

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

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2021 AND 2020**

CITY ON A HILL, INC.
MILWAUKEE, WISCONSIN

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Independent Auditor's Report

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

Opinion

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, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of City on a Hill, Inc. as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City on a Hill, Inc. 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City on a Hill, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.


Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of City on a Hill, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City on a Hill, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Krause & Associates, SC
Grafton, Wisconsin
June 23, 2022

CITY ON A HILL, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
	<u>ASSETS</u>	
Cash and cash equivalents	\$ 291,698	\$ 346,004
Contributions and grants receivable	117,071	-
Accounts receivable	13,621	7,042
Prepaid expenses	<u>7,013</u>	<u>10,432</u>
Subtotal	429,403	363,478
PROPERTY AND EQUIPMENT, NET	<u>1,396,569</u>	<u>1,374,310</u>
TOTAL ASSETS	<u><u>\$ 1,825,972</u></u>	<u><u>\$ 1,737,788</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable	\$ 59,410	\$ 18,673
Accrued real estate taxes	7,632	7,585
Accrued payroll and payroll taxes	54,348	29,324
Deferred revenue	6,249	6,000
Security deposits	16,725	15,202
Note payable, line of credit	120,000	-
Notes payable	<u>716,720</u>	<u>736,672</u>
TOTAL LIABILITIES	981,084	813,456
NET ASSETS		
Without donor restrictions		
Undesignated	613,214	795,487
Board designated	<u>23,608</u>	<u>23,608</u>
	636,822	819,095
With donor restrictions		
Time-restricted for future periods	<u>208,066</u>	<u>105,237</u>
TOTAL NET ASSETS	<u>844,888</u>	<u>924,332</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,825,972</u></u>	<u><u>\$ 1,737,788</u></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, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions	\$ 722,135	\$ 289,140	\$ 1,011,275
In-kind contributions	145,871	-	145,871
Government grants	218,971	-	218,971
Special event:			
Special event revenue	141,183	-	141,183
Less direct benefit to donor costs	(73,643)		(73,643)
Paycheck Protection Loan Forgiveness	175,137	-	175,137
Program services income	28,460	-	28,460
Property	218,803	-	218,803
Interest and other	3,426	-	3,426
Released from restrictions	<u>186,311</u>	<u>(186,311)</u>	<u>-</u>
Total revenue & support	1,766,654	102,829	1,869,483
EXPENSES			
Program services:			
Youth & family	555,889	-	555,889
Health	235,049	-	235,049
Training	172,875	-	172,875
Community center	<u>239,686</u>	<u>-</u>	<u>239,686</u>
Total program services	1,203,499	-	1,203,499
Supporting services:			
General and administrative	483,470	-	483,470
Fundraising and development	<u>261,958</u>	<u>-</u>	<u>261,958</u>
Total supporting services	745,428	-	745,428
Total expenses	<u>1,948,927</u>	<u>-</u>	<u>1,948,927</u>
Changes in net assets	<u>(182,273)</u>	<u>102,829</u>	<u>(79,444)</u>
Beginning net assets	<u>819,095</u>	<u>105,237</u>	<u>924,332</u>
Ending net assets	<u>\$ 636,822</u>	<u>\$ 208,066</u>	<u>\$ 844,888</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, 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
Paycheck 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)	-
	<hr/>	<hr/>	<hr/>
Total revenue & support	1,882,257	(2,175)	1,880,082
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	<hr/> 1,469,409	<hr/> -	<hr/> 1,469,409
Supporting services:			
General and administrative	226,506	-	226,506
Fundraising and development	69,319	-	69,319
Total supporting services	<hr/> 295,825	<hr/> -	<hr/> 295,825
	<hr/>	<hr/>	<hr/>
Total expenses	1,765,234	-	1,765,234
	<hr/>	<hr/>	<hr/>
Changes in net assets	117,023	(2,175)	114,848
Beginning net assets	<hr/> 702,072	<hr/> 107,412	<hr/> 809,484
Ending net assets	<hr/> <u>\$ 819,095</u>	<hr/> <u>\$ 105,237</u>	<hr/> <u>\$ 924,332</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, 2021

	Program Services					Supporting Services		
	Youth & family	Health	Training	Community Center	Total	General & administrative	Fundraising & Development	Total
Advertising and promotion	\$ 20	\$ 3,496	\$ 3,713	\$ -	\$ 7,229	\$ -	\$ 20,913	\$ 28,142
Depreciation	21,722	6,376	14,772	32,820	75,690	7,117	324	83,131
Fundraising	-	-	-	-	-	-	73,643	73,643
Information and technology	-	-	-	-	-	40,524	-	40,524
Insurance	10,028	2,944	6,820	15,152	34,944	3,285	150	38,379
Interest	5,941	1,744	4,041	8,977	20,703	2,432	89	23,224
Office	1,284	1,396	-	-	2,680	52,960	-	55,640
Occupancy	63,208	18,554	42,985	95,502	220,249	20,707	943	241,899
Payroll expenses:								
Salaries and wages	277,671	93,649	78,940	63,421	513,681	255,891	138,564	908,136
Employee benefits	31,958	9,210	13,340	19,381	73,889	39,506	16,721	130,116
Payroll taxes	20,121	6,905	4,985	4,433	36,444	16,449	7,227	60,120
Professional fees	-	33,850	-	-	33,850	37,251	74,821	145,922
Program	121,809	56,819	3,279	-	181,907	2,594	-	184,501
Staff development	65	-	-	-	65	4,092	-	4,157
Travel	2,062	106	-	-	2,168	662	2,206	5,036
	<u>555,889</u>	<u>235,049</u>	<u>172,875</u>	<u>239,686</u>	<u>1,203,499</u>	<u>483,470</u>	<u>335,601</u>	<u>2,022,570</u>
Less expense included with revenues on the statement of activities	-	-	-	-	-	-	(73,643)	(73,643)
Total Expenses	<u>\$ 555,889</u>	<u>\$ 235,049</u>	<u>\$ 172,875</u>	<u>\$ 239,686</u>	<u>\$ 2,406,998</u>	<u>\$ 483,470</u>	<u>\$ 261,958</u>	<u>\$ 1,948,927</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, 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
	<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>
Less expense included with revenues on the statement of activities	-	-	-	-	-	-	-	-
Total Expenses	<u>\$ 764,123</u>	<u>\$ 256,483</u>	<u>\$ 183,424</u>	<u>\$ 265,379</u>	<u>\$ 2,938,818</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.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (79,444)	\$ 114,848
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	83,131	84,901
In-kind donations capitalized	-	(1,312)
(Increase) decrease in contributions and grants receivable	(117,071)	-
(Increase) decrease in accounts receivable	(6,579)	17,660
(Increase) decrease in prepaid expenses	3,419	(2,531)
Increase (decrease) in accounts payable	40,737	(365)
Increase (decrease) in accrued liabilities	25,071	8,803
Increase (decrease) in deferred revenue	249	663
Increase (decrease) in security deposits	<u>1,523</u>	<u>(1,165)</u>
Net cash provided by operating activities	<u>(48,964)</u>	<u>221,502</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(105,390)</u>	<u>(25,348)</u>
Net cash provided by (used in) investing activities	(105,390)	(25,348)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable, line of credit	120,000	-
Repayment of notes payable – mortgage	(19,952)	(17,742)
Repayment on capitalized leases	<u>-</u>	<u>(28,503)</u>
Net cash provided by (used in) financing activities	<u>100,048</u>	<u>(46,245)</u>
Net increase (decrease) in cash and cash equivalents	(54,306)	149,909
Cash and cash equivalents, beginning of year	<u>346,004</u>	<u>196,095</u>
Cash and cash equivalents, end of year	<u>\$ 291,698</u>	<u>\$ 346,004</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 23,224</u>	<u>\$ 24,244</u>
In-kind contributions received	<u>\$ 145,871</u>	<u>\$ 323,761</u>

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

CITY ON A HILL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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 M).

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, 2021 AND 2020

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; vision services for children, environmental education for young people of color; prison chaplaincy services; basic education for adults; 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, 2021 and 2020, 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, 2021 AND 2020

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. Contributions receivable

The Organization records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The Organization determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At December 31, 2021 and 2020, management determined that no allowance for uncollectible accounts receivable was required.

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, 2021 and 2020 was \$83,131 and \$84,901, respectively. At December 31, 2021 and 2020, property and equipment consist of the following:

	<u>2021</u>	<u>2020</u>
Land	357,300	357,300
Building and improvements	1,927,617	1,890,923
Equipment and furniture	386,101	367,656
Vehicles	59,407	24,468
Construction in progress	<u>15,312</u>	<u>-</u>
Total property and equipment	2,745,737	2,640,347
Less accumulated depreciation	<u>(1,349,168)</u>	<u>(1,266,037)</u>
Property and equipment, net	<u>\$ 1,396,569</u>	<u>\$ 1,374,310</u>

CITY ON A HILL, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021 AND 2020

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5. Property and equipment - continued

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, 2021 and 2020.

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.

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.

CITY ON A HILL, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021 AND 2020

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

A portion of the Organization's revenue is derived from cost-reimbursable state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when we have incurred expenditures in compliance with specific contract or grant provisions. Consequently, at December 31, 2021, approximately \$85,576 has not been recognized in the accompanying statement of activities because qualifying expenditures have not yet been incurred. No amounts have been received in advance under the state contracts and grants. As of December 31, 2020, the Organization had 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 N).

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.

CITY ON A HILL, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021 AND 2020

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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, 2021 and 2020. The Organization has not incurred any interest or penalties for income taxes for the years ended December 31, 2021 and 2020.

12. Subsequent events

Management has evaluated subsequent events for recognition and disclosure in the financial statements through June 23, 2022, which is the date that the financial statements were available to be issued. See Note O.

CITY ON A HILL, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021 AND 2020

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:

	2021	2020
Cash and cash equivalents	\$ 291,698	\$ 346,004
Contributions and grants receivable	117,071	-
Accounts receivable	13,621	7,042
Less amounts unavailable for general expenditures:		
Donor purpose or timing restrictions	(208,066)	(105,237)
	\$ 214,324	\$ 247,809

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 \$23,608 as of December 31, 2021 and 2020, 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, 2021, a balance of \$120,000 was outstanding on the line of credit. As of December 31, 2020, the Organization had no outstanding balance on the line of credit.

C - CONTRIBUTIONS RECEIVABLE

At December 31, 2021 and 2020, contributions receivable consist of outstanding donations to the Organization and total \$117,071 and \$0, respectively. The Organization considers all contributions receivable to be fully collectible; accordingly, no provision for doubtful accounts is included. If amounts become uncollectible, they will be charged to operations when that determination is made. All contributions receivable amounts are due within 12 months of the year end.

D – ACCOUNTS RECEIVABLE

Accounts receivable consists of the following amounts as of December 31, 2021 and 2020:

	2021	2020
Program and space rental	\$ 13,621	\$ 7,042

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, 2021 AND 2020

E – 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, 2021). Interest is payable monthly on the outstanding balance. A balance of \$120,000 was outstanding at December 31, 2021. There was no balance outstanding at December 31, 2020.

F – 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, 2021 and 2020 is \$466,720 and \$486,672 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 M). The note is non-interest bearing, with no specific repayment terms. The balance outstanding at December 31, 2021 and 2020 are \$250,000 and \$250,000, respectively.

Future maturities of notes payables are as follows:

2022	\$ 466,720
2023	-
2024	-
2025	-
2026	-
2027 and thereafter	<u>250,000</u>
Total	<u>\$ 716,720</u>

Management is currently working with the bank to refinance the mortgage.

G – 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, 2021 and 2020, respectively. Future minimum lease payments are \$276 for 2022.

CITY ON A HILL, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021 AND 2020

G – 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.

H – NET ASSETS

Net assets without donor restrictions have been designated by the board for the following purposes as of December 31, 2021 and 2020:

	2021	2020
Maintenance project	<u>\$ 23,608</u>	<u>\$ 23,608</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, 2021 and 2020:

	2021	2020
<u>Purpose restriction</u>		
Building and capital projects	\$ 42,275	\$ 2,220
Dinner church	10,449	11,298
Youth and Family Resilience	35,000	-
Youth Evangelism and Discipleship	32,258	-
Program due to timing	79,000	-
Equipment purchase	-	26,000
Leadership capacity	-	58,185
Mission events	-	2,625
Benevolence	9,084	4,909
	<u>\$ 208,066</u>	<u>\$ 105,237</u>

CITY ON A HILL, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021 AND 2020

H – 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 years ended December 31, 2021 and 2020:

Purpose restriction	2021	2020
Building and capital projects	\$ 6,085	\$ -
Dinner church	849	24,502
Equipment purchase	26,000	-
Leadership capacity	58,185	32,815
Youth Evangelism and Discipleship	67,742	-
Mission events	26,725	5,100
Benevolence	725	3,833
	<u>\$ 186,311</u>	<u>\$ 66,250</u>

I – 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. The original length of the leases varied per agreement and renew for one-year terms. Rental income under these lease agreements totaled \$200,211 and \$225,494 for the years ended December 31, 2021 and 2020, 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, 2021 and 2020, security deposits totaled \$16,725 and \$15,202, respectively. The following is a schedule of future minimum rentals under the leases as of December 31, 2021:

2022	<u>\$ 106,452</u>
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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 \$18,592 and \$3,126 for the years ended December 31, 2021 and 2020, respectively. Total rental income for the years ended December 31, 2021 and 2020 totaled \$218,803 and \$228,620, respectively.

CITY ON A HILL, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021 AND 2020

J – EMPLOYEE RETENTION CREDIT

The Organization is eligible for the Employee Retention Credit (“ERC”) under the CARES Act. Grant receivable for the ERC at December 31, 2021 is \$76,660 which represents refunds due on the 2020 Form 941-X Adjusted Employer’s Quarterly Federal Tax Return or Claim for Refund for the quarter ended December 31, 2020. The balance is included in contributions and grants receivable on the statements of financial position and government grant revenue on the statements of activities.

K – REFUNDABLE ADVANCE – PAYROLL PROTECTION LOAN FORGIVENESS

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 classes, as well as temporary closures where government mandated.

During the year ended December 31, 2020, 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. During the year ended December 31, 2021, the Organization received a second PPP loan of \$175,137. The purpose of the loans is to help cover payroll costs, rent and utilities during the outbreak. The loans were uncollateralized and fully guaranteed by the Federal government. The Organization initially recorded the loans 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 exists. The Organization has received formal forgiveness of both PPP loans and has recognized \$175,137 and \$163,920 as grant revenue for each year, for the years ended December 31, 2021 and 2020.

L – 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 \$22,363 and \$17,342 for the years ended December 31, 2021 and 2020.

CITY ON A HILL, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021 AND 2020

M – 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, 2021 and 2020, the Organization has a non-interest bearing note payable due to the District of \$250,000. The note does not specify specific repayment terms.

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.

N – 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, 2021 and 2020:

	2021	2020
Food	\$ 33,411	\$ 157,089
Health clinic supplies	33,602	17,869
Professional health clinic services	33,850	22,593
Professional fees	12,960	-
Program supplies	32,048	124,898
Capitalized equipment	-	1,312
Total	\$ 145,871	\$ 323,761

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, 2021 AND 2020

O – SUBSEQUENT EVENT

Subsequent to year end, the Organization was awarded two grants that represent significant additional funding sources. The first award is a \$509,722.00 multi-year grant through the Wisconsin Department of Administration (DOA) under the American Rescue Plan Act of 2021 (ARPA) federal funding allocations. The project will deliver our Launching Young Leaders Program, which educates, prepares, trains, and mentors Milwaukee youth and young professionals to become leaders in their community and eliminate disparities in the areas of health, education, and economic mobility. The program will expand community capacity for equity and change in education and family economic stability.

The second award is a \$ 1,588,300.00 Healthcare Infrastructure Capital Grant also through the DOA under the ARPA federal funding allocations. The project will create a new dental clinic and remodel the current free clinic space to expand primary care and mental health services. The program will make an investment in the Organization's healthcare infrastructure necessary to reduce disparities in healthcare services provided to individuals s living in Qualified Census Tracts and other populations disproportionately affected by the COVID-19 pandemic.

P – 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.