

**Union Gospel Mission**  
**Financial Statements**  
**for the years ended June 30, 2013 and 2012**

**Union Gospel Mission  
Financial Statements  
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## **Independent Auditor's Report**

To the Board of Directors  
**Union Gospel Mission**  
Sacramento, California

We have audited the accompanying financial statements of Union Gospel Mission (a California non-profit corporation), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Board of Directors  
**Union Gospel Mission**  
Independent Auditor's Report

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Union Gospel Mission as of June 30, 2013 and 2012, 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.

*Gallina LLP*

Roseville, California  
November 20, 2013

**Union Gospel Mission**  
**Statements of Financial Position**  
**June 30, 2013 and 2012**

**Assets**

	2013	2012
<u>Current assets:</u>		
Cash and cash equivalents	\$ 390,118	\$ 508,223
Investments	585,494	473,533
Receivables	3,700	723
Prepaid expenses	30,534	36,888
Inventory	20,604	18,218
	1,030,450	1,037,585
<u>Property and equipment, net</u>	2,827,067	2,873,587
	\$ 3,857,517	\$ 3,911,172

**Liabilities and Net Assets**

<u>Current liabilities:</u>		
Accounts payable	\$ 38,865	\$ 9,537
Accrued wages	24,268	11,684
Accrued vacation	24,324	21,430
Current maturities of long-term debt	59,631	56,306
	147,088	98,957
<u>Long-term debt, net of current maturities</u>	294,092	353,386
	441,180	452,343
<u>Net assets:</u>		
Unrestricted	3,390,495	3,415,787
Temporarily restricted	25,842	43,042
	3,416,337	3,458,829
	\$ 3,857,517	\$ 3,911,172

See accompanying notes.

**Union Gospel Mission**  
**Statements of Activities and Net Assets**  
**for the years ended June 30, 2013 and 2012**

	2013	2012
<u>Changes in unrestricted net assets:</u>		
<u>Revenue:</u>		
Individuals	\$ 2,376,798	\$ 2,674,170
Donations - goods	705,891	777,043
Donations - labor	2,508	3,986
Other income	6,494	3,262
Net assets released from restriction	25,664	-
	3,117,355	3,458,461
 <u>Expenses:</u>		
Program services:		
Rehabilitation	259,846	270,754
Eagles Nest	115,212	117,520
Food and Care	1,350,503	1,415,980
Outreach	62,840	75,761
Grace Haven	10,431	10,589
Women's Center	17,524	21,557
Supporting services:		
Management and general	422,180	336,350
Golf tournament	26,469	22,460
Fundraising	874,297	825,146
	3,139,302	3,096,117
 <u>Other income (expense):</u>		
Interest, dividend and investment gain (loss), net	59,863	(14,737)
Interest expense	(22,412)	(32,000)
Investment expenses	(33,782)	(5,560)
Loss on disposal of fixed assets	(7,014)	(1,287)
	(3,345)	(53,584)

See accompanying notes.

**Union Gospel Mission**  
**Statements of Activities and Net Assets**  
**for the years ended June 30, 2013 and 2012**

	2013	2012
Increase (decrease) in unrestricted net assets	\$ (25,292)	\$ 308,760
<u>Unrestricted net assets, beginning of year</u>	3,415,787	3,107,027
<u>Unrestricted net assets, end of year</u>	3,390,495	3,415,787
<u>Changes in temporarily restricted net assets:</u>		
<u>Revenue:</u>		
Donations	8,464	43,042
Net assets released from restriction	(25,664)	-
Increase (decrease) in temporarily restricted net assets	(17,200)	43,042
<u>Temporarily restricted net assets, beginning of year</u>	43,042	-
<u>Temporarily restricted net assets, end of year</u>	25,842	43,042
Total net assets	\$ 3,416,337	\$ 3,458,829

See accompanying notes.

**Union Gospel Mission**  
**Statement of Functional Expenses**  
**for the year ended June 30, 2013**

	Program Services						Supporting Services				Total	
	Rehabilitation	Eagles Nest	Food and Care	Outreach	Grace Haven	Women's Center	Total Program Services	Management and General	Golf Tournament	Fund-raising		Total Supporting Services
<u>Compensation and related expenses:</u>												
Compensation	\$ 131,865	\$ 34,507	\$ 164,679	\$ 27,927	\$ 197	\$ 8,337	\$ 367,512	\$ 210,746	\$ -	\$ 139,224	\$ 349,970	\$ 717,482
Employee benefits	41,260	13,727	49,279	12,297	1,106	4,669	122,338	54,801	-	43,142	97,943	220,281
Payroll taxes	5,288	2,303	10,527	1,014	12	325	19,469	10,776	-	9,909	20,685	40,154
Total compensation and related expenses	178,413	50,537	224,485	41,238	1,315	13,331	509,319	276,323	-	192,275	468,598	977,917
Automotive	5,163	5,230	11,518	93	6	6	22,016	8,103	-	1,406	9,509	31,525
Benevolence fund	474	281	506	5,628	-	-	6,889	5,536	-	354	5,890	12,779
Depreciation	9,363	6,850	26,402	2,086	758	326	45,785	39,529	-	41,679	81,208	126,993
Donated goods	-	-	241,162	-	-	-	241,162	-	-	-	-	241,162
Donated services	-	-	2,508	-	-	-	2,508	-	-	-	-	2,508
Education and training	1,044	35	2	9	65	2	1,157	153	-	130	283	1,440
Food expenses	-	4,559	719,790	-	-	-	724,349	-	-	-	-	724,349
Insurance	10,346	7,047	21,716	2,278	2,552	165	44,104	13,400	-	10,122	23,522	67,626
Miscellaneous	5,949	1,525	1,576	971	-	-	10,021	2,178	-	7,840	10,018	20,039
Professional fees	-	-	-	-	-	-	-	43,043	-	8,558	51,601	51,601
Promotion and fundraising	389	315	1,186	6,895	49	49	8,883	588	26,469	542,299	569,356	578,239
Postage	52	64	(6)	15	-	-	125	1,101	-	40,504	41,605	41,730
Repairs and maintenance	5,805	12,132	19,639	2,765	566	279	41,186	5,984	-	14,185	20,169	61,355
Subsistence allowance	10,150	-	-	-	-	-	10,150	-	-	-	-	10,150
Supplies:												
Cleaning	-	249	16,264	-	-	-	16,513	-	-	-	-	16,513
In-house	3,052	5,787	17,987	832	-	297	27,955	465	-	9,330	9,795	37,750
Office	137	-	528	15	-	4	684	818	-	249	1,067	1,751
Taxes and licenses	494	431	9,444	-	-	2,172	12,541	4,425	-	114	4,539	17,080
Telephone	8,421	2,226	3,546	-	270	-	14,463	8,181	-	5,107	13,288	27,751
Utilities	20,594	17,944	32,250	15	4,850	893	76,546	12,353	-	145	12,498	89,044
Total expenses	\$ 259,846	\$ 115,212	\$ 1,350,503	\$ 62,840	\$ 10,431	\$ 17,524	\$ 1,816,356	\$ 422,180	\$ 26,469	\$ 874,297	\$ 1,322,946	\$ 3,139,302

See accompanying notes.



**Union Gospel Mission**  
**Statement of Functional Expenses**  
**for the year ended June 30, 2012**

	Program Services						Supporting Services				Total	
	Rehabilitation	Eagles Nest	Food and Care	Outreach	Grace Haven	Women's Center	Total Program Services	Management and General	Golf Tournament	Fund-raising		Total Supporting Services
<u>Compensation and related expenses:</u>												
Compensation	\$ 129,721	\$ 29,135	\$ 151,832	\$ 34,929	\$ 1,152	\$ 2,048	\$ 348,817	\$ 129,713	\$ -	\$ 124,747	\$ 254,460	\$ 603,277
Employee benefits	39,616	11,285	40,975	12,636	-	3,924	108,436	49,419	-	22,942	72,361	180,797
Payroll taxes	5,481	2,090	9,671	1,676	83	4,773	23,774	6,884	-	8,653	15,537	39,311
Total compensation and related expenses	174,818	42,510	202,478	49,241	1,235	10,745	481,027	186,016	-	156,342	342,358	823,385
Automotive	3,943	4,527	10,130	67	-	-	18,667	9,938	-	2,060	11,998	30,665
Benevolence fund	3,295	-	151	6,612	-	-	10,058	-	-	2,200	2,200	12,258
Depreciation	25,758	11,066	15,651	-	2,320	185	54,980	36,306	-	22,516	58,822	113,802
Donated goods	-	-	265,475	-	-	-	265,475	-	-	-	-	265,475
Donated services	-	-	2,161	-	-	-	2,161	-	-	-	-	2,161
Education and training	252	-	-	-	-	-	252	-	-	-	-	252
Food expenses	-	4,647	776,043	203	-	-	780,893	6	-	63	69	780,962
Insurance	11,356	12,010	25,596	888	1,916	22	51,788	10,060	-	2,610	12,670	64,458
Miscellaneous	3,005	1,203	1,461	1,999	16	135	7,819	4,170	-	9,435	13,605	21,424
Professional fees	989	360	4,681	899	90	961	7,980	39,840	-	9,112	48,952	56,932
Promotion and fundraising	(907)	1,131	(737)	13,321	5	38	12,851	4,043	22,196	570,792	597,031	609,882
Postage	656	45	587	10	-	-	1,298	814	124	17,381	18,319	19,617
Repairs and maintenance	10,018	10,933	31,605	1,974	764	3,800	59,094	10,054	-	12,683	22,737	81,831
Subsistence allowance	8,368	2,825	-	-	-	200	11,393	-	-	25	25	11,418
Supplies:												
Cleaning	1,022	811	18,356	-	-	-	20,189	511	-	511	1,022	21,211
In-house	3,479	5,518	19,262	-	22	2	28,283	761	140	5,749	6,650	34,933
Office	-	-	487	561	-	-	1,048	12,441	-	2,842	15,283	16,331
Taxes and licenses	531	2,703	8,623	10	363	4,901	17,131	554	-	354	908	18,039
Telephone	8,240	2,192	5,407	108	286	108	16,341	9,016	-	4,552	13,568	29,909
Utilities	15,931	15,039	28,563	(132)	3,572	460	63,433	11,820	-	5,919	17,739	81,172
Total expenses	\$ 270,754	\$ 117,520	\$ 1,415,980	\$ 75,761	\$ 10,589	\$ 21,557	\$ 1,912,161	\$ 336,350	\$ 22,460	\$ 825,146	\$ 1,183,956	\$ 3,096,117

See accompanying notes.

**Union Gospel Mission**  
**Statements of Cash Flows**  
**for the years ended June 30, 2013 and 2012**

	2013	2012
<u>Cash flows from operating activities:</u>		
Increase (decrease) in net assets	\$ (42,492)	\$ 351,802
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	126,993	113,802
Loss on disposal of fixed assets	7,014	1,287
Donated property and equipment	(4,820)	(13,160)
Realized and unrealized (gain) loss on investments, net	(51,961)	20,849
Changes in operating assets and liabilities:		
Receivables	(2,977)	1,177
Prepaid expenses	6,353	767
Inventory	(2,386)	(5,299)
Accounts payable	29,328	(19,598)
Accrued wages	12,582	4,340
Accrued vacation	2,894	5,864
Deferred revenue	-	(1,300)
	80,528	460,531
<u>Cash flows from investing activities:</u>		
Cash paid for property and equipment	(82,664)	(287,198)
Acquisition of investments	(60,000)	(5,000)
Cash withdrawals from investments	-	200,000
	(142,664)	(92,198)
<u>Cash flows from financing activities:</u>		
Principal payments on long-term debt	(55,969)	(471,033)
	(118,105)	(102,700)
<u>Cash and cash equivalents, beginning of year</u>	508,223	610,923
<u>Cash and cash equivalents, end of year</u>	\$ 390,118	\$ 508,223

See accompanying notes.

**Union Gospel Mission**  
**Statements of Cash Flows**  
**for the years ended June 30, 2013 and 2012**

**Supplemental Disclosure of Cash Flow Information**

	2013	2012
Cash paid for interest	\$ 22,412	\$ 32,000

**Schedule of Noncash Investing and Financing Activities**

Acquisition of property and equipment	\$ 87,484	\$ 750,358
Less amount donated	4,820	13,160
Less amount financed	-	450,000
	\$ 82,664	\$ 287,198
Cash paid for property and equipment	\$ 82,664	\$ 287,198

**Union Gospel Mission**  
**Notes to the Financial Statements**  
**June 30, 2013 and 2012**

**Note 1: Summary of Significant Accounting Policies:**

The following items comprise the significant accounting policies of Union Gospel Mission (the Mission). These policies reflect industry practices and conform to accounting principles generally accepted in the United States of America.

Mission's Activities:

The Mission is a voluntary Christian organization that provides religious and social services to the needy residents of Sacramento, California and surrounding communities. The Mission is supported primarily through donor contributions. The Mission provides food, clothing, shelter and counseling services.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents:

The Mission considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

Investments:

The Mission records all investments as available-for-sale and carries them at market value. Realized and unrealized gains and losses are recognized as increases or decreases of unrestricted net assets.

Inventory:

Inventory consists of food products, paper goods and cleaning supplies. Purchased products have been valued at cost and donated products have been valued at their wholesale value.

**Union Gospel Mission**  
**Notes to the Financial Statements, continued**  
**June 30, 2013 and 2012**

**Note 1: Summary of Significant Accounting Policies, continued:**

Property and Equipment:

Property and equipment, carried at cost and estimated fair market value at time of donation if donated, is depreciated over the estimated useful life of the related asset. Costs of repairs and maintenance are charged to expense. Upon retirement or disposal of property and equipment, the costs and related depreciation are removed from the accounts, and gains or losses, if any, are reflected in the earnings for financial and income tax reporting purposes. Depreciation is computed substantially using the straight-line method for financial statement and income tax reporting purposes. The estimated useful lives used for calculating depreciation for property and equipment are as follows:

	Life
Buildings and improvements	10 to 39 years
Furniture and fixtures	7 years
Vehicles	5 years
Equipment	5 to 7 years

Impairment of Long-Lived Assets:

The Mission reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of these assets is determined by comparing the forecasted undiscounted net cash flows of the operation to which the assets relate to the carrying amount. If the operation is determined to be unable to recover the carrying amount of its assets, then assets are written down first, followed by other long-lived assets of the operation to fair value. Fair value is determined based on discounted cash flows or appraised values, depending on the nature of the assets. There were no impairment losses recognized for long-lived assets as of June 30, 2013 and 2012.

Revenue:

The Mission solicits pledges and promises to give. Contributions are recognized when received or unconditionally promised by donors. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions are met in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporary or permanently restricted net assets depending on the nature of the restriction. When a restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets.

**Union Gospel Mission**  
**Notes to the Financial Statements, continued**  
**June 30, 2013 and 2012**

**Note 1: Summary of Significant Accounting Policies, continued:**

Contributed Services and Materials:

Volunteers, businesses and others contribute substantial amounts of materials and services toward the fulfillment of projects initiated by the Mission. Services donated by individuals possessing specialized skills where those services would typically be purchased are recorded at the rate at which those services would be purchased. Contributed materials consist mainly of food and clothing used in the Mission's Food and Care program. These items are valued at their estimated fair value.

Many volunteers also provide services throughout the year that are not recognized as contributions in the financial statements because the recognition criteria have not been met. It is impracticable to determine the fair market value of all donated services by the volunteers of the Mission beyond those required to be recognized as income.

Advertising:

The Company expenses advertising costs as incurred, which amounted to \$56,635 and \$49,200 for the years ended June 30, 2013 and 2012, respectively, and are included in promotion and fundraising.

Functional Expense Reporting:

The cost of providing program and supporting services has been summarized by function, based on estimates developed by management.

Income Taxes:

The Internal Revenue Service has determined that Union Gospel Mission is exempt from Federal Income Tax under Section 501(c)(3) of the Internal Revenue Code. The Mission qualifies for the charitable contribution deduction and has been classified as an organization other than a private foundation under the Internal Revenue Code. The Mission is also exempt from state franchise and income taxes under the California Revenue and Taxation Code.

Accounting guidance issued by the Financial Accounting Standards Board (FASB) prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. The Mission did not have unrecognized tax benefits as of June 30, 2013 and 2012 and does not expect this to change significantly over the next twelve months. The Mission will recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. As of June 30, 2013 and 2012, the Company has not accrued interest or penalties related to uncertain tax positions. The federal and state income tax returns of the Company for 2011, 2010, 2009 and 2008 are subject to examination by the taxing authorities, generally for three and four years, respectively, after the due date.

**Union Gospel Mission**  
**Notes to the Financial Statements, continued**  
**June 30, 2013 and 2012**

**Note 1: Summary of Significant Accounting Policies, continued:**

Concentrations:

*Credit Risk:*

The Mission maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Mission has not experienced any losses in such accounts. Management believes the Mission is not exposed to any significant credit risk on cash and cash equivalents.

Allocation of Functional Expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and support services based on management's analyses of program revenue and/or personnel time.

Reclassifications:

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. Such reclassifications have no net effect on the statement of activities.

Subsequent Events:

The Mission has evaluated subsequent events through November 20, 2013, the date on which the financial statements were available to be issued.

**Union Gospel Mission**  
**Notes to the Financial Statements, continued**  
**June 30, 2013 and 2012**

**Note 2: Investments:**

The Mission has investment accounts with a national brokerage firm. The accounts consist of money market and mutual funds. The balances in these accounts are as follows as of June 30:

	2013	2012
Money market funds	\$ 42,210	\$ 16,579
Mutual funds	543,284	456,954
	\$ 585,494	\$ 473,533

Investment income (expense) are as follows for the years ended June 30:

	2013	2012
Interest and dividends	\$ 11,443	\$ 4,441
Investment expense	(33,782)	(5,560)
Realized/unrealized gains (losses), net	47,900	(19,730)
	\$ 25,561	\$ (20,849)

**Note 3: Fair Value Measurement of Investments:**

The Fair Value Measurements Topic of the Financial Accounting Standards Board Codification establishes a framework for measuring fair value under generally accepted accounting principles. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under the Fair Value Measurements Topic are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Mission has the ability to access.

Level 2 - Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.



**Union Gospel Mission**  
**Notes to the Financial Statements, continued**  
**June 30, 2013 and 2012**

**Note 3: Fair Value Measurement of Investments, continued:**

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value of measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2013 and 2012.

*Money market funds:* Valued at cost, which approximates fair value.

*Mutual funds:* Valued at the net asset value of shares held by the Mission at year end.

Assets measured at fair value on a recurring basis at June 30, 2013 were as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 42,210	\$ 42,210	\$ -	\$ -
Mutual funds	543,284	543,284	-	-
	<u>\$ 585,494</u>	<u>\$ 585,494</u>	<u>\$ -</u>	<u>\$ -</u>

Assets measured at fair value on a recurring basis at June 30, 2012 were as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 16,579	\$ 16,579	\$ -	\$ -
Mutual funds	456,954	456,954	-	-
	<u>\$ 473,533</u>	<u>\$ 473,533</u>	<u>\$ -</u>	<u>\$ -</u>

**Union Gospel Mission**  
**Notes to the Financial Statements, continued**  
**June 30, 2013 and 2012**

**Note 4: Property and Equipment:**

Property and equipment consist of the following as of June 30, 2013:

	Purchased	Donated	Total
Land	\$ 297,345	\$ 20,000	\$ 317,345
Buildings and improvements	3,182,805	-	3,182,805
Furniture and fixtures	67,517	4,423	71,940
Vehicles	48,319	18,950	67,269
Equipment	278,787	3,398	282,185
Construction in progress	17,944	-	17,944
	<u>3,892,717</u>	<u>46,771</u>	<u>3,939,488</u>
Less accumulated depreciation	<u>1,095,650</u>	<u>16,771</u>	<u>1,112,421</u>
	<u>\$ 2,797,067</u>	<u>\$ 30,000</u>	<u>\$ 2,827,067</u>

Depreciation expense for the year ended June 30, 2013 was \$126,993 and is included in the statement of functional expenses.

Property and equipment consist of the following as of June 30, 2012:

	Purchased	Donated	Total
Land	\$ 297,345	\$ 20,000	\$ 317,345
Buildings and improvements	3,191,981	3,500	3,195,481
Furniture and fixtures	69,990	2,913	72,903
Vehicles	17,625	25,060	42,685
Equipment	324,146	3,248	327,394
	<u>3,901,087</u>	<u>54,721</u>	<u>3,955,808</u>
Less accumulated depreciation	<u>1,062,462</u>	<u>19,759</u>	<u>1,082,221</u>
	<u>\$ 2,838,625</u>	<u>\$ 34,962</u>	<u>\$ 2,873,587</u>

Depreciation expense for the year ended June 30, 2012 was \$113,802 and is included in the statement of functional expenses.

**Union Gospel Mission**  
**Notes to the Financial Statements, continued**  
**June 30, 2013 and 2012**

**Note 5: Contributed Services and Materials:**

The Mission defines contributed services as those obtained from individuals possessing specialized skills where those services would typically be purchased. For the years ended June 30, 2013 and 2012 the Mission recorded contributed services of \$2,508 and \$3,986, respectively.

Materials donated for the years ended June 30, 2013 and 2012 consisted of food, vehicles, and clothing valued in the financial statements at \$705,891 and \$777,043, respectively.

**Note 6: Long-Term Debt:**

Long-term debt consists of the following as of June 30:

		Payable	
	Interest Rate	2013	2012
Note payable, secured by property, monthly principal and interest payments of \$6,532 due September 2018	5.75%	\$ 353,723	\$ 409,692
Less current maturities		59,631	56,306
		\$ 294,092	\$ 353,386

Aggregate maturities on long-term debt are as follows:

Year Ending June 30:

2014	\$ 59,631
2015	63,151
2016	66,880
2017	70,828
2018	75,010
Thereafter	18,223
	\$ 353,723

**Union Gospel Mission**  
**Notes to the Financial Statements, continued**  
**June 30, 2013 and 2012**

**Note 7: Retirement Plan:**

The Mission maintains a 403(b) plan for all eligible employees. The Mission makes a discretionary matching contribution on behalf of the participating employees for up to \$1,500 per year per employee for the years ended June 30, 2013 and 2012. The Mission's matching contributions under the Plan amounted to \$30,776 and \$22,370 for the years ended June 30, 2013 and 2012, respectively, and are included in employee benefits on the statement of functional expenses.

**Note 8: Operating Leases:**

The Mission leases equipment under long-term operating lease agreements. Lease expense relating to these operating leases amounted to \$2,502 and \$2,337 for the years ended June 30, 2013 and 2012, respectively. The minimum lease payments over the next four years are as follows:

Year Ending June 30:

2014	\$	841
2015		660
2016		660
2017		495
		<hr/>
	\$	<u>2,656</u>

**Note 9: Risks and Uncertainties:**

The Mission invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect account balances and the amounts reported in the statement of financial position.