

**UNION GOSPEL MISSION
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022**



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**UNION GOSPEL MISSION
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Union Gospel Mission
Sacramento, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Union Gospel Mission (a California non-profit organization), which comprise the statement of financial position as of June 30, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Union Gospel Mission as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Union Gospel Mission and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principles

As discussed in Note 8 of the financial statements, in 2023 Union Gospel Mission adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our Opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Union Gospel Mission's ability to continue as a going concern for one year after the date 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 Union Gospel Mission'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 Union Gospel Mission'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

Roseville, California
March 26, 2024

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

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,074,234	\$ 3,003,438
Investments	3,576,506	1,803,872
Prepaid Expenses	29,512	25,618
Inventory - Food Supplies	44,951	57,735
Current Portion of Notes Receivables	2,238	178,292
Total Current Assets	4,727,441	5,068,955
PROPERTY AND EQUIPMENT, NET	3,766,264	2,424,387
OPERATING RIGHT-OF-USE-ASSETS	12,894	-
NOTES RECEIVABLES, NET OF CURRENT PORTION	31,967	34,501
Total Assets	\$ 8,538,566	\$ 7,527,843
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 13,151	\$ 12,449
Accrued Wages and Vacation Payable	99,579	75,256
Lease Liability, Current Portion - Operating	2,885	-
Total Current Liabilities	115,615	87,705
LEASE LIABILITY, NONCURRENT PORTION - OPERATING	10,034	-
Total Liabilities	125,649	87,705
NET ASSETS		
Without Donor Restrictions	8,359,541	7,427,205
With Donor Restrictions	53,376	12,933
Total Net Assets	8,412,917	7,440,138
Total Liabilities and Net Assets	\$ 8,538,566	\$ 7,527,843

See accompanying Notes to Financial Statements.

UNION GOSPEL MISSION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
REVENUE		
Contributions of Cash and Other Financial Assets	\$ 3,944,472	\$ 4,358,110
Contributions of Nonfinancial Assets	1,311,573	1,182,085
Other Income	14,495	22,449
Net Assets Released from Restriction	31,268	4,143
Total Revenue	<u>5,301,808</u>	<u>5,566,787</u>
EXPENSES		
Program Services:		
Rehabilitation	686,333	605,038
Food and Care	2,315,431	1,964,809
Outreach	83,153	46,016
Grace Haven	16,174	19,197
Women's Center	200,062	124,989
E Street	5,027	-
Supporting Services:		
Management and General	391,513	414,270
Radio	68,759	67,740
Fundraising	857,865	849,951
Total Expenses	<u>4,624,317</u>	<u>4,092,010</u>
OTHER INCOME (EXPENSES)		
Interest, Dividend and Investment Gain (loss), Net of Expenses	247,185	(296,199)
Interest on Notes Receivable	7,804	12,847
Loss on Disposal of Fixed Assets	(144)	(5,839)
Total Other Income (Expenses), Net	<u>254,845</u>	<u>(289,191)</u>
Increase in Net Assets Without Donor Restrictions	932,336	1,185,586
Net Assets Without Donor Restrictions – Beginning of Year	<u>7,427,205</u>	<u>6,241,619</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS – END OF YEAR	<u><u>\$ 8,359,541</u></u>	<u><u>\$ 7,427,205</u></u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Revenue:		
Donations	\$ 71,711	\$ 11,600
Net Assets Released from Restriction	<u>(31,268)</u>	<u>(4,143)</u>
Increase in Net Assets With Donor Restrictions	40,443	7,457
Net Assets With Donor Restrictions - Beginning of Year	<u>12,933</u>	<u>5,476</u>
NET ASSETS WITH DONOR RESTRICTIONS - END OF YEAR	<u><u>\$ 53,376</u></u>	<u><u>\$ 12,933</u></u>
CHANGES IN NET ASSETS	\$ 972,779	\$ 1,193,043
Net Assets - Beginning of Year	<u>7,440,138</u>	<u>6,247,095</u>
NET ASSETS - END OF YEAR	<u><u>\$ 8,412,917</u></u>	<u><u>\$ 7,440,138</u></u>

See accompanying Notes to Financial Statements.

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

	Program Services						Supporting Services					Totals
	Rehabilitation	Food and Care	Outreach	Grace Haven	Women's Center	E Street	Total Program Services	Management and General	Radio	Fund-raising	Total Supporting Services	
Compensation	\$ 411,885	\$ 464,670	\$ 43,018	\$ -	\$ 72,237	\$ -	\$ 991,810	\$ 235,446	\$ -	\$ 153,299	\$ 388,745	\$ 1,380,555
Employee Benefits	122,705	138,890	12,251	-	32,545	-	306,391	17,393	-	40,842	58,235	364,626
Payroll Taxes	20,623	31,268	2,155	-	4,666	-	58,712	17,600	-	10,368	27,968	86,680
Automotive	6,863	28,075	802	-	503	-	36,243	1,343	-	1,039	2,382	38,625
Benevolence	825	441	500	-	17	-	1,783	19	-	-	19	1,802
Depreciation	29,208	49,715	4,635	772	7,724	1,699	93,753	18,538	-	42,192	60,730	154,483
Donated Goods and Services	-	1,281,533	-	-	50	-	1,281,583	200	-	-	200	1,281,783
Education and Training	9,115	655	100	-	442	-	10,312	312	-	408	720	11,032
Food Expenses	194	29,831	-	-	194	-	30,219	234	-	194	428	30,647
Insurance	19,094	44,856	2,321	4,711	7,050	-	78,032	9,802	-	6,948	16,750	94,782
Miscellaneous	1,855	23,527	-	-	4,617	-	29,999	303	-	267	570	30,569
Office Expenses	8,089	11,011	1,745	-	3,511	-	24,356	19,969	-	44,084	64,053	88,409
Professional Fees	-	-	-	-	-	1,641	1,641	48,007	-	-	48,007	49,648
Program Expenses	4,508	1,900	11,561	-	200	-	18,169	-	-	-	-	18,169
Promotion and Fundraising	-	-	-	-	-	-	-	-	-	226,232	226,232	226,232
Postage	-	-	-	-	-	-	-	-	-	296,164	296,164	296,164
Radio Expense	-	-	-	-	-	-	-	-	68,759	42	68,801	68,801
Repairs and Maintenance	4,911	53,375	400	1,879	43,655	(100)	104,120	5,386	-	10,500	15,886	120,006
Subsistence Allowance	10,175	-	-	-	-	-	10,175	-	-	-	-	10,175
Supplies												
Cleaning	-	18,614	-	-	-	-	18,614	20	-	-	20	18,634
In-House	6,814	34,355	3,284	22	5,615	-	50,090	2,661	-	15,644	18,305	68,395
Taxes and Licenses	2,526	3,065	-	334	818	1,787	8,530	609	-	417	1,026	9,556
Telephone	9,046	11,726	381	-	2,481	-	23,634	9,058	-	4,758	13,816	37,450
Utilities	17,897	87,924	-	8,456	13,737	-	128,014	4,613	-	4,467	9,080	137,094
Total Expenses	\$ 686,333	\$ 2,315,431	\$ 83,153	\$ 16,174	\$ 200,062	\$ 5,027	\$ 3,306,180	\$ 391,513	\$ 68,759	\$ 857,865	\$ 1,318,137	\$ 4,624,317

See accompanying Notes to Financial Statements.

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

	Program Services					Supporting Services					Totals
	Rehabilitation	Food and Care	Outreach	Grace Haven	Women's Center	Total Program Services	Management and General	Radio	Fund-raising	Total Supporting Services	
Compensation	\$ 324,601	\$ 331,636	\$ 30,025	\$ -	\$ 44,404	\$ 730,666	\$ 230,415	\$ -	\$ 174,928	405,343	\$ 1,136,009
Employee Benefits	111,412	110,544	5,409	-	14,588	241,953	49,989	-	48,036	98,025	339,978
Payroll Taxes	17,161	21,671	1,236	-	2,904	42,972	12,975	-	12,202	25,177	68,149
Automotive	7,311	30,975	1,541	-	1,138	40,965	4,153	-	1,755	5,908	46,873
Depreciation	36,425	30,588	1,413	4,567	24,841	97,834	17,436	-	26,248	43,684	141,518
Donated Goods and Services	-	1,182,086	-	-	-	1,182,086	-	-	-	-	1,182,086
Education and Training	375	-	-	-	21	396	-	-	21	21	417
Food Expenses	225	(10,334)	-	-	225	(9,884)	317	-	275	592	(9,292)
Insurance	16,790	45,350	2,463	4,561	6,940	76,104	10,064	-	6,714	16,778	92,882
Miscellaneous	2,719	25,096	553	-	2,320	30,688	1,439	-	984	2,423	33,111
Office Expenses	7,215	12,969	608	-	1,978	22,770	18,122	-	70,545	88,667	111,437
Program Expenses	7,384	-	2,363	-	-	9,747	-	-	-	-	9,747
Professional Fees	-	-	-	-	-	-	43,260	-	-	43,260	43,260
Promotion and Fundraising	-	-	-	-	-	-	-	-	239,631	239,631	239,631
Postage	-	-	-	-	-	-	-	-	231,055	231,055	231,055
Radio Expense	-	-	-	-	-	-	-	67,740	-	67,740	67,740
Repairs and Maintenance	6,366	59,643	-	1,921	6,904	74,834	5,862	-	10,423	16,285	91,119
Subsistence Allowance	14,650	-	-	-	-	14,650	-	-	-	-	14,650
Supplies											
Cleaning	-	8,960	-	-	-	8,960	-	-	-	-	8,960
In-House	6,640	28,354	137	15	2,982	38,128	3,557	-	14,542	18,099	56,227
Taxes and Licenses	3,277	4,317	-	329	866	8,789	1,026	-	473	1,499	10,288
Telephone	9,445	10,609	268	-	3,476	23,798	10,917	-	7,516	18,433	42,231
Utilities	33,042	72,345	-	7,804	11,402	124,593	4,738	-	4,603	9,341	133,934
Total Expenses	\$ 605,038	\$ 1,964,809	\$ 46,016	\$ 19,197	\$ 124,989	\$ 2,760,049	\$ 414,270	\$ 67,740	\$ 849,951	\$ 1,331,961	\$ 4,092,010

See accompanying Notes to Financial Statements.

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

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 972,779	\$ 1,193,043
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	154,483	141,518
Noncash Lease Expense	25	-
Loss on Disposal of Fixed Assets	144	5,839
Donated Property and Equipment	(2,500)	(7,500)
Realized and Unrealized, Net Gain (Loss) on Investments	156,738	(321,159)
Changes in Operating Assets and Liabilities:		
Prepaid Expenses and Deposits	(3,894)	(1,842)
Inventory - Food Supplies	12,784	(20,034)
Accounts Payable	702	9,762
Accrued Wages and Vacation Payable	24,323	(10,971)
Net Cash Provided by Operating Activities	1,315,584	988,656
 CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Paid for Property and Equipment	(1,494,004)	(447,105)
Cash Received from Notes Receivable	178,588	101,294
Purchase of Investments	(1,929,372)	351,816
Net Cash Provided (Used) by Investing Activities	(3,244,788)	6,005
 NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,929,204)	994,661
Cash and Cash Equivalents - Beginning of Year	3,003,438	2,008,777
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,074,234	\$ 3,003,438
 SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Acquisition of Property and Equipment	\$ 1,496,504	\$ 454,605
Less: Amount Donated	2,500	7,500
Total Cash Paid for Property and Equipment	\$ 1,494,004	\$ 447,105
 SUPPLEMENTAL DISCLOSURE OF NONCASH OPERATING ACTIVITIES		
Operating Right-of-Use Asset Obtained in Exchange for Operating Lease Liability	\$ 15,684	\$ -

See accompanying Notes to Financial Statements.

**UNION GOSPEL MISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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 without donor restrictions. 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 FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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 \$2,500 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 reporting purposes. Depreciation is computed substantially using the straight-line method for financial statement reporting purposes. The estimated useful lives used for calculating depreciation for property and equipment are as follows:

Buildings and Improvements	10 to 39 Years
Equipment	5 to 7 Years
Furniture and Fixtures	7 Years
Vehicles	5 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, 2023 and 2022.

**UNION GOSPEL MISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 Mission is a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code (IRC) and Section 23701(d) of the California Revenue and Taxation Code and, therefore, is subject to federal and state income taxes only on non-exempt monies earned. In addition, the Mission is required to operate in conformity with the IRC to maintain its tax-exempt status. The Mission believes that it has been operated in compliance with the applicable requirements of the IRC and therefore believes that it is tax-exempt.

Uncertain Tax Positions

The Financial Accounting Standards Board (FASB) ASC Topic 740, *Accounting for Uncertainty in Income Taxes*, 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.

**UNION GOSPEL MISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Uncertain Tax Positions (Continued)

For the years ended June 30, 2023 and 2022, the Mission has no material uncertain tax positions to be accounted for in the financial statements under these rules. The Mission recognizes interest and penalties, if any, related to unrecognized tax benefits in general and administrative expenses.

The Mission files tax returns exempt from income tax in the U.S. federal jurisdiction and the state of California. The Mission did not have unrecognized tax benefits as of the years ended June 30, 2023 and 2022, 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, 2023 and 2022, the Mission has not accrued interest or penalties related to uncertain tax positions.

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.

Adoption of New Accounting Standards

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

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

The Mission has elected to adopt the package of practical expedients available in the year of adoption. The Mission has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Mission's ROU assets.

**UNION GOSPEL MISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards (Continued)

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

In addition, the Mission elected the hindsight practical expedient to determine the lease term for existing leases. The election of the hindsight practical expedient did not result in any change to the lease terms for existing leases or the useful lives of corresponding leasehold improvements.

As a result of the adoption of the new lease accounting guidance, the Mission recognized on July 20, 2022 a lease liabilities of \$15,684, which represent the present value of the remaining operating lease payments of \$17,094, discounted using the Mission's risk-free rate of 3.18%, and ROU assets of \$15,684, which represent the operating lease liabilities of \$15,684.

The standard had a material impact on the statements of financial position but did not have a material impact on the statements of activities or consolidated statements of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

Leases

The Mission leases international postal mailing equipment in Sacramento, California. The Mission determines if an arrangement is a lease at inception. Operating leases are included in operating right-of-use assets, and lease liabilities - operating on the statements of financial position.

ROU assets represent Mission's right to use an underlying asset for the lease term and lease liabilities represent Mission'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 Mission 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 Mission will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Mission 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 statements of financial position.

The Mission's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

**UNION GOSPEL MISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

In evaluating contracts to determine if they qualify as a lease, the Mission considers factors such as if the Mission has obtained substantially all of the rights to the underlying asset through exclusivity, if the Mission can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Mission has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Subsequent Events

The Mission has evaluated subsequent events through March 26, 2024, the date on which the financial statements were available to be issued.

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 table below reflects the Mission's financial assets as of June 30, 2023 and 2022, 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 \$53,376 and \$12,933 at June 30, 2023 and 2022, respectively.

**UNION GOSPEL MISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 2 LIQUIDITY AND AVAILABILITY (CONTINUED)

	2023	2022
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 1,074,234	\$ 3,003,438
Current Portion of Notes Receivables	2,238	178,292
Investments	3,576,506	1,803,872
Total Financial Assets	4,652,978	4,985,602
Less: Amounts not Available to be Used Within One Year		
Financial Assets Not Available to be Used in One Year	53,376	12,933
Financial Assets Available To Meet Cash Need For General Expenditures Within One Year	\$ 4,599,602	\$ 4,972,669

NOTE 3 INVESTMENTS

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

	2023			
		Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
	Cost	Gain	Loss	Fair Value
Stocks	\$ 1,783,945	\$ 223,717	\$ (42,613)	\$ 1,965,049
Mutual Funds	1,605,428	24,271	(54,527)	1,575,172
Other	36,285	-	-	36,285
Total	\$ 3,425,658	\$ 247,988	\$ (97,140)	\$ 3,576,506
	2022			
		Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
	Cost	Gain	Loss	Fair Value
Stocks	\$ 1,285,560	\$ 79,077	\$ (60,267)	\$ 1,304,370
Mutual Funds	507,570	15,644	(51,287)	471,927
Other	27,575	-	-	27,575
Total	\$ 1,820,705	\$ 94,721	\$ (111,554)	\$ 1,803,872

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

	2023	2022
Interest and Dividends from Investments	108,508	\$ 41,588
Investment Expense	(18,061)	(16,628)
Realized/Unrealized Gains (Losses), Net	156,738	(321,159)
Total	\$ 247,185	\$ (296,199)

**UNION GOSPEL MISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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 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.

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 for the years ended June 30, 2023 and 2022.

Equities, money market and mutual funds: are valued on the basis of prices provided by an independent pricing service and are classified as Level 1 in the fair value hierarchy.

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 FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 4 FAIR VALUE MEASUREMENTS OF INVESTMENTS (CONTINUED)

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

	Fair Value	2023		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Stocks	\$ 1,965,049	\$ 1,965,049	\$ -	\$ -
Mutual Funds	1,575,172	1,575,172	-	-
Other	36,285	36,285	-	-
Total	<u>\$ 3,576,506</u>	<u>\$ 3,576,506</u>	<u>\$ -</u>	<u>\$ -</u>

	Fair Value	2022		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Stocks	\$ 1,304,370	\$ 1,304,370	\$ -	\$ -
Mutual Funds	471,927	471,927	-	-
Other	27,575	27,575	-	-
Total	<u>\$ 1,803,872</u>	<u>\$ 1,803,872</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30, 2023:

	Purchased	Donated	Total
Land	\$ 379,000	\$ -	\$ 379,000
Buildings and Improvements	4,848,718	-	4,848,718
Furniture and Fixtures	82,519	3,748	86,267
Vehicles	78,685	26,794	105,479
Equipment	346,975	5,925	352,900
Construction in Progress	-	-	-
Subtotal	<u>5,735,897</u>	<u>36,467</u>	<u>5,772,364</u>
Less: Accumulated Depreciation	<u>1,983,598</u>	<u>22,502</u>	<u>2,006,100</u>
Total Property and Equipment	<u>\$ 3,752,299</u>	<u>\$ 13,965</u>	<u>\$ 3,766,264</u>

Depreciation expense for the year ended June 30, 2023 was \$154,483 and is included in the statement of functional expenses.

**UNION GOSPEL MISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 5 PROPERTY AND EQUIPMENT (CONTINUED)

Property and equipment consist of the following as of June 30, 2022:

	<u>Purchased</u>	<u>Donated</u>	<u>Total</u>
Land	\$ 104,000	\$ -	\$ 104,000
Buildings and Improvements	3,649,579	-	3,649,579
Furniture and Fixtures	86,094	3,748	89,842
Vehicles	78,685	25,794	104,479
Equipment	350,157	6,125	356,282
Construction in Progress	-	-	-
Subtotal	<u>4,268,515</u>	<u>35,667</u>	<u>4,304,182</u>
Less: Accumulated Depreciation	<u>1,859,512</u>	<u>20,283</u>	<u>1,879,795</u>
Total Property and Equipment	<u>\$ 2,409,003</u>	<u>\$ 15,384</u>	<u>\$ 2,424,387</u>

Depreciation expense for the year ended June 30, 2022 was \$141,518 and is included in the statement of functional expenses.

NOTE 6 NOTES RECEIVABLE

In June of 2018, the Mission sold a 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. Any remaining principle and unpaid accrued interest were due June 1, 2023. The balance due on the note receivable as of June 30, 2023 and 2022 are \$0 and \$176,054, respectively.

In February of 2021, the Mission issued an installment note to an employee for the purchase of a mobile home. The note is collateralized with the mobile home. The note bears an interest rate of 3% per annum and a principal amount of \$276.23 per month through February 2036. The balance due on the note receivable as of June 30, 2023 and 2022 is \$34,205 and \$36,739, respectively.

**UNION GOSPEL MISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 7 IN-KIND CONTRIBUTIONS

The Mission receives various forms of gift-in-kind (GIK) including food and non-food items such as clothing and household goods. GIK are reported as contributions at their estimated fair value on the date of receipt and reported as expense when utilized. GIK are valued based upon estimates of fair market or wholesale values that would be received for selling the goods in their principal market considering their condition and utility for use at the time the goods are contributed by the donor. Donated GIK are not sold, and goods are only distributed for program use. For the years ended June 30, contributed nonfinancial assets recognized within the statement of activities and changes in net assets included:

Nonfinancial Contributions Category	Type of Contributions for Beneficiaries	Valuation	2023	2022
Food	Food	US wholesale prices for identical or similar products	\$ 678,900	\$ 761,945
Nonfood items	Clothing, Hygiene Products, and Household Goods	The Salvation Army's Donated Valuation Guide Pricing for Identical or Similar products	598,753	420,140
Services	Real Estate Agent Services	Contributed services from real estate agents are valued at estimated fair value based on current rates for similar services.	33,920	-
Total			<u>\$ 1,311,573</u>	<u>\$ 1,182,085</u>

NOTE 8 LEASES

Operating Leases

The Mission leases international postal mailing equipment in Sacramento, California that expires October 20, 2027. In the normal course of business, it is expected that this lease will be renewed or replaced by similar leases.

**UNION GOSPEL MISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 8 LEASES (CONTINUED)

Operating Leases (Continued)

The following table provides quantitative information concerning the Mission's leases for the year ended June 30, 2023.

Lease Cost:	
Operating Lease Cost	\$ 3,256
Total Lease Cost	<u>\$ 3,256</u>
Other Information:	
Operating Cash Flows from Operating Leases	\$ 3,231
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities:	15,684
Weighted-Average Remaining Lease Term - Operating Leases	4.3 Years
Weighted-Average Discount Rate - Operating Leases	3.18%

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

<u>Year Ending June 30.</u>	<u>Operating</u>
2024	\$ 3,262
2025	3,262
2026	3,262
2027	3,262
2028	815
Total Lease Payments	<u>13,863</u>
Less: Interest	(944)
Present Value of Lease Liabilities	<u>\$ 12,919</u>

Short-Term Leases

The Mission has elected, for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement, and do not include an option to purchase the underlying asset that the Mission is reasonably certain to exercise. The Mission recognizes the lease payments in profit and loss on a straight-line basis over the lease term and variable lease payments in the period in which the obligation for those payments is incurred.

NOTE 9 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 up to \$6,000 and \$5,000 per year per employee for the years ended June 30, 2023 and 2022, respectively. The Mission's matching contributions under the Plan amounted to \$89,960 and \$75,161 for the years ended June 30, 2023 and 2022, respectively, and are included in employee benefits on the statement of functional expenses.



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