071
Depreciation	22,182	6,509	15,085	33,524	77,300	7,271	330	84,901
Fundraising	-	-	-	-	-	-	3,447	3,447
Information and technology	11,636	5,446	1,927	4,239	23,248	6,056	1,479	30,783
Insurance	8,975	2,634	6,104	13,564	31,277	2,942	133	34,352
Interest	6,334	1,859	4,308	9,573	22,074	2,076	94	24,244
Office	11,585	5,421	1,919	4,220	23,145	6,029	1,474	30,648
Occupancy	53,182	15,606	36,167	80,375	185,330	17,434	791	203,555
Payroll expenses:								
Salaries and wages	263,421	128,200	62,519	98,329	552,469	136,733	48,692	737,894
Employee benefits	37,772	17,679	6,257	13,761	75,469	19,657	4,802	99,928
Payroll taxes	19,222	8,997	3,184	7,003	38,406	10,004	2,444	50,854
Professional fees	-	22,593	37,223	663	60,479	14,954	180	75,613
Program	327,192	41,539	8,731	-	377,462	391	-	377,853
Travel	2,622	-	-	128	2,750	967	374	4,091
Total Expenses	<u>\$ 764,123</u>	<u>\$ 256,483</u>	<u>\$ 183,424</u>	<u>\$ 265,379</u>	<u>\$ 1,469,409</u>	<u>\$ 226,506</u>	<u>\$ 69,319</u>	<u>\$ 1,765,234</u>

The accompanying notes are an integral part of these financial statements.

CITY ON A HILL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Services					Supporting Services		
	Youth & family	Health	Training	Community Center	Total	General & administrative	Fundraising & Development	Total
Advertising and promotion	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,157	\$ 12,939	\$ 16,096
Depreciation	20,620	6,051	14,023	31,487	72,181	6,759	307	79,247
Fundraising	-	-	-	-	-	-	49,593	49,593
Information and technology	3,496	1,337	954	1,824	7,611	2,105	588	10,304
Insurance	8,339	2,447	5,671	12,733	29,190	2,734	124	32,048
Interest	8,275	2,428	5,627	12,636	28,966	2,713	123	31,802
Office	10,708	4,095	2,922	5,586	23,311	6,452	1,801	31,564
Occupancy	54,723	16,059	37,215	83,562	191,559	17,939	814	210,312
Payroll expenses:								
Salaries and wages	218,954	89,857	76,012	113,861	498,684	130,154	50,666	679,504
Employee benefits	38,514	14,729	10,509	20,092	83,844	23,194	6,476	113,514
Payroll taxes	15,042	5,753	4,104	7,847	32,746	9,058	2,529	44,333
Professional fees	-	48,544	8,976	663	58,183	14,406	2,000	74,589
Program	240,396	118,345	7,096	328	366,165	798	-	366,963
Travel	4,777	68	681	345	5,871	346	3,404	9,621
Total Expenses	<u>\$ 623,844</u>	<u>\$ 309,713</u>	<u>\$ 173,790</u>	<u>\$ 290,964</u>	<u>\$ 1,398,311</u>	<u>\$ 219,815</u>	<u>\$ 131,364</u>	<u>\$ 1,749,490</u>

The accompanying notes are an integral part of these financial statements.

CITY ON A HILL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Organization and business activity

City on a Hill, Inc. (Organization) is a not-for-profit organization, incorporated under the laws of the State of Wisconsin. Prior to January 1, 2018, the Organization was consolidated with the Wisconsin/Northern Michigan District Council of the Assemblies of God (District). On January 1, 2018, the District released its economic interest in the Organization (see Note K).

The Organization is located on the near west side of Milwaukee, Wisconsin and serves a low-income population. The Organization's mission is threefold: 1) to improve the quality of life in our neighborhood by alleviating the symptoms of poverty in collaboration with other organizations; 2) to help central city youth break the cycle of generational poverty by offering a comprehensive array of youth programs; and 3) to engage others in solutions to urban poverty by providing opportunities to serve, and training on poverty and racial justice.

Nature of programs:

Healthcare Services

The Organization . serves more than 1,000 low-income, medically underserved adults annually, including many who are homeless, elderly or disabled and provides health screenings, doctor visits, medications, telehealth services, eye exams, glasses, physical and occupational therapy, foot care, cancer screenings, health education, nutrition, and other services. The Organization also offers a program for residents of shelters and transitional housing, providing health education/coaching, healthcare navigation training, and primary care in the free clinic.

Children, Youth and Family Programs

The Organization serves low-income children, youth and families with a wide range of programs. Each year hundreds of youth are enrolled in the afterschool center, outdoor summer programs, and weekly youth group. In addition, youth participate in camping, college and career field trips, educational advancement program, remote learning center, community service projects and youth employment program. Families are supported through home visits, emergency services, on-site special events, and neighborhood outreaches.

CITY ON A HILL, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020 AND 2019

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

1. Organization and business activity - continued

Training Programs

The Organization provides training programs focused on poverty and justice, including poverty simulations, Removing Racial Residue training, Urban Plunge weekends, four to six-day short-term mission trips, and innovative compassion events. These events are designed to mobilize better-resourced individuals to address the needs of residents of the central city. The Organization serves as a volunteer site for service groups from churches, universities, and other organizations, mobilizing more than 1,000 volunteers annually.

Community Center

The Organization provides space for several other nonprofit, educational and minority-led organizations to co-locate with the Organization and offer a variety of other services for low-income residents, including: nutrition for school children; cultural competency training for health professionals; community health worker training; sports programming for at-risk youth; vision services for children, environmental education for young people of color; prison chaplaincy services; and disability assessments.

2. Cash and cash equivalents

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

3. Accounts receivable and credit policies

Accounts receivable consist primarily of noninterest-bearing amounts due for program and rental services. The Organization determines the allowance for uncollectible accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectible. At December 31, 2020 and 2019, management determined that no allowance for uncollectible accounts receivable was required. Receivables from contracts with customers are reported as accounts receivable, in the accompanying statements of financial position. Contract liabilities are reported as deferred revenue in the accompanying statements of financial position.

CITY ON A HILL, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020 AND 2019

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. Prepaid expenses

Prepaid expenses represent disbursements paid in advance for the subsequent fiscal year.

5. Property and equipment

Property and equipment are recorded at cost or fair market value if donated. The Organization's policy is to capitalize all tangible assets which separately or in the aggregate have an acquisition cost of \$1,000 or greater. Major additions and improvements are capitalized. Property and equipment are depreciated over the estimated useful lives of the assets, ranging from 3 to 30 years, using the straight-line method. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. Depreciation expense for the years ended December 31, 2020 and 2019 was \$84,901 and \$79,247, respectively.

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended December 31, 2020 and 2019.

6. Net assets

The Organization follows the accrual method of accounting wherein revenues and expenses are recorded in the period earned or incurred. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a maintenance project.

CITY ON A HILL, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020 AND 2019

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

6. Net assets - continued

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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.

7. Revenue and Revenue Recognition

Revenue is recognized from rental and programs when the services are provided. All services are transferred at a point in time. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. As of December 31, 2020 and 2019, the Organization has no conditional contributions.

8. Donated services and in-kind contributions

Volunteers contribute significant amounts of time to the Organization's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The Organization records donated professional services at the respective fair values of the services received (see Note L).

CITY ON A HILL, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020 AND 2019

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

9. Allocation of functional expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, salaries and wages, benefits, payroll taxes, professional services, office expenses, supplies, insurance, and other, which are allocated on the basis of estimates of time and effort.

10. Use of estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

11. Income taxes

The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

The Organization evaluates its tax positions and assesses their uncertainty, if any, through review and application of various sources of tax authority including statutes, regulations, rulings, court cases and widely held administrative practices.

The Organization's informational returns are subject to examination by the IRS, generally for three years after they were filed. Management believes that no uncertain tax positions exist for the Organization at December 31, 2020 and 2019. The Organization has not incurred any interest or penalties for income taxes for the year ended December 31, 2020 and 2019.

CITY ON A HILL, INC.
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 DECEMBER 31, 2020 AND 2019

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

12. Subsequent events

Management has evaluated subsequent events for recognition and disclosure in the financial statements through July 15, 2021, which is the date that the financial statements were available to be issued. One subsequent event was noted for disclosure, see Notes I and M.

B – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following:

	2020	2019
Cash and cash equivalents	\$ 346,004	\$ 196,095
Accounts receivable	7,042	24,702
Less amounts unavailable for general expenditures:		
Donor purpose or timing restrictions	(105,237)	(107,412)
	\$ 247,809	\$ 113,385

As part of its liquidity plan, the Organization invests cash in excess of daily requirements in short-term money market funds. Occasionally, the board of directors designates a portion of any operating surplus to its maintenance project reserves, which was \$23,608 and \$36,727 as of December 31, 2020 and 2019, respectively.

In addition, the Organization has a \$200,000 line of credit available to meet any cash flow needs that exceed monthly revenues. As of December 31, 2020 and 2019, the Organization had no outstanding balance on the line of credit.

C – ACCOUNTS RECEIVABLE

Accounts receivable consists of the following amounts as of December 31, 2020 and 2019:

	2020	2019
Program and space rental	\$ 7,042	\$ 24,702

Management has determined that the accounts receivable are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary.

CITY ON A HILL, INC.
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 DECEMBER 31, 2020 AND 2019

D – LINE OF CREDIT

The Organization has a \$200,000 revolving line of credit with a bank. Borrowings under the line bear interest at the bank’s prime rate plus 0.75%, (3.90% at December 31, 2020). Interest is payable monthly on the outstanding balance. There was no balance outstanding at December 31, 2020 and 2019.

E – NOTES PAYABLE

The Organization has a mortgage dated November 11, 2017, secured by the Organization’s real estate at 2224 W. Kilbourn Avenue, Milwaukee, Wisconsin, payable to a local bank. The note requires monthly installments of \$3,493, which includes principal and interest, with a final payment due in 2022. The note bears interest at an annual fixed rate of 4.70%. The balance outstanding at December 31, 2020 and 2019 is \$486,672 and \$504,414 respectively.

The Organization has a note payable dated November 3, 2017 payable to the Wisconsin/Northern Michigan District Council of the Assemblies of God (a related party) (see Note K). The note is non-interest bearing, with no specific repayment terms. The balance outstanding at December 31, 2020 and 2019 are \$250,000 and \$250,000, respectively.

Future maturities of notes payables are as follows:

2021	\$ 19,168
2022	467,504
2023	-
2024	-
2025	-
2026 and thereafter	<u>250,000</u>
Total	<u>\$ 736,672</u>

F – LEASE AGREEMENTS

Operating Leases

The Organization leased a copier under an operating lease agreement that expires on April 30, 2022. Rent expense under this operating lease totaled \$828 and \$828 for the years ended December 31, 2020 and 2019, respectively. Future minimum lease payments are as follows:

2021	\$ 828
2022	<u>276</u>
	<u>\$ 1,104</u>

CITY ON A HILL, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020 AND 2019

F – LEASE AGREEMENTS – CONTINUED

Capital Leases

During 2019, the Organization entered into a capitalized lease for elevator equipment, under a non-cancelable lease agreement. Minimum lease payments have been capitalized and the related assets and obligations recorded using an annual interest rate 7.835%. The assets are depreciated on a straight-line method over their estimated useful lives. The lease obligation was paid in full in 2020. Interest expense was recognized using the effective interest method.

The net book value of assets capitalized under this lease is \$30,569 at December 31, 2020.

G – NET ASSETS

Net assets without donor restrictions have been designated by the board for the following purposes as of December 31, 2020 and 2019:

	2020	2019
Maintenance project	<u>\$ 23,608</u>	<u>\$ 36,727</u>

Contributions received are recorded as donor restricted net assets depending on the existence and or nature of any donor-imposed restrictions. As restrictions are met and funds expended, assets are released from restrictions. Net assets with donor restrictions are restricted for the following purposes as of December 31, 2020 and 2019:

	2020	2019
Purpose restriction		
Building project	\$ 2,220	\$ 2,220
Sunday dinner church	11,298	-
Equipment purchase	26,000	-
Leadership capacity	58,185	91,000
Mission events	2,625	7,725
Benevolence	<u>4,909</u>	<u>6,467</u>
	<u>\$ 105,237</u>	<u>\$ 107,412</u>

CITY ON A HILL, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020 AND 2019

G – NET ASSETS – CONTINUED

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended December 31, 2020 and 2019:

Purpose restriction	2020	2019
Building project	\$ -	\$ 70,042
Sunday dinner church	24,502	-
Nutritional program	-	1,000
Leadership capacity	32,815	-
Mission events	5,100	45,475
Benevolence	3,833	1,800
	<u>\$ 66,250</u>	<u>\$ 118,317</u>

H – RENTAL INCOME

The Organization leases portions of its facility to several other nonprofit, educational and minority-led organizations through separate lease agreements and occupancy licenses. Monthly rents vary by lease and range from \$178 - \$10,133. Length of the leases varies per agreement. Rental income under these lease agreements totaled \$225,494 and \$224,745 for the years ended December 31, 2020 and 2019, respectively. The Organization obtains security deposits from its tenants to ensure full performance of the terms, covenants, and conditions of the lease agreements. As of December 31, 2020 and 2019, security deposits totaled \$15,202 and \$16,367, respectively. The following is a schedule of future minimum rentals under the leases as of December 31, 2020:

2021	\$ 149,901
2022	86,303
Total	<u>\$ 236,204</u>

In addition, the Organization rents space to organizations on a short-term basis for tenant and community meetings, retreats and education on an as needed basis. Rental income under these types of lease agreements totaled \$3,126 and \$31,131 for the years ended December 31, 2020 and 2019, respectively. Total rental income for the years ended December 31, 2020 and 2019 totaled \$228,620 and \$257,876, respectively.

CITY ON A HILL, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020 AND 2019

I – REFUNDABLE ADVANCE – PAYROLL PROTECTION LOAN FORGIVENESS

The Organization was granted a \$163,920 loan under the Paycheck Protection Program “PPP” administered by a Small Business Administration (SBA) approved partner during the COVID-19 outbreak (see Note M). The loan is uncollateralized and is fully guaranteed by the Federal government. The Organization initially recorded the loan as a refundable advance and subsequently recognized grant revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The Organization has recognized \$163,920 as grant revenue for the year ended December 31, 2020. Subsequent to year end, the Organization received full forgiveness of the loan from the SBA.

Subsequent to year end, the Organization applied for and received a second PPP loan of \$175,137 to help cover payroll costs, rent and utilities during the outbreak. This loan will be forgiven if the Organization meets all of the compliance obligations for loan forgiveness of the PPP. The Organization expects to meet the criteria of the PPP program and anticipates full forgiveness.

J – RETIREMENT PLAN

The Organization sponsors a 403(b) defined contribution retirement plan (Plan) for all regular full-time employees. Eligibility and benefit level are based on years of service and employees may voluntarily contribute from 3 percent to 7 percent of their earnings to the Plan, up to the maximum contribution allowed by the IRS. Employer contributions are discretionary and are determined and authorized by the Board of Directors each plan year. The Organization made employer contributions of \$17,342 and \$17,616 for the years ended December 31, 2020 and 2019.

K – RELATED PARTIES

Prior to January 1, 2018, the Organization’s financial statements were consolidated with the Wisconsin/Northern Michigan District Council of the Assemblies of God (District). On January 1, 2018, the District released its economic interest in the Organization. At December 31, 2020 and 2019, the Organization has a non-interest bearing note payable due to the District of \$250,000. The note does not specify specific repayment terms.

CITY ON A HILL, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020 AND 2019

K – RELATED PARTIES – CONTINUED

The Organization is a minority limited partner in Lisbon Terrace, LLC (Lisbon) and William A. Passavant RCAC, LLC (Passavant). Both LLCs are affordable multi-family housing projects. Lisbon is located in a neighborhood near the Organization’s property in Milwaukee. Passavant is located on the Organization’s campus. The Organization’s ownership in Passavant and Lisbon is .0025% and .01%, respectively. No value is reflected in the statements of financial position for either investment.

L – DONATED FACILITIES, SERVICES AND PERSONAL PROPERTY

The Organization receives various types of contributed goods and services support, including food, professional services, supplies and equipment. Donated food and supplies are recognized at their fair value. Donated services are reported in the financial statements for voluntary donations of professional services when those services create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and typically would be purchased if not provided by donation.

The Organization received donated materials and professional services as follows for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Food	\$ 157,089	\$ 215,935
Health clinic supplies	17,869	14,270
Professional health clinic services	22,593	48,544
Program supplies	124,898	53,331
Capitalized equipment	<u>1,312</u>	<u>29,888</u>
Total	<u>\$ 323,761</u>	<u>\$ 361,968</u>

A substantial number of unpaid volunteers have made significant contributions of their time to develop the Organization’s programs. No amounts have been recognized in the statements of activities because the criteria for recognition under U.S. GAAP have not been satisfied.

CITY ON A HILL, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020 AND 2019

M – SUBSEQUENT EVENT

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19), a pandemic. As a result, economic uncertainties have arisen which are likely to negatively impact support and revenue. The COVID-19 outbreak in the United States has resulted in reduced building usage, cancellation or postponement of events, as well as temporary closures where government mandated. At the current time, the Organization is unable to fully quantify the potential effects of this pandemic on our future financial statements.

N – RECENT ACCOUNTING GUIDANCE

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), which requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for most leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of the expense recognition in the consolidated statement of activities. The effective date for this standard has been delayed to annual reporting periods beginning after December 15, 2021. Management is currently evaluating the impact of the standard.