

UNION RESCUE MISSION

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

UNION RESCUE MISSION
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

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WE ARE AN INDEPENDENT MEMBER OF
THE GLOBAL ADVISORY
AND ACCOUNTING NETWORK

**AUDIT
AND
ASSURANCE**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Union Rescue Mission

Opinion

We have audited the consolidated financial statements of Union Rescue Mission and Union Rescue Mission Support Corporation (collectively, the Mission), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Mission as of June 30, 2022, 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.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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.

To the Board of Directors
Union Rescue Mission

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 consolidated 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 consolidated 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 consolidated 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 the 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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.

Report on Summarized Comparative Information

We have previously audited the Mission's June 30, 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated January 28, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the consolidated financial statements from which it has been derived.

Green Hasson & Janks LLP

January 30, 2023
Los Angeles, California

UNION RESCUE MISSION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2022

With Comparative Totals at June 30, 2021

ASSETS	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 15,870,000	\$ 20,454,000
Restricted Cash	1,729,000	1,086,000
Investments	1,097,000	3,830,000
Accounts and Other Receivables	221,000	104,000
Bequests Receivable	293,000	12,000
Pledges Receivable, Net	9,557,000	11,616,000
Inventory	783,000	330,000
Prepaid Expenses and Other Assets	761,000	447,000
Beneficial Interest in Charitable Remainder Trusts	240,000	240,000
Beneficial Interest in Perpetual Trust	150,000	150,000
Notes Receivable, Related Party	24,986,000	17,892,000
Land, Buildings and Equipment, Net	<u>60,392,000</u>	<u>43,631,000</u>
TOTAL ASSETS	<u><u>\$ 116,079,000</u></u>	<u><u>\$ 99,792,000</u></u>
 LIABILITIES AND NET ASSETS 		
LIABILITIES:		
Accounts Payable and Accrued Expenses	\$ 5,974,000	\$ 4,946,000
Notes Payable, Net	36,676,000	27,244,000
Deferred Revenue	106,000	89,000
Annuities Payable	<u>149,000</u>	<u>113,000</u>
TOTAL LIABILITIES	42,905,000	32,392,000
 NET ASSETS:		
Without Donor Restrictions	48,209,000	38,527,000
With Donor Restrictions	<u>24,965,000</u>	<u>28,873,000</u>
TOTAL NET ASSETS	<u>73,174,000</u>	<u>67,400,000</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 116,079,000</u></u>	<u><u>\$ 99,792,000</u></u>

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

UNION RESCUE MISSION

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2022

With Summarized Totals for the Year Ended June 30, 2021

	2022			2021 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
PUBLIC SUPPORT:				
Contributions	\$ 18,284,000	\$ 4,995,000	\$ 23,279,000	\$ 19,386,000
Gifts-in-Kind	12,850,000	-	12,850,000	14,242,000
Bequests and Planned Giving	3,931,000	-	3,931,000	3,194,000
Special Events, Net of Direct Donor Benefits of \$779,000	3,586,000	-	3,586,000	4,208,000
Net Assets Released from Donor Restrictions	8,903,000	(8,903,000)	-	-
TOTAL PUBLIC SUPPORT	47,554,000	(3,908,000)	43,646,000	41,030,000
OTHER REVENUE (EXPENSE):				
Thrift Store Revenue	2,233,000	-	2,233,000	1,272,000
Other Income	591,000	-	591,000	2,806,000
Investment Return, Net	(71,000)	-	(71,000)	152,000
TOTAL OTHER REVENUE	2,753,000	-	2,753,000	4,230,000
TOTAL PUBLIC SUPPORT AND OTHER REVENUE	50,307,000	(3,908,000)	46,399,000	45,260,000
OPERATING EXPENSES:				
Program Services:				
Shelter Services	14,208,000	-	14,208,000	13,875,000
Recovery Programs	18,865,000	-	18,865,000	16,989,000
Community Outreach	2,034,000	-	2,034,000	2,462,000
TOTAL PROGRAM SERVICES	35,107,000	-	35,107,000	33,326,000
Support Services:				
Management and General	2,259,000	-	2,259,000	2,170,000
Fundraising	3,259,000	-	3,259,000	3,468,000
TOTAL SUPPORT SERVICES	5,518,000	-	5,518,000	5,638,000
TOTAL OPERATING EXPENSES	40,625,000	-	40,625,000	38,964,000
CHANGE IN NET ASSETS	9,682,000	(3,908,000)	5,774,000	6,296,000
Net Assets - Beginning of Year	38,527,000	28,873,000	67,400,000	61,104,000
NET ASSETS - END OF YEAR	\$ 48,209,000	\$ 24,965,000	\$ 73,174,000	\$ 67,400,000

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

UNION RESCUE MISSION

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
 Year Ended June 30, 2022
 With Summarized Totals for the Year Ended June 30, 2021

	2022							2021 Total
	Program Services				Support Services		Total	
	Shelter Services	Recovery Programs	Community Outreach	Total Program Services	Management and General	Fundraising		
Payroll and Related Expenses	\$ 5,876,000	\$ 6,520,000	\$ 272,000	\$ 12,668,000	\$ 1,439,000	\$ 1,383,000	\$ 15,490,000	\$ 14,335,000
Supplies and Program Expenses	4,192,000	4,315,000	847,000	9,354,000	139,000	176,000	9,669,000	9,921,000
Food and Kitchen Supplies	1,648,000	1,665,000	328,000	3,641,000	15,000	1,000	3,657,000	4,056,000
Occupancy	640,000	1,935,000	6,000	2,581,000	163,000	24,000	2,768,000	2,210,000
Depreciation and Amortization	560,000	954,000	-	1,514,000	39,000	21,000	1,574,000	1,875,000
Donor Appeals	343,000	341,000	1,000	685,000	3,000	910,000	1,598,000	1,543,000
Professional Consultation	181,000	177,000	5,000	363,000	62,000	630,000	1,055,000	1,323,000
Miscellaneous	506,000	488,000	114,000	1,108,000	347,000	97,000	1,552,000	1,175,000
Thrift Store Operations	-	1,338,000	-	1,338,000	-	-	1,338,000	995,000
Gifts-in-Kind Distribution	-	-	436,000	436,000	-	-	436,000	743,000
Vehicles and Equipment Expenses	101,000	358,000	3,000	462,000	27,000	10,000	499,000	388,000
Insurance	161,000	774,000	22,000	957,000	20,000	7,000	984,000	379,000
Interest	-	-	-	-	5,000	-	5,000	21,000
TOTAL 2022 FUNCTIONAL EXPENSES	\$ 14,208,000	\$ 18,865,000	\$ 2,034,000	\$ 35,107,000	\$ 2,259,000	\$ 3,259,000	\$ 40,625,000	
TOTAL 2021 FUNCTIONAL EXPENSES	\$ 13,875,000	\$ 16,989,000	\$ 2,462,000	\$ 33,326,000	\$ 2,170,000	\$ 3,468,000		\$ 38,964,000

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

UNION RESCUE MISSION

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended June 30, 2022

With Comparative Totals for the Year Ended June 30, 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 5,774,000	\$ 6,296,000
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	1,574,000	1,875,000
Loss on Disposal of Property and Equipment	-	6,000
Provision for Uncollectible Pledges	-	30,000
Change in Value of Discount on Pledges Receivable	-	(145,000)
Realized and Unrealized (Gains) Losses on Investments	34,000	(105,000)
Change in Value of Annuities Payable	(1,000)	14,000
Contributions Restricted for Investment in Land, Buildings and Equipment	(4,932,000)	(3,041,000)
Forgiveness of Paycheck Protection Program Loan	-	(2,134,000)
(Increase) Decrease in:		
Accounts and Other Receivables	(117,000)	(71,000)
Bequests Receivable	(281,000)	2,000
Pledges Receivable	198,000	425,000
Inventory	(453,000)	(60,000)
Prepaid Expenses and Other Assets	(314,000)	(158,000)
Beneficial Interest in Charitable Remainder Trusts	-	125,000
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	1,028,000	2,572,000
Deferred Revenue	17,000	89,000
	2,527,000	5,720,000
CASH FLOWS FROM INVESTING ACTIVITIES:		
Advances on Notes Receivable, Related Party	(7,094,000)	-
Purchase of Investments	(104,000)	(921,000)
Reinvested Interest and Dividends	-	(48,000)
Proceeds from Sale of Investments	2,803,000	941,000
Purchase of Land, Buildings and Equipment	(18,335,000)	(15,572,000)
NET CASH USED IN INVESTING ACTIVITIES	(22,730,000)	(15,600,000)

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

UNION RESCUE MISSION

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended June 30, 2022

With Comparative Totals for the Year Ended June 30, 2021

	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Contributions Restricted for Investment in Land, Buildings and Equipment	\$ 6,793,000	\$ 3,011,000
Contribution of Annuities Payable	54,000	-
Proceeds from Notes Payable	9,800,000	1,151,000
Payment of Debt Issuance Costs	(368,000)	(108,000)
Payments to Annuitants	(17,000)	(18,000)
	16,262,000	4,036,000
NET CASH PROVIDED BY FINANCING ACTIVITIES		
	(3,941,000)	(5,844,000)
NET DECREASE IN CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents - Beginning of Year	21,540,000	27,384,000
CASH AND CASH EQUIVALENTS - END OF YEAR		
	\$ 17,599,000	\$ 21,540,000
CASH AND CASH EQUIVALENTS INCLUDES:		
Cash and Cash Equivalents	\$ 15,870,000	\$ 20,454,000
Restricted Cash	1,729,000	1,086,000
TOTAL CASH AND CASH EQUIVALENTS		
	\$ 17,599,000	\$ 21,540,000
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash Paid During the Year for Interest (Net of Amount Capitalized into Land, Buildings and Equipment of \$403,000)	\$ 5,000	\$ 21,000

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

UNION RESCUE MISSION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2022

NOTE 1 - NATURE OF ORGANIZATION

Union Rescue 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 the 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. The 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 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.

Union Rescue Mission also operates community thrift stores located in Covina and Whittier, California. The thrift store operations have two key objectives: First, donated items earn support for all of the Life Transformation Programs of Union Rescue Mission. In addition, the stores provide skill development and job training for men and women nearing their transition back into the community.

Through the 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 the Mission to extend its ministry beyond the immediate service area in Downtown Los Angeles.

URM Support Corporation (URMSC), a 501(c)(3) organization, was formed to facilitate a new market tax credit project sale and leaseback transaction related to Union Rescue Mission's outreach center, Angeles House. Construction of Angeles House was completed in August 2022.

UNION RESCUE MISSION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Union Rescue Mission and URMSC, and are collectively referred to in these consolidated financial statements as the Mission. All significant intercompany transactions and balances have been eliminated upon consolidation.

(b) BASIS OF PRESENTATION

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

(c) NET ASSETS

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions.** Net assets available for use in general operations and not subject to donor-imposed restrictions. The Board of Directors has designated, from net assets without donor restrictions, net assets for a board designated reserve fund.
- **Net Assets With Donor Restrictions.** Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from donor restrictions.

(d) 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, 2022.

The Mission maintains cash in bank deposit accounts held as reserves for its new market tax credit project for making quarterly interest payments on the loans payable (Note 13). These reserves amounted to \$1,729,000 at June 30, 2022 and are classified as restricted cash.

UNION RESCUE MISSION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) CASH AND CASH EQUIVALENTS (continued)

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.

(e) 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. For limited partnerships and investment fund contracts, values are determined with reference to the net asset value per share provided by the partnership or fund manager.

Investment purchases and sales are accounted for on a trade-date basis. Interest income is recorded as earned on an accrual basis, and dividend income is recorded based upon the ex-dividend date. Realized gains and losses are calculated based upon the underlying cost of the securities traded. The change in unrealized gains and losses is included in investment return, net in the consolidated statement of activities and represents the current year change in the difference between the cost and fair value of investments held at the end of the fiscal year.

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 Board of Directors or designated committee of the Board of Directors.

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 consolidated statement of financial position.

The Mission maintains a separate cash and investment account for its Annuity Reserve Fund. The balance in this Fund totaled \$407,000 at June 30, 2022 (see Note 14).

UNION RESCUE MISSION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) 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 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, 2022, all receivables are deemed fully collectible; therefore, no allowance for doubtful accounts has been established.

(g) 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 consolidated 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.

(h) CONTRIBUTIONS AND PLEDGES RECEIVABLE

Contributions, pledges, as well as unconditional promises to give, are recognized as revenue in the period promised. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not included as revenue until such time as the conditions on which they depend have been substantially met. A discount rate of 3.0% has been used to calculate the present value of pledges receivable. At June 30, 2022, the Mission evaluated the collectability of pledges receivable and established an allowance for uncollectible pledges receivable in the amount of \$30,000. At June 30, 2022, 49% of the total outstanding pledges receivable were from one individual donor.

(i) INVENTORY

Inventory consists of materials designated in two areas: internal inventory and thrift store inventory. Internal inventory is used by shelter services and recovery programs, and for general administrative purposes. It includes 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. Thrift store inventory includes donations of clothes, housewares, toys, furniture and other saleable items also valued at fair value at the date of donation. The Mission utilizes the first-in, first-out method of inventory valuation.

UNION RESCUE MISSION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) 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 consolidated 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 consolidated financial statements.

(k) 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 recognized in the consolidated 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 consolidated financial statements.

(l) 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.

UNION RESCUE MISSION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) 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, 2022.

(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 noncash assets are recorded at fair values in the period received, based upon estimates of fair market value 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. Contributions of donated services are recognized if the services received create or enhance long-lived assets or require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

(p) DEBT ISSUANCE COSTS

Debt issuance costs are amortized by use of the straight-line method over the anticipated term of the related loan. Debt issuance costs are netted against the corresponding notes payable liability as shown in Note 13. The amortization of these costs is included in interest expense.

UNION RESCUE MISSION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) INCOME TAXES

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

In accordance with the Financial Accounting Standards Board's (FASB's) Accounting Standards Codification Topic No. 740, *Uncertainty in Income Taxes*, the Mission recognizes the impact of tax positions in the consolidated financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. During the year ended June 30, 2022, the Mission performed an evaluation of uncertain tax positions and did not note any matters that would require recognition in the consolidated financial statements or which might have an effect on its tax-exempt status.

(r) THRIFT STORE REVENUE

The Mission has contracts with customers for thrift store purchases where the Mission has a performance obligation under the contracts and in return the Mission receives commensurate value. Performance obligations under these contracts are satisfied at a point in time, specifically upon delivery of the purchased item(s) from the thrift store. The revenue is recognized at a point in time, at the point of sale, when the performance obligation is satisfied.

(s) FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the Mission's programs and other activities have been presented in the consolidated 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.

(t) USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

UNION RESCUE MISSION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) COMPARATIVE TOTALS

The consolidated 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 full comparative presentation. Accordingly, such information should be read in conjunction with the Mission's consolidated financial statements for the year ended June 30, 2021 from which the summarized information was derived.

(v) PRESENTATION

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

(w) NEW ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases*, which is intended to improve financial reporting about leasing transactions. The new standard will require organizations that lease assets with terms of more than 12 months to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by those leases. The ASU also will require disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements and provide additional information about the amounts recorded in the consolidated financial statements. For the Mission, the ASU will be effective for the year ending June 30, 2023.

In September 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU is intended to improve transparency in the reporting of contributed nonfinancial assets (also known as gifts-in-kind) received by not-for-profit organizations. The Mission implemented this ASU during the year ended June 30, 2022 and the presentation and disclosures of gifts-in-kind have been enhanced in accordance with the ASU.

(x) SUBSEQUENT EVENTS

The Mission has evaluated events and transactions occurring subsequent to the consolidated statement of financial position date of June 30, 2022, for items that should potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through January 30, 2023, the date these consolidated financial statements were available to be issued. No such material events or transactions were noted to have occurred, except as described in Note 10.

UNION RESCUE MISSION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2022

NOTE 3 - INVESTMENTS

Investments consist of the following at June 30, 2022:

Cash and Cash Equivalents	\$ 521,000
Mutual and Exchange Traded Funds	478,000
Limited Partnership	98,000
TOTAL INVESTMENTS	\$ 1,097,000

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, 2022 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Year Ended June 30, 2022	Fair Value Measurements Using			Net Asset Value Per Share or its Equivalent (NAV)
		Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
ASSETS:					
Cash and Cash Equivalents	\$ 521,000	\$ 521,000	\$ -	\$ -	\$ -
Mutual and Exchange Traded Funds	478,000	478,000	-	-	-
Limited Partnership	98,000	-	-	-	98,000
Beneficial Interest in: Charitable Remainder Trusts	240,000	-	-	240,000	-
Perpetual Trust	150,000	-	-	150,000	-
TOTAL ASSETS	\$ 1,487,000	\$ 999,000	\$ -	\$ 390,000	\$ 98,000
LIABILITIES:					
Annuities Payable	\$ 149,000	\$ -	\$ -	\$ 149,000	\$ -
TOTAL LIABILITIES	\$ 149,000	\$ -	\$ -	\$ 149,000	\$ -

UNION RESCUE MISSION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2022

NOTE 4 - FAIR VALUE MEASUREMENTS (continued)

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.

Investments valued using net asset value per share (NAV) are comprised of a limited partnership investment. Such investments (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The limited partnership interest is valued using the NAV provided by the fund manager. It is probable that the investment will be sold at an amount different from its fair value at June 30, 2022. The redemption frequency is ninety days and there are no unfunded commitments at June 30, 2022.

The beneficial interest in charitable remainder trusts is valued as described in Note 2(j). The beneficial interest in perpetual trust is valued as described in Note 2(k). Annuities payable are valued as described in Note 2(n).

The changes in fair value measurements using significant unobservable inputs for the year ended June 30, 2022 are as follows:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) With Donor Restrictions		
	Beneficial Interest in Charitable Remainder Trusts	Beneficial Interest in Perpetual Trust	Total
ASSETS:			
Beginning Balance	\$ 240,000	\$ 150,000	\$ 390,000
Contributions	-	-	-
Distributions	-	-	-
Change in Value	-	-	-
	ENDING BALANCE	\$ 150,000	\$ 390,000

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Without Donor Restrictions - Annuities Payable
LIABILITIES:	
Beginning Balance	\$ 113,000
Additions	54,000
Payments to Annuitants	(17,000)
Change in Value of Annuities Payable	(1,000)
	ENDING BALANCE
	\$ 149,000

UNION RESCUE MISSION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2022

NOTE 5 - PLEDGES RECEIVABLE

Pledges receivable at June 30, 2022 are expected to be collected as follows:

Less than One Year	\$ 2,926,000
Two to Five Years	7,057,000
Thereafter	<u>100,000</u>
GROSS PLEDGES RECEIVABLE	10,083,000
Allowance for Uncollectible Pledges	(30,000)
Present Value Discount	<u>(496,000)</u>
PLEDGES RECEIVABLE, NET	<u>\$ 9,557,000</u>

NOTE 6 - BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUSTS

The Mission is the beneficiary of four charitable remainder trusts administered by other trustees. Assets held in charitable remainder trusts totaled \$240,000 at June 30, 2022, 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 \$35,000 at June 30, 2022, is restricted to Hope Gardens Family Center. The remaining charitable remainder trusts, with a net present value of \$205,000 at June 30, 2022, 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. The carrying value of the Mission's beneficial interest in this trust at June 30, 2022 is \$150,000.

NOTE 8 - LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consist of the following at June 30, 2022:

Land	\$ 12,786,000
Buildings and Other Improvements	78,856,000
Furniture and Equipment	5,855,000
Computer Software	848,000
Transportation Equipment	<u>996,000</u>
TOTAL	99,341,000
Less: Accumulated Depreciation	<u>(38,949,000)</u>
LAND, BUILDINGS AND EQUIPMENT, NET	<u>\$ 60,392,000</u>

Depreciation and amortization expense for the year ended June 30, 2022 was \$1,574,000.

UNION RESCUE MISSION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2022

NOTE 9 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following at June 30, 2022:

Accounts Payable	\$ 1,256,000
Accrued Expenses	3,123,000
Accrued Payroll	546,000
Funds Held for Others	383,000
Accrued Vacation	666,000
	<hr/>
TOTAL ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$ 5,974,000
	<hr/>

NOTE 10 - LINE OF CREDIT

The Mission's operating line of credit with permissible borrowings of up to \$4,000,000 matured on May 5, 2022 and was renewed on the same terms on November 4, 2022. The line of credit is secured by land and buildings (545 South San Pedro Street, Los Angeles, California) and interest is payable monthly at the bank's prime rate plus 1%, with an interest rate floor of 4%. The maturity date is May 5, 2024. There were no draws on the line of credit at June 30, 2022. The bank's prime rate at June 30, 2022 was 4.75%.

NOTE 11 - NOTES PAYABLE

The Mission has notes payable outstanding consisting of the following at June 30, 2022:

Note Payable with a Trust (see below)	\$ 458,000
Note Payable (see below)	1,043,000
New Market Tax Credit Notes Payable (See Note 12)	35,175,000
	<hr/>
TOTAL NOTES PAYABLE, NET	\$ 36,676,000
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The Mission has a note payable in the amount of \$458,000 with a Trust, bearing an interest rate of 5.0% per annum, with interest only payable monthly and principal payable in annual installments of \$50,000 to \$150,000. The note payable is due five years after commencement of thrift store operations in September 2019. As of the date of the consolidated financial statements, the lender has deferred annual installment payments and is amending the note payable to reflect such change.

In September, 2020, the Mission entered into a note payable agreement in the amount of \$1,150,000 with a financial institution related to an affordable housing project. The note does not bear interest, and principal under the note is due and payable in full in June 2039. The note payable balance of \$1,043,000 is net of \$107,000 of unamortized debt issuance costs.

UNION RESCUE MISSION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2022

NOTE 12 - NEW MARKET TAX CREDIT FUNDING

The New Market Tax Credit (NMTC) program is a federal subsidy program for economic development of depressed areas. The NMTC program is designed to stimulate the flow of investment capital into underserved areas by providing tax credit investment in a 'low-income community', which is claimed over a seven-year credit allowance period. On March 19, 2020, the Mission closed a NMTC transaction of approximately \$36.3 million to complete its South Los Angeles project (new program/administrative facility).

The NMTC funding was utilized as follows:

Acquisition, Design, Construction of South Los Angeles Campus	\$ 29,707,000
Land	4,313,000
Reserve Funds for Audit and Tax	1,407,000
NMTC Fees and Consulting Costs	<u>900,000</u>
TOTAL	<u><u>\$ 36,327,000</u></u>

The NMTC structure included a loan in the amount of \$17,892,000 from the Mission to Angeles House Investment Fund, LLC. These funds, together with investment funds of approximately \$9,108,000 from Wells Fargo Community Investments Holdings, LLC (NMTC Investor) were used to fund LADF XX, LLC and GLA Sub-CDE XXVI, LLC community development entities, collectively the CDEs, which, in turn, loaned the funds to URMSC, a 501(c)(3) organization established to facilitate the NMTC sale and leaseback transaction. On March 19, 2027, the end of the seven-year NMTC term, the Mission has an option to exercise the Investment Fund Put and Call Agreement.

On December 22, 2021, the Mission entered into another NMTC transaction to provide Phase II funding for the South Los Angeles Campus. The NMTC structure included a loan in the amount of \$7,094,000 from the Mission to Angeles House Investment Fund II, LLC. These funds, together with investment funds of approximately \$3,081,000 from Wells Fargo Community Investments Holdings, LLC (NMTC Investor) were used to fund NMCC Sub-CDE XXX, LLC community development entity, which, in turn, loaned the funds to URMSC to facilitate the NMTC sale and leaseback transaction.

The Mission has the following notes receivable from Angeles House Investment Fund, LLC, and Angeles House Investment Fund II, LLC at June 30, 2022:

Note Receivable, Angeles House Investment Fund, LLC, Interest at 1.00% Per Annum, Interest-Only Receipts Quarterly in Arrears until June 2027 when Principal Payments Commence in Accordance with the Loan Amortization Schedule, Maturing March 2055	\$ 17,892,000
Note Receivable, Angeles House Investment Fund II, LLC, Interest at 1.00% Per Annum, Interest-Only Receipts Quarterly in Arrears until June 2027 when Principal Payments Commence in Accordance with the Loan Amortization Schedule, Maturing March 2055	<u>7,094,000</u>
TOTAL NOTES RECEIVABLE	<u><u>\$ 24,986,000</u></u>

UNION RESCUE MISSION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2022

NOTE 12 - NEW MARKET TAX CREDIT FUNDING (continued)

Future principal collections on the notes receivable are as follows:

Year Ended June 30

2023	\$	-
2024		-
2025		-
2026		-
2027		-
Thereafter		<u>24,986,000</u>
TOTAL	\$	<u>24,986,000</u>

URMSC has the following notes payable to the CDEs at June 30, 2022:

Note Payable, related party - LADF Loan A, Interest at 1.2422% Per Annum, Interest Only Payments Quarterly in Arrears until March 2027, Thereafter Installments of Principal and Interest Quarterly in Arrears, Maturing March 2055	\$ 9,940,000
Note Payable, related party - GLA Loan A, Interest at 1.2422% Per Annum, Interest Only Payments Quarterly in Arrears until March 2027, Thereafter Installments of Principal and Interest Quarterly in Arrears, Maturing March 2055	7,952,000
Note Payable - LADF Loan B, Interest at 1.2422% Per Annum, Interest Only Payments Quarterly in Arrears until March 2027, Thereafter Installments of Principal and Interest Quarterly in Arrears, Maturing March 2055	5,060,000
Note Payable - GLA Loan B, Interest at 1.2422% Per Annum, Interest Only Payments Quarterly in Arrears until March 2027, Thereafter Installments of Principal and Interest Quarterly in Arrears, Maturing March 2055	3,688,000
Note Payable - NMCC XXX Loan A, Interest at 1.4800% Per Annum, Interest Only Payments Quarterly in Arrears until January 2029, Thereafter Installments of Principal and Interest Quarterly in Arrears, Maturing December 2056	7,094,000
Note Payable - NMCC XXX Loan B, Interest at 1.4800% Per Annum, Interest Only Payments Quarterly in Arrears until January 2029, Thereafter Installments of Principal and Interest Quarterly in Arrears, Maturing December 2056	<u>2,706,000</u>
TOTAL NOTES PAYABLE	36,440,000
Less: Unamortized Debt Issuance Costs	<u>(1,265,000)</u>
TOTAL NOTES PAYABLE, NET	<u>\$ 35,175,000</u>

UNION RESCUE MISSION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2022

NOTE 12 - NEW MARKET TAX CREDIT FUNDING (continued)

Year Ended June 30	
2023	\$ -
2024	-
2025	-
2026	-
2027	-
Thereafter	<u>36,440,000</u>
TOTAL NOTES PAYABLE	<u>36,440,000</u>
Less: Unamortized Debt Issuance Costs	<u>(1,265,000)</u>
TOTAL NOTES PAYABLE, NET	<u>\$ 35,175,000</u>

In accordance with the interest reserve disbursement agreement, URMSC is required to maintain an interest reserve account for making quarterly interest payments on the loans payable. At June 30, 2022, the balance in the interest reserve accounts was \$1,729,000, and is included in restricted cash on the consolidated statement of financial position.

NOTE 13 - ANNUITIES PAYABLE

The Mission is in receipt of 26 charitable annuity gifts from individuals. The value at establishment and corresponding reasonably commensurate values at June 30, 2022 are \$270,000 and \$149,000 respectively. The Mission has established a segregated reserve fund of \$407,000 which equals 273% of the present value annuities payable balance.

NOTE 14 - 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, 2022 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 consolidated statement of functional expenses. The donated products are valued in a manner consistent with Accord Network Interagency Gift-In-Kind Standards.

Of the \$12,850,000 gifts-in-kind revenue reflected in the consolidated statement of activities for the year ended June 30, 2022, \$11,575,000 are gifts-in-kind used by the Mission in its own programs and thrift store. \$436,000 was provided to other non-profit organizations through the Mission's Community Outreach Program. The balance of \$839,000 are miscellaneous donations and vehicles.

UNION RESCUE MISSION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2022

NOTE 15 - COMMITMENTS AND CONTINGENCIES

(a) LEGAL PROCEEDINGS

In the ordinary course of conducting its business, the Mission becomes involved in legal proceedings. 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 consolidated financial statements.

(b) OBLIGATIONS UNDER OPERATING LEASE

The Mission leases its thrift store facilities under operating leases with initial terms expiring through March 2028.

The Mission entered into a lease for warehouse space on August 1, 2021 with an unrelated party. The lease consists of a three-year term with scheduled rental payments of \$30,000 for the first 12 months, \$30,900 for the next 12 months and \$31,827 for the remaining 12 months. This lease was amended in May 2022 to include additional floor space for a \$15,000 increase in monthly rental payments.

The following is a schedule of future minimum lease payments under these operating leases:

Years Ending June 30

2023	\$	828,000
2024		802,000
2025		128,000
2026		130,000
2027		132,000
Thereafter		<u>78,000</u>
TOTAL	\$	<u>2,098,000</u>

Rent expense under these operating leases for the year ended June 30, 2022 was \$673,000 and is included in occupancy expense in the consolidated statement of functional expenses.

NOTE 16 - 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. During the year ended June 30, 2022, the Mission made \$218,000 in matching retirement contributions.

UNION RESCUE MISSION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2022

NOTE 17 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of undesignated and Board designated amounts for the following purposes at June 30, 2022:

Undesignated	\$ 43,906,000
Board Designated Reserve Fund	<u>4,303,000</u>
TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>\$ 48,209,000</u>

NOTE 18 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2022:

Subject to Expenditure for Specified Purpose:	
Charitable Remainder Trusts - Mission Operations	\$ 205,000
Charitable Remainder Trust - Hope Gardens Family Center	35,000
Capital Campaign	21,836,000
Job Skills Program	183,000
Internet Upgrade	50,000
Other Donor Restricted Contributions	209,000
Subject to Passage of Time:	
Pledges Receivable Not Available Until Due	2,211,000
Subject to Endowment Spending Policy:	
Donor Restricted Contributions Subject to Spending Policy	23,000
Not Subject to Appropriation or Expenditure:	
Beneficial Interest in Perpetual Trust	150,000
Donor-Restricted Endowment Corpus	<u>63,000</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 24,965,000</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended June 30, 2022:

Satisfaction of Purpose Restrictions:	
Capital Campaign	\$ 8,795,000
Internet Upgrade	27,000
Other	<u>81,000</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 8,903,000</u>

UNION RESCUE MISSION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2022

NOTE 19 - 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.

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, 2022

Donor-Restricted	\$ 86,000
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Changes in Endowment Net Assets for the Year Ended June 30, 2022

Endowment Net Assets -	
Beginning of Year	\$ 100,000
Contributions	-
Investment Return, Net	<u>(14,000)</u>

ENDOWMENT NET ASSETS - END OF YEAR

	<u>\$ 86,000</u>
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At times, the fair value of assets associated with these endowment funds may fall below the level that the donors require the Mission to retain as funds of perpetual duration. These deficiencies result from unfavorable market fluctuations. The Mission had no endowment funds with such deficiencies at June 30, 2022.

UNION RESCUE MISSION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2022

NOTE 20 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The total financial assets held by the Mission at June 30, 2022 and the amounts of those financial assets that could be made available for general expenditures within one year of the date of the consolidated statement of financial position are summarized in the following table:

Financial Assets at June 30, 2022:	
Cash and Cash Equivalents	\$ 15,870,000
Investments	1,097,000
Accounts and Other Receivables	221,000
Bequests Receivable	293,000
Pledges Receivable, Net	<u>9,557,000</u>
TOTAL FINANCIAL ASSETS AT JUNE 30, 2022	27,038,000
Less Amounts Not Available to Be Used within One Year, Due to:	
Donor-Imposed Restrictions:	
Funds Held with Purpose or Time Restrictions	(15,018,000)
Pledges Receivable Restricted by Purpose or Time	<u>(9,557,000)</u>
FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 2,463,000</u>

The Mission regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Mission is substantially supported by unrestricted contributions. As part of the Mission's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The Mission has various sources of liquidity at its disposal, including cash and cash equivalents and marketable debt and equity securities, and an unused line of credit of \$4,000,000. The Mission's board designated reserve fund in the amount of \$4,303,000 is available to be drawn upon in the event of unanticipated liquidity needs and consequently is considered available to meet general expenditures within one year.

UNION RESCUE MISSION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2022

NOTE 21 - GIFTS-IN-KIND

Gifts-in-kind contributions were utilized by the Mission as follows during the year ended June 30, 2022:

Expense Category	Restrictions	Valuation	Activity	Amount
Food	None	Wholesale Prices of Identical or Similar Products	Shelter, Recovery, Outreach Program	\$ 3,246,000
Supplies	None	Wholesale Prices of Identical or Similar Products	Shelter, Recovery, Outreach Program	1,074,000
Toys	None	Wholesale Prices of Identical or Similar Products	Recovery	93,000
Clothing	None	Vendor Quote	Recovery	7,162,000
Miscellaneous	None	Vendor Quote	Recovery	839,000
Distribution	None	Vendor Quote	Outreach	436,000
TOTAL GIFTS IN-KIND				<u>\$ 12,850,000</u>

NOTE 22 - ALLOCATION OF JOINT COSTS

Through certain fundraising activities, the Mission incurred joint costs of \$1,345,000 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, \$941,000 was allocated to fundraising expenses, and \$202,000 was allocated to both the shelter services and recovery program services, respectively.

NOTE 23 - THRIFT STORES

The following is a summary of results of the thrift store operations for the year ended June 30, 2022:

Gifts-in-Kind Revenue	\$ 6,764,000
Sales Revenue	<u>2,233,000</u>
TOTAL REVENUE	8,997,000
LESS: EXPENSES	
Gifts-In-Kind Cost of Goods Sold	6,764,000
Depreciation	42,000
Operating Expenses	<u>1,338,000</u>
NET INCOME FROM OPERATIONS	<u>\$ 853,000</u>