

UNION GOSPEL MISSION OF YAKIMA, WASHINGTON
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025



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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 (a nonprofit organization), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 Union Gospel Mission of Yakima, Washington as of June 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 Union Gospel Mission of Yakima, Washington and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Union Gospel Mission of Yakima, Washington'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 Union Gospel Mission of Yakima, Washington'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 Union Gospel Mission of Yakima, Washington'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
October 6, 2025

UNION GOSPEL MISSION OF YAKIMA, WASHINGTON
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2025

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 1,026,903
Grants and Contributions Receivable	270,969
Accounts Receivable	3,914
Current Portion of Notes Receivable	412,281
Investments	214,922
Prepaid Expenses	295,077
Inventory	1,061,045
Total Current Assets	<u>3,285,111</u>

RESTRICTED ASSETS

Assets Held in Charitable Trust	280,469
Total Restricted Assets	<u>280,469</u>

NONCURRENT ASSETS

Property and Equipment:	
Buildings and Improvements	9,958,966
Equipment	1,282,913
Total	<u>11,241,879</u>
Less: Accumulated Depreciation	<u>(5,973,984)</u>
Total	5,267,895
Construction in Progress	462,882
Land	1,273,410
Net Property and Equipment	<u>7,004,187</u>
Operating Right-of-Use Assets	2,253,261
Finance Right-of-Use Assets	41,172
Long-Term Portion of Notes Receivable	65,527
Total Noncurrent Assets	<u>9,364,147</u>
Total Assets	<u><u>\$ 12,929,727</u></u>

See accompanying Notes to Financial Statements.

UNION GOSPEL MISSION OF YAKIMA, WASHINGTON
STATEMENT OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2025

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 200,068
Accrued Liabilities	418,700
Current Portion of Lease Liability - Operating	471,637
Current Portion of Lease Liability - Financing	11,207
Total Current Liabilities	<u>1,101,612</u>

LONG-TERM LIABILITIES

Annuities Payable	4,594
Lease Liability - Operating, Net of Current Portion	2,258,299
Lease Liability - Finance, Net of Current Portion	29,332
Total Long-Term Liabilities	<u>2,292,225</u>

Total Liabilities	3,393,837
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NET ASSETS

Without Donor Restrictions:	
Undesignated	7,301,540
Designated by the Board for Operating Reserve	1,642,405
Total Net Assets Without Donor Restrictions	<u>8,943,945</u>
With Donor Restrictions:	
Purpose Restrictions	380,751
Perpetual in Nature	211,194
Total Net Assets With Donor Restrictions	<u>591,945</u>

Total Net Assets	<u>9,535,890</u>
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Total Liabilities and Net Assets	<u><u>\$ 12,929,727</u></u>
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See accompanying Notes to Financial Statements.

UNION GOSPEL MISSION OF YAKIMA, WASHINGTON
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE			
Contributed Goods	\$ 8,805,975	\$ -	\$ 8,805,975
Thrift Sales	4,976,593	-	4,976,593
Mission Contributions	3,377,529	243,838	3,621,367
Grants	817,927	24,000	841,927
Gain on Disposition of Assets	826,642	-	826,642
Professional Volunteer Services	403,189	-	403,189
Net Investment Return	117,364	1,599	118,963
Dental Service Fees	113,874	-	113,874
Miscellaneous Revenue	195,189	-	195,189
Total	19,634,282	269,437	19,903,719
Net Assets Released from Restrictions	50,285	(50,285)	-
Total Public Support and Revenue	19,684,567	219,152	19,903,719
OPERATING EXPENSES			
Program	17,135,622	-	17,135,622
Management and General	1,949,277	-	1,949,277
Fundraising	902,818	-	902,818
Total Operating Expenses	19,987,717	-	19,987,717
CHANGES IN NET ASSETS	(303,150)	219,152	(83,998)
Net Assets - Beginning of Year	9,247,095	372,793	9,619,888
NET ASSETS - END OF YEAR	<u>\$ 8,943,945</u>	<u>\$ 591,945</u>	<u>\$ 9,535,890</u>

See accompanying Notes to Financial Statements.

UNION GOSPEL MISSION OF YAKIMA, WASHINGTON
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2025

	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	\$ 627,839	\$ 201,527	\$ 944,568	\$ 232,423	\$ -	\$ 507,372	\$ 1,788,512	\$ 4,302,241	\$ 1,153,293	\$ 353,667	\$ 5,809,201
Employee Benefits	59,023	22,411	157,593	34,852	-	86,075	131,890	491,844	161,123	52,097	705,064
Payroll Taxes	49,205	19,474	90,151	22,511	-	38,800	179,412	399,553	81,001	26,664	507,218
Total Salaries and Related Expenses	736,067	243,412	1,192,312	289,786	-	632,247	2,099,814	5,193,638	1,395,417	432,428	7,021,483
Cost of Sales	-	-	-	-	-	-	4,778,548	4,778,548	-	-	4,778,548
Program Expenses	2,080,756	14,636	35,674	79,342	-	23,176	-	2,233,584	7,235	570	2,241,389
Food	-	700,849	-	1,076,754	-	-	-	1,777,603	79	1,470	1,779,152
Professional Services	418,520	1,476	13,891	2,997	6,494	16,887	51,780	512,045	134,664	42,324	689,033
Rent	660	1,616	1,396	1,537	-	405	499,163	504,777	10,758	7,541	523,076
Utilities	21,384	12,255	94,369	69,541	1,854	69,674	145,825	414,902	31,684	7,194	453,780
Insurance, Licenses and Taxes	23,102	4,038	84,921	22,207	140	16,485	122,674	273,567	28,747	8,588	310,902
Advertising	1,037	-	119	-	-	313	5,284	6,753	311	282,685	289,749
Maintenance and Equipment	4,653	15,707	31,724	31,414	1,165	25,453	49,282	159,398	65,019	664	225,081
Client Expenses	40,257	3,016	20,131	6,995	-	32,297	28,442	131,138	85,182	7,272	223,592
Postage	400	-	-	-	-	15	2,395	2,810	793	68,145	71,748
Public Relations	486	76	1,171	-	-	2,414	1,186	5,333	14,786	22,480	42,599
Miscellaneous	5,354	-	52	1,085	726,400	-	101,990	834,881	11,267	21,301	867,449
Total Expenses Before Depreciation and Amortization	3,332,676	997,081	1,475,760	1,581,658	736,053	819,366	7,886,383	16,828,977	1,785,942	902,662	19,517,581
Depreciation and Amortization	97,398	11,384	47,918	31,606	2,262	27,771	88,306	306,645	163,335	156	470,136
Total Expenses	\$ 3,430,074	\$ 1,008,465	\$ 1,523,678	\$ 1,613,264	\$ 738,315	\$ 847,137	\$ 7,974,689	\$ 17,135,622	\$ 1,949,277	\$ 902,818	\$ 19,987,717

See accompanying Notes to Financial Statements.

UNION GOSPEL MISSION OF YAKIMA, WASHINGTON
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2025

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Public Support and Revenue	\$ 9,406,627
Cash Paid to Suppliers and Employees	(9,763,906)
Interest and Dividends Received	32,118
Interest Paid	(8,609)
Net Cash Used by Operating Activities	<u>(333,770)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Additions to Property and Equipment	(402,783)
Proceeds from Sale of Property and Equipment	4,905
Purchase of Investments	(102,356)
Proceeds from Sale of Investments	1,222,346
Net Cash Provided by Investing Activities	<u>722,112</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Cash Used from Annuities Payable	(1,557)
Cash Received from Notes Receivable	109,486
Principal Payments on Financing Leases	(5,991)
Net Cash Provided by Financing Activities	<u>101,938</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS

490,280

Cash and Cash Equivalents - Beginning of Year

536,623

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 1,026,903

**RECONCILIATION OF CHANGES IN NET ASSETS TO
NET CASH USED BY OPERATING ACTIVITIES**

Changes in Net Assets	\$ (83,998)
Adjustments to Reconcile Changes in Net Assets to Net Cash Used by Operating Activities:	
Donated Inventory Used (Received)	(60,412)
Donated Investments	(82,288)
Depreciation and Amortization	470,136
Loss (Gain) on Disposal of Assets	(826,642)
Noncash Gift of Assets	726,400
Realized and Unrealized Gain on Investments	(82,733)
Noncash ASC 842 Adjustments	(35,070)
(Increase) Decrease in Assets:	
Grants and Contributions Receivable	(259,472)
Accounts Receivable	(563)
Prepaid Expenses	(82,499)
Assets Held in Charitable Trust	(15,817)
Increase (Decrease) in Liabilities:	
Accounts Payable	(25,745)
Accrued Liabilities	24,933
Total Adjustments	<u>(249,772)</u>
Net Cash Used by Operating Activities	<u><u>\$ (333,770)</u></u>

See accompanying Notes to Financial Statements.

UNION GOSPEL MISSION OF YAKIMA, WASHINGTON
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2025

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES

During the year ended June 30, 2025, the Organization sold the Madison House for \$375,000. The fair market value of the Madison House was \$1,101,400. The Organization received a promissory note for \$370,000 and gave a noncash gift of assets totaling \$726,400 in the transaction. The Organization also disposed of buildings and equipment with a cost of \$525,609 and related accumulated depreciation amounting to \$250,850.

During the year ended June 30, 2025, the Organization received equipment totaling \$46,530 in exchange for finance leases.

UNION GOSPEL MISSION OF YAKIMA, WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

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 (U.S. GAAP).

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 3 to 40 years. Management periodically reviews and analyzes fixed assets for potential impairment and obsolescence.

Construction in Progress (CIP)

As of June 30, 2025, the balance in CIP was \$462,882.

Construction in progress consisted of various repairs/remodels to the adult shelter, planning for the Organization's future care center, and construction costs for a new thrift store. The Organization estimates the adult shelter repairs will be completed in 2027, the future care center to be completed in 2028, and the thrift store is set to open in 2026. As of June 30, 2025, approximately \$626,000 is expected to be paid for these projects.

Prepaid Expenses

Prepaid expenses at June 30, 2025 consisted of prepaid insurance for the annual insurance policy within the Organization, prepaid rent for the Summit and Mission Thrift locations, and a deposit for a new thrift store location.

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, 2025

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

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.

Contributed Goods and Services

For the year ended June 30, 2025, contributed goods and services recognized within the statement of activities included the following:

Thrift Store	\$ 4,838,887
Care Clinic Goods	2,080,558
Food	1,765,465
Professional Volunteer Services	403,189
Benevolence Gifts	121,065
Total Contributed Goods and Services	<u>\$ 9,209,164</u>

Contributed professional volunteer services are provided by professional medical and dental personnel who assist in helping in the care centers. Professional volunteer hours are used in program services and are recognized at fair value based on current rates for similar professional services.

Contributed thrift store goods are valued using the average sales over 30 days for similar items sold at their thrift locations. Thrift store goods are used in thrift store operations.

Contributed care clinic goods are obtained through AmeriCares U.S. program which connects free medicine and supplies to health care organization working with low income populations in the United States. Care clinic goods are valued based on the fair market value of the amount and types of medicine received. Care clinic goods are used in care center services.

Contributed food is estimated based on the amount, in pounds, of donated goods and estimated price per pound determined by the Washington State Department of Agriculture (WSDA). Contributed food is used in program services.

All other contributed goods are valued using estimated U.S. wholesale prices (principal market) of identical or similar products using pricing data under a "like-kind" methodology considering the goods' condition and utility for use at the time of contribution. These goods were used in program services.

All gifts-in-kind received during the year ended June 30, 2025 were unrestricted.

UNION GOSPEL MISSION OF YAKIMA, WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

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

Advertising

The Organization charges costs of advertising to expense as incurred. Advertising expenses for the year ended June 30, 2025 was \$289,749.

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 U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

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, 2025 were as follows:

UNION GOSPEL MISSION OF YAKIMA, WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

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

Net Assets (Continued)

Subject to Expenditure for a Specified Purpose:

Capital Campaign	\$ 224,125
Operations	87,310
General Client Services	25,000
Medical Clinic	24,499
Adult Shelter	9,000
Single Mom's Support	3,975
Meal Services	2,500
Dental Clinic	1,783
Vocational Education and Financial Literacy	1,400
Love for Lucas	1,159

Total Subject to Expenditure for a Specified Purpose	380,751
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Perpetual in Nature:

Living Trust	211,194
Total Perpetual in Nature	211,194
Total Net Assets With Donor Restrictions	\$ 591,945

Net Assets With Donor Restrictions – Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows for the year ended June 30, 2025:

Satisfaction of Purpose Restrictions:

Family Shelter	\$ 15,000
Meal Services	12,000
Operations	10,241
Madison House	8,788
Dental Clinic	2,217
Medical Clinic	1,200
Love for Lucas Outreach	839
Total	\$ 50,285

UNION GOSPEL MISSION OF YAKIMA, WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

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

Notes Receivable

The notes receivable are reported at their outstanding principal balances. The Organization had notes receivable balances of \$477,808 at June 30, 2025. There are two notes outstanding as of June 30, 2025.

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 Madison House Youth Center. There is no interest on the note if full payment of the principal amount is paid by October 31, 2025. The note was executed for \$370,000 and due by October 2025. If the principal amount is not paid in full by October 2025, interest will be recognized over the term of the loan, calculated using the interest method on principal amounts outstanding, using an effective interest rate of 5%. The note, including any accrued interest, will be due by October 2029. As of June 30, 2025, the Organization believes the full amount will be collected by October 2025.

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

Future maturities of notes receivables are as follows:

<u>Year Ending June 30, 2025</u>	<u>Amount</u>
2026	\$ 405,215
2027	36,887
2028	28,639
2029	7,067
Total	<u>\$ 477,808</u>

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.

UNION GOSPEL MISSION OF YAKIMA, WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

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

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, 2023	\$	2,761
Balance as of June 30, 2024		3,351
Balance as of June 30, 2025		3,914

Revenue Recognition, Grants

Grant revenue is derived from cost-reimbursable non-federal grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. There are no amounts that have not been recognized at June 30, 2025 because qualifying expenditures have not yet been incurred. No amounts have been received in advance under grants.

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.

UNION GOSPEL MISSION OF YAKIMA, WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

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

Leases (Continued)

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.

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.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 6, 2025, 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. 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, 2025

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 presents 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, 2025:

	Level 1	Level 2	Level 3	Total
Operating Investments:				
Equities	\$ 137,541	\$ -	\$ -	\$ 137,541
Mutual Funds	74,309	-	-	74,309
Fixed Income	3,072	-	-	3,072
Total	214,922	-	-	214,922
Beneficial Interest in:				
Asset Held in Charitable Trust	-	-	280,469	280,469
Total	<u>\$ 214,922</u>	<u>\$ -</u>	<u>\$ 280,469</u>	<u>\$ 495,391</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 \$280,469 as of June 30, 2025.

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NOTE 4 RETIREMENT PLAN

The Organization sponsors a defined contribution 403(b) plan for all full-time employees with more than six 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 year ended June 30, 2025 was \$90,571.

NOTE 5 IN-KIND CONTRIBUTIONS

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 \$274,725 for the year ended June 30, 2025.

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 \$5,053 at June 30, 2025. The balance of annuities payable at June 30, 2025 was \$4,594. 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.

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NOTE 7 LEASES – ASC 842 (CONTINUED)

The following tables provide quantitative information concerning the Organization's leases for the year ended June 30, 2025:

Lease Costs Grouped with:	
Operating Lease Costs	\$ 511,824
Finance Lease Costs:	
Amortization of Right-of-Use Assets	5,358
Interest on Lease Liabilities	896
Total Lease Cost	<u>\$ 518,078</u>

Other Information:

Cash Paid for Amounts Included in the	
Measurement of Lease Liabilities:	
Operating Cash Flows from Operating Leases	\$ 546,940
Operating Cash Flows from Finance Leases	\$ 896
Financing Cash Flows from Finance Leases	\$ 5,991
Right -of-Use Assets Obtained in Exchange for New	
Operating Lease Liabilities:	\$ 122,681
Right -of-Use Assets Obtained in Exchange for New	
Finance Lease Liabilities:	\$ 46,530
Weighted - Average Remaining Lease Term -	
Operating Leases	5.5 Years
Weighted - Average Remaining Lease Term -	
Finance Leases	3.4 Years
Weighted - Average Discount Rate- Operating Leases	1.60%
Weighted - Average Discount Rate- Finance Leases	3.83%

A maturity analysis of annual discounted cash flows for lease liabilities is as follows as of June 30, 2025:

<u>Year Ending June 30,</u>	<u>Operating</u>	<u>Finance</u>	<u>Total</u>
2026	\$ 502,937	\$ 12,564	\$ 515,501
2027	532,393	12,564	544,957
2028	495,124	12,564	507,688
2029	488,031	5,675	493,706
2030	419,478	-	419,478
Thereafter	412,008	-	412,008
Total Lease Payments	2,849,971	43,367	2,893,338
Less: Imputed Interest	(120,035)	(2,828)	(122,863)
Present Value of Lease liabilities	<u>\$ 2,729,936</u>	<u>\$ 40,539</u>	<u>\$ 2,770,475</u>
Short-Term Lease Liabilities	\$ 471,637	\$ 11,207	\$ 482,844
Long-Term Lease Liabilities	2,258,299	29,332	2,287,631
Total	<u>\$ 2,729,936</u>	<u>\$ 40,539</u>	<u>\$ 2,770,475</u>

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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.

As of June 30, 2025 the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

Cash and Cash Equivalents	\$ 1,026,903
Grants and Contributions Receivable	270,969
Accounts Receivable	3,914
Current Portion of Note Receivable	412,281
Investments	214,922
Less: Board-Designated Net Assets for Operating Reserve	(1,642,405)
Less: Contractual or Donor-Imposed Restrictions	(380,751)
Total	<u>\$ (94,167)</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.



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