

UNION GOSPEL MISSION, INC.
FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

UNION GOSPEL MISSION, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Union Gospel Mission, Inc.
Duluth, Minnesota

Opinion

We have audited the accompanying financial statements of Union Gospel Mission, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Union Gospel Mission, Inc. as of September 30, 2023, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Union Gospel Mission, Inc. 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 Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Union Gospel Mission, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Union Gospel Mission, Inc.'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.

Esterbrooks Certified Public Accountants, Ltd.

Duluth, Minnesota
December 18, 2023

UNION GOSPEL MISSION, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2023

<u>ASSETS</u>	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 102,563
Accounts receivable	110
Prepaid expenses	<u>6,542</u>
Total current assets	<u>109,215</u>
PROPERTY AND EQUIPMENT:	
Vehicles	46,130
Furniture and fixtures	46,225
Equipment	176,134
Building	440,177
Less - Accumulated depreciation	<u>(553,872)</u>
Net property and equipment	<u>154,794</u>
OTHER ASSETS:	
Inventory - Food	26,316
Investments	972,418
Assets held for sale	<u>12,600</u>
Total other assets	<u>1,011,334</u>
Total assets	<u><u>\$ 1,275,343</u></u>
<u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES:	
Accrued payroll expenses	<u>\$ 8,496</u>
Total current liabilities	<u>8,496</u>
NET ASSETS:	
Without donor restrictions	<u>1,266,847</u>
Total net assets	<u>1,266,847</u>
Total liabilities and net assets	<u><u>\$ 1,275,343</u></u>

See Notes to Financial Statements

UNION GOSPEL MISSION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

REVENUE, GAINS, AND OTHER SUPPORT:	
Contributions and grants	\$ 738,678
Contributions of nonfinancial assets	306,776
Interest income	3,238
Rental income	43,652
Investment income, net	12,979
Gain on disposal of assets	24,885
Miscellaneous income	<u>7,939</u>
Total revenues, gains, and other support	<u>1,138,147</u>
EXPENSES:	
Program services	819,309
Management and general	102,457
Fundraising	<u>51,784</u>
Total expenses	<u>973,550</u>
Change in net assets	164,597
NET ASSETS WITHOUT DONOR RESTRICTIONS:	
Beginning of the year	<u>1,102,250</u>
End of the year	<u><u>\$ 1,266,847</u></u>

See Notes to Financial Statements

UNION GOSPEL MISSION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Total Program	Management	Fundraising	Total
	Services	& General		
Salaries and wages	\$ 220,126	\$ 30,074	\$ 35,563	\$ 285,763
Payroll taxes and benefits	21,850	2,985	3,530	28,365
Total payroll expense	241,976	33,059	39,093	314,128
Donated food distributed	284,661	33,481	-	318,142
Advertising	11,496	1,571	1,857	14,924
Equipment maintenance	10,724	1,261	-	11,985
Insurance	18,522	2,179	-	20,701
Occupancy/Building	66,788	7,856	-	74,644
Professional fees	5,856	689	-	6,545
Office	67,063	9,162	10,834	87,059
Food storage and supplies	76,190	8,961	-	85,151
Telephone	3,066	361	-	3,427
Miscellaneous	10,551	1,241	-	11,792
	796,893	99,821	51,784	948,498
Depreciation	22,416	2,636	-	25,052
Total	<u>\$ 819,309</u>	<u>\$ 102,457</u>	<u>\$ 51,784</u>	<u>\$ 973,550</u>

See Notes to Financial Statements

UNION GOSPEL MISSION, INC.
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED SEPTEMBER 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 164,597
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	25,052
Realized and unrealized gain on investments	(5,664)
Gain on disposal of equipment	(24,885)
Changes in operating assets and liabilities:	
Receivables	2
Prepaid expenses	(6,542)
Inventory	11,365
Accounts payable	(7,938)
Accrued expenses	<u>3,434</u>
Net cash provided by operating activities	<u>159,421</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of property and equipment	(112,090)
Proceeds from sale of property and equipment	39,410
Proceeds from investments	6,547
Purchase of investments	<u>(916,393)</u>
Net cash used for investing activities	<u>(982,526)</u>
Net change in cash	(823,105)
Cash and cash equivalents – Beginning of year	<u>925,668</u>
Cash and cash equivalents – End of year	<u>\$ 102,563</u>

See Notes to Financial Statements

UNION GOSPEL MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities - Union Gospel Mission, Inc. (the Mission) is a welcoming Christian nonprofit organization that serves as a refuge and is committed to nourishing peoples' physical, spiritual, and social needs.

The Mission concentrates its program activities in the areas of food, shelter, and supportive resources. The Mission received most of its support from the community in the form of cash and nonfinancial donations. The Mission also receives support from government grants and local foundations.

A summary of the Mission's significant accounting policies follows:

Basis of Accounting - The financial statements of the Mission have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

Basis of Presentation - Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Mission 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.

Net assets with donor restrictions: Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. The Mission had no net assets with donor restrictions at September 30, 2023.

Cash and Cash Equivalents - For the purposes of the statement of cash flows, the Mission considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The mission had no cash equivalents at September 30, 2023.

Accounts Receivable - Accounts receivable is stated at the amount management expects to collect from balances outstanding at year-end and consist mainly of rents receivable. Management has concluded all accounts receivable are collectible.

Property, Equipment, and Depreciation - All acquisitions and improvements of property and equipment of \$500 or more are capitalized while all expenditures for repairs and maintenance that do not materially prolong the useful lives of assets are expensed. Property and equipment are valued at cost. Donated equipment is carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which are as follows:

Buildings	30 Years
Furniture and equipment	5-10 Years
Vehicles	3 Years

Depreciation recorded during the fiscal year ending September 30, 2023 was \$25,052.

UNION GOSPEL MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Inventory - Inventory consists of donated non-government food and purchased food. Donated food is valued at the estimated average market value at the date of the gift based on a study commissioned by Feeding America and purchased food is valued at cost.

Fair Value Measurements - The *Fair Value Measurements and Disclosure* Topic of FASB ASC 820 established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Mission has the ability to access.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can corroborated by observable market data.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Investments - Investments are recorded at fair value. Gains and losses on investments are recognized in the accompanying statement of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations. Investment transactions are recorded on a trade-date basis. Dividend, interest, and capital gain distributions income are reported in the period earned as increases in net assets without donor restrictions unless the use of the income received is limited by donor-imposed restrictions. The amounts reported in these financial statements have been reduced by investment management fees.

Contributions - Contributions are recognized when the donor makes a promise to give to the Mission, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction expires in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires net assets with donor restrictions are reclassified to net assets without donor restrictions.

Donated Services - Donated services are recognized as contributions in accordance with generally accepted accounting principles (GAAP), if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers also provided program services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria under GAAP was not met.

UNION GOSPEL MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Contributions of Nonfinancial Assets - Donations of food and supplies are recorded as contributions as noted under inventory above.

Functional Expenses - The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include salaries and benefits, which are allocated on the basis of estimates of time and effort.

Advertising - Advertising costs are expensed as incurred.

Income Taxes - The Mission is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and similar provisions of Minnesota Statutes. There was no required provision for income taxes for the year ended September 30, 2023.

Uncertain Tax Positions - The Mission follows the recognition requirements of uncertain tax positions, if any, as required by generally accepted accounting principles. The Mission has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates and, as of September 30, 2023, the Mission has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Mission is no longer subject to U.S. federal, state, and local income tax examinations by tax authorities generally for tax years before 2020.

Estimates - The preparation of the 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.

Subsequent Events - In preparing these financial statements, the Mission has evaluated events and transactions for potential recognition or disclosure through December 18, 2023, which is the date the financial statements were available to be issued.

Adoption of New Accounting Standards - In 2022, the Mission adopted ASU 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. Accordingly, the accounting change has been applied retrospectively. The accounting change had no impact on net assets previously reported. The presentation and disclosures of contributed nonfinancial assets have been enhanced to increase transparency about contributed nonfinancial assets (gifts-in-kind) in accordance with the standard.

UNION GOSPEL MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

2. FINANCIAL ASSETS AND LIQUIDITY RESOURCES:

As part of the Mission's liquidity management, it has a policy to structure its financial assets to be available for general expenditures, liabilities, and other obligations that come due.

Financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, are as follows as of September 30, 2023:

Cash	\$ 102,563
Accounts receivable	110
Investments	<u>972,418</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,075,091</u>

Excess funds are invested in various stocks and mutual funds and are available to meet cash flow needs as they arise.

3. INVESTMENTS:

The following valuation methodologies are used for assets measured at fair value:

Quoted market prices are used to determine the fair value of investments in publicly traded equity securities (common stocks and mutual funds). Money market funds, equity funds, fixed income funds, and alternative investment funds are valued using quotes from pricing vendors based on recent trading activity and other observable market data.

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

The fair values based on quoted market prices in active markets (Level 1 measurements) of investments at September 30, 2023 were as follows:

Cash and cash equivalents	\$ 168,486
Equity funds	90,683
Fixed income fund	658,031
Mutual funds	<u>55,218</u>
Total investments	<u>\$ 972,418</u>

The Mission recognizes the transfers into and out of levels within the fair value hierarchy at the end of the reporting period. There were no transfers between levels during the years ended September 30, 2023.

Realized and unrealized gains and losses are reported on the statement of activities as they occur. There have been no changes in valuation techniques or related inputs.

UNION GOSPEL MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

3. INVESTMENTS (CONTINUED):

Investment return is summarized as follows:

	2023
Interest and dividends, net fees	\$ 7,315
Realized and unrealized gains	5,664
Total	<u>\$ 12,979</u>

The investment management fee was \$2,610 for the year ended September 30, 2023.

4. CONTRIBUTIONS OF NONFINANCIAL ASSETS:

The value of donated materials and corresponding expenses included in the financial statements for the year ended September 30, 2023 consisted of 13,706 pounds of donated food valued at \$1.92 per pound (per Feeding America per pound rate) for a total contribution of \$306,776. Such donations are reported as increases in net assets without donor restrictions. All donated food and supplies are used in operations of the organization and have no donor restrictions.