

# **UNION RESCUE MISSION**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

**UNION RESCUE MISSION**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2011**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Union Rescue Mission

We have audited the accompanying statement of financial position of Union Rescue Mission (the Mission) as of June 30, 2011, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the management of the Mission. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the 2010 financial statements of Union Rescue Mission. In our report on the financial statements of Union Rescue Mission dated October 19, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Mission as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2011 on our consideration of Union Rescue Mission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Green Hasson & Janks LLP*

October 18, 2011  
Los Angeles, California

# UNION RESCUE MISSION

## STATEMENT OF FINANCIAL POSITION June 30, 2011 With Comparative Totals at June 30, 2010

<b>ASSETS</b>	<u>2011</u>	<u>2010</u>
Cash and Cash Equivalents	\$ 989,000	\$ 2,237,000
Investments	272,000	315,000
Accounts and Other Receivables	17,000	225,000
Due from EIMAGO, Inc.	385,000	251,000
Bequests Receivable	350,000	99,000
Pledges Receivable - Net	703,000	852,000
Inventory	45,000	88,000
Prepaid Expenses and Other Assets	226,000	180,000
Beneficial Interest in Charitable Remainder Trusts	1,335,000	1,553,000
Beneficial Interest in Perpetual Trust	153,000	133,000
Land, Buildings and Equipment - Net	<u>29,749,000</u>	<u>30,150,000</u>
 <b><i>TOTAL ASSETS</i></b>	 <b><u>\$ 34,224,000</u></b>	 <b><u>\$ 36,083,000</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES:</b>		
Accounts Payable and Accrued Expenses	\$ 2,256,000	\$ 3,128,000
Line of Credit	-	1,000,000
Notes Payable	7,566,000	8,152,000
Annuities Payable	<u>540,000</u>	<u>557,000</u>
 <b><i>TOTAL LIABILITIES</i></b>	 <b>10,362,000</b>	 <b>12,837,000</b>
 <b>NET ASSETS:</b>		
Unrestricted	21,835,000	21,165,000
Temporarily Restricted	1,730,000	1,808,000
Permanently Restricted	<u>297,000</u>	<u>273,000</u>
 <b><i>TOTAL NET ASSETS</i></b>	 <b><u>23,862,000</u></b>	 <b><u>23,246,000</u></b>
 <b><i>TOTAL LIABILITIES AND NET ASSETS</i></b>	 <b><u>\$ 34,224,000</u></b>	 <b><u>\$ 36,083,000</u></b>

The Accompanying Notes are an Integral Part of These Financial Statements

# UNION RESCUE MISSION

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

With Summarized Totals for the Year Ended June 30, 2010

	2011				2010 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
<b>PUBLIC SUPPORT:</b>					
Contributions	\$ 13,101,000	\$ 400,000	\$ 4,000	\$ 13,505,000	\$ 12,702,000
Gifts-in-Kind	6,680,000	-	-	6,680,000	29,165,000
Bequests and Planned Giving	1,609,000	-	-	1,609,000	1,271,000
Special Events	417,000	-	-	417,000	1,256,000
Change in Value - Beneficial Interest in Charitable Remainder Trusts	-	76,000	-	76,000	66,000
Change in Value - Beneficial Interest in Perpetual Trust	-	-	20,000	20,000	(45,000)
Net Assets Released from Purpose Restrictions	554,000	(554,000)	-	-	-
<b>TOTAL PUBLIC SUPPORT</b>	<b>22,361,000</b>	<b>(78,000)</b>	<b>24,000</b>	<b>22,307,000</b>	<b>44,415,000</b>
<b>OTHER REVENUE:</b>					
Public Funding	885,000	-	-	885,000	1,241,000
Other Income	427,000	-	-	427,000	257,000
Investment Income Gain (Loss) (Net)	29,000	-	-	29,000	(1,000)
Loss on Disposal of Land, Buildings and Equipment	(7,000)	-	-	(7,000)	(4,000)
<b>TOTAL OTHER REVENUE</b>	<b>1,334,000</b>	<b>-</b>	<b>-</b>	<b>1,334,000</b>	<b>1,493,000</b>
<b>TOTAL PUBLIC SUPPORT AND OTHER REVENUE</b>	<b>23,695,000</b>	<b>(78,000)</b>	<b>24,000</b>	<b>23,641,000</b>	<b>45,908,000</b>
<b>OPERATING EXPENSES:</b>					
<b>Program Services:</b>					
Shelter Services	5,470,000	-	-	5,470,000	5,640,000
Recovery Programs	7,645,000	-	-	7,645,000	7,573,000
Community Outreach	4,961,000	-	-	4,961,000	28,428,000
<b>TOTAL PROGRAM SERVICES</b>	<b>18,076,000</b>	<b>-</b>	<b>-</b>	<b>18,076,000</b>	<b>41,641,000</b>
<b>Support Services:</b>					
Management and General	1,795,000	-	-	1,795,000	1,963,000
Fundraising	3,154,000	-	-	3,154,000	5,111,000
<b>TOTAL SUPPORT SERVICES</b>	<b>4,949,000</b>	<b>-</b>	<b>-</b>	<b>4,949,000</b>	<b>7,074,000</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>23,025,000</b>	<b>-</b>	<b>-</b>	<b>23,025,000</b>	<b>48,715,000</b>
<b>CHANGE IN NET ASSETS</b>	<b>670,000</b>	<b>(78,000)</b>	<b>24,000</b>	<b>616,000</b>	<b>(2,807,000)</b>
Net Assets - Beginning of Year	21,165,000	1,808,000	273,000	23,246,000	26,053,000
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 21,835,000</b>	<b>\$ 1,730,000</b>	<b>\$ 297,000</b>	<b>\$ 23,862,000</b>	<b>\$ 23,246,000</b>

The Accompanying Notes are an Integral Part of These Financial Statements

## UNION RESCUE MISSION

### STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2011

With Summarized Totals for the Year Ended June 30, 2010

	2011									2010 Total
	Program Services				Support Services			Total		
	Shelter Services	Recovery Programs	Community Outreach	Total Program Services	Management and General	Fundraising	Total Support Services			
Payroll and Related Expenses	\$ 2,296,000	\$ 3,582,000	\$ 187,000	\$ 6,065,000	\$ 972,000	\$ 967,000	\$ 1,939,000	\$ 8,004,000	\$ 9,145,000	
Gifts-in-Kind Distribution	1,000	12,000	4,497,000	4,510,000	-	-	-	4,510,000	27,511,000	
Depreciation and Amortization	630,000	1,161,000	-	1,791,000	131,000	26,000	157,000	1,948,000	1,853,000	
Food and Kitchen Supplies	1,136,000	677,000	15,000	1,828,000	57,000	4,000	61,000	1,889,000	1,816,000	
Donor Appeals	107,000	107,000	1,000	215,000	-	1,350,000	1,350,000	1,565,000	2,840,000	
Supplies and Program Expenses	506,000	502,000	14,000	1,022,000	35,000	282,000	317,000	1,339,000	1,253,000	
Occupancy	318,000	623,000	3,000	944,000	23,000	10,000	33,000	977,000	1,020,000	
Vehicles and Equipment Expenses	210,000	641,000	2,000	853,000	98,000	5,000	103,000	956,000	978,000	
Professional Consultation	147,000	145,000	12,000	304,000	44,000	428,000	472,000	776,000	1,166,000	
Miscellaneous	41,000	80,000	219,000	340,000	30,000	79,000	109,000	449,000	950,000	
Interest	-	-	-	-	400,000	-	400,000	400,000	363,000	
Insurance	78,000	115,000	11,000	204,000	5,000	3,000	8,000	212,000	216,000	
Expense Charged to EIMAGO	-	-	-	-	-	-	-	-	(396,000)	
<b>TOTAL 2011 FUNCTIONAL EXPENSES</b>	<b>\$ 5,470,000</b>	<b>\$ 7,645,000</b>	<b>\$ 4,961,000</b>	<b>\$ 18,076,000</b>	<b>\$ 1,795,000</b>	<b>\$ 3,154,000</b>	<b>\$ 4,949,000</b>	<b>\$ 23,025,000</b>		
<b>TOTAL 2010 FUNCTIONAL EXPENSES</b>	<b>\$ 5,640,000</b>	<b>\$ 7,573,000</b>	<b>\$ 28,428,000</b>	<b>\$ 41,641,000</b>	<b>\$ 1,963,000</b>	<b>\$ 5,111,000</b>	<b>\$ 7,074,000</b>		<b>\$ 48,715,000</b>	

The Accompanying Notes are an Integral Part of These Financial Statements

# UNION RESCUE MISSION

## STATEMENT OF CASH FLOWS

Year Ended June 30, 2011

With Comparative Totals for the Year Ended June 30, 2010

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ 616,000	\$ (2,807,000)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation and Amortization	1,948,000	1,853,000
Donated Building and Equipment	(151,000)	-
Loss on Donated Stock	15,000	-
Realized and Unrealized (Gain) Loss on Investments	(35,000)	21,000
Loss on Disposal of Land, Buildings and Equipment	7,000	4,000
Provision for Bad Debts	157,000	185,000
Change in Value of Annuities Payable	64,000	31,000
Change in Value of Beneficial Interest in Charitable		
Remainder Trusts	(76,000)	(66,000)
Change in Value of Beneficial Interest in Perpetual Trust	(20,000)	45,000
Contributions Restricted for Investment in Land,		
Buildings and Equipment	(400,000)	(120,000)
Contributions Restricted for Investment in Perpetuity	(4,000)	(17,000)
Decrease (Increase) in:		
Accounts and Other Receivables	208,000	197,000
Due from EIMAGO, Inc.	(134,000)	(235,000)
Bequests Receivable	(251,000)	1,509,000
Pledges Receivable	(8,000)	(264,000)
Inventory	43,000	65,000
Prepaid Expenses and Other Assets	(46,000)	116,000
Beneficial Interest in Charitable Remainder Trusts	-	(419,000)
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	(872,000)	1,326,000
Annuities Payable	(81,000)	(85,000)
	980,000	1,339,000
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Investments	(1,302,000)	-
Proceeds from Sale of Investments	1,365,000	52,000
Purchase of Land, Buildings and Equipment	(1,180,000)	(787,000)
Interest Capitalized into Land, Buildings and Equipment	(131,000)	(208,000)
Proceeds from Sale of Land, Buildings and Equipment	7,000	-
	(1,241,000)	(943,000)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		

The Accompanying Notes are an Integral Part of These Financial Statements

# UNION RESCUE MISSION

## STATEMENT OF CASH FLOWS

Year Ended June 30, 2011

With Comparative Totals for the Year Ended June 30, 2010

	2011	2010
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Contributions Restricted for Investment in Perpetuity	\$ 4,000	\$ 17,000
Proceeds from Sale of Beneficial Interest in Charitable Remainder Trust	294,000	-
Proceeds from Contributions Restricted for Investment in Land, Buildings and Equipment	400,000	120,000
Proceeds from Line of Credit	-	1,500,000
Payments on Line of Credit	(1,000,000)	(500,000)
Payments on Notes Payable	(685,000)	(578,000)
 <b><i>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</i></b>	 <b><i>(987,000)</i></b>	 <b><i>559,000</i></b>
 <b><i>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</i></b>	 <b><i>(1,248,000)</i></b>	 <b><i>955,000</i></b>
Cash and Cash Equivalents - Beginning of Year	2,237,000	1,282,000
 <b><i>CASH AND CASH EQUIVALENTS - END OF YEAR</i></b>	 <b><i>\$ 989,000</i></b>	 <b><i>\$ 2,237,000</i></b>
 <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash Paid During the Year for Interest (Net of Amount Capitalized into Land, Buildings and Equipment of \$131,000 in 2011 and \$208,000 in 2010)	\$ 400,000	\$ 363,000
 <b>SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>		
Donated Building and Equipment	151,000	-
Land, Buildings and Equipment Financed by Assumption of Note Payable	99,000	15,000

The Accompanying Notes are an Integral Part of These Financial Statements



# **UNION RESCUE MISSION**

## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

### **NOTE 1 - NATURE OF ORGANIZATION**

Union Rescue Mission (the Mission) is a California, religious, not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Funds raised by Union Rescue Mission provide food, shelter and clothing for impoverished men, women and children. Founded in 1891, Union Rescue Mission is the largest mission of its kind in America and is the oldest in Los Angeles, operating 24 hours a day, 7 days a week, 365 days a year. Union Rescue Mission provides a comprehensive array of emergency and long-term services, including food, shelter, clothing, medical and dental care, recovery programs, transitional housing, legal assistance, education and counseling, in addition to job training for men and women.

Through Union Rescue Mission's Community Outreach Program, millions of dollars of donated products are solicited and acquired each month for internal use but mostly for distribution in the Southern California area, to sites of natural disasters and to International recipients. Typical products include food, clothes, hygiene items, medical/dental supplies and equipment, pharmaceuticals, and school supplies for children. The program allows Union Rescue Mission to extend its ministry beyond the immediate service area in Downtown Los Angeles to needy individuals in countries around the world.

In October 2005, Union Rescue Mission purchased a 77-acre property, named Hope Gardens Family Center, which provides a safe, healthy, positive and tranquil living environment for formerly homeless senior women and women with children. The facilities accommodate permanent supportive housing for the senior women and transitional supportive housing for women with children. Residents receive job training, financial literacy education, life skills coursework, personal and spiritual development classes, as well as access to off-site legal, medical and dental services. Childcare is provided for nursery and preschool children while school-age children receive transportation to the local public school. Hope Gardens Family Center offers a safe, peaceful and aesthetically pleasing environment that lends itself to the healing of broken lives and the rebuilding of shattered dreams.

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **(a) BASIS OF PRESENTATION**

The financial statements of the Mission have been prepared utilizing the accrual basis of accounting.

#### **(b) ACCOUNTING**

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of the Mission are maintained in accordance with the principles of net assets accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

# UNION RESCUE MISSION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (b) ACCOUNTING (continued)

- **Unrestricted.** These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving income from investments less expenses incurred in providing program related services, raising contributions, and performing administrative functions.
- **Temporarily Restricted.** The Mission reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from program or capital restrictions. Donor restricted contributions, whose restrictions have been met in the same reporting period, are reported as unrestricted support in the statement of activities. The Mission had \$1,730,000 of temporarily restricted net assets at June 30, 2011.
- **Permanently Restricted.** These net assets are received from donors who stipulate that resources are to be maintained permanently, but permit the Mission to expend all of the income (or other economic benefits) derived from the donated assets. The Mission had \$297,000 of permanently restricted net assets at June 30, 2011.

#### (c) CASH AND CASH EQUIVALENTS

Cash and cash equivalents are short-term, highly liquid investments with maturities of three months or less at the time of purchase. The carrying value of cash equivalents approximates its fair value at June 30, 2011.

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

#### (d) INVESTMENTS

Investments in equity and debt securities with readily determinable market values are reported at fair value. The fair value of these investments is determined based on the closing price on the last business day of the fiscal year. Investments in partnerships, for which there is no readily available market, are valued by the Mission using methods that management believes provide a reasonable estimate of fair value.

Investment purchases and sales are accounted for on a trade-date basis. Realized and unrealized gains and losses are calculated based upon the underlying cost of the securities and on the sales prices, if sold. Interest and dividend income is recorded when earned. Realized and unrealized gains and losses and interest and dividend income are reflected in the statement of activities as investment income (loss).

# UNION RESCUE MISSION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (d) INVESTMENTS (continued)

Investments are made according to the Investment Policies, Guidelines, and Objectives adopted by the Mission's Board. These guidelines provide for investments in equities, fixed income, and other securities with performance measured against appropriate indices. The investments are managed by outside investment managers contracted by the Mission. Market values of such investments and credit ratings of bond issuers are routinely reviewed by the Audit and Finance Committee of the Board.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

The Mission maintains a separate cash and investment account for its Annuity Reserve Fund. The balance in this Fund totaled \$291,000 at June 30, 2011, of which \$19,000 is included in cash and cash equivalents.

#### (e) ACCOUNTS AND OTHER RECEIVABLES

Receivables are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of receivables, net of the allowance for doubtful accounts, if any, represents their estimated fair value. The allowance for doubtful accounts, if any, is estimated based on historical collection trends, type of debtor, the age of outstanding receivables and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Past due receivable balances are written-off when internal collection efforts have been unsuccessful in collecting the amount due. At June 30, 2011, all receivables are deemed fully collectible; therefore, no allowance for doubtful accounts has been established.

#### (f) BEQUESTS AND PLANNED GIVING

The Mission has been named as a beneficiary in a number of bequests. Certain of these gifts have not been recorded in the financial statements because the donors' wills have not yet been declared valid by the probate court and/or the value of the amounts to be received is not yet determinable. The Mission records and reports all gifts when declared valid and the amount is determinable.

# UNION RESCUE MISSION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **(g) CONTRIBUTIONS AND PLEDGES RECEIVABLE**

Unconditional contributions, including pledges recorded at estimated fair value, are recognized as revenues when the pledge is received. Conditional promises to give are not included as revenue until such time as the conditions are substantially met. A discount rate of 8.25% has been used to calculate the present value of the only multi-year pledge receivable. At June 30, 2011, the Mission evaluated the collectability of pledges receivable and established an allowance for uncollectible pledges receivable in the amount of \$196,000.

#### **(h) INVENTORY**

Inventory consists of food, beverages, hygiene items and office supplies purchased by or donated to the Mission and are valued at the lower of cost or market if purchased and at fair value at the date of donation, if donated. The Mission utilizes the first-in, first-out method of inventory valuation.

#### **(i) BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUSTS**

The Mission has been designated as the beneficiary of assets held in charitable remainder trusts administered by other trustees. The Mission recognizes temporarily restricted contribution revenue and, as a receivable, the present value of the estimated future benefits to be received when the trust assets are distributed. Adjustments to the receivable to reflect the revaluation of the present value of the estimated future payments to the Mission are recognized in the statement of activities as a change in value of beneficial interest in charitable remainder trusts. The carrying values of certain other trusts have not yet been determined; accordingly, such assets have not been recorded in the financial statements.

#### **(j) BENEFICIAL INTEREST IN PERPETUAL TRUST**

A donor has established and funded a trust, which is administered by organizations other than the Mission. Under the terms of the trust, the Mission has the irrevocable right to receive all or a portion of the income earned on the trust assets either in perpetuity or for the life of the trust. The Mission does not control the assets held by the outside trust. Annual distributions from the trust are reported as contribution income. Adjustments to the beneficial interest to reflect changes in the fair value (if any) are reflected in the statement of activities as a change in value of beneficial interest in perpetual trust. The carrying values of certain other trusts have not yet been determined; accordingly, such assets have not been recorded in the financial statements.

# UNION RESCUE MISSION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **(k) LAND, BUILDINGS AND EQUIPMENT**

Land, buildings and equipment are recorded at cost if purchased or at fair value at the date of donation, if donated. Depreciation is provided over the estimated useful lives of the related assets on a straight-line basis as follows:

Buildings and Other Improvements	5-25 Years
Furniture and Equipment	3-5 Years
Computer Software	5 Years
Transportation Equipment	5 Years

Expenditures for maintenance and repairs are charged to operations as incurred while renewals and betterments are capitalized. Land, buildings and equipment are capitalized if the cost of an asset is equal to or greater than \$1,000 and the useful life is three years or greater.

#### **(l) LONG-LIVED ASSETS**

The Mission reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flow is less than the carrying amount of the assets, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No impairment losses were recognized on long-lived assets during the year ended June 30, 2011.

#### **(m) DERIVATIVE FINANCIAL INSTRUMENTS**

The Mission recognizes all derivatives at fair value in accordance with generally accepted accounting principles. Interest rate protection agreements (swaps) are used from time-to-time to minimize interest rate risk and the Mission enters into such contracts only with financial institutions of good standing. Interest rate swaps are not used for trading or speculative purposes. During the year ended June 30, 2009, the Mission entered into an interest rate swap that has been accounted for as a fair value hedge. No amounts were recorded in the change in net assets during the year ended June 30, 2011 due to hedge ineffectiveness. The Mission had fixed rate debt in the principal amount of \$7,470,000 hedged with a variable rate interest rate swap at June 30, 2011.

#### **(n) ANNUITIES PAYABLE**

The Mission has received donations of assets in exchange for distributions of a fixed amount for a specific period of time to the donors or other beneficiaries. These gifts stipulate that annuity payments must be made to the donor or their designees until the time of death. The gifts are invested in money market funds, fixed income and equity securities. The Mission uses published mortality-rate tables adopted by the United States Internal Revenue Service and an assumed rate of return of approximately 4.5% to 6.0% to determine the present value of the actuarially determined liability.

# UNION RESCUE MISSION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**(o) CONTRIBUTED GOODS AND SERVICES**

Contributions of donated non-cash assets are recorded in a manner consistent with the Association of Evangelical Relief and Development Organizations' (AERDO) standards in the period received. Contributions of donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A substantial number of volunteers have donated significant amounts of their time to the Mission. The services that these individuals rendered, however, do not meet the above criteria and, as such, are not recognized as revenue.

**(p) INCOME TAXES**

Union Rescue Mission is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and the corresponding California provisions.

**(q) FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing the Mission's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit which is determined by management through consideration of the portion of effort expended by each supporting department to each functional category.

**(r) USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**(s) COMPARATIVE TOTALS**

The statement of activities includes prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Mission's financial statements for the year ended June 30, 2010 from which the summarized information was derived.

# UNION RESCUE MISSION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**(t) PRESENTATION**

Amounts in the financial statements have been rounded to the nearest thousand dollars.

**(u) SUBSEQUENT EVENTS**

The Mission has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2011 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through October 18, 2011, the date these financial statements were available to be issued. Refer to Note 19 for subsequent event.

### NOTE 3 - INVESTMENTS

Investments consist of the following at June 30, 2011:

Common Stock – Domestic	\$	31,000
Preferred Stock – Domestic		84,000
Preferred Stock – Foreign		16,000
Municipal Bonds		61,000
Mutual Funds		<u>80,000</u>
<b>TOTAL INVESTMENTS</b>	<b>\$</b>	<b><u>272,000</u></b>

Investment income for the year ended June 30, 2011 consists of the following:

Interest and Dividend Income	\$	13,000
Net Realized and Unrealized Gain on Investments		20,000
Management Fees		<u>(4,000)</u>
<b>INVESTMENT INCOME (NET)</b>	<b>\$</b>	<b><u>29,000</u></b>

# UNION RESCUE MISSION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

### NOTE 4 - FAIR VALUE MEASUREMENTS

The Mission has implemented the accounting standard that defines fair value for those assets (and liabilities) that are re-measured and reported at fair value at each reporting period. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements. This standard applies to fair value measurements already required or permitted by existing standards.

In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset (or liability) and include situations where there is little, if any, market activity for the asset (or liability).

The following table presents information about the Mission's assets and liabilities that are measured at fair value on a recurring basis at June 30, 2011 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Fair Value Measurements Using			
	Year Ended June 30, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>ASSETS:</b>				
Common Stock – Domestic	\$ 31,000	\$ 31,000	\$ -	\$ -
Preferred Stock – Domestic	84,000	84,000	-	-
Preferred Stock – Foreign	16,000	16,000	-	-
Municipal Bonds	61,000	-	61,000	-
Mutual Funds	80,000	80,000	-	-
Beneficial Interest in:				
Charitable Remainder Trusts	1,335,000	-	-	1,335,000
Perpetual Trust	153,000	-	-	153,000
<b>TOTAL ASSETS</b>	<b>\$ 1,760,000</b>	<b>\$ 211,000</b>	<b>\$ 61,000</b>	<b>\$ 1,488,000</b>
<b>LIABILITIES:</b>				
Annuities Payable	\$ 540,000	\$ -	\$ -	\$ 540,000
<b>TOTAL LIABILITIES</b>	<b>\$ 540,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 540,000</b>



# UNION RESCUE MISSION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

### NOTE 4 - FAIR VALUE MEASUREMENTS (continued)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
	Investments in Limited Partnership	Beneficial Interest in Charitable Remainder Trusts	Beneficial Interest in Perpetual Trust	
<b>ASSETS:</b>				
Beginning Balance	\$ 218,000	\$ 1,553,000	\$ 133,000	\$ 1,904,000
Divestiture of Partnership Interest	(218,000)	-	-	(218,000)
Receipt of Distributed Benefit	-	(294,000)	-	(294,000)
Change in Value of Beneficial Interest	-	76,000	20,000	96,000
<b>ENDING BALANCE</b>	<b>\$ -</b>	<b>\$ 1,335,000</b>	<b>\$ 153,000</b>	<b>\$ 1,488,000</b>

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
	Annuities Payable	Beneficial Interest in Charitable Remainder Trusts	Beneficial Interest in Perpetual Trust	
<b>LIABILITIES:</b>				
Beginning Balance	\$ 557,000	\$ -	\$ -	\$ 557,000
Change in Value of Annuities Payable	(17,000)	-	-	(17,000)
<b>ENDING BALANCE</b>	<b>\$ 540,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 540,000</b>

The fair values of equities within Level 1 inputs were obtained based on quoted market prices at the close of the last business day of the fiscal year.

**Limited Partnership:** Valued at fair value based on the net asset value of the Mission's ownership interest in partners' capital. The Mission chose to divest itself of the partnership during the fiscal year and reinvest the proceeds in other marketable securities which are included in investments at June 30, 2011.

**Beneficial Interest in Charitable Remainder Trusts:** Valued based on quoted market prices at the close of the last business day of the fiscal year and discounted to net present value using United States Internal Revenue Service actuarial tables.

**Beneficial Interest in Perpetual Trust:** Valued based on quoted market prices at the close of the last business day of the fiscal year.

# UNION RESCUE MISSION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

### NOTE 4 - FAIR VALUE MEASUREMENTS (continued)

Annuities Payable: Valued using published mortality rate tables adopted by the United States Internal Revenue Service and an assumed rate of return of approximately 4.5% to 6.0% to determine the present value of the actuarially determined liability.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future net 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.

### NOTE 5 - PLEDGES RECEIVABLE

Pledges receivable at June 30, 2011 are expected to be collected as follows:

Less than One Year	\$	883,000
One to Five Years		33,000
More than Five Years		<u>11,000</u>
<b>GROSS PLEDGES RECEIVABLE</b>		927,000
Allowance for Uncollectible Pledges		(196,000)
Present Value Discount		<u>(28,000)</u>
<b>PLEDGES RECEIVABLE - NET</b>	\$	<u>703,000</u>

### NOTE 6 - BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUSTS

The Mission is the beneficiary of seven charitable remainder trusts administered by other trustees. Assets held in charitable remainder trusts totaled \$1,335,000 at June 30, 2011, representing the portion of the net present value of the charitable remainder trust assets for which the Mission is the designated beneficiary. One of the charitable remainder trusts, with a net present value of \$31,000 at June 30, 2011, is restricted to Hope Gardens Family Center. The remaining charitable remainder trusts, with a net present value of \$1,304,000 at June 30, 2011, are for the general charitable operations of Union Rescue Mission.

### NOTE 7 - BENEFICIAL INTEREST IN PERPETUAL TRUST

The Mission is the beneficiary of a trust whose assets are not under its control. The Mission has legally enforceable rights or claims to its beneficial interest in the annual income from the trust. During the year ended June 30, 2011, the Mission received \$6,000 of income from the trust, and the carrying value of the Mission's beneficial interest in this trust at June 30, 2011 is \$153,000.

# UNION RESCUE MISSION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

### NOTE 8 - LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consist of the following as of June 30, 2011:

Land	\$ 9,337,000
Buildings and Other Improvements	34,496,000
Furniture and Equipment	3,266,000
Computer Software	537,000
Transportation Equipment	454,000
Construction in Progress	<u>1,732,000</u>
<b>TOTAL</b>	<b>49,822,000</b>
Less: Accumulated Depreciation	<u>(20,073,000)</u>
<b>LAND, BUILDINGS AND EQUIPMENT (NET)</b>	<b><u>\$ 29,749,000</u></b>

Depreciation and amortization expense for the year ended June 30, 2011 was \$1,948,000.

The Mission is in the process of renovating Hope Gardens Family Center. The estimated cost of construction is \$4,670,000. As of June 30, 2011, \$ 3,670,000 has been expended. The remaining cost to complete Hope Gardens Family Center is estimated at \$1,000,000. Funds to renovate Hope Gardens Family Center are provided by contributions.

Interest capitalized as part of building improvements and construction in progress during the year ended June 30, 2011 amounted to \$ 131,000.

### NOTE 9 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following at June 30, 2011:

Accounts Payable	\$ 1,224,000
Accrued Expenses	180,000
Accrued Payroll	254,000
Funds Held for Others	289,000
Accrued Vacation	<u>309,000</u>
<b>TOTAL ACCOUNTS PAYABLE AND ACCRUED EXPENSES</b>	<b><u>\$ 2,256,000</u></b>

The Mission has negotiated a monthly payment plan with one of their vendors. Monthly payments of \$30,000 to \$60,000 are being made with a lump-sum final payment due June 30, 2012 of \$209,000. As of June 30, 2011, the amount due to this vendor was \$642,000 and is included in accounts payable.

# UNION RESCUE MISSION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

### NOTE 10 - LINE OF CREDIT

The Mission has an operating line of credit with maximum permissible borrowings of \$700,000. The line of credit is secured by land and buildings (545 South San Pedro Street, Los Angeles, California). Interest is payable monthly at the bank's prime rate plus 1%. The maturity date is February 2012. The bank's prime rate at June 30, 2011 was 3.25%. As of June 30, 2011, no money was borrowed against the line.

### NOTE 11 - NOTES PAYABLE

Notes payable consist of the following at June 30, 2011:

Term Loan - Bank, Secured by Land and Buildings (545 South San Pedro Street, Los Angeles, California), Payable in Monthly Installments of Principal and Interest at 6.42% Fixed under Interest Rate Swap Agreement, Due July 2019	\$ 7,470,000
Notes Payable - Company, Secured by Related Property, Bearing Interest Rates of 2.9%, Payable in Monthly Installments of \$429 to \$476, Due November 2015	89,000
Note Payable - Company, Secured by Related Property, Bearing Interest Rate of 7.9%, Payable in Monthly Installments of \$332, Due May 2013	<u>7,000</u>
<b>TOTAL NOTES PAYABLE</b>	<b><u>\$ 7,566,000</u></b>

The future maturity of notes payable at June 30, 2011 is as follows:

#### Years Ending June 30

2012	\$ 730,000
2013	785,000
2014	839,000
2015	899,000
2016	950,000
Thereafter	<u>3,363,000</u>
<b>TOTAL</b>	<b><u>\$ 7,566,000</u></b>

The interest rate swap effectively fixes the interest rate for the term loan. The outstanding interest rate swap agreement at June 30, 2011 has the following terms:

Notional Amount	\$ 7,470,000
Interest Rate (Receive)	1 Month LIBOR plus 3.2%
Interest Rate (Pay)	6.42%
Maturity	July 2019

At June 30, 2011, the rate for the one month LIBOR was 0.186%.

# **UNION RESCUE MISSION**

## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

### **NOTE 11 - NOTES PAYABLE (continued)**

The notional amount under the swap agreement decreases as principal payments are made on the term loan so that the notional amount equals the principal outstanding under the term loan. The swap agreement qualifies for hedge accounting (no ineffectiveness) under generally accepted accounting provisions; therefore, the interest rate swap liability is exactly offset by a corresponding reduction in the term loan liability. At June 30, 2011, the carrying value of the term loan remained unchanged.

### **NOTE 12 - ANNUITIES PAYABLE**

The Mission is in receipt of 80 charitable annuity gifts from individuals. The value at establishment and corresponding reasonably commensurate values at June 30, 2011 are \$1,053,000 and \$540,000 respectively. The Mission has established a segregated reserve fund of \$291,000 which equals 54% of the present value annuities payable balance.

### **NOTE 13 - COMMUNITY OUTREACH PROGRAM**

The Mission conducts a Community Outreach Program that provides various donated products such as food, hygiene items and medical supplies to the poor and homeless outside the immediate service area of the Mission. Recipients of the products during the year ended June 30, 2011 were located in the United States and other countries.

The products are donated primarily by corporations. The receipt of donated products by the Mission for this program is reflected as gifts-in-kind revenue and the distribution to the recipients is reflected as gifts-in-kind distribution expense in the statement of functional expenses. The donated products are valued in a manner consistent with AERDO standards.

Of the \$6,680,000 gifts-in-kind revenue reflected in the statement of activities for the year ended June 30, 2011, \$2,267,000 are gifts-in-kind used by the Mission in its own programs and the balance of \$4,413,000 was provided to other non-profit organizations through the Mission's Community Outreach Program.

### **NOTE 14 - CONTINGENCIES**

In the ordinary course of conducting its business, the Mission becomes involved in various lawsuits. Some of these proceedings may result in judgments being assessed against the Mission which, from time to time, may have an impact on changes in net assets. The Mission does not believe that these proceedings, individually or in the aggregate, would have a material effect on the financial statements.

# UNION RESCUE MISSION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

### NOTE 15 - RETIREMENT PLAN

The Mission has a defined contribution retirement plan for all full-time employees. Eligible employees may contribute annually up to the applicable Internal Revenue Service limitations. The Mission did not make matching contributions during the year ended June 30, 2011.

### NOTE 16 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30, 2011:

Charitable Remainder Trusts - Mission Operations	\$ 1,304,000
Charitable Remainder Trust - Hope Gardens Family Center	31,000
Hope Gardens Family Center - Capital Campaign	24,000
Donor Restricted Contributions	<u>371,000</u>
<b><i>TEMPORARILY RESTRICTED NET ASSETS</i></b>	<b><u><u>\$ 1,730,000</u></u></b>

### NOTE 17 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are invested in perpetuity. The principal balance, from which only the investment income is expendable to support the programs specified by the donors, are comprised of the following at June 30, 2011:

Perpetual Trust	\$ 153,000
Pledge Receivable	92,000
Endowments	<u>52,000</u>
<b><i>PERMANENTLY RESTRICTED NET ASSETS</i></b>	<b><u><u>\$ 297,000</u></u></b>

### NOTE 18 - ENDOWMENTS

The Mission's endowments consist of funds established for a variety of purposes. Endowment funds are established by donor-restricted gifts to provide a permanent endowment, which is to provide a permanent source of income to the Mission.

The Mission's management understands California State law as (1) requiring the preservation of the fair market value of the original gifts as of the gift date of the donor restricted endowment funds, and (2) allowing the spending of income and gains on permanently restricted endowments, absent explicit donor stipulations that all or a portion of such gains be maintained in perpetuity.

# UNION RESCUE MISSION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

### NOTE 18 - ENDOWMENTS (continued)

The primary long-term financial objective for the Mission's endowments is to preserve the real (inflation-adjusted) purchasing power of endowment assets and income after accounting for endowment spending, annual growth percentage and costs of portfolio management.

The Mission's Board of Directors developed a spending policy which restricts the use of endowment funds to 4.5% of the average market value of the total endowment portfolio over the past 12 quarters (3 years) with the gift instrument taking precedence over this policy. This policy will allow for a greater predictability of spendable income for budgeting purposes and for gradual steady growth for the support of operations by the endowment. In addition, this policy will minimize the probability of invading the principal over the long term.

<b>Endowment Net Asset Composition by Type of Fund at June 30, 2011</b>	Permanently Restricted
Donor-Restricted	\$ 52,000
<b>Changes in Endowment Net Assets for the Year Ended June 30, 2011</b>	
Endowment Net Assets - Beginning of Year	\$ 50,000
Contributions	2,000
<b><i>ENDOWMENT NET ASSETS - END OF YEAR</i></b>	<b>\$ 52,000</b>

### NOTE 19 - RELATED PARTY TRANSACTIONS

The Mission is affiliated with EIMAGO, Inc., a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Mission provides space, program support services, and administrative services for EIMAGO, Inc. For the year ended June 30, 2011, expenses totaling \$452,000 were charged to EIMAGO, Inc. As of June 30, 2011, EIMAGO, Inc. owed the Mission \$385,000. EIMAGO, Inc. has ceased program operations as of June 30, 2011 however the organization continues to exist as a legal entity.

Subsequent to year end, \$153,000 of the amount owed to the Mission was paid. The remaining balance of \$232,000 will be paid upon EIMAGO, Inc.'s collection of their outstanding receivables.

### NOTE 20 - ALLOCATION OF JOINT COSTS

Through certain fundraising activities, the Mission incurred joint costs of \$1,236,000 to expand its mission to inform the public of a 10-step plan to end homelessness in Los Angeles and what they can do to help. Of those costs, \$1,038,000 was allocated to fundraising expenses, and \$99,000 was allocated to both the shelter and recovery program services, respectively.