UNION RESCUE MISSION

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

CONTENTS

Green
Hasson
Janks

10990 Wilshire Boulevard
16th Floor
Los Angeles, CA 90024

310.873.1600 T
310.873.6600 F
www.greenhassonjanks.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Union Rescue Mission

Report on the Financial Statements
We have audited the accompanying financial statements of Union Rescue Mission (the Mission), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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.

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, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information
We have previously audited the Mission's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 22, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Green Hasson & Janks LLP

October 21, 2014
Los Angeles, California

UNION RESCUE MISSION

STATEMENT OF FINANCIAL POSITION
June 30, 2014
With Comparative Totals at June 30, 2013

ASSETS		2014		2013
Cash and Cash Equivalents	$	4,455,000	$	2,451,000
Investments		565,000		502,000
Accounts and Other Receivables		10,000		10,000
Bequests Receivable		456,000		136,000
Pledges Receivable - Net		898,000		1,460,000
Inventory		132,000		136,000
Prepaid Expenses and Other Assets		166,000		96,000
Beneficial Interest in Charitable Remainder Trusts		1,083,000		1,524,000
Beneficial Interest in Perpetual Trust		161,000		148,000
Land, Buildings and Equipment - Net		26,652,000		27,319,000
TOTAL ASSETS	$	34,578,000	$	33,782,000
LIABILITIES AND NET ASSETS				
LIABILITIES:				
Accounts Payable and Accrued Expenses	$	1,467,000	$	1,491,000
Notes Payable		5,788,000		6,049,000
Annuities Payable		236,000		245,000
TOTAL LIABILITIES		7,491,000		7,785,000
NET ASSETS:				
Unrestricted		25,480,000		22,793,000
Temporarily Restricted		1,280,000		2,898,000
Permanently Restricted		327,000		306,000
TOTAL NET ASSETS		27,087,000		25,997,000
TOTAL LIABILITIES AND NET ASSETS	$	34,578,000	$	33,782,000

The Accompanying Notes are an Integral Part of These Financial Statements

UNION RESCUE MISSION

STATEMENT OF ACTIVITIES
Year Ended June 30, 2014
With Summarized Totals for the Year Ended June 30, 2013

	2014				2013
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
PUBLIC SUPPORT:					
Contributions	$ 13,858,000	$ 100,000	$ 8,000	$ 13,966,000	$ 13,977,000
Gifts-in-Kind	5,124,000	-	-	5,124,000	3,369,000
Bequests and Planned Giving	3,008,000	627,000	-	3,635,000	1,576,000
Special Events	551,000	-	-	551,000	370,000
Change in Value - Beneficial Interest in Charitable Remainder Trusts	-	201,000	-	201,000	268,000
Change in Value - Beneficial Interest in Perpetual Trust	-	-	13,000	13,000	9,000
Net Assets Released from Purpose Restrictions	2,546,000	(2,546,000)	-	-	-
TOTAL PUBLIC SUPPORT	25,087,000	(1,618,000)	21,000	23,490,000	19,569,000
OTHER REVENUE:					
Other Income	539,000	-	-	539,000	554,000
Investment Income (Net)	63,000	-	-	63,000	70,000
TOTAL OTHER REVENUE	602,000	-	-	602,000	624,000
TOTAL PUBLIC SUPPORT AND OTHER REVENUE	25,689,000	(1,618,000)	21,000	24,092,000	20,193,000
OPERATING EXPENSES:					
Program Services:					
Shelter Services	6,365,000	-	-	6,365,000	5,915,000
Recovery Programs	8,381,000	-	-	8,381,000	7,804,000
Community Outreach	3,081,000	-	-	3,081,000	1,254,000
TOTAL PROGRAM SERVICES	17,827,000	-	-	17,827,000	14,973,000
Support Services:					
Management and General	1,887,000	-	-	1,887,000	1,807,000
Fundraising	3,288,000	-	-	3,288,000	3,300,000
TOTAL SUPPORT SERVICES	5,175,000	-	-	5,175,000	5,107,000
TOTAL OPERATING EXPENSES	23,002,000	-	-	23,002,000	20,080,000
CHANGE IN NET ASSETS	2,687,000	(1,618,000)	21,000	1,090,000	113,000
Net Assets - Beginning of Year	22,793,000	2,898,000	306,000	25,997,000	25,884,000
NET ASSETS - END OF YEAR	$ 25,480,000	$ 1,280,000	$ 327,000	$ 27,087,000	$ 25,997,000

The Accompanying Notes are an Integral Part of These Financial Statements

UNION RESCUE MISSION

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2014
With Summarized Totals for the Year Ended June 30, 2013

	2014								
	Program Services				Support Services				
	Shelter Services	Recovery Programs	Community Outreach	Total Program Services	Management and General	Fundraising	Total Support Services	Total	2013 Total
Payroll and Related Expenses	$ 3,194,000	$ 3,813,000	$ 192,000	$ 7,199,000	$ 1,068,000	$ 696,000	$ 1,764,000	$ 8,963,000	$ 8,337,000
Gifts-in-Kind Distribution	2,000	20,000	2,825,000	2,847,000	-	-	-	2,847,000	1,069,000
Donor Appeals	104,000	104,000	-	208,000	-	1,663,000	1,663,000	1,871,000	1,977,000
Food and Kitchen Supplies	1,111,000	667,000	6,000	1,784,000	57,000	-	57,000	1,841,000	1,771,000
Supplies and Program Expenses	691,000	865,000	11,000	1,567,000	32,000	230,000	262,000	1,829,000	1,467,000
Depreciation and Amortization	565,000	1,064,000	-	1,629,000	52,000	24,000	76,000	1,705,000	1,752,000
Occupancy	358,000	885,000	3,000	1,246,000	137,000	10,000	147,000	1,393,000	1,340,000
Professional Consultation	70,000	76,000	5,000	151,000	36,000	518,000	554,000	705,000	780,000
Vehicles and Equipment Expenses	122,000	468,000	1,000	591,000	67,000	29,000	96,000	687,000	645,000
Miscellaneous	44,000	125,000	24,000	193,000	132,000	113,000	245,000	438,000	380,000
Interest	-	-	-	-	299,000	-	299,000	299,000	321,000
Insurance	104,000	143,000	14,000	261,000	7,000	5,000	12,000	273,000	241,000
Thrift Store Start Up	-	151,000	-	151,000	-	-	-	151,000	-
TOTAL 2014 FUNCTIONAL EXPENSES	$ 6,365,000	$ 8,381,000	$ 3,081,000	$ 17,827,000	$ 1,887,000	$ 3,288,000	$ 5,175,000	$ 23,002,000	
TOTAL 2013 FUNCTIONAL EXPENSES	$ 5,915,000	$ 7,804,000	$ 1,254,000	$ 14,973,000	$ 1,807,000	$ 3,300,000	$ 5,107,000		$ 20,080,000

The Accompanying Notes are an Integral Part of These Financial Statements

UNION RESCUE MISSION

STATEMENT OF CASH FLOWS
Year Ended June 30, 2014
With Comparative Totals for the Year Ended June 30, 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	$ 1,090,000	$ 113,000
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation and Amortization	1,705,000	1,752,000
Donated Building and Equipment	(6,000)	(42,000)
Donated Stock	(869,000)	(794,000)
Proceeds from Sale of Donated Stock	863,000	784,000
Loss on Sale of Donated Stock	6,000	10,000
Realized and Unrealized Gain on Investments	(63,000)	(62,000)
Change in Value of Annuities Payable	24,000	(8,000)
Change in Value of Beneficial Interest in Charitable Remainder Trusts	(201,000)	(268,000)
Change in Value of Beneficial Interest in Perpetual Trust	(13,000)	(9,000)
Contributions Restricted for Investment in Land, Buildings and Equipment	(100,000)	(390,000)
Contributions Restricted for Investment in Perpetuity	(8,000)	(10,000)
Decrease (Increase) in:		
Accounts and Other Receivables	-	25,000
Due from EIMAGO, Inc.	-	1,000
Bequests Receivable	(320,000)	73,000
Pledges Receivable	562,000	578,000
Inventory	4,000	(80,000)
Prepaid Expenses and Other Assets	(70,000)	64,000
Beneficial Interest in Charitable Remainder Trust	(627,000)	-
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	(24,000)	183,000
Annuities Payable	(33,000)	(207,000)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,920,000	1,713,000
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investments	(693,000)	(118,000)
Proceeds from Sale of Investments	693,000	60,000
Purchase of Land, Buildings and Equipment	(966,000)	(582,000)
Interest Capitalized into Land, Buildings and Equipment	(66,000)	(96,000)
NET CASH USED IN INVESTING ACTIVITIES	(1,032,000)	(736,000)

The Accompanying Notes are an Integral Part of These Financial Statements

UNION RESCUE MISSION

STATEMENT OF CASH FLOWS
Year Ended June 30, 2014
With Comparative Totals for the Year Ended June 30, 2013

	2014	2013
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions Restricted for Investment in Perpetuity	$ 8,000	$ 10,000
Proceeds from Distribution of Beneficial Interest in Charitable Remainder Trust	1,269,000	-
Proceeds from Contributions Restricted for Investment in Land, Buildings and Equipment	100,000	390,000
Proceeds from Notes Payable	577,000	-
Payments on Notes Payable	(838,000)	(785,000)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	1,116,000	(385,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,004,000	592,000
Cash and Cash Equivalents - Beginning of Year	2,451,000	1,859,000
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 4,455,000	$ 2,451,000
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash Paid During the Year for Interest (Net of Amount Capitalized into Land, Buildings and Equipment of $66,000 in 2014 and $96,000 in 2013)	$ 299,000	$ 321,000
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Donated Building and Equipment	$ 6,000	$ 42,000

The Accompanying Notes are an Integral Part of These Financial Statements

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.

Union Rescue Mission also operates 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.

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

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:

- **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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) ACCOUNTING (continued)

- **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 purpose, time 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 $1,280,000 of temporarily restricted net assets at June 30, 2014.

- **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 $327,000 of permanently restricted net assets at June 30, 2014.

(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, 2014.

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.

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.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) INVESTMENTS (continued)

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 $401,000 at June 30, 2014.

(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, 2014, 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.

(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, 2014, the Mission evaluated the collectability of pledges receivable and established an allowance for uncollectible pledges receivable in the amount of $22,000.

(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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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, 2014.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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, 2014 due to hedge ineffectiveness. The Mission had fixed rate debt in the principal amount of $5,182,000 hedged with a variable rate interest rate swap at June 30, 2014.

(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.

(o) CONTRIBUTED GOODS AND SERVICES

Contributions of donated non-cash assets are recorded in a manner consistent with the Accord Network GIK 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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, 2013 from which the summarized information was derived.

(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, 2014 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through October 21, 2014, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred.

NOTE 3 - INVESTMENTS

Investments consist of the following at June 30, 2014:

Cash Equivalents	$ 13,000
Mutual Funds:	
Large Cap Blended	298,000
Large Cap Growth	40,000
Large Cap Value	18,000
Mid Cap Growth	34,000
Mid Cap Value	20,000
Small Cap Blended	18,000
Small Cap Value	18,000
Alternative	6,000
Limited Partnership	100,000
TOTAL INVESTMENTS	$ 565,000

Investment income for the year ended June 30, 2014 consists of the following:

Interest and Dividend Income	$ 12,000
Net Realized and Unrealized Gain on Investments	63,000
Donated Stock Loss	(6,000)
Management Fees	(6,000)
INVESTMENT INCOME (NET)	$ 63,000

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, 2014 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

		Fair Value Measurements Using		
	Year Ended June 30, 2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
ASSETS:				
Limited Partnership	$ 100,000	$ -	-	$ 100,000
Cash Equivalents and Mutual Funds	465,000	459,000	-	6,000
Beneficial Interest in:				
Charitable Remainder Trusts	1,083,000	-	-	1,083,000
Perpetual Trust	161,000	-	-	161,000
TOTAL ASSETS	$ 1,809,000	$ 459,000	$ -	$ 1,350,000
LIABILITIES:				
Annuities Payable	$ 236,000	$ -	$ -	$ 236,000
TOTAL LIABILITIES	$ 236,000	$ -	$ -	$ 236,000

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

NOTE 4 - FAIR VALUE MEASUREMENTS (continued)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)				
	Unrestricted	Temporarily Restricted	Permanently Restricted		
	Limited Partnership	Beneficial Interest in Charitable Remainder Trusts	Endowments' Mutual Funds	Beneficial Interest in Perpetual Trust	Total
ASSETS:					
Beginning Balance	$ -	$1,524,000	$ 60,000	$ 148,000	$1,732,000
Purchases	100,000	-	-	-	100,000
Sales	-	-	(58,000)	-	(58,000)
Additional Benefit	-	627,000	-	-	627,000
Receipt of Distributed Benefit	-	(1,269,000)	-	-	(1,269,000)
Change in Value	-	201,000	4,000	13,000	218,000
ENDING BALANCE	$ 100,000	$1,083,000	$ 6,000	$ 161,000	$1,350,000

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	Unrestricted - Annuities Payable	Total
LIABILITIES:		
Beginning Balance	$ 245,000	$ 245,000
Change in Value of Annuities Payable	(9,000)	(9,000)
ENDING BALANCE	$ 236,000	$ 236,000

Limited Partnership: Valued based on quoted market prices and the Mission's ownership interest. These investments are not readily redeemable and therefore are considered Level 3.

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.

Endowments' Mutual Funds: Valued based on quoted market prices and the Mission's ownership interest. These investments are not readily redeemable and therefore are considered Level 3.

Beneficial Interest in Perpetual Trust: Valued based on quoted market prices at the close of the last business day of the fiscal year. These investments are not readily redeemable, with distributions paid at the discretion of the fund manager.

The Mission evaluates the classification of Level 1, 2 and 3 investments at the end of each reporting period. Transfers between Level 1 and 2 investments generally relate to whether a market becomes active or inactive. Transfers between Level 2 and 3 investments relate to whether significant relevant observable inputs are available for the fair value measurement in their entirety and when redemption rules become more or less restrictive. There were no transfers between Level 1, 2, and 3 investments during the year ended June 30, 2014.

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, 2014 are expected to be collected as follows:

Less than One Year	$	914,000
One to Five Years		24,000
GROSS PLEDGES RECEIVABLE		938,000
Allowance for Uncollectible Pledges		(22,000)
Present Value Discount		(18,000)
PLEDGES RECEIVABLE - NET	$	898,000

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 $1,083,000 at June 30, 2014, 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 $32,000 at June 30, 2014, is restricted to Hope Gardens Family Center. The remaining charitable remainder trusts, with a net present value of $1,051,000 at June 30, 2014, 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, 2014, the Mission received $8,000 of income from the trust, and the carrying value of the Mission's beneficial interest in this trust at June 30, 2014 is $161,000.

NOTE 8 - LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consist of the following as of June 30, 2014:

Land	$ 9,337,000
Buildings and Other Improvements	36,441,000
Furniture and Equipment	3,744,000
Computer Software	558,000
Transportation Equipment	602,000
Construction in Progress	1,410,000
TOTAL	52,092,000
Less: Accumulated Depreciation	(25,440,000)
LAND, BUILDINGS AND EQUIPMENT (NET)	$ 26,652,000

Depreciation and amortization expense for the year ended June 30, 2014 was $1,705,000.

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, 2014, $4,264,000 has been expended. The remaining cost to complete Hope Gardens Family Center is estimated at $406,000. 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, 2014 amounted to $66,000.

NOTE 9 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following at June 30, 2014:

Accounts Payable	$ 536,000
Accrued Expenses	121,000
Accrued Payroll	133,000
Funds Held for Others	338,000
Accrued Vacation	339,000
TOTAL ACCOUNTS PAYABLE AND ACCRUED EXPENSES	$ 1,467,000

NOTE 10 - LINE OF CREDIT

The Mission has an operating line of credit with current permissible borrowings of $1,500,000. 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 January 2016. The bank's prime rate at June 30, 2014 was 3.25%. As of June 30, 2014, no money was borrowed against the line.

NOTE 11 - NOTES PAYABLE

Notes payable consist of the following at June 30, 2014:

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	$ 5,182,000
Note Payable - Trust, Unsecured, Subordinate to the Term Loan, Bearing Interest Rate of 5.0%, Interest Only Payable Monthly, Principal Payable in Annual Installments of $50,000 to $150,000, Due September 2019	508,000
Note Payable - Foundation, Unsecured, Subordinate to the Term Loan, Bearing Interest Rate of 5.0%, Interest Only Payable Every Six Months, Principal Payable in Annual Installments of $5,000 to $30,000, Due September 2019.	50,000
Notes Payable - Company, Secured by Related Property, Bearing Interest Rates of 2.9%, Payable in Monthly Installments of $429 to $476, Due November 2015	29,000
Note Payable - Company, Secured by Related Property, Bearing Interest Rate of 3.9%, Payable in Monthly Installments of $343, Due June 2019	19,000
TOTAL NOTES PAYABLE	$ 5,788,000

The future maturity of notes payable at June 30, 2014 is as follows:

Years Ending June 30	
2015	$ 934,000
2016	1,031,000
2017	1,124,000
2018	1,178,000
2019	1,236,000
Thereafter	285,000
TOTAL	$ 5,788,000

The interest rate swap effectively fixes the interest rate for the term loan. The outstanding interest rate swap agreement at June 30, 2014 has the following terms:

Notional Amount	$ 5,182,000
Interest Rate (Receive)	1 Month LIBOR plus 3.2%
Interest Rate (Pay)	6.42%
Maturity	July 2019

At June 30, 2014, the rate for the one month LIBOR was .15150%.

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, 2014, the carrying value of the term loan remained unchanged.

NOTE 12 - ANNUITIES PAYABLE

The Mission is in receipt of 43 charitable annuity gifts from individuals. The value at establishment and corresponding reasonably commensurate values at June 30, 2014 are $430,000 and $236,000 respectively. The Mission has established a segregated reserve fund of $401,000 which equals 170% 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, 2014 were located in the United States.

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 Accord Network GIK Standards.

Of the $5,124,000 gifts-in-kind revenue reflected in the statement of activities for the year ended June 30, 2014, $2,299,000 are gifts-in-kind used by the Mission in its own programs and the balance of $2,825,000 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.

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, 2014.

NOTE 16 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30, 2014:

Charitable Remainder Trusts - Mission Operations	$ 1,051,000
Charitable Remainder Trust - Hope Gardens Family Center	32,000
Hope Gardens Family Center - Capital Campaign	9,000
Donor Restricted Contributions	188,000
TEMPORARILY RESTRICTED NET ASSETS	$ 1,280,000

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, 2014:

Perpetual Trust	$ 161,000
Pledge Receivable	102,000
Endowments	64,000
PERMANENTLY RESTRICTED NET ASSETS	$ 327,000

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.

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.

NOTE 18 - ENDOWMENTS (continued)

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.

Endowment Net Asset Composition by Type of Fund at June 30, 2014	Permanently Restricted
Donor-Restricted	$ 64,000
Changes in Endowment Net Assets for the Year Ended June 30, 2014	
Endowment Net Assets - Beginning of Year	$ 60,000
Unrealized Gains on Investment	4,000
ENDOWMENT NET ASSETS - END OF YEAR	$ 64,000

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. EIMAGO, Inc. ceased program operations as of June 30, 2011 however the organization continues to exist as a legal entity. For the year ended June 30, 2014, no expenses were charged to EIMAGO, Inc. As of June 30, 2014, EIMAGO, Inc. had no amounts owing to the Mission.

NOTE 20 - ALLOCATION OF JOINT COSTS

Through certain fundraising activities, the Mission incurred joint costs of $1,229,000 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, $1,071,000 was allocated to fundraising expenses, and $79,000 was allocated to both the shelter services and recovery program services, respectively.