

CHRISTIAN HERALD
ASSOCIATION, INC.
AND SUBSIDIARIES

Consolidated and Combined
Financial Statements
With Independent Auditors' Report

September 30, 2018 and 2017

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

We have audited the accompanying consolidated and combined financial statements of Christian Herald Association Inc. and Subsidiaries, which comprise the consolidated and combined statements of financial position as of September 30, 2018 and 2017, and the related consolidated and combined statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the consolidated and combined financial statements.

Management's Responsibility 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated and combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated and combined financial statements based on our audits. We did not audit the financial statements of New York City Rescue Mission, Inc., a subsidiary, which statements reflect total net assets of \$22,318,295 and \$-0- as of September 30, 2018 and 2017, respectively. We also did not audit the financial statements of Goodwill Rescue Mission, Inc., a subsidiary, which statements reflect total net assets of \$2,076,170 and \$2,675,757 as of September 30, 2018 and 2017, respectively. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for New York City Rescue Mission, Inc. and Goodwill Rescue Mission, Inc., is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated and combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated and combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the consolidated and combined 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 organization'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 consolidated and combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Opinion

In our opinion, based on our audits and the report of the other auditors, 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, 2018 and 2017, and the consolidated and combined changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

New York, New York
April 9, 2020

CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

Consolidated and Combined Statements of Financial Position

	September 30,	
	2018	2017
ASSETS:		
Cash and cash equivalents	\$ 1,853,603	\$ 1,376,111
Accounts receivable	161,290	63,844
Government grants receivable	189,680	448,389
Pledges receivable-net	2,569,346	2,830,213
Prepaid expenses	328,755	501,113
Deposits and other assets	284,588	339,139
Investments	13,531,442	16,696,347
Land, buildings and equipment-net	46,864,432	20,048,804
Beneficial interest in perpetual trusts	1,724,750	1,562,259
	<u>\$ 67,507,886</u>	<u>\$ 43,866,219</u>
Total Assets	\$ 67,507,886	\$ 43,866,219
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,281,314	\$ 946,956
Deferred revenue	64,225	28,282
Post-retirement benefits payable	956,723	1,141,058
Deferred compensation liability	121,665	110,722
Note and lines of credit payable	4,004,395	2,467,113
Notes payable - recoverable subsidies	4,540,000	1,840,000
	<u>10,968,322</u>	<u>6,534,131</u>
Total liabilities	10,968,322	6,534,131
Net assets:		
Unrestricted	44,365,525	25,143,938
Temporarily restricted	4,945,666	5,122,268
Permanently restricted	7,228,373	7,065,882
	<u>56,539,564</u>	<u>37,332,088</u>
Total net assets	56,539,564	37,332,088
Total Liabilities and Net Assets	\$ 67,507,886	\$ 43,866,219

See notes to consolidated and combined financial statements

CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

Consolidated and Combined Statements of Activities

	Year Ended September 30,							
	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT, REVENUE AND RECLASSIFICATIONS:								
Support:								
Contributions	\$ 11,195,396	\$ 2,412,863	\$ -	\$ 13,608,259	\$ 8,468,020	\$ 3,544,707	\$ -	\$ 12,012,727
Government grants for Bowery Mission Transitional Center	-	-	-	-	1,685,408	-	-	1,685,408
Special events-net	1,582,483	-	-	1,582,483	1,030,192	-	-	1,030,192
Gifts-in-kind	5,629,169	-	-	5,629,169	3,663,304	-	-	3,663,304
Volunteer services	151,347	-	-	151,347	114,695	-	-	114,695
Total support	18,558,395	2,412,863	-	20,971,258	14,961,619	3,544,707	-	18,506,326
Revenue:								
Dividends and interest (net of fees)	177,585	149,049	-	326,634	191,903	86,540	-	278,443
Retreat center, camp fees, and after school program	391,511	-	-	391,511	372,839	-	-	372,839
Other income	161,481	-	-	161,481	69,976	-	-	69,976
Total revenue	730,577	149,049	-	879,626	634,718	86,540	-	721,258
Reclassifications:								
Satisfaction of restrictions	3,129,912	(3,129,912)	-	-	858,703	(858,703)	-	-
Total Support, Revenue and Reclassifications	22,418,884	(568,000)	-	21,850,884	16,455,040	2,772,544	-	19,227,584

(continued)

See notes to consolidated and combined financial statements

CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

Consolidated and Combined Statements of Activities

(continued)

	Year Ended September 30,							
	2018			2017				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
EXPENSES:								
Program services:								
The Bowery Mission and Women's Center	10,424,004	-	-	10,424,004	9,742,357	-	-	9,742,357
Mont Lawn Summer and City Camps and Retreat Center	2,347,472	-	-	2,347,472	2,300,409	-	-	2,300,409
Bowery Mission Transitional Center	-	-	-	-	1,840,748	-	-	1,840,748
New York City Rescue Mission	4,612,221	-	-	4,612,221	-	-	-	-
Goodwill Rescue Mission	1,362,226	-	-	1,362,226	1,206,049	-	-	1,206,049
Total program services	18,745,923	-	-	18,745,923	15,089,563	-	-	15,089,563
Supporting services:								
Management and general	2,165,315	-	-	2,165,315	2,047,008	-	-	2,047,008
Fundraising	5,235,359	-	-	5,235,359	3,931,247	-	-	3,931,247
Total supporting activities	7,400,674	-	-	7,400,674	5,978,255	-	-	5,978,255
Total Expenses	26,146,597	-	-	26,146,597	21,067,818	-	-	21,067,818
Change in Net Assets Before Other Changes	(3,727,713)	(568,000)	-	(4,295,713)	(4,612,778)	2,772,544	-	(1,840,234)

(continued)

See notes to consolidated and combined financial statements

CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

Consolidated and Combined Statements of Activities

(continued)

	Year Ended September 30,							
	2018			2017				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Other Changes in Net Assets:								
Realized and unrealized gains on investments	153,793	250,679	-	404,472	429,942	426,335	-	856,277
Change in liability for post-retirement benefits	184,335	-	-	184,335	86,638	-	-	86,638
Change in value of perpetual trusts	-	-	162,491	162,491	-	-	86,424	86,424
Acquisition of New York City Rescue Mission, Inc. (Note 17)	22,611,172	140,719	-	22,751,891	-	-	-	-
Total Other Changes in Net Assets	22,949,300	391,398	162,491	23,503,189	516,580	426,335	86,424	1,029,339
Change in Net Assets	19,221,587	(176,602)	162,491	19,207,476	(4,096,198)	3,198,879	86,424	(810,895)
Net Assets, Beginning of Year	25,143,938	5,122,268	7,065,882	37,332,088	29,240,136	1,923,389	6,979,458	38,142,983
Net Assets, End of Year	\$ 44,365,525	\$ 4,945,666	\$ 7,228,373	\$ 56,539,564	\$ 25,143,938	\$ 5,122,268	\$ 7,065,882	\$ 37,332,088

See notes to consolidated and combined financial statements

CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

Consolidated and Combined Statements of Cash Flows

	Year Ended September 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 19,207,476	\$ (810,895)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,058,162	902,733
Realized and unrealized gain on investments	(404,472)	(856,277)
Change in value of beneficial interest in perpetual trusts	(162,491)	(86,424)
Contributions for acquisition of land, buildings and equipment	-	(3,116,000)
Bad debt expense - pledges receivable	131,700	77,542
Acquisition of New York City Rescue Mission, Inc., less cash received (Note 17)	(22,570,410)	-
Changes in:		
Accounts receivable	(97,341)	361,890
Government grants receivable	258,709	(146,949)
Pledges receivable	(1,364,136)	159,251
Prepaid expenses	186,588	(177,240)
Deposits and other assets	54,551	(6,340)
Accounts payable and accrued expenses	(406,075)	74,897
Deferred revenue	35,943	(29,432)
Post-retirement benefits payable	(184,335)	(86,638)
Deferred compensation liability	10,943	25,258
Net Cash Used by Operating Activities	(4,245,188)	(3,714,624)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(11,497,736)	(5,753,996)
Proceeds from sale of investments	15,067,113	7,079,723
Acquisition of land, buildings and equipment	(1,903,979)	(585,430)
Net Cash Provided by Investing Activities	1,665,398	740,297
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions for acquisition of land, buildings and equipment	1,520,000	801,000
Proceeds from borrowing on lines of credit	2,521,294	2,634,538
Principal payments on note and lines of credit payable	(984,012)	(195,130)
Net Cash Provided by Financing Activities	3,057,282	3,240,408
Change in Cash and Cash Equivalents	477,492	266,081
Cash and Cash Equivalents, Beginning of Year	1,376,111	1,110,030
Cash and Cash Equivalents, End of Year	\$ 1,853,603	\$ 1,376,111
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	\$ 125,769	\$ 11,779

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, 2018

	The Bowery Mission and Women's Center	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	Cost of Direct Benefit to Donors	Total
Salaries and wages	\$ 3,767,806	\$ 992,647	\$ 1,021,297	\$ 542,147	\$ 6,323,897	\$ 862,658	\$ 1,918,124	\$ 2,780,782	\$ -	\$ 9,104,679
Payroll taxes	304,576	82,526	62,878	41,474	491,454	98,841	144,422	243,263	-	734,717
Employee benefits	581,591	129,766	161,379	147,077	1,019,813	183,130	199,552	382,682	-	1,402,495
Other post retirement benefits	17,109	-	-	-	17,109	2,138	2,139	4,277	-	21,386
Gifts-in-kind distributed	1,333,414	-	-	-	1,333,414	-	-	-	-	1,333,414
Food	826,904	119,055	1,759,190	364,181	3,069,330	-	-	-	-	3,069,330
Occupancy	941,831	106,120	162,852	105,288	1,316,091	218,709	240,795	459,504	-	1,775,595
Advertising and promotion	566	450	-	-	1,016	-	271,146	271,146	-	272,162
Professional fees	6,971	-	219,616	-	226,587	325,951	74,062	400,013	-	626,600
Consulting and outside services	508,079	112,532	-	-	620,611	27,633	295,229	322,862	-	943,473
Volunteer services	98,364	-	52,983	-	151,347	-	-	-	-	151,347
Program and general supplies	782,978	81,763	1,067,179	37,627	1,969,547	45,548	97,381	142,929	-	2,112,476
Printing and postage	5,190	15,589	-	374	21,153	5,620	1,395,918	1,401,538	-	1,422,691
Insurance	219,234	80,686	-	19,436	319,356	26,769	52,062	78,831	-	398,187
Interest	-	-	-	-	-	125,769	-	125,769	-	125,769
Travel and transportation	176,382	51,881	479	-	228,742	50,661	21,275	71,936	-	300,678
Telephone and communications	94,228	12,813	24,338	-	131,379	15,943	10,298	26,241	-	157,620
Equipment and maintenance	116,776	55,762	-	11,116	183,654	31,629	108,317	139,946	-	323,600
Staff training and development	80,744	426	150	-	81,320	9,433	8,195	17,628	-	98,948
Dues, subscriptions, and books	43,150	11,671	-	-	54,821	49	17,950	17,999	-	72,820
Bank and credit card fees	-	116,314	-	-	116,314	22,470	558	23,028	-	139,342
Bad debt expense	-	-	-	-	-	-	131,700	131,700	-	131,700
Other expenses	78,377	29,426	12,299	-	120,102	18,878	230,426	249,304	200,066	569,472
Depreciation	439,734	348,045	67,581	93,506	948,866	93,486	15,810	109,296	-	1,058,162
Total expenses	10,424,004	2,347,472	4,612,221	1,362,226	18,745,923	2,165,315	5,235,359	7,400,674	200,066	26,346,663
Less: cost of direct benefit to donors	-	-	-	-	-	-	-	-	(200,066)	(200,066)
Total Expenses on Consolidated and Combined Statements of Activities	\$ 10,424,004	\$ 2,347,472	\$ 4,612,221	\$ 1,362,226	\$ 18,745,923	\$ 2,165,315	\$ 5,235,359	\$ 7,400,674	\$ -	\$ 26,146,597

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, 2017

	The Bowery Mission and Women's Center	Mont Lawn Summer and City Camps and Retreat Center	Bowery Mission Transitional Center	Goodwill Rescue Mission	Total Program Services	Management and General	Fundraising	Total Supporting Services	Cost of Direct Benefit to Donors	Total
Salaries and wages	\$ 3,591,448	\$ 1,026,775	\$ 961,392	\$ 402,573	\$ 5,982,188	\$ 658,006	\$ 1,512,677	\$ 2,170,683	\$ -	\$ 8,152,871
Payroll taxes	269,850	68,122	88,662	30,797	457,431	87,351	126,416	213,767	-	671,198
Employee benefits	513,452	127,048	206,552	87,150	934,202	127,353	172,728	300,081	-	1,234,283
Other post retirement benefits	8,828	2,523	-	-	11,351	1,617	3,718	5,335	-	16,686
Gifts-in-kind distributed	1,876,044	-	-	-	1,876,044	-	-	-	-	1,876,044
Food	853,087	78,248	129,820	394,136	1,455,291	-	-	-	-	1,455,291
Occupancy	693,146	225,278	145,736	123,212	1,187,372	245,943	138,534	384,477	-	1,571,849
Advertising and promotion	595	195	-	-	790	-	374,231	374,231	-	375,021
Professional fees	-	-	-	1,260	1,260	152,993	-	152,993	-	154,253
Consulting and outside services	94,841	119,161	-	-	214,002	67,125	279,370	346,495	-	560,497
Volunteer services	114,695	-	-	-	114,695	-	-	-	-	114,695
Program and general supplies	887,931	106,681	19,292	41,786	1,055,690	248,485	52,617	301,102	-	1,356,792
Printing and postage	6,950	10,639	382	2,864	20,835	1,734	729,809	731,543	-	752,378
Insurance	112,381	45,603	39,951	22,660	220,595	77,048	27,774	104,822	-	325,417
Interest	8,513	-	-	-	8,513	3,266	-	3,266	-	11,779
Travel and transportation	153,548	68,780	26,007	-	248,335	39,192	16,451	55,643	-	303,978
Telephone and communications	67,095	16,011	13,039	-	96,145	19,860	32,359	52,219	-	148,364
Equipment and maintenance	41,189	37,855	104,004	8,238	191,286	92,059	137,220	229,279	-	420,565
Staff training and development	6,321	23,436	-	-	29,757	74,519	896	75,415	-	105,172
Dues, subscriptions and books	2,662	10,511	-	-	13,173	37,629	19,359	56,988	-	70,161
Bank and credit card fees	-	1,906	-	-	1,906	15,373	81,252	96,625	-	98,531
Bad debt expense	-	-	-	-	-	-	77,542	77,542	-	77,542
Other expenses	140,949	20,608	262	-	161,819	15,009	134,890	149,899	140,129	451,847
Depreciation	298,832	311,029	105,649	91,373	806,883	82,446	13,404	95,850	-	902,733
Total expenses	9,742,357	2,300,409	1,840,748	1,206,049	15,089,563	2,047,008	3,931,247	5,978,255	140,129	21,207,947
Less: cost of direct benefit to donors	-	-	-	-	-	-	-	-	(140,129)	(140,129)
Total Expenses on Consolidated and Combined Statements of Activities	\$ 9,742,357	\$ 2,300,409	\$ 1,840,748	\$ 1,206,049	\$ 15,089,563	\$ 2,047,008	\$ 3,931,247	\$ 5,978,255	\$ -	\$ 21,067,818

See notes to consolidated and combined financial statements

CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

Notes to Consolidated and Combined Financial Statements

September 30, 2018 and 2017

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, government grants and retreat center, camp and after-school program fees.

The purposes of Christian Herald Association, Inc. (CHA) include providing compassionate services to the poor and respite from city-based poverty, offering programs for personal development to escape poverty and become productive citizens, re-uniting broken families, calling others to assist in these activities and communicating the truths of the historic Christian faith to all of CHA's audiences. CHA's single word focus is "Transformation". CHA also seeks to improve and transform the lives of at-risk youth in New York City through development of life skills, mentoring relationships, tutoring, moral training, summer camp programs and related activities. 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.

Heartsease Home, Inc. (Heartsease) exists to provide care to disadvantaged women in New York City, under a program operated by CHA called "The Bowery Mission Women's Center at Heartsease Home".

The Bowery Mission Foundation, Inc. (Foundation) seeks to stimulate an unprecedented wave of generosity toward compassionate care and life transformation services for men, women, and children in the City of New York. The Foundation was formed to act as a supporting organization to CHA and the programs operated by CHA and any of its subsidiaries.

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, 2018 and 2017

1. NATURE OF ORGANIZATION, continued:

New York City Rescue Mission, Inc. (NYCRM) exists to offer help and hope to the hungry, homeless and hurting men and women of New York City by providing meals, shelter and services to the homeless and hungry and to address the deeper emotional and spiritual issues to help them transform their lives, and reconnect with the world. 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 through interlocking board members such that a majority of the board members of NYCRM are made up of board members of CHA, as well as CHA management assuming control of the management of NYCRM. NYCRM continues to operate as a separate 501(c)(3) entity.

Goodwill Rescue Mission, Inc. (GRM), located in Newark, New Jersey, provides emergency care to meet immediate needs together with comprehensive life transformation services aimed at the spiritual, social, life skill and vocational development of the poor and chronically homeless and addicted in Newark and surrounding communities. 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 through CHA holding four of the seven board seats of GRM as well as CHA management assuming control of the management of GRM. GRM continues to operate as a separate 501(c)(3) entity.

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 statements 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 control of the Boards of Director's and management of each entity. CHHDFC's accounts are combined as CHA and CHHDFC have common members of Board of Directors, officers and management.

CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

Notes to Consolidated and Combined Financial Statements

September 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

PRINCIPLES OF CONSOLIDATION AND COMBINATION, continued

The accompanying consolidated and combined financial statements reflect balances and changes in net assets for CHA, Heartsease, the Foundation and GRM as of and for the years ended September 30, 2018 and 2017, and for CHHDFC as of and for the years ended June 30, 2018 and 2017. The balances and changes in net assets for NYCRM in the 2018 columns of these consolidated and combined financial statements are reflected for the period of acquisition by CHA on November 1, 2017 through September 30, 2018.

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 AND CASH EQUIVALENTS AND CREDIT RISK

For purposes of the consolidated and combined statements of cash flows, 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. Christian Herald's consolidated and combined cash balances exceed federally insured limits by approximately \$1,354,000 and \$1,060,000 as of September 30, 2018 and 2017, respectively. Christian Herald has not experienced any losses on these accounts and management does not believe it is exposed to any significant risk.

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.

GOVERNMENT GRANTS RECEIVABLE

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

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 4.61% and 3.73% for the years ended September 30, 2018 and 2017, respectively. Amortization of discounts is reported as a component of contribution support.

CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

Notes to Consolidated and Combined Financial Statements

September 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

PLEDGES RECEIVABLE, continued

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, fixed income investments and equity securities and are measured at fair value using the three-level fair value hierarchy. Interest and dividends (net of investment fees) and realized and unrealized gains and losses are included as unrestricted revenue, or in the case of endowment assets, temporarily restricted revenue in the consolidated and combined statements 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 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:

Money market funds are valued at closing price as reported in markets, which approximates cost.

Certificates of deposit are valued based on yields currently available on comparable securities.

Equity securities, mutual funds and exchange traded funds are valued at the closing price as reported on respective markets.

Corporate bonds and U.S. Government securities are either valued at the closing price report in the active market in which the security is traded or based on yields currently available on comparable securities of issues with similar credit ratings. When quoted prices are not available for identical or similar securities, the security is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields or similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.

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

CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

Notes to Consolidated and Combined Financial Statements

September 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

DISCLOSURES ABOUT FAIR VALUE OF ASSETS, continued

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

	September 30, 2018			
	Fair Value	Level 1	Level 2	Level 3
Investments:				
Money market funds	\$ 457,469	\$ 457,469	\$ -	\$ -
Certificates of deposit	30,513	-	30,513	-
Mutual and exchange traded funds	13,043,460	13,043,460	-	-
Total investments	13,531,442	13,500,929	30,513	-
Beneficial interest in perpetual trusts	1,724,750	-	-	1,724,750
	<u>\$ 15,256,192</u>	<u>\$ 13,500,929</u>	<u>\$ 30,513</u>	<u>\$ 1,724,750</u>
	September 30, 2017			
	Fair Value	Level 1	Level 2	Level 3
Investments:				
Money market funds	\$ 1,584,290	\$ 1,584,290	\$ -	\$ -
Certificates of deposit	30,426	-	30,426	-
Mutual and exchange traded funds	5,579,738	5,579,738	-	-
Equity securities	6,097,031	6,097,031	-	-
	<u>13,291,485</u>	<u>13,261,059</u>	<u>30,426</u>	<u>-</u>
Fixed income investments:				
Corporate bonds	2,187,594	-	2,187,594	-
U.S. Government securities	1,217,268	-	1,217,268	-
	<u>3,404,862</u>	<u>-</u>	<u>3,404,862</u>	<u>-</u>
Total investments	16,696,347	13,261,059	3,435,288	-
Beneficial interest in perpetual trusts	1,562,259	-	-	1,562,259
	<u>\$ 18,258,606</u>	<u>\$ 13,261,059</u>	<u>\$ 3,435,288</u>	<u>\$ 1,562,259</u>

CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

Notes to Consolidated and Combined Financial Statements

September 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

DISCLOSURES ABOUT FAIR VALUE OF ASSETS, continued

The following table provides further details of the Level 3 fair value measurements:

	Beneficial Interest in Perpetual Trusts	
	Year Ending September 30,	
	2018	2017
Beginning balance	\$ 1,562,259	\$ 1,475,835
Valuation change included in change in net assets	162,491	86,424
Ending balance	<u>\$ 1,724,750</u>	<u>\$ 1,562,259</u>

Valuation change related to beneficial interest in perpetual trusts included in change in net assets is reported in the consolidated and combined statements of activities as change in value of perpetual trusts.

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 (\$3,000 for GRM), 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 years ended September 30, 2018 and 2017.

CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

Notes to Consolidated and Combined Financial Statements

September 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

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 permanently restricted net assets.

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 statements 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 statements of activities. The retention periods for CHA's subsidies expire approximately 2030 through 2031. The retention period for NYCRM's subsidy expires in approximately 2028.

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 statements of financial position and recognize changes in the funded status through changes in unrestricted net assets.

CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

Notes to Consolidated and Combined Financial Statements

September 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

NET ASSETS

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

Unrestricted net assets 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.

Temporarily restricted net assets 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.

Permanently restricted net assets are those contributed with donor stipulations that they be held in perpetuity with use of income for unrestricted, temporarily restricted, or permanently restricted 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 restricted support 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 unrestricted support. When a stipulated time restriction ends or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated and combined statements of activities as reclassifications for satisfaction of restrictions. Government grant revenue, 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 unrestricted net assets 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.

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 statements of activities. Christian Herald reported volunteer services of approximately \$151,000 and \$115,000 for the years ended September 30, 2018 and 2017, respectively, that meet current accounting standards.

CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

Notes to Consolidated and Combined Financial Statements

September 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT, REVENUE, RECLASSIFICATIONS AND EXPENSES, continued

Gifts of land, buildings and equipment are reported as unrestricted support 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 restricted support. Absent any donor stipulations, these restrictions expire when the asset is acquired or placed in service, and a reclassification is made from restricted net assets unrestricted 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 wages, payroll taxes, employee 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 \$272,000 and \$375,000 for the years ended September 30, 2018 and 2017, respectively. Christian Herald incurred no joint costs for the years ended September 30, 2018 and 2017.

INTERMEDIATE MEASURE OF OPERATIONS

Christian Herald separates certain activity in its consolidated and combined statements 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.

3. ACCOUNTS RECEIVABLE:

Accounts receivable consist of the following:

	September 30,	
	2018	2017
Other receivables	\$ 127,979	\$ 364
Retreat center fees receivable	33,311	4,570
Intervening receivable from CHHDFC	-	58,910
	<u>\$ 161,290</u>	<u>\$ 63,844</u>

CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

Notes to Consolidated and Combined Financial Statements

September 30, 2018 and 2017

3. ACCOUNTS RECEIVABLE, continued:

The intervening receivable from CHHDFC represents a difference in intercompany amounts due from CHHDFC to CHA between CHHDFC's fiscal year end of June 30, 2018 and 2017, and CHA's fiscal year end of September 30, 2018 and 2017. The intervening receivable relates only to the consolidated and combined statements of financial position and does not affect change in net assets.

4. GOVERNMENT GRANTS RECEIVABLE:

Government grants receivable consist of the following:

	September 30,	
	2018	2017
New York City Department of Homeless Services	\$ 268,015	\$ 526,724
Less: related advances to be recovered	(78,335)	(78,335)
	\$ 189,680	\$ 448,389

5. PLEDGES RECEIVABLE:

Pledges receivable consist of the following:

	September 30,	
	2018	2017
Due within one year	\$ 2,213,553	\$ 1,389,240
Due in one to three years	590,167	1,605,000
	2,803,720	2,994,240
Less allowance for uncollectible pledges	(204,200)	(77,542)
Less unamortized discount	(30,174)	(86,485)
	\$ 2,569,346	\$ 2,830,213

CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

Notes to Consolidated and Combined Financial Statements

September 30, 2018 and 2017

6. INVESTMENTS:

Investments consist of the following:

	September 30,	
	2018	2017
Money market funds	\$ 457,469	\$ 1,584,290
Certificates of deposit	30,513	30,426
Mutual and exchange traded funds	13,043,460	5,579,738
Equity securities	-	6,097,031
Fixed income investments	-	3,404,862
	\$ 13,531,442	\$ 16,696,347

Endowment assets at September 30, 2018 and 2017, comprise approximately \$7,378,000 and \$7,278,000 of investment balances, respectively.

Investment income for the year ended September 30, 2018, is comprised of:

	Unrestricted	Temporarily Restricted	Totals
Dividends and interest	\$ 205,675	\$ 169,518	\$ 375,193
Realized and unrealized gains	153,793	250,679	404,472
Investment advisory fees	(28,090)	(20,469)	(48,559)
	\$ 331,378	\$ 399,728	\$ 731,106

Investment income for the year ended September 30, 2017, is comprised of:

	Unrestricted	Temporarily Restricted	Totals
Dividends and interest	\$ 242,855	\$ 147,878	\$ 390,733
Realized and unrealized gains	429,942	426,335	856,277
Investment advisory fees	(50,952)	(61,338)	(112,290)
	\$ 621,845	\$ 512,875	\$ 1,134,720

CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

Notes to Consolidated and Combined Financial Statements

September 30, 2018 and 2017

6. INVESTMENTS, continued:

ASSETS PLEDGED AS COLLATERAL

Christian Herald has a line of credit with a bank of up to \$4,000,000 (See Note 9). The line of credit is fully collateralized by cash and investments held at the bank. Christian Herald is only permitted to have outstanding borrowing on its line of credit in an amount up to 80% of the market value of cash and investments held with the bank at any given time. As of September 30, 2018 and 2017, Christian Herald needed to maintain a fair market value of at least \$7,048,023 and \$3,025,000, respectively, in investments with the bank as collateral for outstanding borrowing on the line of credit, which it was in compliance with.

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.

7. LAND, BUILDINGS AND EQUIPMENT-NET:

Land, buildings and equipment-net consists of:

	September 30,	
	2018	2017
Land	\$ 18,710,880	\$ 1,804,980
Buildings and improvements	27,879,644	25,328,591
Furniture and fixtures	1,037,965	1,037,965
Vehicles and equipment	3,457,899	2,794,067
	<u>51,086,388</u>	<u>30,965,603</u>
Less accumulated depreciation and amortization	(14,270,664)	(11,838,857)
	<u>36,815,724</u>	<u>19,126,746</u>
Construction in progress	10,048,708	922,058
	<u>\$ 46,864,432</u>	<u>\$ 20,048,804</u>

Construction in progress primarily includes renovations underway at the NYCRM facility, The Bowery Mission and Mont Lawn Camp. As of September 30, 2018, Christian Herald had an outstanding construction contract relating to renovations at the NYCRM facility of approximately \$900,000.

CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

Notes to Consolidated and Combined Financial Statements

September 30, 2018 and 2017

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:

	September 30,	
	2018	2017
Service cost	\$ 2,801	\$ 3,099
Interest cost	41,674	41,772
Amortization of actuarial (gain) loss	3,938	20,552
	\$ 48,413	\$ 65,423

The accumulated post-retirement benefit obligation recognized in the consolidated and combined statements of financial position is computed as follows:

	September 30,	
	2018	2017
Accumulated post-retirement benefit obligation at beginning of year	\$ 1,141,058	\$ 1,227,696
Service cost	2,801	3,099
Interest cost	41,674	41,772
Actuarial (gain) loss	(207,424)	(114,824)
Benefits paid	(21,386)	(16,685)
	\$ 956,723	\$ 1,141,058

The actuarial gain for the year ended September 30, 2018, was impacted by an increase in the assumed discount rate. This resulted in a decrease in liabilities.

The accumulated post-retirement benefit obligation consists of:

	September 30,	
	2018	2017
Retirees	\$ 329,316	\$ 295,395
Active employees not yet eligible to receive benefits	57,766	64,897
Active employees eligible to receive benefits	569,641	780,766
	\$ 956,723	\$ 1,141,058

CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

Notes to Consolidated and Combined Financial Statements

September 30, 2018 and 2017

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:

	September 30,	
	2018	2017
Discount rate - CHA calculation	4.05%	3.58%
Discount rate - CHHDFC calculation	4.13%	3.89%

Changes in discount rate, demographics and mortality assumptions between 2018 and 2017 constitute a change in estimate. The effect of the change in estimate reported in the consolidated and combined financial statements was approximately \$208,000 and \$115,000 for the years ended September 30, 2018 and 2017, respectively.

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 5.00% in 2019, decreasing gradually to 3.89% in 2075. The rate of increase in per capita cost of covered prescription drug benefits is assumed to be 10.25% in 2019 decreasing gradually to 3.89% in 2075.

	1% Increase	1% Decrease
Effect on total service and interest cost components	\$ 8,596	\$ (6,780)
Effect on accumulated post-retirement benefit obligation	\$ 167,671	\$ (134,926)

CASH FLOWS

Christian Herald expects to expend an amount equal to the estimated future benefit payments for 2019. Shown below are estimated benefit payments, which reflect expected future service costs for fiscal years ending September 30:

2019		\$ 32,339
2020		39,948
2021		40,710
2022		42,774
2023		46,057
2024-2028		253,285

CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

Notes to Consolidated and Combined Financial Statements

September 30, 2018 and 2017

9. NOTE AND LINES OF CREDIT PAYABLE:

Note and lines of credit payable consists of the following:

	September 30,	
	2018	2017
<p>CHA has a line of credit from a bank up to \$4,000,000. The line of credit is collateralized by investments held at that bank. Interest is calculated at a variable rate equal to 2.50% over the one month LIBOR (4.67% and 3.73% at September 30, 2018 and 2017, respectively) and payments 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 March 31, 2020.</p>	\$ 3,779,125	\$ 2,420,000
<p>CHA has a vehicle loan payable. The loan is payable in 60 monthly installments of principal and interest of \$386. Interest is fixed at 4.9% and the loan matures in July 2022.</p>	19,293	-
<p>GRM has a line of credit from a bank up to \$200,000. The line of credit is secured by a mortgage lien. Interest is calculated at a variable rate equal to 1% over the prime rate (3.25% at both September 30, 2018 and 2017) and payments are due monthly. Principal is paid down periodically such that the balance does not exceed the maximum. The line of credit is payable in full by May 31, 2019.</p>	197,925	27,207
<p>In September 2016, GRM signed two notes payable with their electricity supplier for the purchase of lighting as part of the thrift store renovation. The loans are interest-free and payable in 36 monthly installments of \$194 and \$575.</p>	8,052	19,906
	\$ 4,004,395	\$ 2,467,113

Debt maturities for the succeeding four years are as follows:

Year Ending September 30,	
2019	\$ 210,609
2020	3,783,757
2021	5,397
2022	4,632
	\$ 4,004,395

CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

Notes to Consolidated and Combined Financial Statements

September 30, 2018 and 2017

10. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of the following:

	September 30,	
	2018	2017
Pledges receivable - time restricted	\$ 1,989,591	\$ 559,240
Buildings and equipment	1,598,586	2,965,777
Unappropriated endowment investment earnings	1,258,135	1,146,735
New Hope capital campaign	45,000	185,000
Other restricted purposes	54,354	91,516
New Hope Center	-	139,000
Mont Lawn Camp programs	-	35,000
	\$ 4,945,666	\$ 5,122,268

Temporarily restricted net assets were released from restrictions by incurring expenses and other costs satisfying the restricted purposes as follows:

	September 30,	
	2018	2017
Buildings and equipment	\$ 1,342,399	\$ 189,217
Pledges receivable - time restricted	793,766	9,814
Other restricted purposes	391,419	147,106
Endowment appropriations	288,328	270,566
New Hope capital campaign	140,000	242,000
New Hope Center	139,000	-
Mont Lawn Camp programs	35,000	-
	\$ 3,129,912	\$ 858,703

11. PERMANENTLY RESTRICTED NET ASSETS:

Permanently restricted net assets are as follows:

	September 30,	
	2018	2017
Endowments	\$ 5,503,623	\$ 5,503,623
Beneficial interest in perpetual trusts	1,724,750	1,562,259
	\$ 7,228,373	\$ 7,065,882

CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

Notes to Consolidated and Combined Financial Statements

September 30, 2018 and 2017

12. 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 permanently restricted net assets (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. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Christian Herald. 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.

CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

Notes to Consolidated and Combined Financial Statements

September 30, 2018 and 2017

12. ENDOWMENTS, continued:

RETURN OBJECTIVES, RISK PARAMETERS AND SPENDING POLICY, continued

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.

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. There was 1 fund with deficiencies totaling approximately \$75,000 and \$50,000 at September 30, 2018 and 2017, respectively. The original gift value of this fund is \$75,000 at both September 30, 2018 and 2017, compared to the fair market value of the associated assets of approximately \$-0- and \$25,000 at September 30, 2018 and 2017, respectively.

Endowment net asset composition by type of fund as of September 30, 2018, is as follows:

	Temporarily Restricted	Permanently Restricted	Total
General purposes	\$ 788,797	\$ 3,527,742	\$ 4,316,539
Restricted purposes	469,338	1,975,881	2,445,219
	\$ 1,258,135	\$ 5,503,623	\$ 6,761,758

Changes in endowment funds for the fiscal year ended September 30, 2018, consisted of the following:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 1,146,735	\$ 5,503,623	\$ 6,650,358
Interest and dividends-net	149,049	-	149,049
Realized and unrealized gains	250,679	-	250,679
Amounts appropriated for expenditure	(288,328)	-	(288,328)
	111,400	-	111,400
Endowment net assets, end of year	\$ 1,258,135	\$ 5,503,623	\$ 6,761,758

CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

Notes to Consolidated and Combined Financial Statements

September 30, 2018 and 2017

12. ENDOWMENTS, continued:

Endowment net asset composition by type of fund as of September 30, 2017, is as follows:

	Temporarily Restricted	Permanently Restricted	Total
General purposes	\$ 729,115	\$ 3,527,742	\$ 4,256,857
Restricted purposes	417,620	1,975,881	2,393,501
	\$ 1,146,735	\$ 5,503,623	\$ 6,650,358

Changes in endowment funds for the fiscal year ended September 30, 2017, consisted of the following:

	Net Assets		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 904,426	\$ 5,503,623	\$ 6,408,049
Interest and dividends-net	86,540	-	86,540
Realized and unrealized gains	426,335	-	426,335
Amounts appropriated for expenditure	(270,566)	-	(270,566)
	242,309	-	242,309
Endowment net assets, end of year	\$ 1,146,735	\$ 5,503,623	\$ 6,650,358

13. SPECIAL EVENTS - NET:

Special events consisted of the following:

	September 30,	
	2018	2017
Contributions	\$ 1,595,210	\$ 1,043,547
Revenues	187,339	126,774
Related direct expenses	(200,066)	(140,129)
	\$ 1,582,483	\$ 1,030,192

CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

Notes to Consolidated and Combined Financial Statements

September 30, 2018 and 2017

14. GIFTS-IN-KIND:

Gifts-in-kind consisted of the following for the year ended September 30, 2018:

	Received By Christian Herald	Distributed to the Community	Used at Christian Herald Facilities
Food	\$ 4,130,485	\$ 1,311,974	\$ 2,818,511
Clothing	1,319,135	21,440	1,297,695
Supplies	179,549	-	179,549
	\$ 5,629,169	\$ 1,333,414	\$ 4,295,755

Gifts-in-kind consisted of the following for the year ended September 30, 2017:

	Received By Christian Herald	Distributed to the Community	Used at Christian Herald Facilities
Food	\$ 3,003,235	\$ 1,854,114	\$ 1,149,121
Clothing	634,744	21,210	613,534
Supplies	25,325	720	24,605
	\$ 3,663,304	\$ 1,876,044	\$ 1,787,260

15. OPERATING LEASES:

Christian Herald rents facilities from an affiliate, Heartsease Home, Inc. Payments amounted to \$12,000 for both years ended September 30, 2018 and 2017, and were eliminated in consolidation and combination.

Christian Herald also leases facilities for use as a headquarters and for use with the Mont Lawn City Camp program under leases expiring in fiscal year 2020. Rent expense amounted to approximately \$505,000 and \$442,000 for the years ended September 30, 2018 and 2017, respectively. Estimated minimum rent payments for subsequent years are as follows:

<u>Year Ending September 30,</u>	
2019	\$ 452,388
2020	155,320
	\$ 607,708

CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

Notes to Consolidated and Combined Financial Statements

September 30, 2018 and 2017

15. OPERATING LEASES, continued:

Christian Herald leases office equipment under operating leases expiring during fiscal years 2019 through 2021. Rental expense for the leases amounted to approximately \$25,000 and \$22,000 for the years ended September 30, 2018 and 2017, respectively. Estimated minimum lease payments for the subsequent years are as follows:

<u>Year Ending September 30,</u>	
2019	\$ 12,288
2020	4,788
2021	<u>825</u>
	<u>\$ 17,901</u>

16. 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 \$270,000 and \$234,000 for the years ending September 30, 2018 and 2017, respectively.

Christian Herald also sponsors a non-qualified deferred compensation 457(b) plan that may be offered to certain members of management. Contributions for the years ending September 30, 2018 and 2017, totaled approximately \$5,500 and \$5,000, respectively.

17. ACQUISITION:

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 through interlocking board members such that a majority of the board members of NYCRM are made up of board members of CHA, as well as CHA management assuming control of the management of NYCRM. NYCRM continues to operate as a separate 501(c)(3) entity.

In accordance with GAAP, the assets acquired and liabilities assumed are required to be measured at fair value as of the date of the acquisition. The fair values of cash and cash equivalents, accounts receivable, pledges receivable, prepaid expenses, accounts payable and accrued expenses and notes payable - recoverable subsidy approximate carrying value as of the date of acquisition. The fair value of land, buildings and equipment as of the date of acquisition exceeded carrying value by approximately \$15,000,000, which was recognized as a gain on remeasurement on the date of acquisition and included in the consolidated and combined statements of activities as a component of "Acquisition of New York City Rescue Mission, Inc."

(continued)

CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

Notes to Consolidated and Combined Financial Statements

September 30, 2018 and 2017

17. ACQUISITION, continued:

The fair value of the assets and liabilities of NYCRM as of the date of acquisition were as follows:

Cash and cash equivalents	\$ 181,481
Accounts receivable	105
Pledges receivable-net	26,697
Prepaid expenses	14,230
Land, buildings and equipment - net	25,969,811
Accounts payable and accrued expenses	(740,433)
Notes payable - recoverable subsidy	<u>(2,700,000)</u>
Excess of fair value of assets acquired over liabilities assumed at the date of acquisition	<u>\$ 22,751,891</u>

18. DONOR CONCENTRATIONS:

During the years ended September 30, 2018 and 2017, Christian Herald received approximately 7% and 23%, respectively, of total contributions and 4% and 15%, respectively, of total revenue, from one donor in each year.

19. RELATED PARTY TRANSACTIONS:

Members of the board of directors contributed approximately \$649,000 and \$181,000 to Christian Herald during the years ended September 30, 2018 and 2017, respectively.

20. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through April 9, 2020, which is the date the consolidated and combined financial statements were available to be issued. Subsequent events after that date have not been evaluated.

Subsequent to September 30, 2018, Christian Herald entered into a lease agreement for additional office space in New York City. The lease expires in September 2024, and includes annual rent increases of 2%. In addition, Christian Herald is charged a fixed fee for electricity of \$3 per square foot per month. As an incentive to lease the office space, rent and electricity payments for the first 4 months of Christian Herald's occupancy have been fully abated. Future minimum lease payments for rent and electricity costs are as follows:

<u>Year Ending September 30,</u>	
2020	\$ 377,384
2021	384,527
2022	391,814
2023	399,246
2024	<u>406,826</u>
	<u>\$ 1,959,797</u>

CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

Notes to Consolidated and Combined Financial Statements

September 30, 2018 and 2017

20. SUBSEQUENT EVENTS, continued:

Subsequent to September 30, 2018, Christian Herald entered in to a 5 year capital lease agreement totaling approximately \$134,000 for a refrigerated truck, expiring in September 2024.

Subsequent to September 30, 2018, CHA renewed its \$4,000,000 line of credit. The borrowing limit was increased to \$5,000,000 and the maturity date extended to June 30, 2021.

Subsequent to September 30, 2018, GRM renewed its \$200,000 line of credit. The maturity date of the renewed line of credit is May 31, 2020.

Subsequent to September 30, 2018, in March 2020, the decision was made to temporarily suspend operations at GRM and explore selling the property in Newark, NJ, which carries a net book value of approximately \$2,400,000 as of the date of consolidated and combined financial statements. Suspending operations at GRM for a season will have the estimated effect on future consolidated and combined financial statements of reducing annual support and revenue by approximately \$1,500,000 and reducing annual expenses by approximately \$1,800,000. As of the date of the consolidated and combined financial statements, no agreement has been reached with a buyer for the property. The ultimate goal is to suspend the operations at GRM for 2-3 years, while an urban real estate developer refurbishes the property and allots new space to GRM as part of a much larger property enhancement. At that point, GRM plans to begin operating again, recapitalized, with new space and new ministry partners, at the same location.

Subsequent to September 30, 2018, in March 2020, Christian Herald made the decision to explore selling its property at 45-51 Avenue D, in New York City. Christian Herald has determined that the benefits of the proceeds from the potential sale of this property are of more benefit to Christian Herald's overall mission and strategic plan than the capacity the Avenue D property currently provides. The Board of Directors of Christian Herald has approved retaining a commercial real estate agent to further explore marketing and selling the property. Christian Herald has signed a contract with this agent. The net book value of the property as of the date the consolidated and combined financial statements were available to be issued is approximately \$1,700,000. While an appraisal and market analysis of the property has not been performed as of the date the consolidated and combined financial statements were available to be issued, the anticipated sale price would likely be significantly greater than the net book value of the property.

Subsequent to September 30, 2018, the COVID-19 outbreak in the United States has caused disruption through mandated and voluntary closings and/or transitions to remote work of numerous businesses, including Christian Herald. While the disruptions are currently expected to be temporary, there is considerable uncertainty around the duration of the disruptions. Therefore, Christian Herald expects that this could have a negative effect on operations and a negative effect on contributions, both monetary and gifts-in-kind. However, the related financial impact and duration cannot be reasonably estimated at this time.

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 years ended September 30, 2018 and 2017, and have issued our report thereon dated April 9, 2020, which contained an unmodified opinion on those consolidated and combined financial statements, appears on page 1. Our audits were 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, which insofar as it relates to New York City Rescue Mission, Inc. and Goodwill Rescue Mission, Inc., is based on the reports of other auditors, 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
April 9, 2020

CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

Consolidating and Combining Schedule of Financial Position

September 30, 2018

	CHA	Heartsease	Foundation	CHHDFC	NYCRM	GRM	Elimination Entry	Totals
ASSETS:								
Cash and cash equivalents	\$ 1,526,862	\$ 29,137	\$ -	\$ 6,421	\$ 188,225	\$ 102,958	\$ -	\$ 1,853,603
Accounts receivable	2,069,442	12,000	-	-	158,561	-	(2,078,713)	161,290
Government grants receivable	-	-	-	189,680	-	-	-	189,680
Pledges receivable-net	2,410,272	-	-	-	68,574	104,955	(14,455)	2,569,346
Prepaid expenses	280,744	-	-	-	40,262	7,749	-	328,755
Deposits and other assets	266,686	-	-	11,062	-	6,840	-	284,588
Investments	13,500,929	30,513	-	-	-	-	-	13,531,442
Land, buildings and equipment-net	16,429,863	100,000	-	1,892,848	25,900,396	2,541,325	-	46,864,432
Beneficial interest in perpetual trusts	1,724,750	-	-	-	-	-	-	1,724,750
Total Assets	\$ 38,209,548	\$ 171,650	\$ -	\$ 2,100,011	\$ 26,356,018	\$ 2,763,827	\$ (2,093,168)	\$ 67,507,886

(continued)

See independent auditors' report on supplementary information

CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

Consolidating and Combining Schedule of Financial Position

September 30, 2018
(continued)

	CHA	Heartsease	Foundation	CHHDFC	NYCRM	GRM	Elimination Entry	Totals
LIABILITIES AND NET ASSETS:								
Liabilities:								
Accounts payable and accrued expenses	\$ 763,016	\$ 1,500	\$ 439,449	\$ 351,114	\$ 1,337,723	\$ 481,680	\$ (2,093,168)	\$ 1,281,314
Deferred revenue	64,225	-	-	-	-	-	-	64,225
Post-retirement benefits payable	575,921	-	-	380,802	-	-	-	956,723
Deferred compensation liability	121,665	-	-	-	-	-	-	121,665
Note and lines of credit payable	3,798,418	-	-	-	-	205,977	-	4,004,395
Notes payable - recoverable subsidies	1,840,000	-	-	-	2,700,000	-	-	4,540,000
Total liabilities	7,163,245	1,500	439,449	731,916	4,037,723	687,657	(2,093,168)	10,968,322
Net Assets:								
Unrestricted	19,090,367	170,150	(439,449)	1,368,095	22,317,844	1,858,518	-	44,365,525
Temporarily restricted	4,802,563	-	-	-	451	142,652	-	4,945,666
Permanently restricted	7,153,373	-	-	-	-	75,000	-	7,228,373
Total net assets	31,046,303	170,150	(439,449)	1,368,095	22,318,295	2,076,170	-	56,539,564
Total Liabilities and Net Assets	\$ 38,209,548	\$ 171,650	\$ -	\$ 2,100,011	\$ 26,356,018	\$ 2,763,827	\$ (2,093,168)	\$ 67,507,886

See independent auditors' report on supplementary information

CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

Consolidating and Combining Schedule of Financial Position

September 30, 2017

	CHA	Heartsease	Foundation	CHHDFC	GRM	Elimination Entry	Totals
ASSETS:							
Cash and cash equivalents	\$ 1,285,684	\$ 63,636	\$ -	\$ 2,019	\$ 24,772	\$ -	\$ 1,376,111
Accounts receivable	1,104,081	12,000	-	-	-	(1,052,237)	63,844
Government grants receivable	-	-	-	448,389	-	-	448,389
Pledges receivable-net	2,810,988	-	-	-	253,680	(234,455)	2,830,213
Prepaid expenses	460,547	-	-	8,493	32,073	-	501,113
Deposits and other assets	324,527	-	-	11,040	3,572	-	339,139
Investments	16,665,921	30,426	-	-	-	-	16,696,347
Land, buildings and equipment-net	15,347,072	100,000	-	1,998,187	2,603,545	-	20,048,804
Beneficial interest in perpetual trusts	1,562,259	-	-	-	-	-	1,562,259
Total Assets	\$ 39,561,079	\$ 206,062	\$ -	\$ 2,468,128	\$ 2,917,642	\$ (1,286,692)	\$ 43,866,219

(continued)

See independent auditors' report on supplementary information

CHRISTIAN HERALD ASSOCIATION, INC. AND SUBSIDIARIES

Consolidating and Combining Schedule of Financial Position

September 30, 2017
(continued)

	CHA	Heartsease	Foundation	CHHDFC	GRM	Elimination Entry	Totals
LIABILITIES AND NET ASSETS:							
Liabilities:							
Accounts payable and accrued expenses	\$ 994,676	\$ 1,500	\$ 438,742	\$ 603,958	\$ 194,772	\$ (1,286,692)	\$ 946,956
Deferred revenue	28,282	-	-	-	-	-	28,282
Post-retirement benefits payable	658,353	-	-	482,705	-	-	1,141,058
Deferred compensation liability	110,722	-	-	-	-	-	110,722
Note and lines of credit payable	2,420,000	-	-	-	47,113	-	2,467,113
Notes payable - recoverable subsidies	1,840,000	-	-	-	-	-	1,840,000
Total liabilities	6,052,033	1,500	438,742	1,086,663	241,885	(1,286,692)	6,534,131
Net Assets:							
Unrestricted	21,449,660	204,562	(438,742)	1,381,465	2,312,538	234,455	25,143,938
Temporarily restricted	5,068,504	-	-	-	288,219	(234,455)	5,122,268
Permanently restricted	6,990,882	-	-	-	75,000	-	7,065,882
Total net assets	33,509,046	204,562	(438,742)	1,381,465	2,675,757	-	37,332,088
Total Liabilities and Net Assets	\$ 39,561,079	\$ 206,062	\$ -	\$ 2,468,128	\$ 2,917,642	\$ (1,286,692)	\$ 43,866,219

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, 2018

	CHA	Heartsease	Foundation	CHHDFC	NYCRM	GRM	Elimination Entry	Totals
SUPPORT AND REVENUE:								
Support:								
Contributions and grants	\$ 9,285,035	\$ -	\$ -	\$ -	\$ 2,811,541	\$ 1,511,683	\$ -	\$13,608,259
Special events-net	1,582,483	-	-	-	-	-	-	1,582,483
Gifts-in-kind	2,710,449	-	-	-	2,633,991	284,729	-	5,629,169
Volunteer services	98,364	-	-	-	52,983	-	-	151,347
Total support	<u>13,676,331</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,498,515</u>	<u>1,796,412</u>	<u>-</u>	<u>20,971,258</u>
Revenue:								
Dividends and interest (net of fees)	326,499	87	-	-	48	-	-	326,634
Retreat center, camp fees and after school program	391,511	-	-	-	-	-	-	391,511
Other income	140,259	12,000	-	-	-	21,222	(12,000)	161,481
Total revenue	<u>858,269</u>	<u>12,087</u>	<u>-</u>	<u>-</u>	<u>48</u>	<u>21,222</u>	<u>(12,000)</u>	<u>879,626</u>
Total Support and Revenue	<u>14,534,600</u>	<u>12,087</u>	<u>-</u>	<u>-</u>	<u>5,498,563</u>	<u>1,817,634</u>	<u>(12,000)</u>	<u>21,850,884</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, 2018
(continued)

	CHA	Heartsease	Foundation	CHHDFC	NYCRM	GRM	Elimination Entry	Totals
EXPENSES:								
Program services:								
The Bowery Mission and Women's Center	10,320,731	-	-	115,273	-	-	(12,000)	10,424,004
Mont Lawn Summer and City Camps and Retreat Center	2,347,472	-	-	-	-	-	-	2,347,472
New York City Rescue Mission	-	-	-	-	4,612,221	-	-	4,612,221
Goodwill Rescue Mission	-	-	-	-	-	1,362,226	-	1,362,226
Total program services	<u>12,668,203</u>	<u>-</u>	<u>-</u>	<u>115,273</u>	<u>4,612,221</u>	<u>1,362,226</u>	<u>(12,000)</u>	<u>18,745,923</u>
Supporting services:								
Management and general	1,431,407	46,499	707	-	319,731	366,971	-	2,165,315
Fundraising	3,547,128	-	-	-	1,000,207	688,024	-	5,235,359
Total supporting services	<u>4,978,535</u>	<u>46,499</u>	<u>707</u>	<u>-</u>	<u>1,319,938</u>	<u>1,054,995</u>	<u>-</u>	<u>7,400,674</u>
Total Expenses	<u>17,646,738</u>	<u>46,499</u>	<u>707</u>	<u>115,273</u>	<u>5,932,159</u>	<u>2,417,221</u>	<u>(12,000)</u>	<u>26,146,597</u>
Change in Net Assets Before Other Changes	<u>(3,112,138)</u>	<u>(34,412)</u>	<u>(707)</u>	<u>(115,273)</u>	<u>(433,596)</u>	<u>(599,587)</u>	<u>-</u>	<u>(4,295,713)</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, 2018
(continued)

	CHA	Heartsease	Foundation	CHHDFC	NYCRM	GRM	Elimination Entry	Totals
Other Changes in Net Assets:								
Realized and unrealized gains on investments	404,472	-	-	-	-	-	-	404,472
Change in liability for post-retirement benefits	82,432	-	-	101,903	-	-	-	184,335
Change in value of perpetual trusts	162,491	-	-	-	-	-	-	162,491
Acquisition of New York City Rescue Mission, Inc. (Note 17)	-	-	-	-	22,751,891	-	-	22,751,891
Total Other Changes in Net Assets	<u>649,395</u>	<u>-</u>	<u>-</u>	<u>101,903</u>	<u>22,751,891</u>	<u>-</u>	<u>-</u>	<u>23,503,189</u>
Change in Net Assets	(2,462,743)	(34,412)	(707)	(13,370)	22,318,295	(599,587)	-	19,207,476
Net Assets, Beginning of Year	33,509,046	204,562	(438,742)	1,381,465	-	2,675,757	-	37,332,088
Net Assets, End of Year	<u>\$31,046,303</u>	<u>\$ 170,150</u>	<u>\$ (439,449)</u>	<u>\$ 1,368,095</u>	<u>\$22,318,295</u>	<u>\$ 2,076,170</u>	<u>\$ -</u>	<u>\$56,539,564</u>

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, 2017

	CHA	Heartsease	Foundation	CHHDFC	GRM	Elimination Entry	Totals
SUPPORT AND REVENUE:							
Support:							
Contributions and grants	\$ 10,161,206	\$ -	\$ -	\$ -	\$ 1,851,521	\$ -	\$ 12,012,727
Grants from affiliate	-	-	-	85,500	-	(85,500)	-
Government grants for Bowery Mission							
Transitional Center	-	-	-	1,685,408	-	-	1,685,408
Special events-net	1,030,192	-	-	-	-	-	1,030,192
Gifts-in-kind	3,337,067	-	-	-	326,237	-	3,663,304
Volunteer services	114,695	-	-	-	-	-	114,695
Total support	14,643,160	-	-	1,770,908	2,177,758	(85,500)	18,506,326
Revenue:							
Dividends and interest (net of fees)	278,443	-	-	-	-	-	278,443
Retreat center, camp fees and after school program	372,839	-	-	-	-	-	372,839
Other income	40,307	12,000	-	-	29,669	(12,000)	69,976
Total revenue	691,589	12,000	-	-	29,669	(12,000)	721,258
Total Support and Revenue	15,334,749	12,000	-	1,770,908	2,207,427	(97,500)	19,227,584

(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, 2017

(continued)

	CHA	Heartsease	Foundation	CHHDFC	GRM	Elimination Entry	Totals
EXPENSES:							
Program services:							
The Bowery Mission and Women's Center	9,839,857	-	-	-	-	(97,500)	9,742,357
Mont Lawn Summer and City Camps and Retreat Center	2,300,409	-	-	-	-	-	2,300,409
Bowery Mission Transitional Center	-	-	-	1,840,748	-	-	1,840,748
Goodwill Rescue Mission	-	-	-	-	1,206,049	-	1,206,049
Total program services	12,140,266	-	-	1,840,748	1,206,049	(97,500)	15,089,563
Supporting services:							
Management and general	1,423,092	-	56,611	105,812	461,493	-	2,047,008
Fundraising	3,271,572	-	-	-	659,675	-	3,931,247
Total supporting services	4,694,664	-	56,611	105,812	1,121,168	-	5,978,255
Total Expenses	16,834,930	-	56,611	1,946,560	2,327,217	(97,500)	21,067,818
Change in Net Assets Before Other Changes	(1,500,181)	12,000	(56,611)	(175,652)	(119,790)	-	(1,840,234)

(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, 2017
(continued)

	CHA	Heartsease	Foundation	CHHDFC	GRM	Elimination Entry	Totals
Other Changes in Net Assets:							
Realized and unrealized gains on investments	856,277	-	-	-	-	-	856,277
Change in liability for post-retirement benefits	60,361	-	-	26,277	-	-	86,638
Change in value of perpetual trusts	86,424	-	-	-	-	-	86,424
Total Other Changes in Net Assets	1,003,062	-	-	26,277	-	-	1,029,339
Change in Net Assets	(497,119)	12,000	(56,611)	(149,375)	(119,790)	-	(810,895)
Net Assets, Beginning of Year	34,006,165	192,562	(382,131)	1,530,840	2,795,547	-	38,142,983
Net Assets, End of Year	\$ 33,509,046	\$ 204,562	\$ (438,742)	\$ 1,381,465	\$ 2,675,757	\$ -	\$ 37,332,088

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