

**UNION GOSPEL MISSION  
FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2019 AND 2018**



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**Union Gospel Mission  
Financial Statements  
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## Independent Auditors' Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of Union Gospel Mission (a California non-profit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, 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.

### Auditors' 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, 2019 and 2018, 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.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Roseville, California  
February 17, 2020

**Union Gospel Mission  
Statements of Financial Position  
June 30, 2019 and 2018**

	2019	2018
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 909,530	\$ 1,354,605
Investments	1,312,759	778,918
Prepaid Expenses	25,481	25,472
Inventory - Food Supplies	86,226	26,586
Current Portion of Note Receivable	50,000	50,000
Total Current Assets	2,383,996	2,235,581
<b>PROPERTY AND EQUIPMENT, NET</b>	2,150,076	2,178,917
<b>NOTE RECEIVABLE, NET OF CURRENT PORTION</b>	324,894	350,000
Total Assets	\$ 4,858,966	\$ 4,764,498
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 34,219	\$ 83,949
Accrued Wages and Vacation Payable	81,342	73,922
Total Liabilities	115,561	157,871
<b>NET ASSETS</b>		
Without Donor Restrictions	4,590,678	4,439,375
With Donor Restrictions	152,727	167,252
Total Net Assets	4,743,405	4,606,627
Total Liabilities and Net Assets	\$ 4,858,966	\$ 4,764,498

See accompanying notes to the financial statements.

**Union Gospel Mission**  
**Statements of Activities and Net Assets**  
**Years Ended June 30, 2019 and 2018**

	2019	2018
<b>REVENUE</b>		
Individuals	\$ 2,687,956	\$ 2,641,526
Donations - Goods	1,570,239	1,267,620
Other Income	8,527	12,299
Net Assets Released from Restriction	19,932	3,906
Total Revenue	4,286,654	3,925,351
<b>EXPENSES</b>		
Program Services:		
Rehabilitation	463,124	431,954
Eagles Nest	-	110,347
Food and Care	2,197,030	1,834,752
Outreach	60,277	58,315
Grace Haven	18,661	12,924
Women's Center	130,073	141,128
Supporting Services:		
Management and General	453,310	447,914
Golf Tournament	22,160	31,880
Fundraising	819,558	849,196
Total Expenses	4,164,193	3,918,410
<b>Other Income (Expense):</b>		
Interest, Dividend and Investment Gain, Net of Expenses	29,406	66,811
Gain (loss) on Disposal of Fixed Assets	(564)	431,881
Total Other Income, Net	28,842	498,692

See accompanying notes to the financial statements.

**Union Gospel Mission**  
**Statements of Activities and Net Assets, continued**  
**Years Ended June 30, 2019 and 2018**

	2019	2018
Increase in Net Assets Without Donor Restrictions	\$ 151,303	\$ 505,633
Net Assets Without Donor Restrictions, Beginning of Year	4,439,375	3,933,742
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS, END OF YEAR</b>	<b>\$ 4,590,678</b>	<b>\$ 4,439,375</b>
Changes in Net Assets With Donor Restrictions:		
Revenue:		
Donations	\$ 5,407	\$ 169,382
Net Assets Released from Restriction	(19,932)	(3,906)
Increase (Decrease) in Net Assets With Donor Restrictions	(14,525)	165,476
Net Assets With Donor Restrictions, Beginning of Year	167,252	1,776
<b>NET ASSETS WITH DONOR RESTRICTIONS, END OF YEAR</b>	<b>\$ 152,727</b>	<b>\$ 167,252</b>
Net Assets - Beginning of Year	\$ 4,606,627	\$ 3,935,518
Increase in Net Assets	136,778	671,109
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 4,743,405</b>	<b>\$ 4,606,627</b>

See accompanying notes to the financial statements.

**Union Gospel Mission  
Statement of Functional Expenses  
Year Ended June 30, 2019**

	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	\$ 239,787	\$ -	\$ 300,145	\$ 26,759	\$ -	\$ 51,956	\$ 618,647	\$ 261,749	\$ -	\$ 127,767	\$ 389,516	\$ 1,008,163
Employee benefits	86,745	-	95,672	8,393	-	14,684	205,494	56,803	-	37,135	93,938	299,432
Payroll taxes	11,988	-	19,840	1,157	-	3,321	36,306	15,267	-	8,880	24,147	60,453
Total compensation and related expenses	338,520	-	415,657	36,309	-	69,961	860,447	333,819	-	173,782	507,601	1,368,048
Automotive	3,462	-	11,191	2,294	-	23	16,970	2,752	-	-	2,752	19,722
Benevolence fund	1,286	-	396	-	-	-	1,682	-	-	-	-	1,682
Depreciation	31,628	-	21,944	-	4,680	24,794	83,046	19,739	-	14,209	33,948	116,994
Donated goods and services	-	-	1,496,663	-	-	-	1,496,663	-	-	-	-	1,496,663
Education and training	2,931	-	130	-	-	325	3,386	1,900	-	130	2,030	5,416
Food expenses	452	-	18,104	-	-	452	19,008	452	116	375	943	19,951
Insurance	22,864	-	45,420	1,960	3,535	7,501	81,280	11,316	-	7,002	18,318	99,598
Miscellaneous	2,173	-	26,722	49	-	228	29,172	4,572	-	12,986	17,558	46,730
Office Expenses	2,523	-	3,212	1,146	-	1,125	8,006	-	-	-	-	8,006
Program expenses	4,519	-	-	4,968	-	450	9,937	-	-	-	-	9,937
Professional fees	-	-	-	-	-	-	-	44,900	-	-	44,900	44,900
Promotion and fundraising	-	-	-	8,973	-	-	8,973	-	21,307	537,270	558,577	567,550
Postage	-	-	-	-	-	-	-	-	325	27,886	28,211	28,211
Repairs and maintenance	10,487	-	64,479	-	3,978	5,182	84,126	3,676	-	11,059	14,735	98,861
Subsistence allowance	12,375	-	-	-	-	-	12,375	-	-	-	-	12,375
Supplies:												
Cleaning	78	-	19,965	-	-	45	20,088	61	-	13	74	20,162
In-house	3,000	-	16,391	4,578	-	4,028	27,997	3,356	-	8,647	12,003	40,000
Office	-	-	-	-	-	-	-	10,999	412	12,142	23,553	23,553
Taxes and licenses	3,151	-	2,733	-	389	829	7,102	832	-	453	1,285	8,387
Telephone	8,451	-	4,970	-	-	3,215	16,636	6,782	-	5,864	12,646	29,282
Utilities	15,224	-	49,053	-	6,079	11,915	82,271	8,154	-	7,740	15,894	98,165
Total expenses	\$ 463,124	\$ -	\$ 2,197,030	\$ 60,277	\$ 18,661	\$ 130,073	\$ 2,869,165	\$ 453,310	\$ 22,160	\$ 819,558	\$ 1,295,028	\$ 4,164,193

See accompanying notes to the financial statements.



**Union Gospel Mission  
Statement of Functional Expenses  
Year Ended June 30, 2018**

	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	\$ 217,666	\$ 32,651	\$ 259,783	\$ 28,221	\$ -	\$ 56,710	\$ 595,031	\$ 231,542	\$ -	\$ 120,686	\$ 352,228	\$ 947,259
Employee benefits	85,128	13,869	79,047	8,738	-	16,528	203,310	61,105	-	37,711	98,816	302,126
Payroll taxes	10,178	2,290	14,967	1,685	-	2,867	31,987	14,940	-	9,613	24,553	56,540
Total compensation and related expenses	312,972	48,810	353,797	38,644	-	76,105	830,328	307,587	-	168,010	475,597	1,305,925
Automotive	2,076	3,397	11,293	3,024	-	46	19,836	3,024	-	-	3,024	22,860
Benevolence fund	500	-	2,383	-	-	20	2,903	-	-	-	-	2,903
Depreciation	17,304	-	18,196	-	2,318	27,903	65,721	40,153	-	7,764	47,917	113,638
Donated goods	-	-	1,257,801	-	-	-	1,257,801	-	-	-	-	1,257,801
Education and training	1,336	-	-	-	-	-	1,336	-	-	-	-	1,336
Food expenses	551	1,654	20,682	-	-	235	23,122	517	343	206	1,066	24,188
Insurance	18,133	15,944	25,194	1,179	2,520	6,513	69,483	7,572	-	3,265	10,837	80,320
Miscellaneous	2,819	1,313	21,597	119	12	126	25,986	3,806	81	12,860	16,747	42,733
Professional fees	8,116	285	292	7,524	-	-	16,217	46,228	-	-	46,228	62,445
Promotion and fundraising	-	-	-	5,642	-	-	5,642	-	30,886	584,694	615,580	621,222
Postage	-	-	7	-	-	-	7	-	324	24,440	24,764	24,771
Repairs and maintenance	17,423	11,618	40,962	-	2,038	17,218	89,259	15,510	95	22,198	37,803	127,062
Subsistence allowance	15,150	-	-	-	-	-	15,150	-	-	-	-	15,150
Supplies:												
Cleaning	279	1,110	19,864	-	-	17	21,270	69	27	-	96	21,366
In-house	5,614	7,202	15,682	1,503	-	3,675	33,676	2,122	-	9,322	11,444	45,120
Office	689	73	1,070	506	-	557	2,895	3,715	124	4,612	8,451	11,346
Taxes and licenses	3,416	2,850	3,134	-	313	2,216	11,929	795	-	564	1,359	13,288
Telephone	7,000	1,888	4,768	174	-	2,220	16,050	6,719	-	5,508	12,227	28,277
Utilities	18,576	14,203	38,030	-	5,723	4,277	80,809	10,097	-	5,753	15,850	96,659
Total expenses	\$ 431,954	\$ 110,347	\$ 1,834,752	\$ 58,315	\$ 12,924	\$ 141,128	\$ 2,589,420	\$ 447,914	\$ 31,880	\$ 849,196	\$ 1,328,990	\$ 3,918,410

See accompanying notes to the financial statements.

**Union Gospel Mission  
Statements of Cash Flows  
Years Ended June 30, 2019 and 2018**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 136,778	\$ 671,109
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	116,994	113,638
Loss (Gain) on Disposal of Fixed Assets	564	(431,881)
Donated Property and Equipment	(11,430)	(9,189)
Realized and Unrealized, Net Gain on Investments	(17,539)	(53,446)
Changes in Operating Assets and Liabilities:		
Note Receivable	25,106	860
Prepaid Expenses and Deposits	(9)	(4,838)
Inventory - Food Supplies	(59,640)	1,710
Accounts Payable	(49,730)	51,508
Accrued Wages and Vacation Payable	7,420	24,170
	148,514	363,641
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash Paid for Property and Equipment	(77,287)	(12,208)
Proceeds from Disposal of Assets	-	346,533
Purchase of Investments	(516,302)	(22,481)
	(593,589)	311,844
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(445,075)	675,485
Cash and Cash Equivalents - Beginning of Year	1,354,605	679,120
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 909,530	\$ 1,354,605

See accompanying notes to the financial statements.

**Union Gospel Mission**  
**Statements of Cash Flows, continued**  
**Years Ended June 30, 2019 and 2018**

**Schedule of Noncash Investing and Financing Activities**

Acquisition of Property and Equipment	\$	88,717	\$	21,397
Less Amount Donated		11,430		9,189
		<hr/>		<hr/>
Cash Paid for Property and Equipment	\$	77,287	\$	12,208
		<hr/> <hr/>		<hr/> <hr/>
Total Proceeds from Sale of Assets	\$	-	\$	746,533
Less Amount Financed through Note Receivable		-		400,000
		<hr/>		<hr/>
Cash Received for Sale of Property and Equipment	\$	-	\$	346,533
		<hr/> <hr/>		<hr/> <hr/>

See accompanying notes to the financial statements.

**Union Gospel Mission**  
**Notes to the Financial Statements**  
**June 30, 2019 and 2018**

**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.

**Financial Statement Classification:**

The Mission follows the recommendations of the Financial Accounting Standards Board (FASB). The FASB establishes standards for financial reporting by nonprofit organizations and requires that resources be classified for accounting and reporting purposes into two net asset categories according to externally imposed restrictions. A description of the two net asset categories are 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 other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates 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.

Expenses are reported as decreases in net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purposes has been fulfilled or the stipulated time period has elapsed), except for those restrictions met in the same year as received, are reported as revenues in net assets without donor restrictions.

**Union Gospel Mission**  
**Notes to the Financial Statements, continued**  
**June 30, 2019 and 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 at market value. Realized and unrealized gains and losses are recognized as increases or decreases in net assets without donor restrictions.

**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.

**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. The Mission capitalizes purchases over \$100 which have a useful life of more than one year. 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:

	<u>Life</u>
Buildings and improvements	10 to 39 years
Furniture and fixtures	7 years
Vehicles	5 years
Equipment	5 to 7 years

**Union Gospel Mission**  
**Notes to the Financial Statements, continued**  
**June 30, 2019 and 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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, 2019 and 2018.

**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 net assets without donor restrictions 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 net assets with donor restrictions depending on the nature of the restriction. When a restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions.

**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.

**Union Gospel Mission**  
**Notes to the Financial Statements, continued**  
**June 30, 2019 and 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Functional Expense Reporting:**

The costs of providing for various programs and other activities have been reported on a functional basis in the statement of activities and net assets. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among various programs and supporting services based on estimates made by management. Allocation methods are based on program revenue and/or personnel time.

**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, 2019 and 2018 and does not expect this to change significantly over the next twelve months.

**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.

**Change in Accounting Principle**

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

**Subsequent Events:**

The Mission has evaluated subsequent events through February 17, 2020, the date on which the financial statements were available to be issued.

**Union Gospel Mission**  
**Notes to the Financial Statements, continued**  
**June 30, 2019 and 2018**

**NOTE 2: LIQUIDITY AND AVAILABILITY**

The Mission strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in certificates of deposit, money market funds and other short-term investments.

The following table reflects the Mission's financial assets as of June 30, 2019 and 2018, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions. Amounts not available to meet general expenditures within one year may also include net assets with donor restrictions. There were net assets with donor restrictions in the amount of \$152,727 and \$167,252 at June 30, 2019 and 2018, respectively.

	<u>2019</u>	<u>2018</u>
Financial Assets at Year End:		
Cash and Cash Equivalents	\$ 909,530	\$ 1,354,605
Investments	1,312,759	778,918
Total Financial Assets	<u>2,222,289</u>	<u>2,133,523</u>
Less: Amounts not Available to be used Within One Year		
Financial Assets Not Available to be Used in One Year	<u>152,727</u>	<u>167,252</u>
Financial Assets Available To Meet Cash Need For General Expenditures within One Year	<u>\$ 2,069,562</u>	<u>\$ 1,966,271</u>



**Union Gospel Mission**  
**Notes to the Financial Statements, continued**  
**June 30, 2019 and 2018**

**NOTE 3: 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:

		2019			
		Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Stocks		\$ 892,794	\$ 20,641	\$ (9,118)	\$ 904,317
Mutual Funds		373,460	29,857	(10,085)	393,232
Other		15,210	-	-	15,210
Total		\$ 1,281,464	\$ 50,498	\$ (19,203)	\$ 1,312,759

  

		2018			
		Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Stocks		\$ 360,086	\$ 8,033	\$ (6,226)	\$ 361,895
Mutual Funds		406,925	11,244	(7,655)	410,512
Other		6,511	-	-	6,511
Total		\$ 773,522	\$ 19,277	\$ (13,881)	\$ 778,918

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

	2019	2018
Interest and dividends, from investments	\$ 21,705	\$ 16,124
Investment expense	(9,838)	(2,759)
Realized/unrealized gains(losses), net	17,539	53,446
	\$ 29,406	\$ 66,811

**Union Gospel Mission**  
**Notes to the Financial Statements, continued**  
**June 30, 2019 and 2018**

**NOTE 4: FAIR VALUE MEASUREMENTS OF INVESTMENTS**

The Fair Value Measurements Topic of FASB Codification establishes a framework for measuring fair value under accounting principles generally accepted in the United States of America. 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 Association 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.

*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, 2019 and 2018.

The methods described above may produce a fair value calculation that may not be as indicative of net realizable value or reflective of future fair values. Furthermore, while the Mission believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**Union Gospel Mission**  
**Notes to the Financial Statements, continued**  
**June 30, 2019 and 2018**

**NOTE 4: FAIR VALUE MEASUREMENTS OF INVESTMENTS**

The following table presents assets measured at fair value on a recurring basis, at June 30, 2019:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Stocks	\$ 904,317	\$ 904,317	\$ -	\$ -
Mutual funds	393,232	393,232	-	-
Other	15,210	15,210	-	-
	<u>\$ 1,312,759</u>	<u>\$ 1,312,759</u>	<u>\$ -</u>	<u>\$ -</u>

The following table presents assets measured at fair value on a recurring basis, at June 30, 2018:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Stocks	\$ 361,895	\$ 361,895	\$ -	\$ -
Mutual funds	410,512	410,512	-	-
Other	6,511	6,511	-	-
	<u>\$ 778,918</u>	<u>\$ 778,918</u>	<u>\$ -</u>	<u>\$ -</u>

**Union Gospel Mission**  
**Notes to the Financial Statements, continued**  
**June 30, 2019 and 2018**

**NOTE 5: PROPERTY AND EQUIPMENT:**

Property and equipment consist of the following as of June 30, 2019:

	Purchased	Donated	Total
Land	\$ 104,000	\$ -	\$ 104,000
Buildings and improvements	3,132,739	-	3,132,739
Furniture and fixtures	77,906	4,648	82,554
Vehicles	76,284	20,443	96,727
Equipment	268,860	6,702	275,562
	<u>3,659,789</u>	<u>31,793</u>	<u>3,691,582</u>
Less accumulated depreciation	<u>1,523,099</u>	<u>18,407</u>	<u>1,541,506</u>
	<u>\$ 2,136,690</u>	<u>\$ 13,386</u>	<u>\$ 2,150,076</u>

Depreciation expense for the year ended June 30, 2019 was \$116,994 and is included in the statement of functional expenses.

Property and equipment consist of the following as of June 30, 2018:

	Purchased	Donated	Total
Land	\$ 104,000	\$ -	\$ 104,000
Buildings and improvements	3,124,739	-	3,124,739
Furniture and fixtures	75,857	4,648	80,505
Vehicles	40,694	14,019	54,713
Equipment	235,448	6,702	242,150
	<u>3,580,738</u>	<u>25,369</u>	<u>3,606,107</u>
Less accumulated depreciation	<u>1,412,051</u>	<u>15,139</u>	<u>1,427,190</u>
	<u>\$ 2,168,687</u>	<u>\$ 10,230</u>	<u>\$ 2,178,917</u>

Depreciation expense for the year ended June 30, 2018 was \$113,638 and is included in the statement of functional expenses.

**Union Gospel Mission**  
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**June 30, 2019 and 2018**

**NOTE 6: NOTES RECEIVABLE:**

In June of 2018, the Mission sold the property previously intended for use as a recovery center for cash and the Mission extended the buyer credit in the form of a \$400,000 note receivable. The note is secured by the deed of trust and bears an interest rate of 5% per annum. Interest only payments are due monthly with principal payments of \$50,000 due every December. The balance due on the note receivable as of June 30, 2019 and 2018 are \$374,894 and \$400,000, respectively. The remaining principal, and any unpaid accrued interest are due June 2023.

**NOTE 7: IN-KIND CONTRIBUTIONS:**

In-kind contributions consist of donated material goods and totaled \$1,570,239 and \$1,267,620 for the years ending June 30, 2019 and 2018, respectively.

**NOTE 8: 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 \$5,000 per year per employee for the years ended June 30, 2019 and 2018. The Mission's matching contributions under the Plan amounted to \$64,558 and \$69,405 for the years ended June 30, 2019 and 2018, respectively, and are included in employee benefits on the statement of functional expenses.

**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.