

UNION GOSPEL MISSION OF YAKIMA, WASHINGTON
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023



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**UNION GOSPEL MISSION OF YAKIMA, WASHINGTON
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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, 2024 and 2023, 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, 2024 and 2023, 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.

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.

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

Yakima, Washington
November 15, 2024

UNION GOSPEL MISSION OF YAKIMA, WASHINGTON
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 536,623	\$ 699,876
Accounts Receivable	14,848	15,506
Current Portion of Notes Receivable	116,552	143,295
Investments	1,169,891	1,660,038
Prepaid Expenses	212,578	199,631
Inventory	1,000,633	1,256,229
Total Current Assets	<u>3,051,125</u>	<u>3,974,575</u>
RESTRICTED ASSETS		
Assets Held in Charitable Trust	264,652	238,735
Total Restricted Assets	<u>264,652</u>	<u>238,735</u>
NONCURRENT ASSETS		
Property and Equipment:		
Buildings and Improvements	10,047,259	9,569,681
Equipment	1,337,765	1,285,059
Total	<u>11,385,024</u>	<u>10,854,740</u>
Less: Accumulated Depreciation	<u>(5,754,714)</u>	<u>(5,292,607)</u>
Total	5,630,310	5,562,133
Construction in Progress	442,467	708,253
Land	1,273,410	1,273,410
Net Property and Equipment	7,346,187	7,543,796
Operating Right-of-Use Assets	2,590,773	3,003,903
Notes Receivable	100,742	269,454
Total Noncurrent Assets	<u>10,037,702</u>	<u>10,817,153</u>
 Total Assets	 <u><u>\$ 13,353,479</u></u>	 <u><u>\$ 15,030,463</u></u>

See accompanying Notes to Financial Statements.

UNION GOSPEL MISSION OF YAKIMA, WASHINGTON
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 225,813	\$ 82,315
Accrued Liabilities	393,767	427,414
Current Portion of Lease Liability - Operating	483,524	451,748
Total Current Liabilities	<u>1,103,104</u>	<u>961,477</u>
LONG-TERM LIABILITIES		
Annuities Payable	6,151	6,432
Lease Liability - Operating, Net of Current Portion	2,624,336	3,095,336
Total Long-Term Liabilities	<u>2,630,487</u>	<u>3,101,768</u>
Total Liabilities	3,733,591	4,063,245
NET ASSETS		
Without Donor Restrictions:		
Undesignated	6,093,764	7,139,052
Designated by the Board for Operating Reserve	1,137,264	1,639,569
Designated by Management for Capital Campaign	1,266,067	1,106,074
Designated by Board for Capital Campaign	750,000	750,000
Total Net Assets Without Donor Restrictions	9,247,095	10,634,695
With Donor Restrictions:		
Purpose Restrictions	163,198	124,445
Perpetual in Nature	209,595	208,078
Total Net Assets With Donor Restrictions	<u>372,793</u>	<u>332,523</u>
Total Net Assets	<u>9,619,888</u>	<u>10,967,218</u>
Total Liabilities and Net Assets	<u><u>\$ 13,353,479</u></u>	<u><u>\$ 15,030,463</u></u>

See accompanying Notes to Financial Statements.

UNION GOSPEL MISSION OF YAKIMA, WASHINGTON
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE			
Contributed Goods	\$ 10,454,788	\$ -	\$ 10,454,788
Sales	4,993,272	-	4,993,272
Mission Contributions	3,272,915	82,465	3,355,380
Net Investment Return	195,678	1,517	197,195
Professional Volunteer Time	145,521	-	145,521
Dental Service Fees	108,355	-	108,355
Grants	47,862	5,000	52,862
Loss on Disposition of Assets	(15,070)	-	(15,070)
Miscellaneous Revenue	99,671	-	99,671
Total	19,302,992	88,982	19,391,974
Net Assets Released from Restrictions	48,712	(48,712)	-
Total Public Support and Revenue	19,351,704	40,270	19,391,974
OPERATING EXPENSES			
Program	17,981,823	-	17,981,823
Management and General	1,640,296	-	1,640,296
Fundraising	1,117,185	-	1,117,185
Total Operating Expenses	20,739,304	-	20,739,304
CHANGES IN NET ASSETS	(1,387,600)	40,270	(1,347,330)
Net Assets - Beginning of Year	10,634,695	332,523	10,967,218
NET ASSETS - END OF YEAR	<u>\$ 9,247,095</u>	<u>\$ 372,793</u>	<u>\$ 9,619,888</u>

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			
Contributed Goods and Services	\$ 6,026,547	\$ -	\$ 6,026,547
Sales	4,670,020	-	4,670,020
Mission Contributions	3,254,793	361,353	3,616,146
Professional Volunteer Time	349,190	-	349,190
Gain on Disposal of Assets	299,056	-	299,056
Grants	184,500	12,920	197,420
Net Investment Return	154,759	1,194	155,953
Dental Service Fees	118,047	-	118,047
Miscellaneous Revenue	33,778	-	33,778
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
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 Expenses	15,612,603	-	15,612,603
CHANGES IN NET ASSETS	506,377	(652,823)	(146,446)
Net Assets - Beginning of Year	10,128,318	985,346	11,113,664
NET ASSETS - END OF YEAR	<u>\$ 10,634,695</u>	<u>\$ 332,523</u>	<u>\$ 10,967,218</u>

See accompanying Notes to Financial Statements.

UNION GOSPEL MISSION OF YAKIMA, WASHINGTON
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2024

	Program Services								Support Services		Total Expenses
	Care Centers	Meal Services	Shelters	Warehouse	Madison	Recovery Programs	Thrift Stores	Subtotal	Management and General	Fundraising	
					Youth Center						
Salaries	\$ 544,053	\$ 185,996	\$ 931,654	\$ 194,222	\$ 2,139	\$ 440,140	\$ 1,802,715	\$ 4,100,919	\$ 908,947	\$ 449,031	\$ 5,458,897
Employee Benefits	65,685	17,244	133,005	27,469	575	70,073	134,696	448,747	135,275	62,340	646,362
Payroll Taxes	40,017	16,345	83,623	17,303	8	29,639	178,124	365,059	75,069	28,902	469,030
Total Salaries and Related Expenses	649,755	219,585	1,148,282	238,994	2,722	539,852	2,115,535	4,914,725	1,119,291	540,273	6,574,289
Contributed Goods and Services	4,521,645	1,025,358	108,897	46,459	-	31,189	5,102,367	10,835,915	1,185	18,729	10,855,829
Rent	20	498	2,389	-	-	140	477,896	480,943	14,821	7,870	503,634
Utilities	19,073	10,795	84,278	61,444	8,745	61,709	128,999	375,043	21,460	6,321	402,824
Maintenance and Equipment	1,657	15,762	26,810	74,713	70,052	21,622	36,718	247,334	81,964	349	329,647
Insurance, Licenses and Taxes	21,304	3,941	57,824	21,121	1,635	15,694	165,935	287,454	26,525	12,197	326,176
Advertising	169	-	-	-	-	-	6,481	6,650	1,353	317,783	325,786
Client Expenses	45,843	3,450	28,246	8,806	15	34,292	53,845	174,497	85,364	19,551	279,412
Professional Fees	17,423	1,957	7,360	3,889	-	11,215	40,926	82,770	109,292	50,750	242,812
Public Relations	400	466	645	24	-	3,136	3,614	8,285	21,373	70,478	100,136
Postage	210	-	13	-	-	32	1,887	2,142	1,165	47,294	50,601
Program Expenses	-	21,085	9,903	-	-	11,995	-	42,983	-	-	42,983
Food Purchased	-	34,510	-	-	-	-	-	34,510	-	-	34,510
Miscellaneous	4,330	3	-	-	30,247	-	133,401	167,981	1,504	25,434	194,919
Total Expenses Before Depreciation and Amortization	5,281,829	1,337,410	1,474,647	455,450	113,416	730,876	8,267,604	17,661,232	1,485,297	1,117,029	20,263,558
Depreciation and Amortization	99,815	17,916	40,945	33,248	28,349	18,470	81,848	320,591	154,999	156	475,746
Total Expenses	\$ 5,381,644	\$ 1,355,326	\$ 1,515,592	\$ 488,698	\$ 141,765	\$ 749,346	\$ 8,349,452	\$ 17,981,823	\$ 1,640,296	\$ 1,117,185	\$ 20,739,304

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		
	Care Centers	Meal Services	Shelters	Warehouse	Madison House Youth Center	Recovery Programs	Thrift Stores	Subtotal	Management and General	Fundraising	Total Expenses
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
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
Rent	2,732	8	1,804	-	9,747	32	459,002	473,325	15,026	6,971	495,322
Professional Fees	72,256	1,517	20,796	2,492	1,375	24,958	44,739	168,133	103,518	133,801	405,452
Utilities	17,003	9,592	75,019	56,630	18,455	60,196	122,076	358,971	30,074	5,366	394,411
Advertising	9	-	155	-	277	77	6,711	7,229	10	278,094	285,333
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
Client Expenses	55,491	2,113	10,011	4,645	69	31,754	46,984	151,067	72,895	25,664	249,626
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
Postage	496	-	-	-	-	86	1,217	1,799	498	91,483	93,780
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
Food Purchased	808	34,963	262	-	1,916	-	-	37,949	430	8,179	46,558
Miscellaneous	4,171	-	-	40	-	-	97,045	101,256	8,210	21,471	130,937
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	\$ 1,343,528	\$ 1,505,137	\$ 1,473,467	\$ 459,110	\$ 79,528	\$ 737,461	\$ 7,097,068	\$ 12,695,299	\$ 1,667,187	\$ 1,250,117	\$ 15,612,603

See accompanying Notes to Financial Statements.

UNION GOSPEL MISSION OF YAKIMA, WASHINGTON
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Public Support and Revenue	\$ 8,544,986	\$ 8,545,972
Cash Paid to Suppliers and Employees	(9,315,508)	(9,153,322)
Interest and Dividends Received	40,547	97,828
Interest Paid	<u>(21,334)</u>	<u>(1,084)</u>
Net Cash Used by Operating Activities	(751,309)	(510,606)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Property and Equipment	(293,207)	(1,393,170)
Proceeds from Sale of Property and Equipment	-	138,813
Purchase of Investments	(772,583)	(16,076)
Proceeds from Sale of Investments	<u>1,458,672</u>	<u>520,107</u>
Net Cash Provided (Used) by Investing Activities	392,882	(750,326)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Used from Annuities Payable	(281)	(289)
Cash Received from Notes Receivable	<u>195,455</u>	<u>94,343</u>
Net Cash Provided by Financing Activities	<u>195,174</u>	<u>94,054</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(163,253)	(1,166,878)
Cash and Cash Equivalents - Beginning of Year	<u>699,876</u>	<u>1,866,754</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 536,623</u></u>	<u><u>\$ 699,876</u></u>

See accompanying Notes to Financial Statements.

UNION GOSPEL MISSION OF YAKIMA, WASHINGTON
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES		
Changes in Net Assets	\$ (1,347,330)	\$ (146,446)
Adjustments to Reconcile Changes in Net Assets to Net Cash Used by Operating Activities:		
Donated Inventory Used (Received)	255,596	(444,372)
Donated Asset	-	(49,852)
Donated Investments	(65,211)	(68,258)
Depreciation and Amortization	475,746	451,084
Loss (Gain) on Disposal of Assets	15,070	(299,056)
Realized and Unrealized Gain on Investments	(130,731)	(89,520)
Noncash ASC 842 Adjustments	(26,094)	20,799
(Increase) Decrease in Assets:		
Accounts Receivable	658	53,778
Prepaid Expenses	(12,947)	41,496
Assets Held in Charitable Trust	(25,917)	(6,900)
Increase (Decrease) in Liabilities:		
Accounts Payable	143,498	(41,112)
Accrued Liabilities	(33,647)	67,753
Total Adjustments	<u>596,021</u>	<u>(364,160)</u>
Net Cash Used by Operating Activities	<u>\$ (751,309)</u>	<u>\$ (510,606)</u>

During the years ended June 30, 2024 and 2023 the Organization received \$65,211 and \$68,258, respectively, in donated securities.

During the year ended June 30, 2023, the Organization was given equipment with a value of \$49,852. The Organization also 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.

See accompanying Notes to Financial Statements.

UNION GOSPEL MISSION OF YAKIMA, WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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. The Organization capitalizes 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 three to 40 years. Management periodically reviews and analyzes fixed assets for potential impairment and obsolescence.

Construction in Progress (CIP)

As of June 30, 2024 and 2023, the balance in CIP was \$442,467 and \$708,253, 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, 2024, approximately \$12,158,860 is expected to be paid on existing and future projects for room remodels and the capital campaign.

Prepaid Expenses

Prepaid expenses at June 30, 2024 and 2023 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, 2024 AND 2023

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

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. Noncash contributed good and services are included in Public Support and Revenue in the accompanying Statement of Activities and Changes in Net Assets as Contributed Good and Professional Volunteer Time. 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:

	2024	2023
Thrift Store	\$ 4,846,433	\$ 4,560,050
Food	1,036,675	1,154,476
Professional Volunteer Hours	145,521	349,190
Other	4,571,680	312,021
Total Contributed Goods and Services	<u>\$ 10,600,309</u>	<u>\$ 6,375,737</u>

All contributed goods were utilized during the years ended June 30, 2024 and 2023 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, 2024 and 2023 was \$325,786 and \$285,333, 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, 2024 AND 2023

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:

	2024	2023
Subject to Expenditure for a Specified Purpose:		
Capital Campaign	\$ 136,837	\$ 81,610
Madison House	8,789	23,799
Walmart Meals	6,000	-
Medical Clinic	5,699	12,201
Single Mom's Support	3,975	3,975
Vocational Education and Financial Literacy	1,400	1,400
Love for Lucas	498	498
Clean Crew	-	962
Total Subject to Expenditure for a Specified Purpose	163,198	124,445
Perpetual in Nature:		
Living Trust	209,595	208,078
Total Perpetual in Nature	209,595	208,078
Total Net Assets With Donor Restrictions	<u>\$ 372,793</u>	<u>\$ 332,523</u>

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:

UNION GOSPEL MISSION OF YAKIMA, WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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

Net Assets (Continued)

	<u>2024</u>	<u>2023</u>
Satisfaction of Purpose Restrictions:		
HMIS Data - Ops	\$ 16,237	\$ -
Madison House	15,011	5,926
Medical Clinic	11,502	167,380
Oral Health Foundation PF	5,000	5,076
Love for Lucas Outreach	962	1,053
Capital Campaign	-	726,669
DOVE Initiative	-	64,502
Contractor Dentist	-	41,225
Fleet Maintenance and Repair	-	12,953
ELCA Hunger Grant	-	2,781
Clean Crew	-	725
Total	<u>\$ 48,712</u>	<u>\$ 1,028,290</u>

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 \$217,294 and \$412,749 at June 30, 2024 and 2023, respectively. There are two notes outstanding as of June 30, 2024 and 2023.

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.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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

Notes Receivable (Continued)

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 credit losses 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 sales and dental service fees. The performance obligations of delivering these goods and services are simultaneously received and consumed by individuals, therefore, the revenue is recognized at the time of purchase or service received. The opening and closing contract balances relating to program service revenue were as follows:

Accounts Receivable:

Balance as of July 1, 2022	\$ 69,284
Balance as of June 30, 2023	15,339
Balance as of June 30, 2024	10,592

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.

UNION GOSPEL MISSION OF YAKIMA, WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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

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.

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

The Organization has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses* (Topic 326). Measurement of Credit Losses on Financial Instruments, as amended, which modified the measurement of expected credit losses. This new guidance was adopted utilizing the modified retrospective transition method. The adoption of this standard did not have a material impact on the financial statements but did change how the allowance for credit losses is determined.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 15, 2024, the date the financial statements were available to be issued.

On August 29, 2024, the Organization sold the Madison House. The asset was not impaired at June 30, 2024 and no loss was recognized subsequent to year-end when sold.

UNION GOSPEL MISSION OF YAKIMA, WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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. 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.

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.

UNION GOSPEL MISSION OF YAKIMA, WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 2 FAIR VALUE MEASUREMENTS (CONTINUED)

	2024			
	Level 1	Level 2	Level 3	Total
Operating Investments:				
Mutual Funds	\$ 203,202	\$ -	\$ -	\$ 203,202
Fixed Income	54,555	-	-	54,555
Equities	912,134	-	-	912,134
Total	<u>\$ 1,169,891</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,169,891</u>
Beneficial Interest in:				
Asset Held in Charitable Trust	<u>\$ 264,652</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 264,652</u>
	2023			
	Level 1	Level 2	Level 3	Total
Operating Investments:				
Mutual Funds	\$ 703,145	\$ -	\$ -	\$ 703,145
Fixed Income	956,893	-	-	956,893
Total	<u>\$ 1,660,038</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,660,038</u>
Beneficial Interest in:				
Asset Held in Charitable Trust	<u>\$ 238,735</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 238,735</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 \$264,652 and \$238,735 as of June 30, 2024 and 2023, respectively.

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, 2024 and 2023 was \$101,597 and \$125,734, 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 \$544,755 and \$447,379 for the years ended June 30, 2024 and 2023, respectively.

UNION GOSPEL MISSION OF YAKIMA, WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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, 2024 and 2023, respectively. The balance of annuities payable at June 30, 2024 and 2023 was \$6,151 and \$6,432, 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.

The following tables provide quantitative information concerning the Organization's leases for the years ended June 30:

	2024	2023
Lease Costs Grouped with:		
Operating Lease Costs	\$ 492,357	\$ 472,925
Total Lease Costs	<u>\$ 492,357</u>	<u>\$ 472,925</u>
Other Information:		
Cash Paid for Amounts Included in the		
Measurement of Lease Liabilities:		
Operating Cash Flows from Operating Leases	\$ 518,080	\$ 465,314
Right -of-Use Assets Obtained in Exchange for new		
Operating Lease Liabilities:	28,312	3,419,818
Weighted - Average Remaining Lease Term -		
Operating Leases	6.5 Years	7.4 Years
Weighted - Average Discount Rate- Operating Leases	1.53%	1.53%

A maturity analysis of annual undiscounted cash flows for lease liabilities as of June 30, 2024 is as follows:

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NOTE 7 LEASES – ASC 842 (CONTINUED)

<u>Year Ending June 30,</u>	<u>Total</u>
2025	\$ 530,493
2026	460,230
2027	488,880
2028	482,395
2029	485,608
Thereafter	819,205
Total Lease Payments	\$ 3,266,811
Less: Imputed Interest	(158,951)
Present Value of Lease liabilities	<u>\$ 3,107,860</u>
Short-Term Lease Liabilities	\$ 483,524
Long-Term Lease Liabilities	2,624,336
Total	<u>\$ 3,107,860</u>

NOTE 8 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.

UNION GOSPEL MISSION OF YAKIMA, WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 8 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:

	2024	2023
Cash and Cash Equivalents	\$ 536,623	\$ 699,876
Accounts Receivable	14,848	15,506
Current Portion of Note Receivable	116,552	143,295
Investments	1,169,891	1,660,038
Less: Board-Designated Net Assets for Capital Campaign	(750,000)	(750,000)
Less: Management-Designated Net Assets	(1,266,067)	(1,106,074)
Less: Contractual or Donor-Imposed Restrictions	(163,198)	(124,445)
Total	<u>\$ (341,351)</u>	<u>\$ 538,196</u>

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.

