

UNION GOSPEL MISSION OF YAKIMA, WASHINGTON
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022



CPAs | CONSULTANTS | WEALTH ADVISORS

CLAcconnect.com

**UNION GOSPEL MISSION OF YAKIMA, WASHINGTON
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2023 AND 2022**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	4
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS	6
STATEMENTS OF FUNCTIONAL EXPENSES	8
STATEMENTS OF CASH FLOWS	10
NOTES TO FINANCIAL STATEMENTS	12



INDEPENDENT AUDITORS' REPORT

Board of Directors
Union Gospel Mission of Yakima, Washington
Yakima, Washington

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Union Gospel Mission of Yakima, Washington (the Organization) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and changes in net assets, 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 the Organization as of June 30, 2023 and 2022, 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 (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 10 to the financial statements, certain errors resulting in an overstatement of net assets with donor restrictions rather than net assets without donor restrictions as of June 30, 2022 were identified and corrected during the current year. Accordingly, the statement of activities and changes in net assets and statement of financial position have been updated to properly reflect net assets with donor restrictions at June 30, 2022.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, at July 01, 2022, the Organization adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

In performing an audit in accordance with GAAS, 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 the Organization'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 the Organization's ability to continue as a going concern for a reasonable period of time.

Board of Directors
Union Gospel Mission of Yakima, Washington

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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Yakima, Washington
December 15, 2023

UNION GOSPEL MISSION OF YAKIMA, WASHINGTON
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	2023	2022 As Restated
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 699,876	\$ 1,866,754
Accounts Receivable	15,506	69,284
Current Portion of Notes Receivable	143,295	40,639
Investments	1,660,038	2,006,291
Prepaid Expenses	199,631	241,127
Inventory	1,256,229	811,857
Total Current Assets	3,974,575	5,035,952
RESTRICTED ASSETS		
Assets Held in Charitable Trust	238,735	231,835
Total Restricted Assets	238,735	231,835
NONCURRENT ASSETS		
Property and Equipment:		
Buildings and Improvements	9,569,681	9,566,565
Equipment	1,285,059	1,206,800
Total	10,854,740	10,773,365
Less: Accumulated Depreciation	(5,292,607)	(5,031,656)
Total	5,562,133	5,741,709
Construction in Progress	708,253	274,416
Land	1,273,410	688,679
Net Property and Equipment	7,543,796	6,704,804
Operating Right-of-Use Asset	3,003,903	-
Notes Receivable	269,454	166,453
Total Noncurrent Assets	10,817,153	6,871,257
Total Assets	\$ 15,030,463	\$ 12,139,044

See accompanying Notes to Financial Statements.

UNION GOSPEL MISSION OF YAKIMA, WASHINGTON
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2023 AND 2022

	2023	2022 As Restated
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 82,315	\$ 123,427
Accrued Liabilities	427,414	359,661
Deferred Rent	-	74,771
Current Portion of Lease Incentive Liability	-	46,080
Current Portion of Lease Liability - Operating	451,748	-
Total Current Liabilities	961,477	603,939
LONG-TERM LIABILITIES		
Annuities Payable	6,432	6,721
Lease Incentive Liability	-	414,720
Lease Liability - Operating	3,095,336	-
Total Long-Term Liabilities	3,101,768	421,441
Total Liabilities	4,063,245	1,025,380
NET ASSETS		
Without Donor Restrictions:		
Undesignated	7,139,052	7,165,956
Designated by the Board for Operating Reserve	1,639,569	1,395,175
Designated by Management for Capital Campaign	1,106,074	817,187
Designated by Board for Capital Campaign	750,000	750,000
Total Net Assets Without Donor Restrictions	10,634,695	10,128,318
With Donor Restrictions:		
Purpose Restrictions	124,445	778,462
Perpetual in Nature	208,078	206,884
Total Net Assets With Donor Restrictions	332,523	985,346
Total Net Assets	10,967,218	11,113,664
Total Liabilities and Net Assets	\$ 15,030,463	\$ 12,139,044

See accompanying Notes to Financial Statements.

UNION GOSPEL MISSION OF YAKIMA, WASHINGTON
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE			
Mission Contributions	\$ 3,254,793	\$ 361,353	\$ 3,616,146
Contributed Goods	6,026,547	-	6,026,547
Sales	4,670,020	-	4,670,020
Professional Volunteer Time	349,190	-	349,190
Grants	184,500	12,920	197,420
Dental Service Fees	118,047	-	118,047
Miscellaneous Revenue	33,778	-	33,778
Gain on Disposition of Assets	299,056	-	299,056
Net Investment Return	154,759	1,194	155,953
Total	15,090,690	375,467	15,466,157
Net Assets Released from Restrictions	1,028,290	(1,028,290)	-
Total Public Support and Revenue	16,118,980	(652,823)	15,466,157
OPERATING EXPENSES			
Program	12,695,299	-	12,695,299
Management and General	1,667,187	-	1,667,187
Fundraising	1,250,117	-	1,250,117
Total Operating Expenses	15,612,603	-	15,612,603
CHANGES IN NET ASSETS	506,377	(652,823)	(146,446)
Net Assets - Beginning of Year - See Note 10	10,128,318	985,346	11,113,664
NET ASSETS - END OF YEAR	\$ 10,634,695	\$ 332,523	\$ 10,967,218

See accompanying Notes to Financial Statements.

UNION GOSPEL MISSION OF YAKIMA, WASHINGTON
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS, AS RESTATED
YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE			
Mission Contributions - See Note 10	\$ 5,507,451	\$ 646,450	\$ 6,153,901
Contributed Goods and Services	4,880,147	-	4,880,147
Sales	3,876,055	-	3,876,055
Professional Volunteer Time	291,929	-	291,929
Grants	7,289	144,889	152,178
Dental Service Fees	83,355	-	83,355
Miscellaneous Revenue	46,461	-	46,461
Loss on Disposal of Assets	(4,813)	-	(4,813)
Net Investment Loss	(274,124)	(3,795)	(277,919)
Total	14,413,750	787,544	15,201,294
Net Assets Released from Restrictions	720,778	(720,778)	-
Total Public Support and Revenue	15,134,528	66,766	15,201,294
 EXPENSES			
Program	11,002,253	-	11,002,253
Management and General	1,315,804	-	1,315,804
Fundraising	1,118,092	-	1,118,092
Total Expenses	13,436,149	-	13,436,149
 CHANGES IN NET ASSETS	1,698,379	66,766	1,765,145
Net Assets - Beginning of Year	8,429,939	918,580	9,348,519
 NET ASSETS - END OF YEAR - SEE NOTE 10	\$ 10,128,318	\$ 985,346	\$ 11,113,664

See accompanying Notes to Financial Statements.

UNION GOSPEL MISSION OF YAKIMA, WASHINGTON
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

	Program Services							Support Services		Total Expenses	
	Care Centers	Meal Services	Shelters	Warehouse	Madison House Youth Center	Recovery Programs	Thrift Stores	Subtotal	Management and General		Fundraising
Salaries	\$ 513,909	\$ 234,325	\$ 895,209	\$ 220,828	\$ 4,553	\$ 450,410	\$ 1,735,304	\$ 4,054,538	\$ 961,595	\$ 534,140	\$ 5,550,273
Employee Benefits	65,928	22,991	89,402	37,675	1,275	45,148	95,442	357,861	114,886	80,655	553,402
Payroll Taxes	37,929	21,706	82,016	20,150	24	29,146	175,449	366,420	72,073	32,468	470,961
Total Salaries and Related Expenses	617,766	279,022	1,066,627	278,653	5,852	524,704	2,006,195	4,778,819	1,148,554	647,263	6,574,636
Advertising	9	-	155	-	277	77	6,711	7,229	10	278,094	285,333
Client Expenses	55,491	2,113	10,011	4,645	69	31,754	46,984	151,067	72,895	25,664	249,626
Contributed Goods and Services	443,839	1,114,181	182,776	37	-	16,351	4,116,832	5,874,016	341	7,425	5,881,782
Food Purchased	808	34,963	262	-	1,916	-	-	37,949	430	8,179	46,558
Insurance, Licenses and Taxes	20,817	4,103	22,778	17,124	3,482	17,144	77,674	163,122	36,143	9,151	208,416
Maintenance and Equipment	7,749	21,076	39,086	67,137	2,238	30,240	35,871	203,397	69,239	3,116	275,752
Miscellaneous	4,171	-	-	40	-	-	97,045	101,256	8,210	21,471	130,937
Postage	496	-	-	-	-	86	1,217	1,799	498	91,483	93,780
Professional Fees	72,256	1,517	20,796	2,492	1,375	24,958	44,739	168,133	103,518	133,801	405,452
Program Expenses	900	20,718	17,925	-	5,926	25,922	-	71,391	-	-	71,391
Public Relations	328	1,112	670	289	1,842	2,749	4,072	11,062	25,084	11,977	48,123
Rent	2,732	8	1,804	-	9,747	32	459,002	473,325	15,026	6,971	495,322
Utilities	17,003	9,592	75,019	56,630	18,455	60,196	122,076	358,971	30,074	5,366	394,411
Total Expenses Before Depreciation and Amortization	1,244,365	1,488,405	1,437,909	427,047	51,179	734,213	7,018,418	12,401,536	1,510,022	1,249,961	15,161,519
Depreciation and Amortization	99,163	16,732	35,558	32,063	28,349	3,248	78,650	293,763	157,165	156	451,084
Total Expenses	<u>\$ 1,343,528</u>	<u>\$ 1,505,137</u>	<u>\$ 1,473,467</u>	<u>\$ 459,110</u>	<u>\$ 79,528</u>	<u>\$ 737,461</u>	<u>\$ 7,097,068</u>	<u>\$ 12,695,299</u>	<u>\$ 1,667,187</u>	<u>\$ 1,250,117</u>	<u>\$ 15,612,603</u>

See accompanying Notes to Financial Statements.

UNION GOSPEL MISSION OF YAKIMA, WASHINGTON
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	Program Services							Support Services		Total Expenses	
	Care Centers	Meal Services	Shelters	Warehouse	Madison House Youth Center	Recovery Programs	Thrift Stores	Subtotal	Management and General		Fundraising
Salaries	\$ 460,502	\$ 192,524	\$ 724,965	\$ 215,879	\$ 146,577	\$ 270,067	\$ 1,451,810	\$ 3,462,324	\$ 771,897	\$ 476,670	\$ 4,710,891
Employee Benefits	71,666	20,009	77,103	31,965	12,119	33,893	77,106	323,861	113,098	82,235	519,194
Payroll Taxes	33,985	17,906	66,039	21,470	9,632	17,494	160,481	327,007	56,269	28,189	411,465
Total Salaries and Related Expenses	566,153	230,439	868,107	269,314	168,328	321,454	1,689,397	4,113,192	941,264	587,094	5,641,550
Advertising	-	-	-	4,549	174	-	6,339	11,062	50	270,111	281,223
Client Expenses	61,776	1,720	14,265	5,830	3,503	20,092	47,016	154,202	74,472	16,418	245,092
Contributed Goods and Services	366,568	888,252	123,391	17	6,370	32,719	3,527,631	4,944,948	3,280	6,946	4,955,174
Food Purchased	469	28,069	858	365	6,457	1,405	2,569	40,192	2,518	15,988	58,698
Insurance, Licenses and Taxes	9,850	7,469	9,429	6,455	4,969	8,267	55,096	101,535	38,665	1,192	141,392
Maintenance and Equipment	9,328	21,914	33,149	46,854	24,803	12,599	78,585	227,232	90,117	4,856	322,205
Miscellaneous	3,090	-	-	-	4,912	-	76,834	84,836	13,713	19,493	118,042
Postage	-	-	-	-	-	62	-	62	1,100	94,516	95,678
Professional Fees	16,644	2,440	16,229	1,792	19,951	14,143	38,088	109,287	88,015	76,361	273,663
Program Expenses	457	29,689	12,021	83	30,205	11,563	189	84,207	1,451	450	86,108
Public Relations	142	915	981	112	2,695	363	2,085	7,293	17,741	10,904	35,938
Rent	16	8	32	12	12,684	24	382,887	395,663	9,430	7,659	412,752
Utilities	16,083	35,880	70,370	31,230	23,361	28,235	120,570	325,729	30,887	6,104	362,720
Total Expenses Before Depreciation and Amortization	1,050,576	1,246,795	1,148,832	366,613	308,412	450,926	6,027,286	10,599,440	1,312,703	1,118,092	13,030,235
Depreciation and Amortization	98,619	997	191,228	18,945	19,124	575	73,325	402,813	3,101	-	405,914
Total Expenses	\$ 1,149,195	\$ 1,247,792	\$ 1,340,060	\$ 385,558	\$ 327,536	\$ 451,501	\$ 6,100,611	\$ 11,002,253	\$ 1,315,804	\$ 1,118,092	\$ 13,436,149

See accompanying Notes to Financial Statements.

UNION GOSPEL MISSION OF YAKIMA, WASHINGTON
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Public Support and Revenue	\$ 8,545,972	\$ 10,813,379
Cash Paid to Suppliers and Employees	(9,153,322)	(8,061,059)
Interest and Dividends Received	97,828	49,772
Interest Paid	(1,084)	-
Net Cash Provided (Used) by Operating Activities	(510,606)	2,802,092
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Property and Equipment	(1,393,170)	(789,109)
Proceeds from Sale of Property and Equipment	138,813	-
Purchase of Investments	(16,076)	(1,931,821)
Proceeds from Sale of Investments	520,107	48,789
Net Cash Used by Investing Activities	(750,326)	(2,672,141)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Used from Annuities Payable	(289)	(2,964)
Cash Received from Notes Receivable	94,343	29,249
Net Cash Provided by Financing Activities	94,054	26,285
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,166,878)	156,236
Cash and Cash Equivalents - Beginning of Year	1,866,754	1,710,518
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 699,876	\$ 1,866,754

See accompanying Notes to Financial Statements.

UNION GOSPEL MISSION OF YAKIMA, WASHINGTON
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Changes in Net Assets	\$ (146,446)	\$ 1,765,145
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Donated Inventory	(444,372)	(216,903)
Donated Asset	(49,852)	-
Donated Investments	(68,258)	-
Depreciation and Amortization	451,084	405,914
Loss (Gain) on Disposal of Assets	(299,056)	4,813
Realized and Unrealized Loss (Gain) on Investments	(89,520)	284,032
Noncash Lease Expenses	20,799	-
(Increase) Decrease in Assets:		
Accounts Receivable	53,778	501,429
Prepaid Expenses	41,496	(49,494)
Assets Held in Charitable Trust	(6,900)	43,659
Increase (Decrease) in Liabilities:		
Accounts Payable	(41,112)	(3,874)
Accrued Liabilities	67,753	43,800
Deferred Rent	-	74,771
Lease Incentive Liability	-	(51,200)
Total Adjustments	(364,160)	1,036,947
Net Cash Provided (Used) by Operating Activities	\$ (510,606)	\$ 2,802,092

During the year ended June 30, 2023, the Organization disposed of land, buildings and equipment with a cost of \$343,079 and related accumulated depreciation amounting to \$190,134. The Organization received total consideration for the sale of \$452,000, \$300,000 of which was received through a promissory note.

During the year ended June 30, 2023, the Organization was given equipment with a value of \$49,582. Further, the Organization received \$65,678 in donated securities.

During the year ended June 30, 2022, the Organization disposed of buildings and equipment with a cost of \$115,522 and related accumulated depreciation amounting to \$110,709.

See accompanying Notes to Financial Statements.

UNION GOSPEL MISSION OF YAKIMA, WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Union Gospel Mission of Yakima, Washington (the Organization) is a nonprofit organization located in Yakima, Washington. The Organization's programs transform lives as well as provide resources, comforts, and give people in crisis hope, vision, and support. The Organization is operated exclusively for the promotion of the welfare of the community with the net earnings devoted to charitable purposes.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking and money market accounts and certificates of deposit with original maturity dates of three months or less. Restricted cash is not considered a cash equivalent.

Property and Equipment

Property and equipment are stated at cost. During the years ended June 30, 2023 and 2022, the Organization capitalized additions in excess of \$5,000 cost or fair value. Maintenance, repairs, and minor renewals are expensed as incurred. The Organization uses the straight-line method of depreciation over asset lives of 3 to 40 years. Management periodically reviews and analyzes fixed assets for potential impairment and obsolescence.

Construction in Progress (CIP)

As of June 30, 2023 and 2022, the balance in CIP was \$708,253 and \$274,416, respectively.

Construction in progress consisted of room remodels at the shelter and costs related to the capital campaign. The Organization is planning to build a new shelter and day center, moving and expanding the care center clinic, and repurposing the existing clinic into an administrative office with funds raised from the capital campaign. Expected completion date is June 30, 2025. As of June 30, 2023, approximately \$16,406,239 is expected to be paid on existing and future projects for room remodels and the capital campaign.

Prepaid Expenses

Prepaid expenses at June 30, 2023 and 2022 consisted of prepaid insurance for the annual insurance policy within the Organization, and prepaid rent for the Summit and Mission Thrift locations.

UNION GOSPEL MISSION OF YAKIMA, WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Lease Incentive Liability

During the year ended June 30, 2021, the Organization entered into a lease for the Summit Thrift location, which had a \$512,000 lease incentive. The lease incentive liability was to be amortized straight-line over the life of the lease, which is 10 years. In accordance with ASC 842, this lease incentive liability has been removed for the year ending June 30, 2023.

Contributed Goods and Services

Noncash contributed goods and services are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt. Expenses related to noncash contributions are included in the Organization expenses total. Noncash contributed goods and services consisted of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Thrift Store	\$ 4,560,050	\$ 3,739,806
Food	1,154,476	888,033
Professional Volunteer Hours	349,190	291,929
Other	312,021	252,308
Total Contributed Goods and Services	<u>\$ 6,375,737</u>	<u>\$ 5,172,076</u>

All contributed goods were utilized during the years ended June 30, 2023 and 2022 and were used in all of the Organization's programs. See the Statement of Functional Expense for the breakout of utilized goods by program, administrative and fundraising functions.

Advertising

The Organization charges costs of advertising to expense as incurred. Advertising expenses for the years ended June 30, 2023 and 2022 was \$285,333 and \$281,223, respectively.

Federal Income Taxes

Under provisions of Section 501(c)(3) of the Internal Revenue Code, the Organization is exempt from federal income taxes, except for net income from unrelated business activities.

Management has evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

UNION GOSPEL MISSION OF YAKIMA, WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets are classified as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or by actions of the Organization. Other donor-imposed restrictions are perpetual in nature, where the donor stipulated that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Net assets with donor restrictions as of June 30, were as follows:

	2023	2022 As Restated
	<u>2023</u>	<u>As Restated</u>
Subject to Expenditure for a Specified Purpose:		
Capital Campaign	\$ 81,610	\$ 623,550
Madison House	23,799	29,600
Medical Clinic	12,201	26,662
Single Mom's Support	3,975	3,975
Vocational Education and Financial Literacy	1,400	1,400
Clean Crew	962	1,687
Love for Lucas	498	1,551
Contractor Dentist	-	41,225
DOVE Initiative	-	28,002
Fleet Maintenance and Repair	-	12,953
Oral Health Foundation	-	5,076
ELCA Hunger Grant	-	2,781
Total Subject to Expenditure for a Specified Purpose	<u>124,445</u>	<u>778,462</u>
Perpetual in Nature:		
Living Trust	<u>208,078</u>	<u>206,884</u>
Total Perpetual in Nature	<u>208,078</u>	<u>206,884</u>
 Total Net Assets With Donor Restrictions	 <u>\$ 332,523</u>	 <u>\$ 985,346</u>

UNION GOSPEL MISSION OF YAKIMA, WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Net Assets (Continued)

Net Assets With Donor Restrictions (Continued) – Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows for the years ended June 30:

	2023	2022 As Restated
Satisfaction of Purpose Restrictions:		
Capital Campaign	\$ 726,669	\$ 341,925
Medical Clinic	167,380	236,914
DOVE Initiative	64,502	101,563
Contractor Dentist	41,225	8,775
Fleet Maintenance and Repair	12,953	7,047
Madison House	5,926	8,946
Oral Health Foundation PF	5,076	4,924
ELCA Hunger Grant	2,781	5,219
Love for Lucas Outreach	1,053	-
Clean Crew	725	720
West Side Church - Good News Café	-	3,640
Single Mom's Support	-	1,025
Bridge Program	-	80
Total	\$ 1,028,290	\$ 720,778

Fair Value Measurements

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The Organization follows the accounting policy which measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability.

Functional Expenses

The financial statements report certain categories of expense 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 payroll of some salaried members of executive leadership, office supplies, postage, utilities, telephone and internet, property and liability insurance, and building depreciation which are allocated on the basis of meter location, square footage, and average use. Payroll is allocated based on percentages set for each select employee in the annual budget.

Notes Receivable

The notes receivable are reported at their outstanding principal balances. The Organization had notes receivable balances of \$412,749 and \$207,092 at June 30, 2023 and 2022, respectively. There are two notes outstanding as of June 30, 2023 and one note outstanding as of June 30, 2022.

UNION GOSPEL MISSION OF YAKIMA, WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Notes Receivable (Continued)

The first outstanding note receivable is from Cedar Springs Camp and Conference Center. Interest is recognized over the term of the loan and is calculated using the interest method on principal amounts outstanding. The note was executed for \$360,000 and due by February 2029. The note has an effective interest rate of 4.75% and requires annual payments of \$40,000.

The second outstanding note receivable is from a private purchaser of real property and was executed in the year ended June 30, 2023. Interest is recognized over the term of the loan and is calculated using the interest method on principal amounts outstanding. The note was executed for \$300,000 and due by November 2024. The note has an effective interest rate of 5%, and is due in monthly payments of \$10,000 and a lump sum payment of the remaining amount in November 2024.

The notes receivable are considered fully collectible by management and, accordingly, no allowance for doubtful accounts is considered necessary.

Revenue Recognition, Donations

The Organization recognizes donations when cash, securities or other assets; an unconditional promise to give; or a 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 met.

Revenue Recognition, Program Services

Program services revenue is comprised of thrift store sales and fee received in connection with dental services provided. The performance obligations of delivering these services are simultaneously received and consumed by individuals, therefore, the revenue is received over time.

Inventory

Inventory consists mainly of donated goods such as clothing, furniture, and household items, contributed to the Organization that will be provided to support the Thrift Stores (Lighthouse Thrift, Mission Thrift and Summit Thrift). Inventory is recorded and reflected in the accompanying financial statements at estimated fair value when received.

Leases

The Organization leases retail store space and office equipment. The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, other current liabilities, and operating lease liabilities on the statement of financial position.

UNION GOSPEL MISSION OF YAKIMA, WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Leases (Continued)

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of leases do not provide an implicit rate, the Organization uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the statement of financial position.

In determining the discount rate used to measure the right-of-use asset and lease liability, the Organization uses rates implicit in the lease, or if not readily available, the Organization's incremental borrowing rate. The incremental borrowing rate used is based on an estimated secured rate comprised of a risk-free rate plus a credit spread as secured by Organization assets. Determining a credit spread as secured by Organization assets may require significant judgment.

Adoption of New Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (ASC 842). The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the requirements of the guidance effective July 1, 2022 and has elected to apply the provisions of this standard to the beginning of the period of adoption, through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840.

The Organization has elected to adopt the package of practical expedients available in the year of adoption.

UNION GOSPEL MISSION OF YAKIMA, WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Adoption of New Accounting Standards (Continued)

The Organization elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Organization also recognized on July 1, 2022 a lease liability and right-of-use asset of \$3,419,818, which represents the present value of the remaining operating lease payments of \$3,955,389, discounted using the Organization's incremental borrowing rate of 1.53%. In addition, the lease liability and right-of-use asset's balance is reduced by the lease liability incentive of \$460,800 and \$74,771 in deferred rent as of July 1, 2022.

The standard had an impact on the statements of financial position but did not have an impact on the statements of activities and changes in net assets, nor statements of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases, while the Organization's accounting for finance leases remained substantially unchanged.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 15, 2023, the date the financial statements were available to be issued.

NOTE 2 FAIR VALUE MEASUREMENTS

As defined in Topic 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Based on the observability of the inputs used in the valuation techniques, the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

UNION GOSPEL MISSION OF YAKIMA, WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 FAIR VALUE MEASUREMENTS (CONTINUED)

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models, and similar techniques, and not based on market exchange, dealer, or broker-traded transactions.

The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. The fair value of the pooled investments are determined by reference to the fund's underlying assets, which are primarily marketable equity and fixed income securities. Shares held in the pooled investments are traded on national securities exchanges and are valued at the net asset value.

The following table present the fair value hierarchy for the balances of the assets of the Organization measured at fair value on a recurring basis as of June 30:

	2023			Total
	Level 1	Level 2	Level 3	
Operating Investments:				
Mutual Funds	\$ 703,145	\$ -	\$ -	\$ 703,145
Fixed Income	1,103,097	-	-	1,103,097
Total	<u>\$ 1,806,242</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,806,242</u>
Beneficial Interest In:				
Asset Held in Charitable Trust	<u>\$ 238,735</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 238,735</u>
	2022			Total
	Level 1	Level 2	Level 3	
Operating Investments:				
Mutual Funds	\$ 291,172	\$ -	\$ -	\$ 291,172
Fixed Income	1,715,119	-	-	1,715,119
Total	<u>\$ 2,006,291</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,006,291</u>
Beneficial Interest In:				
Asset Held in Charitable Trust	<u>\$ 231,835</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 231,835</u>

NOTE 3 ASSETS HELD IN CHARITABLE TRUST

The Organization classifies the Bertha Wilson Trust as an asset held in charitable trust. The Organization is to hold the investment in perpetuity with 10% of investment income added to the corpus annually. The remaining 90% of the annual investment income is available for distribution to the Organization. The asset is recorded at fair market value and has a balance of \$238,735 and \$231,835 as of June 30, 2023 and 2022, respectively.

UNION GOSPEL MISSION OF YAKIMA, WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 4 RETIREMENT PLAN

The Organization sponsors a defined contribution 403(b) plan for all full-time employees with more than three months of service. Employees may elect to defer up to one-sixth of their yearly compensation, up to statutory limits. The Organization matches 100% of the first 2% contributed by the employee and 50% on the next 4%, for a total 4% match on 6% of employee contributions. Employer contributions for the years ended June 30, 2023 and 2022 was \$125,734 and \$114,299, respectively.

NOTE 5 IN-KIND CONTRIBUTED SERVICES

The Organization received donated services, which do not meet the recording requirements of accounting principles generally accepted in the United States of America. However, these additional contributions are an important part of the Organization's operations. The additional in-kind donated services that are not reflected in the financial statements are \$447,379 and \$625,641 for the years ended June 30, 2023 and 2022, respectively.

NOTE 6 CHARITABLE ANNUITIES PAYABLE

The Organization received \$30,000 under several charitable gift annuity agreements whereby the donors have contributed assets to the Organization in exchange for the Organization's obligation to pay specified amounts to the donors' designated beneficiaries for their lifetimes. Assets contributed are valued at their fair value at the time of the gifts. The current value of these gifts was \$7,075 and \$6,980 at June 30, 2023 and 2022, respectively. The balance of annuities payable at June 30, 2023 and 2022 was \$6,432 and \$6,721, respectively. The annuities payable represents the estimated present value of the future payments and is computed using an assumed discount rate of 6% and the life expectancy tables published by the Internal Revenue Service.

NOTE 7 LEASES – ASC 842

The Organization leases retail store space and equipment for operations under long-term, noncancelable lease agreements. These leases expire through 2031. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases. Certain facility leases provide for increases in the future minimum annual rental payments ranging from 3% to 15%. Additionally, the agreements require the Organization to pay real estate taxes, insurance, utilities and repairs.

UNION GOSPEL MISSION OF YAKIMA, WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 7 LEASES – ASC 842 (CONTINUED)

The following tables provide quantitative information concerning the Organization’s leases for the year ended June 30, 2023:

Lease Costs Grouped with:	
Operating Lease Costs	<u>\$ 472,925</u>
Total Lease Costs	<u><u>\$ 472,925</u></u>

Other Information:	
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:	
Operating Cash Flows from Operating Leases	465,314
Right -of-Use Assets Obtained in Exchange for new Operating Lease Liabilities:	
Operating Lease Liabilities:	3,419,818
Weighted - Average Remaining Lease Term - Operating Leases	
Operating Leases	7.4 years
Weighted - Average Discount Rate- Operating Leases	
Operating Leases	1.53%

A maturity analysis of annual undiscounted cash flows for lease liabilities as of June 30, 2023 is as follows:

<u>Year Ending June 30,</u>	<u>Total</u>
2024	\$ 502,242
2025	513,747
2026	460,022
2027	489,024
2028	483,595
Thereafter	1,308,100
Total Lease Payments	<u>\$ 3,756,730</u>
Less: Imputed Interest	<u>(209,646)</u>
Present Value of Lease liabilities	<u><u>\$ 3,547,084</u></u>
Short-Term Lease Liabilities	\$ 451,748
Long-Term Lease Liabilities	3,095,336
Total	<u><u>\$ 3,547,084</u></u>

UNION GOSPEL MISSION OF YAKIMA, WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 8 LEASES – ASC 840

On September 1, 2019, the Organization executed a five-year lease for a new thrift store. The monthly payments for the lease are \$5,400, with a 3% increase in monthly rates each year.

In June 2021, the Organization opened the Summit Thrift store in a new location in Yakima, WA. The Organization is leasing the location, with rent commencing on July 1, 2021. Monthly payments for the lease are \$23,268, with an approximate 15% increase in monthly rates each year.

The following is a schedule of future minimum lease payments required under the lease agreements:

<u>Year Ending June 30, 2022</u>	<u>Amount</u>
2023	\$ 392,496
2024	427,668
2025	355,668
2026	341,268
2027	375,396
Thereafter	1,551,216
Total	<u>\$ 3,443,712</u>

NOTE 9 LIQUIDITY AND AVAILABILITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has several sources of liquidity at its disposal including cash and cash equivalents, and investment accounts that have been designated as “operating.”

For purposes of analyzing resources available to meet “general expenditures” over a 12-month period, the Organization considers all expenditures related to its ongoing activities of providing emergency food and shelter to the homeless, providing addiction recovery programs and vocational education for our clients, and providing medical and dental care to eligible patients, as well as the conduct of services undertaken to support those activities to be “general expenditures.”

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Any shortfall between revenue and expenses is expected to be seasonal in nature and covered by either unbudgeted bequest income or excess giving from previous years.

The Organization’s governing board has designated a portion of its unrestricted resources for an operating reserve. These funds are identified as board designated but remain available and may be spent at the discretion of the board.

UNION GOSPEL MISSION OF YAKIMA, WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 9 LIQUIDITY AND AVAILABILITY (CONTINUED)

As of June 30, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

	2023	2022 As Restated
Cash and Cash Equivalents	\$ 699,876	\$ 1,866,754
Accounts Receivable	15,506	69,284
Current Portion of Note Receivable	143,295	40,639
Investments	1,660,038	2,006,291
Less: Board-Designated Net Assets for Capital Campaign	(750,000)	(750,000)
Less: Management-Designated Net Assets	(1,106,074)	(817,187)
Less: Contractual or Donor-Imposed Restrictions	(124,445)	(985,346)
Total	<u>\$ 538,196</u>	<u>\$ 1,430,435</u>

NOTE 10 RESTATEMENT

The statement of activities and changes in net assets as of June 30, 2022 has been restated to reflect a correction of management and board designated net assets being classified as net assets with donor restrictions. As a result, net assets with donor restrictions were overstated by \$1,567,187 and net assets without donor restrictions at are understated by the same amount at June 30, 2022. This correction is reflected by a decrease in mission contributions with donor restrictions by \$1,567,187 and a corresponding increase in mission contributions without donor restrictions. There was no impact on total net assets at year-end as a result of the corrections made. The table below shows the change in net assets due to the restatement at June 30,2022:

	Without Donor Restrictions	With Donor Restrictions
Net Assets as Originally Reported	\$ 8,561,131	\$ 2,552,533
Restatement Due to Correction of an Error	1,567,187	(1,567,187)
Net Assets, as Restated	<u>\$ 10,128,318</u>	<u>\$ 985,346</u>



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLAGlobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.