

**UNION GOSPEL MISSION ASSOCIATION  
OF SPOKANE AND U.G.M. FOUNDATION**  
(Nonprofit Organizations)  
Spokane, Washington

**COMBINED FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORT**  
August 31, 2021 and 2020

**UNION GOSPEL MISSION ASSOCIATION  
OF SPOKANE AND U.G.M. FOUNDATION**  
Spokane, Washington

**AUDITED FINANCIAL STATEMENTS**  
August 31, 2021 and 2020

**TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditor's Report .....	1 - 2
Financial Statements:	
Combined Statements of Financial Position .....	3 - 4
Combined Statements of Activities and Changes in Net Assets .....	5 - 6
Combined Statements of Functional Expenses .....	7 - 8
Combined Statements of Cash Flows .....	9 - 10
Notes to Combined Financial Statements .....	11 - 25



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Union Gospel Mission Association of  
Spokane and U.G.M. Foundation  
Spokane, Washington

### **Report on Financial Statements**

We have audited the accompanying combined financial statements of Union Gospel Mission Association of Spokane and U.G.M. Foundation (not-for-profit organizations), which comprise the combined statements of financial position as of August 31, 2021 and 2020, and the related combined statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the combined financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements based on our audits. We conducted our audits 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 of 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 combined financial statements.

INDEPENDENT AUDITOR'S REPORT (Continued)

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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Union Gospel Mission Association of Spokane and U.G.M. Foundation as of August 31, 2021 and 2020, and the combined results of activities, changes in net assets, functional expenses and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Schoedel & Schoedel CPAs PLLC".

Spokane, Washington  
November 22, 2021

**UNION GOSPEL MISSION ASSOCIATION  
OF SPOKANE AND U.G.M. FOUNDATION**  
(Nonprofit Organizations)  
Spokane, Washington

**COMBINED STATEMENTS OF FINANCIAL POSITION**  
As of August 31, 2021 and 2020

A S S E T S

	August 31, 2021			August 31, 2020		
	Union Gospel Mission Assoc.*	U.G.M. Foundation	Combined	Union Gospel Mission Assoc.*	U.G.M. Foundation	Combined
<b>CURRENT ASSETS:</b>						
Cash and cash equivalents	\$ 1,864,894	\$ 234,418	\$ 2,099,312	\$ 1,213,563	\$ 910,060	\$ 2,123,623
Investments in marketable securities	-	6,957,102	6,957,102	-	7,657,940	7,657,940
Inventories	410,064	-	410,064	404,836	-	404,836
Prepaid expenses	164,743	-	164,743	161,728	-	161,728
Accounts receivable	26,849	-	26,849	12,536	-	12,536
Inter-company receivables	20,941	-	20,941	45,016	7,741	52,757
Current maturities of note receivable	-	8,320	8,320	-	7,915	7,915
Total current assets	2,487,491	7,199,840	9,687,331	1,837,679	8,583,656	10,421,335
<b>PROPERTY, FACILITIES AND EQUIPMENT:</b>						
Land	5,142,873	-	5,142,873	4,446,103	-	4,446,103
Buildings and improvements	24,267,907	-	24,267,907	21,345,917	-	21,345,917
Fixtures and equipment	4,273,329	-	4,273,329	3,800,262	-	3,800,262
Automotive equipment	404,848	-	404,848	314,292	-	314,292
Less accumulated depreciation	34,088,957	-	34,088,957	29,906,574	-	29,906,574
	(13,810,552)	-	(13,810,552)	(13,114,002)	-	(13,114,002)
Total property, facilities and equipment	20,278,405	-	20,278,405	16,792,572	-	16,792,572
<b>OTHER ASSETS:</b>						
Goodwill, net of estimated impairment	3,293,315	-	3,293,315	-	-	-
Note receivable - noncurrent	-	163,721	163,721	-	171,991	171,991
Real property held for sale	-	10,000	10,000	-	73,900	73,900
Total other assets	3,293,315	173,721	3,467,036	-	245,891	245,891
Total assets	\$ 26,059,211	\$ 7,373,561	\$ 33,432,772	\$ 18,630,251	\$ 8,829,547	\$ 27,459,798

\* Includes Anna Ogdan Hall, Center for Women & Children in Coeur D'Alene, Men's Mission, Youth Outreach Ministries, Women's Crisis Center, UGM Motors, Thrift Stores, UGM LC Properties LLC. and UGM Properties LLC.

The accompanying notes are an integral part of these financial statements.

# UNION GOSPEL MISSION ASSOCIATION OF SPOKANE AND U.G.M. FOUNDATION

(Nonprofit Organizations)  
Spokane, Washington

## COMBINED STATEMENTS OF FINANCIAL POSITION As of August 31, 2021 and 2020

### LIABILITIES AND NET ASSETS

	August 31, 2021			August 31, 2020		
	Union Gospel Mission Assoc.*	U.G.M. Foundation	Combined	Union Gospel Mission Assoc.*	U.G.M. Foundation	Combined
<b>CURRENT LIABILITIES:</b>						
Accounts payable and accrued expenses	\$ 1,180,054	\$ -	\$ 1,180,054	\$ 750,541	\$ -	\$ 750,541
Split-interest agreement distributions payable - current	-	48,260	48,260	-	47,090	47,090
Short term notes payable	403,777	-	403,777	405,000	-	405,000
Inter-company payables	18,028	2,913	20,941	46,698	6,059	52,757
Total current liabilities	1,601,859	51,173	1,653,032	1,202,239	53,149	1,255,388
<b>LONG TERM LIABILITIES:</b>						
Affordable Housing Program promissory note	700,000	-	700,000	700,000	-	700,000
Split-interest agreement distributions payable - noncurrent	-	223,135	223,135	-	229,584	229,584
Total liabilities	2,301,859	274,308	2,576,167	1,902,239	282,733	2,184,972
<b>NET ASSETS:</b>						
Without donor restrictions	23,669,460	6,138,923	29,808,383	16,617,419	8,250,702	24,868,121
With donor restrictions	87,892	960,330	1,048,222	110,593	296,112	406,705
Total net assets	23,757,352	7,099,253	30,856,605	16,728,012	8,546,814	25,274,826
Total liabilities and net assets	\$ 26,059,211	\$ 7,373,561	\$ 33,432,772	\$ 18,630,251	\$ 8,829,547	\$ 27,459,798

\* Includes Anna Ogden Hall, Center for Women & Children in Coeur D'Alene, Men's Mission, Youth Outreach Ministries, Women's Crisis Center, UGM Motors, Thrift Stores, UGM LC Properties LLC. and UGM Properties LLC.

The accompanying notes are an integral part of these financial statements.

**UNION GOSPEL MISSION ASSOCIATION  
OF SPOKANE AND U.G.M. FOUNDATION**  
(Nonprofit Organizations)  
Spokane, Washington

**COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
For the year ended August 31, 2021

	Union Gospel Mission Association*			U.G.M. Foundation		
	Without Donor Restriction	With Donor Restrictions	Total	Without Donor Restriction	With Donor Restrictions	Total
<b>REVENUES AND GAINS (LOSSES):</b>						
Contributions	\$ 11,101,008	\$ 258,588	\$ 11,359,596	\$ 605,908	\$ 538,720	\$ 1,144,628
In-kind contributions	6,241,829	-	6,241,829	-	-	-
Interest and dividend income	203	-	203	131,164	-	131,164
Realized and unrealized gain on investments	-	-	-	763,902	-	763,902
Thrift Stores	3,107,874	-	3,107,874	-	-	-
UGM Motors	2,506,157	-	2,506,157	-	-	-
Special events	16,396	-	16,396	-	-	-
UGM Properties, LLC and UGM LC Properties, LLC	651,647	-	651,647	-	-	-
Other	235,128	-	235,128	-	-	-
Change in value - charitable gift annuities	-	-	-	(29,727)	-	(29,727)
Net assets released from donor restrictions	281,289	(281,289)	-	-	-	-
Total revenues and gains	24,141,531	(22,701)	24,118,830	1,471,247	538,720	2,009,967
<b>EXPENSES:</b>						
Union Gospel Mission	3,672,315	-	3,672,315	-	-	-
Anna Ogden Hall	1,000,126	-	1,000,126	-	-	-
Center for Women & Children in Coeur d'Alene	1,448,971	-	1,448,971	-	-	-
Women's Crisis Center	881,929	-	881,929	-	-	-
Youth Outreach Ministries	485,187	-	485,187	-	-	-
Thrift Stores	5,135,503	-	5,135,503	-	-	-
UGM Motors	4,228,280	-	4,228,280	-	-	-
UGM Properties, LLC and UGM LC Properties, LLC	428,415	-	428,415	-	-	-
Management and general	3,163,206	-	3,163,206	103,086	-	103,086
Total expenses	20,443,932	-	20,443,932	103,086	-	103,086
<b>CHANGES IN NET ASSETS BEFORE TRANSFERS</b>	3,697,599	(22,701)	3,674,898	1,368,161	538,720	1,906,881
<b>TRANSFERS IN (OUT)</b>	3,354,442	-	3,354,442	(3,479,940)	125,498	(3,354,442)
<b>CHANGE IN NET ASSETS</b>	7,052,041	(22,701)	7,029,340	(2,111,779)	664,218	(1,447,561)
<b>NET ASSETS, Beginning of year</b>	16,617,419	110,593	16,728,012	8,250,702	296,112	8,546,814
<b>NET ASSETS, End of year</b>	\$ 23,669,460	\$ 87,892	\$ 23,757,352	\$ 6,138,923	\$ 960,330	\$ 7,099,253
						\$ 30,856,605

\* Includes Anna Ogden Hall, Center for Women & Children in Coeur d'Alene, Men's Mission, Youth Outreach Ministries, Women's Crisis Center, UGM Motors, Thrift Stores, UGM LC Properties LLC. and UGM Properties LLC.

The accompanying notes are an integral part of these financial statements.

**UNION GOSPEL MISSION ASSOCIATION  
OF SPOKANE AND U.G.M. FOUNDATION**  
(Nonprofit Organizations)  
Spokane, Washington

**COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
For the year ended August 31, 2020

	Union Gospel Mission Association*			U.G.M. Foundation		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Combined Total
<b>REVENUES AND GAINS (LOSSES):</b>						
Contributions	\$ 7,442,655	\$ 446,314	\$ 7,888,969	\$ 774,560	\$ 49,644	\$ 824,204
In-kind contributions	7,448,359	-	7,448,359	-	-	-
Interest and dividend income	196	-	196	165,171	-	165,171
Realized and unrealized gain on investments	-	-	-	496,712	-	496,712
Thrift Stores	2,029,567	-	2,029,567	-	-	-
UGM Motors	2,280,859	-	2,280,859	-	-	-
Special Events	360	-	360	-	-	360
UGM LC Properties, LLC	8,771	-	8,771	-	-	8,771
Other	93,323	-	93,323	-	-	93,323
Changes in value - charitable gift annuities	-	-	-	(24,462)	-	(24,462)
Net assets released from donor restrictions	415,749	(415,749)	-	-	-	-
Total revenues and gains	19,719,839	30,565	19,750,404	1,411,981	49,644	1,461,625
<b>EXPENSES:</b>						
Union Gospel Mission	6,367,916	-	6,367,916	-	-	6,367,916
Anna Ogden Hall	846,528	-	846,528	-	-	846,528
Center for Women & Children in Coeur d'Alene	1,401,431	-	1,401,431	-	-	1,401,431
Women's Crisis Center	838,291	-	838,291	-	-	838,291
Youth Outreach Ministries	466,080	-	466,080	-	-	466,080
Thrift Stores	3,851,420	-	3,851,420	-	-	3,851,420
UGM Motors	3,364,776	-	3,364,776	-	-	3,364,776
UGM LC Properties, LLC	3,314	-	3,314	-	-	3,314
Management and general	2,628,337	-	2,628,337	109,777	-	109,777
Total expenses	19,768,093	-	19,768,093	109,777	-	109,777
CHANGES IN NET ASSETS BEFORE TRANSFERS	(48,254)	30,565	(17,689)	1,302,204	49,644	1,351,848
TRANSFERS IN (OUT)	1,112,098	-	1,112,098	(1,112,098)	-	(1,112,098)
CHANGE IN NET ASSETS	1,063,844	30,565	1,094,409	190,106	49,644	239,750
NET ASSETS, Beginning of year	15,553,575	80,028	15,633,603	8,060,596	246,468	8,307,064
NET ASSETS, End of year	\$ 16,617,419	\$ 110,593	\$ 16,728,012	\$ 8,250,702	\$ 296,112	\$ 8,546,814
						\$ 25,274,826

\* Includes Anna Ogden Hall, Center for Women & Children in Coeur d'Alene, Men's Mission, Youth Outreach Ministries, Women's Crisis Center, UGM Motors, Thrift Stores, UGM LC Properties LLC. and UGM Properties LLC.

The accompanying notes are an integral part of these financial statements.



**UNION GOSPEL MISSION ASSOCIATION  
OF SPOKANE AND U.G.M. FOUNDATION**  
(Nonprofit Organizations)  
Spokane, Washington

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES (WITHOUT DONOR RESTRICTIONS)**  
For the year ended August 31, 2021

Union Gospel Mission Association  
Youth Outreach

	Union Gospel Mission	Anna Ogden Hall	Cd'A Women & Children Center	Women's Crisis Center	Ministries & Student Impact Center	Thrift Stores	UGM Motors	UGM Properties *	Management & General	Total	U.G.M. Foundation	Combined
Salaries and payroll taxes	\$ 1,307,014	\$ 624,575	\$ 992,102	\$ 580,744	\$ 179,333	\$ 1,806,935	\$ 946,060	80,670	\$ 1,742,983	\$ 8,260,416	\$ -	\$ 8,260,416
Employee benefits	207,527	67,773	105,763	55,364	53,950	164,627	78,724	6,716	314,062	1,054,506	-	1,054,506
Advertising	2,160	1,675	1,123	1,594	212	31,016	112,557	250	132,117	282,704	34,741	317,445
Automotive expense	38,360	2,565	-	1,024	9,728	27,440	30,237	1,083	6,564	117,001	-	117,001
Cost of goods sold	-	-	-	-	-	245,848	427,681	2,878	960	677,367	-	677,367
Depreciation and goodwill impairment	112,175	101,309	71,927	56,734	90,234	141,147	54,687	91,018	21,236	740,467	-	740,467
Development	11,758	16,833	19,788	4,291	9,907	-	-	-	10	62,587	-	62,587
Dues and subscriptions	1,885	548	3,249	170	-	278	9,700	-	9,718	25,548	4,800	30,348
Education and training	3,280	5,645	5,855	1,216	1,769	25,711	2,348	-	13,687	59,511	-	59,511
Food supplies	12,003	4,273	1,269	3,983	10,019	-	-	-	-	31,547	-	31,547
In kind supplies and donated services	1,638,123	-	-	-	-	2,245,747	2,337,959	-	-	6,241,829	-	6,241,829
Interest expense	-	-	-	-	-	-	-	49,161	1,239	50,400	-	50,400
Insurance	33,558	18,732	26,499	14,918	19,632	31,205	35,862	20,678	9,258	210,342	-	210,342
Jail/juvenile/outreach services	69	-	-	-	-	-	-	-	225	294	-	294
Meetings and conventions	3,048	1,433	8,679	105	1,450	3,533	699	868	7,132	26,967	-	26,967
Newsletter	-	-	-	-	-	-	-	-	42,651	42,651	-	42,651
Office supplies	6,216	5,512	5,900	2,918	1,660	70,695	27,316	5,631	459,819	585,667	2,003	587,670
Operating supplies	55,354	9,153	23,283	22,304	1,792	57,679	17,963	4,058	3,062	194,648	-	194,648
Other	-	-	249	-	-	-	-	-	283	532	-	532
Postage	-	55	1,386	66	1,887	22	1,255	-	154,108	158,779	-	158,779
Professional fees	1,222	218	1,997	2,154	1,072	4,603	443	177	35,663	47,549	46,014	93,563
Public relations	1,966	724	7,074	539	-	216	-	-	17,988	28,507	319	28,826
Rent	-	-	2,117	-	-	1,421	1,500	-	-	5,038	-	5,038
Repairs and maintenance	79,481	77,021	58,162	44,954	34,693	72,290	58,495	32,640	144,059	601,795	-	601,795
Special events	-	-	124	-	-	-	-	-	19,099	19,223	-	19,223
Taxes and licenses	1,578	1,029	488	588	2,135	13,926	42,625	19,500	590	82,459	-	82,459
Telephone and utilities	132,961	61,053	111,937	88,263	65,714	191,144	42,169	113,087	14,578	820,906	-	820,906
Total expenses	\$ 3,672,315	\$ 1,000,126	\$ 1,448,971	\$ 881,929	\$ 485,187	\$ 5,135,503	\$ 4,228,280	\$ 428,415	\$ 3,163,206	\$ 20,443,932	\$ 103,086	\$ 20,547,018

\* Includes UGM Properties, LLC and UGM LC Properties, LLC

The accompanying notes are an integral part of these financial statements.

UNION GOSPEL MISSION ASSOCIATION  
OF SPOKANE AND U.G.M. FOUNDATION  
(Nonprofit Organizations)  
Spokane, Washington

COMBINED STATEMENT OF FUNCTIONAL EXPENSES (WITHOUT DONOR RESTRICTIONS)  
For the year ended August 31, 2020

	Union Gospel Mission Association of Spokane											U.G.M. Foundation		Combined	
	Union Gospel Mission	Anna Ogden Hall	Cd/A Women & Children Center	Women's Crisis Center	Youth Outreach Ministries	Thrift Stores	UGM Motors	UGM LC Properties, LLC	Management & General	Total					
Salaries and payroll taxes	\$ 1,413,884	\$ 521,013	\$ 913,608	\$ 509,487	\$ 187,091	\$ 1,406,777	\$ 875,567	\$ -	\$ 1,480,512	\$ 7,307,939	\$ -	\$ -	\$ -	\$ 7,307,939	\$ 928,490
Employee benefits	210,808	52,069	104,262	47,263	25,384	183,606	84,935	-	220,163	928,490	-	-	-	-	3,462
Benevolence and allowances	3,462	-	-	-	-	-	-	-	-	-	-	-	-	-	311,406
Advertising	6,402	3,776	820	332	-	36,104	106,709	-	122,758	276,901	-	34,505	-	-	84,633
Automotive expense	28,846	1,103	0	1,238	9,361	39,724	462,523	-	4,391	84,633	-	-	-	-	502,247
Cost of goods sold	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation and goodwill impairment	161,699	109,285	172,418	107,062	101,268	103,416	56,782	-	10,707	822,637	-	-	-	-	822,637
Development	13,349	7,310	14,353	4,688	3,928	19	-	-	142	43,789	-	-	-	-	43,789
Dues and subscriptions	2,632	541	1,410	150	-	249	8,568	-	9,751	23,301	-	4,800	-	-	28,101
Education and training	8,420	4,408	4,308	3,457	1,772	8,190	1,818	-	15,718	48,091	-	-	-	-	48,091
Food supplies	18,727	2,643	3,872	4,612	5,780	-	-	-	-	35,634	-	-	-	-	35,634
In kind supplies and donated services	4,137,790	-	-	-	-	1,742,108	1,568,460	-	-	7,448,358	-	-	-	-	7,448,358
Interest expense	1,234	-	-	-	-	-	-	2,529	6,134	9,897	-	-	-	-	9,897
Insurance	39,992	18,948	23,446	12,132	14,625	26,356	20,234	-	6,921	162,654	-	-	-	-	162,654
Jail/juvenile/outreach services	8,821	-	-	-	-	-	-	-	-	8,821	-	-	-	-	8,821
Meetings and conventions	3,068	1,290	3,503	1,012	1,202	2,085	1,071	-	4,615	17,846	-	-	-	-	17,846
Newsletter	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office supplies	6,189	2,451	5,039	2,710	1,394	43,616	23,333	-	378,440	463,172	-	428	-	-	463,600
Operating supplies	70,494	10,960	15,292	24,627	6,892	25,319	17,996	-	1,370	172,950	-	-	-	-	172,950
Other	-	-	92	-	-	-	(140)	-	196	148	-	-	-	-	148
Postage	267	15	67	45	(561)	3,612	1,771	-	147,331	152,547	-	-	-	-	152,547
Professional fees	1,786	437	1,022	1,753	300	1,579	1,082	785	32,982	41,726	-	63,796	-	-	105,522
Public relations	8,881	146	6,296	-	-	-	-	-	24,236	39,559	-	-	-	-	39,559
Rent	-	-	0	-	-	-	1,500	-	-	1,500	-	-	-	-	1,500
Repairs and maintenance	77,609	54,590	33,642	35,811	39,022	50,772	39,230	-	115,557	446,233	-	-	-	-	446,233
Special events	-	-	1,339	-	-	-	-	-	11,365	12,704	-	-	-	-	12,704
Taxes and licenses	8,151	453	17,066	982	1,459	10,152	41,374	-	775	80,412	-	5,492	-	-	85,904
Telephone and utilities	135,405	55,090	79,576	80,930	67,163	145,008	34,997	-	11,331	609,500	-	756	-	-	610,256
Total expenses	\$ 6,367,916	\$ 846,528	\$ 1,401,431	\$ 838,291	\$ 466,080	\$ 3,851,420	\$ 3,364,776	\$ 3,314	\$ 2,628,337	\$ 19,768,093	\$ 109,777	\$ -	\$ -	\$ 19,877,870	\$ 19,877,870

The accompanying notes are an integral part of these financial statements.

UNION GOSPEL MISSION ASSOCIATION  
OF SPOKANE AND U.G.M. FOUNDATION  
(Nonprofit Organizations)  
Spokane, Washington

COMBINED STATEMENT OF CASH FLOWS  
For the year ended August 31, 2021

	Union Gospel Mission Assoc.*	U.G.M. Foundation	Combined
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES:			
Change in net assets before transfers	\$ 3,674,898	\$ 1,906,881	\$ 5,581,779
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation	696,552	-	696,552
Goodwill impairment	43,915	-	43,915
Realized and unrealized gains on investments	-	(772,797)	(772,797)
Realized loss on sale of Foundation land	-	8,895	8,895
Donated goodwill recognized with RV Park purchase	(1,900,000)	-	(1,900,000)
In-kind contribution revenue	(6,241,829)	-	(6,241,829)
In-kind supplies and donated services expense	6,241,829	-	6,241,829
Net change in charitable gift annuities	-	(5,279)	(5,279)
Decrease (increase) in:			
Prepaid expenses	(3,015)	-	(3,015)
Pledges/accounts receivable	(14,313)	-	(14,313)
Inter-company receivables	24,075	7,741	31,816
Inventory	(5,228)	-	(5,228)
Notes receivable	-	7,865	7,865
Increase (decrease) in:			
Accounts payable	429,513	-	429,513
Inter-company payables	(28,670)	(3,146)	(31,816)
Net cash provided (used) by operating activities	<u>2,917,727</u>	<u>1,150,160</u>	<u>4,067,887</u>
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES:			
Purchase of property, buildings and equipment	(5,619,613)	-	(5,619,613)
Net sale (purchase) of investments	-	1,528,640	1,528,640
Net cash provided (used) by investing activities	<u>(5,619,613)</u>	<u>1,528,640</u>	<u>(4,090,973)</u>
CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES:			
Principal payments on long-term debt	(1,225)	-	(1,225)
Transfers	3,354,442	(3,354,442)	-
Net cash provided (used) by financing activities	<u>3,353,217</u>	<u>(3,354,442)</u>	<u>(1,225)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	651,331	(675,642)	(24,311)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>1,213,563</u>	<u>910,060</u>	<u>2,123,623</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 1,864,894</u>	<u>\$ 234,418</u>	<u>\$ 2,099,312</u>
SUPPLEMENTAL DISCLOSURES OF CASHFLOW INFORMATION:			
Interest paid	<u>\$ 50,400</u>	<u>\$ -</u>	<u>\$ 50,400</u>
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

\* Includes Anna Ogden Hall, Center for Women & Children in Coeur D'Alene, Men's Mission, Youth Outreach Ministries, Women's Crisis Center, UGM Motors, Thrift Stores, UGM LC Properties LLC and UGM Properties LLC.

The accompanying notes are an integral part of these financial statements.

UNION GOSPEL MISSION ASSOCIATION  
OF SPOKANE AND U.G.M. FOUNDATION  
(Nonprofit Organizations)  
Spokane, Washington

COMBINED STATEMENT OF CASH FLOWS  
For the year ended August 31, 2020

	Union Gospel Mission Assoc.*	U.G.M. Foundation	Combined
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES:			
Change in net assets before transfers	\$ (17,689)	\$ 1,351,848	\$ 1,334,159
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation	822,637	-	822,637
Realized and unrealized gains on investments	-	(496,712)	(496,712)
In-kind contribution revenue	(7,448,359)	-	(7,448,359)
In-kind supplies and donated services expense	7,448,359	-	7,448,359
Net change in charitable gift annuities	-	(35,062)	(35,062)
Decrease (increase) in:			
Prepaid expenses	(13,505)	-	(13,505)
Pledges/accounts receivable	(8,515)	-	(8,515)
Inter-company receivables	(7,486)	19,289	11,803
Inventory	(60,535)	-	(60,535)
Notes receivable	-	7,517	7,517
Increase (decrease) in:			
Accounts payable	138,776	-	138,776
Inter-company payables	19,668	(31,471)	(11,803)
Net cash provided (used) by operating activities	<u>873,351</u>	<u>815,409</u>	<u>1,688,760</u>
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES:			
Purchase of property, buildings and equipment	(2,088,191)	-	(2,088,191)
Net sale (purchase) of investments	<u>-</u>	<u>931,295</u>	<u>931,295</u>
Net cash provided (used) by investing activities	<u>(2,088,191)</u>	<u>931,295</u>	<u>(1,156,896)</u>
CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES:			
Principal payments on long-term debt	(48,825)	-	(48,825)
Transfers	<u>1,112,098</u>	<u>(1,112,098)</u>	<u>-</u>
Net cash provided (used) by financing activities	<u>1,063,273</u>	<u>(1,112,098)</u>	<u>(48,825)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(151,567)	634,606	483,039
CASH AND CASH EQUIVALENTS, Beginning of year	<u>1,365,130</u>	<u>275,454</u>	<u>1,640,584</u>
CASH AND CASH EQUIVALENTS, End of year	<u><u>\$ 1,213,563</u></u>	<u><u>\$ 910,060</u></u>	<u><u>\$ 2,123,623</u></u>
SUPPLEMENTAL DISCLOSURES OF CASHFLOW INFORMATION:			
Interest paid	<u>\$ 6,130</u>	<u>\$ -</u>	<u>\$ 6,130</u>
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

\* Includes Anna Ogden Hall, Center for Women & Children in Coeur D'Alene, Men's Mission, Youth Outreach Ministries, Women's Center, UGM Motors, Thrift Stores and UGM Properties, LLC

The accompanying notes are an integral part of these financial statements.

UNION GOSPEL MISSION ASSOCIATION  
OF SPOKANE AND U.G.M. FOUNDATION  
(Nonprofit Organizations)  
Spokane, Washington

NOTES TO COMBINED FINANCIAL STATEMENTS  
August 31, 2021 and 2020

NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS:

The Union Gospel Mission Association of Spokane (UGM) and U.G.M. Foundation (the Foundation) (collectively referred to as the organizations) are not-for-profit organizations incorporated under the laws of the State of Washington.

The purpose of UGM is the spiritual, emotional and physical restoration of men, women, youth and children of the Greater Inland Northwest. UGM is comprised of the following programs: the Union Gospel Men's Mission (a charitable program for men), Anna Ogden Hall (a charitable program for women and children), Youth Outreach Ministries and Summer Camp (a charitable program for underprivileged youth), Crisis Shelter for Women and Children in Spokane, the Center for Women & Children in Coeur d'Alene (charitable programs for women and children), UGM Motors, Thrift Stores, UGM Sales & Service and the Student Impact Center.

In March 2020 UGM established UGM Properties, LLC, to hold income producing real estate in Spokane Valley, Washington. UGM Properties, LLC is a wholly-owned subsidiary of UGM. As such, the financial statements of UGM and UGM Properties, LLC have been consolidated and any inter-company transactions have been eliminated. See Note 18 for further details.

In July 2020 UGM established UGM LC Properties, LLC to hold real property in Lewiston, Idaho for the development of an outreach ministry and income producing enterprises. UGM LC Properties, LLC is a wholly-owned subsidiary of UGM. As such, the financial statements of UGM and UGM LC Properties, LLC have been consolidated and any inter-company transactions have been eliminated. See Note 19 for further details.

The purpose of the Foundation is to administer capital gifts for construction, remodeling, and maintenance of UGM and to assist in long-range financial and operational planning for UGM through planned giving programs.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The summary of significant accounting policies of Union Gospel Mission Association of Spokane and U.G.M. Foundation is presented to assist in understanding the organizations' financial statements. The financial statements and notes are representations of the organizations' management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Basis of Presentation - The combined financial statements have been prepared on the accrual basis of accounting and include the accounts of the Union Gospel Mission Association of Spokane and the U.G.M. Foundation.

UNION GOSPEL MISSION ASSOCIATION  
OF SPOKANE AND U.G.M. FOUNDATION  
(Nonprofit Organizations)  
Spokane, Washington

NOTES TO COMBINED FINANCIAL STATEMENTS  
August 31, 2021 and 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Fund Accounting - The accounts of UGM and the Foundation are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature. Separate accounts are maintained for each fund and, accordingly, all financial transactions have been recorded and reported by fund group.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Cash and Cash Equivalents - For purposes of the combined cash flow statement, management considers investments which are not subject to withdrawal restrictions that can be converted to cash on short notice and are used in the operating activities of the organizations, specifically cash in demand accounts at financial institutions, to be cash equivalents. Management does not consider investments in short-term investment funds (money market accounts and equivalents) used in the investing activities of the organizations to be cash equivalents.

Investments in Marketable Securities - Investments in marketable securities are classified as available-for-sale securities and are reported at fair value. For a further discussion of fair value measurements, see Note 7.

Inventories - Inventory in the Thrift Stores consists of items donated to UGM. Management estimates the inventory valuation to be equivalent to two to three months of store sales.

Inventory at UGM Motors consists of donated and purchased vehicles and is reported at the vehicles donated value or purchase price plus the cost of repairs necessary to get the vehicles suitable for resale.

Property, Facilities and Equipment - Property, facilities and equipment are capitalized at cost for purchased assets and at fair value for donated assets. It is the organizations' policy to capitalize all items that have a useful life in excess of one year with an associated cost or value at date of donation in excess of \$1,500. Insignificant expenditures are charged to expense. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Buildings and improvements are estimated to have useful lives ranging from 5 to 30 years, and equipment is estimated to have useful lives ranging from 5 to 14 years.

Goodwill - In connection with the purchase of real property located in Spokane Valley, Washington, UGM recognized goodwill of \$3,337,230. In accordance with accounting principles generally accepted in the United States of America, goodwill is not subject to

UNION GOSPEL MISSION ASSOCIATION  
OF SPOKANE AND U.G.M. FOUNDATION  
(Nonprofit Organizations)  
Spokane, Washington

NOTES TO COMBINED FINANCIAL STATEMENTS  
August 31, 2021 and 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

amortization, but rather management is required to test goodwill for impairment on an annual basis. Goodwill is written down if it is determined that there has been an impairment. During the year ended August 31, 2021, management determined that goodwill was impaired \$43,915. As of August 31, 2021, unimpaired goodwill totaled \$3,293,315.

Real Property Held for Sale - Real property held for sale is property not used in the operations of UGM. The property was received by donation. It is valued at the estimated fair value as of the date of donation less accumulated depreciation to date. The property may be used for investment purposes until sold. The property is not revalued prior to sale unless it is clear that the property value is permanently impaired.

Split-Interest Agreement Distributions Payable - The Foundation has established a charitable gift annuity program. The Foundation recognizes the contribution as of the date of the gift for the current fair value of the gift in excess of the present value of the liability for future payments (split-interest agreement distributions payable). For the year ended August 31, 2021, the liability for split-interest agreement distributions payable is discounted at 6% per annum for single premium annuity contracts, 4% per annum for all other annuity contracts, using the 1983 IAM Male & Female Mortality Tables. See Note 12.

Valuation of Other Financial Instruments - The organizations recognize other financial instruments at historical cost, which approximates fair value, due to the short maturities of those instruments.

Net Assets - Net assets of the organizations are classified based on the presence or absence of donor-imposed restrictions. Net assets are comprised of two groups as follows:

Net Assets without Donor Restrictions - Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

Net Assets with Donor Restrictions - Assets are subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the organization. Certain restrictions may be need to be maintained in perpetuity. Donor restricted net assets that have permanent restrictions include contributions with donor-imposed restrictions requiring resources to be maintained in perpetuity, but permitting use of all or part of the investment income earned on the contributions.

Contributions - Contributions are generally recorded only upon receipt, unless evidence or an unconditional promise to give has been received. Unconditional promises to give that are

UNION GOSPEL MISSION ASSOCIATION  
OF SPOKANE AND U.G.M. FOUNDATION  
(Nonprofit Organizations)  
Spokane, Washington

NOTES TO COMBINED FINANCIAL STATEMENTS  
August 31, 2021 and 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

expected to be collected in future years are recorded at the present value of amounts expected to be collected. Conditional promises to give are not included as support until such time as the conditions are substantially met. All contributions are considered to be without donor restrictions unless the donor has restricted the contributions to be used for a specific purpose.

Bequests are not recorded in the accompanying financial statements until they are declared valid by a court of law and the value of the bequest can be determined. It is common that management cannot determine the value of the bequest until receipt, because of fees and other deductions imposed by the court or law.

Donated Materials, Securities and Property - UGM receives a substantial amount of its public support in the form of donated food, supplies, clothing, and other items. Donations of materials (food, clothing, vehicles, and other items), securities and real property are recognized at their respective fair values as of the date of the gift. Donations of food are valued using a price per pound system as determined using the Consumer Price Index published by the Bureau of Labor Statistics. In-kind donations for the Thrift Stores and Motors operations are valued using the items sales price when the item is sold.

Donated Services - Donated services are recognized in the financial statements when those services create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills, and which would be typically purchased if not provided by donation. Professional donated services are valued on a per hour basis using the average hourly rate of the profession in the Spokane region. The value of other donated volunteer services is not reflected in the accompanying financial statements. However, a substantial number of volunteers have donated significant amounts of their time to the organizations' operations.

Investment Income Recognition - Investment transactions are recorded on a trade-date basis. Acquisition costs are included in the cost of investments purchased, and sales are recorded net of selling expenses. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized gains and losses from security transactions are determined by the average cost method. Gains, losses, and income on investments are reported as revenues in the statements of activities. Investment income is considered to be without donor restrictions unless, it is restricted by explicit donor stipulation or law.

Compensated Absences - Employees of the organizations are entitled to paid vacation and other paid time off, depending on job classification, length of service, and other time upon separation from employment. As of August 31, 2021 and 2020, the organizations had accrued \$496,643 and \$240,483, respectively, for compensated absences.



UNION GOSPEL MISSION ASSOCIATION  
OF SPOKANE AND U.G.M. FOUNDATION  
(Nonprofit Organizations)  
Spokane, Washington

NOTES TO COMBINED FINANCIAL STATEMENTS  
August 31, 2021 and 2020

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Advertising - Advertising costs are recognized as an expense when incurred.

Self-Insured Health Benefit Claims - UGM self-insures for employee medical and dental benefits. Employee and employer contributions are maintained in a separate bank account pending claim payments. UGM has contracted with Healthcare Management Administrators (HMA), a third-party administrator, to provide claim adjudication services. Claims are recognized as incurred. UGM has "stop loss" insurance coverage that covers claims exceeding \$60,000 per year. Aggregate stop-loss coverage is limited to \$1,000,000 per year.

Allocation of Functional Expenses - The costs of providing the various program services and supporting activities have been summarized on a functional basis in the combined statement of activities. Accordingly, certain costs have been allocated among the various programs and supporting services benefited.

NOTE 3 - LIQUIDITY AND AVAILABILITY:

The following reflects the organizations' financial assets as of August 31, 2021 and 2020, reduced by amounts not available for general use because of contractual, donor or board imposed restrictions within one year of such dates.

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 2,099,312	\$ 2,123,623
Investments in marketable securities	6,957,102	7,657,940
Inventories	410,064	404,836
Accounts receivable	<u>26,849</u>	<u>12,536</u>
Financial assets available at the end of the year	9,493,327	10,198,935
Less: Financial assets unavailable within one year due to donor restrictions	<u>(1,048,222)</u>	<u>(406,705)</u>
Financial assets available to meet general planned and unplanned cash requirements within one year	<u>\$ 8,445,105</u>	<u>\$ 9,792,230</u>

The organizations manage liquidity needed for operations primarily by monitoring monthly cash flow. The Board believes the organizations maintain sufficient financial asset reserves for normal operating expenses; planned property and capital improvements; and unplanned cash requirements.

UNION GOSPEL MISSION ASSOCIATION  
OF SPOKANE AND U.G.M. FOUNDATION  
(Nonprofit Organizations)  
Spokane, Washington

NOTES TO COMBINED FINANCIAL STATEMENTS  
August 31, 2021 and 2020

NOTE 4 - INCOME TAX STATUS:

The Union Gospel Mission Association of Spokane and U.G.M. Foundation qualify as tax exempt organizations under Section 501(c)(3) of the Internal Revenue Code. During the year ended August 31, 2000, the Foundation received approval from the state for the charitable gift annuity/planned giving program. The organizations are subject to audit or examination by various regulatory jurisdictions. As of November 22, 2021, there were no audits or examinations in progress.

NOTE 5 - RISKS AND UNCERTAINTIES:

As of the audit report date, the U.S. Federal Deposit Insurance Corporation (FDIC) provides coverage up to \$250,000 per depositor per ownership category on deposit accounts at FDIC-insured institutions. As of August 31, 2021, accounts in excess of FDIC insurance coverage limits totaled \$530,111.

The organizations maintain money market accounts which are not insured by the FDIC. The investments are collateralized by government backed securities and high-grade corporate debt obligations. As of August 31, 2021, the investments in these accounts totaled \$220,311.

The Foundation invests in various mutual funds which invest in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Further, these investments may have exposure to risks associated with sub-prime mortgages. Due to the level of risk associated with certain types of investments, it is at least reasonably possible that changes could materially affect the amounts reported in the statements of financial position.

In determining the fair value of financial instruments, management uses a variety of methods and assumptions that are based on market conditions and risks existing at the date of the statements of financial position. All methods of assessing fair value result in a general approximation of value, and such value may never actually be realized.

UGM is self-insured for medical claims. Medical claims payable and claims incurred but not reported are accrued based upon management's estimates of the discounted ultimate cost for self-insured claims incurred using actuarial assumptions followed in the insurance industry and historical experience. Although management believes it has the ability to reasonably estimate losses related to claims, it is possible that actual results could differ from recorded medical claims payable and claims incurred but not reported. See Note 9.

UNION GOSPEL MISSION ASSOCIATION  
OF SPOKANE AND U.G.M. FOUNDATION  
(Nonprofit Organizations)  
Spokane, Washington

NOTES TO COMBINED FINANCIAL STATEMENTS  
August 31, 2021 and 2020

NOTE 5 - RISKS AND UNCERTAINTIES (Continued):

In early 2020, an outbreak of the novel strain of coronavirus (COVID-19) emerged globally. Through November 22, 2021, there have been significant impacts to UGM. Expenses have been impacted in the form of significant increases in personal protective equipment costs, supply costs and facilities sanitation costs. The Thrift Stores and UGM Motors have experienced disruptions and restrictions in operations. Future impacts are unknown.

NOTE 6 - INVESTMENTS IN MARKETABLE SECURITIES:

As of August 31, 2021, investments in marketable securities consisted of:

	Fair Value	Cost
Cash and cash equivalents	\$ 220,311	\$ 220,311
U.S. Treasury obligations	51,100	49,059
Corporate bonds	987,210	959,381
Corporate equities	1,620,620	565,348
Mutual funds	4,067,993	3,476,314
Accrued income	9,868	9,868
	<u>\$ 6,957,102</u>	<u>\$ 5,280,281</u>

As of August 31, 2021, investments with donor restrictions included above totaled \$960,330.

As of August 31, 2021, investments in US Treasury and corporate obligations mature as follows:

	Maturity			
	1 Year	1-5 Years	6-10 Years	11+ Years
US Treasury obligations	\$ -	\$ 50,000	\$ -	\$ -
Corporate bonds	\$ -	\$ 950,000	\$ -	\$ -

As of August 31, 2020 investments in marketable securities consisted of:

	Fair Value	Cost
Cash and cash equivalents	\$ 1,549,810	\$ 1,549,810
U.S. Treasury obligations	51,892	49,059
Corporate bonds	1,371,138	1,222,723
Corporate equities	1,252,240	528,450
Mutual funds	3,418,892	3,090,680
Accrued income	13,968	13,968
	<u>\$ 7,657,940</u>	<u>\$ 6,454,690</u>

UNION GOSPEL MISSION ASSOCIATION  
OF SPOKANE AND U.G.M. FOUNDATION  
(Nonprofit Organizations)  
Spokane, Washington

NOTES TO COMBINED FINANCIAL STATEMENTS  
August 31, 2021 and 2020

NOTE 6 - INVESTMENTS IN MARKETABLE SECURITIES (Continued):

As of August 31, 2020, investments with donor restrictions included above totaled \$296,112.

As of August 31, 2020, investments in US Treasury and corporate obligations mature as follows:

	Maturity			
	1 Year	1-5 Years	6-10 Years	11+ Years
US Treasury obligations	\$ -	\$ 500,000	\$ -	\$ -
Corporate bonds	\$ 50,000	\$ 1,200,000	\$ -	\$ -

NOTE 7 - FAIR VALUE MEASUREMENTS:

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial instruments, including estimates of timing, amount of expected future cash flows and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair value may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management 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.

The framework for measuring fair value 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) and the lowest priority to unobservable inputs (level 3).

The three levels of the fair value hierarchy are described as follows:

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the organizations have the ability to access.

Level 2 inputs to the valuation methodology include the following: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from, or corroborated by, observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

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

UNION GOSPEL MISSION ASSOCIATION  
OF SPOKANE AND U.G.M. FOUNDATION  
(Nonprofit Organizations)  
Spokane, Washington

NOTES TO COMBINED FINANCIAL STATEMENTS  
August 31, 2021 and 2020

NOTE 7 - FAIR VALUE MEASUREMENTS (Continued):

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of August 31, 2021 and 2020.

*Interest bearing cash* - Investments in interest bearing cash are valued at fair value, which approximates cost, due to the short maturities of these investments. Fair values of money market accounts may be determined using public quotations, when available. Interest bearing demand deposits held at financial institutions and money market accounts are classified as level 1 assets.

*U.S. Treasury obligations* - Investments in U.S Treasury obligations are valued at the closing sales price reported in an active market in which the individual security is traded.

*Corporate bonds* - Investments in corporate bonds are valued at the closing sales price reported in an active market of comparable securities and with consideration given to quoted market prices in inactive markets. Comparable securities have similar duration and the issuers have similar credit ratings.

*Corporate equities* - Investments in corporate equity securities are valued at the closing sales price reported in an active market in which the individual security is traded.

*Mutual funds* - Investments in mutual funds are valued at quoted market prices in active markets, which are derived by the fair value of the underlying assets and liabilities of the specific fund.

The following table sets forth by level, within the fair value hierarchy, the organizations' assets at fair value measurements as of August 31, 2021:

	Level 1	Level 2	Level 3	Total
Interest bearing cash	\$ 220,311	\$ -	\$ -	\$ 220,311
U.S. Treasury obligations	51,099	-	-	51,099
Corporate bonds	-	987,210	-	987,210
Corporate equities	1,620,620	-	-	1,620,620
Equity mutual funds	2,383,750	-	-	2,383,750
Bond mutual funds	1,684,244	-	-	1,684,244
Accrued income	9,868	-	-	9,868
	<u>\$ 5,969,892</u>	<u>\$ 987,210</u>	<u>\$ -</u>	<u>\$ 6,957,102</u>

UNION GOSPEL MISSION ASSOCIATION  
OF SPOKANE AND U.G.M. FOUNDATION  
(Nonprofit Organizations)  
Spokane, Washington

NOTES TO COMBINED FINANCIAL STATEMENTS  
August 31, 2021 and 2020

NOTE 7 - FAIR VALUE MEASUREMENTS (Continued):

The following table sets forth by level, within the fair value hierarchy, the organizations' assets at fair value measurements as of August 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Interest bearing cash	\$ 1,549,810	\$ -	\$ -	\$ 1,549,810
U.S. Treasury obligations	51,892	-	-	51,892
Corporate bonds	-	1,371,138	-	1,371,138
Corporate equities	1,252,240	-	-	1,252,240
Equity mutual funds	1,688,488	-	-	1,688,488
Bond mutual funds	1,730,404	-	-	1,730,404
Accrued income	13,968	-	-	13,968
	<u>\$ 6,286,802</u>	<u>\$ 1,371,138</u>	<u>\$ -</u>	<u>\$ 7,657,940</u>

NOTE 8 - NOTE RECEIVABLE:

In 2009, the Foundation received real property in exchange for a charitable gift annuity. During the year ended August 31, 2013 this property was sold, on contract, for \$235,000. Under the terms of the contract, the Foundation received \$10,000 upon closing, and payments of \$1,394 per month, including interest of 5% per annum. The contract is due September 15, 2022 and is secured by real estate. As of August 31, 2021 and 2020, the principal balance of the note receivable was \$172,041 and \$179,906, respectively.

Future maturities of the note receivable is as follows:

For the year ended	
August 31,	
2022	\$ 8,320
2023	<u>163,721</u>
	<u>\$ 172,041</u>

NOTE 9 - MEDICAL CLAIMS PAYABLE AND INCURRED BUT NOT REPORTED:

As of August 31, 2021 and 2020, the reserves set aside for the medical claims totaled \$57,141 and \$67,840, respectively.

As of August 31, 2021 and 2020, the estimated liability for medical claims payable and claims incurred but not reported totaled \$94,840 and \$89,168, respectively.

UNION GOSPEL MISSION ASSOCIATION  
OF SPOKANE AND U.G.M. FOUNDATION  
(Nonprofit Organizations)  
Spokane, Washington

NOTES TO COMBINED FINANCIAL STATEMENTS  
August 31, 2021 and 2020

NOTE 10 - SHORT-TERM NOTE PAYABLE:

In June 2020, UGM obtained \$405,000 of short-term financing from State Bank Northwest to be used in the purchase of real property in Lewiston, Idaho. See also Note 19. The note was payable in a single principal payment due June 29, 2021 and carried interest at 3.75% per annum. On July 12, 2021, the refinancing of this note was completed, extending the due date to June 29, 2022, payable in one principal payment of \$403,777, including interest at 3.50% per annum.

NOTE 11 - AFFORDABLE HOUSING PROGRAM PROMISSORY NOTE:

On January 15, 2013, UGM entered into a 15-year, \$700,000 promissory note under the Affordable Housing Rental Program (AHRP) with U.S. Bank. Repayment of this promissory note is contingent solely upon the sale, refinancing or the conversion of the property to non-qualified housing prior to January 15, 2028. If the property is not sold, refinanced nor converted prior to January 15, 2028, the note is cancelled in full. The note is collateralized by a deed of trust on real property.

NOTE 12 - SPLIT-INTEREST AGREEMENTS:

As of August 31, 2021, the estimated present value of the liability for future annuity payments totaled \$271,395. The current maturity of the liability was \$48,260.

As of August 31, 2020, the estimated present value of the liability for future annuity payments totaled \$276,673. The current maturity of the liability was \$47,090.

NOTE 13 - ASSOCIATION NET ASSETS WITH DONOR RESTRICTIONS:

As of August 31, 2021 and 2020, net assets with donor restrictions of UGM Association included the following:

	<u>2021</u>	<u>2020</u>
Women's Auxiliary Projects	\$ -	\$ 10,458
Dental Fund	13,020	13,020
Rx Fund	22,186	22,542
Medical Clinic	39,853	56,516
Bike Club	(202)	20
Bus passes	5,600	-
Camp shirts	-	2,600
Men's Mission kitchen repairs	-	3,606
AOH Furniture	7,435	-
AOH Vehicle repairs	-	1,831
	<u>\$ 87,892</u>	<u>\$ 110,593</u>

UNION GOSPEL MISSION ASSOCIATION  
OF SPOKANE AND U.G.M. FOUNDATION  
(Nonprofit Organizations)  
Spokane, Washington

NOTES TO COMBINED FINANCIAL STATEMENTS  
August 31, 2021 and 2020

NOTE 14 - FOUNDATION NET ASSETS WITH DONOR RESTRICTIONS:

The Foundation's net assets with donor restrictions consist of funds established for specific purposes by the donor. Its endowment funds include donor-restricted funds that must be maintained in perpetuity. However, the earnings may be used without donor restrictions. Net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Washington has adopted the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and the Foundation has adopted guidance provided by the Financial Accounting Standards Board concerning endowments of not-for-profit organizations. Management has determined that the Foundation's permanently restricted investments meet the definition of endowment funds under UPMIFA.

Absent explicit donor stipulations to the contrary, the Foundation has interpreted UPMIFA as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, the Foundation classifies as donor restricted net assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Foundation considers the following factors in determining to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization

Contributions that are subject to other gift instruments are recorded as with donor restrictions, and are dependent on the specific terms of the agreement (i.e. future interests and supporting organization).

During the years ended August 31, 2021 and 2020, contributions to the endowment funds totaled \$538,720 and \$49,644, respectively. As of August 31, 2021 and 2020, endowment funds totaled \$960,330 and \$296,112, respectively.



UNION GOSPEL MISSION ASSOCIATION  
OF SPOKANE AND U.G.M. FOUNDATION  
(Nonprofit Organizations)  
Spokane, Washington

NOTES TO COMBINED FINANCIAL STATEMENTS  
August 31, 2021 and 2020

NOTE 14 - FOUNDATION NET ASSETS WITH DONOR RESTRICTIONS (Continued):

*Endowment Investment:* The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The Foundation's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term objective is to return a reasonable rate of return, net of investment fees. Actual results in any given year may vary.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

NOTE 15 - IN-KIND CONTRIBUTIONS:

For the years ended August 31, 2021 and 2020, the total estimated value for donated food, supplies, clothing, services and other items were:

	<u>2021</u>	<u>2020</u>
Donated food and other materials to mission activities	\$ 1,164,843	\$ 3,646,511
Donated clothing and household goods to the Thrift Stores	2,245,747	1,742,108
Donated vehicles to UGM Motors	2,337,959	1,568,460
Donated professional services	<u>493,280</u>	<u>491,280</u>
	<u>\$ 6,241,829</u>	<u>\$ 7,448,359</u>

NOTE 16 - THRIFT STORES:

UGM has operated thrift stores since 2002. For the year ended August 31, 2021, UGM operated a total of four stores located in Spokane and Spokane Valley, Washington, and Coeur d'Alene and Lewiston, Idaho. The stores' inventory consists of items donated to UGM. For the years ended August 31, 2021 and 2020, sales totaled \$3,107,874 and \$2,029,567, respectively.

UNION GOSPEL MISSION ASSOCIATION  
OF SPOKANE AND U.G.M. FOUNDATION  
(Nonprofit Organizations)  
Spokane, Washington

NOTES TO COMBINED FINANCIAL STATEMENTS  
August 31, 2021 and 2020

NOTE 17 - UGM MOTORS:

UGM opened a used automobile sales facility named “UGM Motors” in 2005. The facility’s inventory consists of donated and purchased vehicles. For the years ended August 31, 2021 and 2020, vehicle sales totaled \$2,483,807 and \$1,951,674, respectively. There were also sales from the shop, in which UGM Motors operates to repair vehicles. During the year ended August 31, 2021, UGM closed the shop operations to focus on vehicle sales. For the years ended August 31, 2021 and 2020, shop receipts totaled \$22,350 and \$329,185, respectively.

NOTE 18 - UGM PROPERTIES, LLC:

On March 4, 2020, UGM formed UGM Properties, LLC (UGM Properties), a single member LLC, and entered into an operating agreement with UGM Properties, to hold and manage real property in Spokane Valley, Washington. Under the terms of the agreement, any rental income generated by the properties will be transferred to UGM without donor restrictions to be used to support the various programs of UGM. For the year ended August 31, 2021, net rental income consisted of:

Gross rents	\$ 607,297
Rental expenses	<u>(367,543)</u>
	<u>\$ 239,754</u>

NOTE 19 - UGM LC PROPERTIES, LLC:

On August 20, 2019, an asset transfer agreement between UGM and ROC Rescue Mission of Lewiston, Idaho (the ROC) was signed. Under the terms of the agreement, the ROC transferred assets with a fair market value of \$379,334 to UGM. In accepting the assets from the ROC, UGM agreed to use the assets to develop an outreach ministry on or before July 31, 2025. If such an outreach ministry is not developed by July 31, 2025, UGM will make a cash donation of \$379,334 to a like-minded Section 501(c)(3) ministry in the Lewis and Clark Valley.

In May 2020, UGM sold the assets received from the ROC and used the proceeds of the sale to purchase real property in Lewiston, Idaho for the development of an outreach ministry. This purchase represents the development by UGM of the outreach ministry, thereby completing the terms of the transfer agreement.

On July 20, 2020, UGM formed UGM LC Properties, LLC (LC Properties), a single member LLC. In an operating agreement entered into on September 23, 2020, LC Properties is to hold and manage real property acquired by UGM in Lewiston, Idaho, for the development of an outreach ministry and income producing enterprises. The total purchase of cost of the property

UNION GOSPEL MISSION ASSOCIATION  
OF SPOKANE AND U.G.M. FOUNDATION  
(Nonprofit Organizations)  
Spokane, Washington

NOTES TO COMBINED FINANCIAL STATEMENTS  
August 31, 2021 and 2020

NOTE 19 - UGM LC PROPERTIES, LLC (Continued):

was \$792,030, of which, \$405,000 was financed with a short-term note payable (see Note 10). Under the terms of the agreement, any rental income generated by the Lewiston Idaho properties will be transferred to UGM without donor restrictions to be used to support the various programs of UGM. During the years ended August 31, 2021 and 2020, LC Properties received rents of \$44,350 and \$8,771, respectively.

NOTE 20 - RETIREMENT PLAN:

UGM maintains a defined contribution retirement plan, offering employees a pre-tax deferral or an after-tax ROTH plan. The plan covers all employees who work a minimum of twenty hours per week and are at least 18 years of age. The plan automatically enrolls eligible employees in a 2% pre-tax wage deferral, unless the employee does not wish to participate. After one year of employment, UGM matches employee contributions up to 1% of employee compensation. Thereafter, the matching increases 1% for every additional two years of employment, up to a maximum of 5% after 7 years of employment. For the years ended August 31, 2021 and 2020, UGM contributions to the retirement plan totaled \$166,738 and \$175,273, respectively.

NOTE 21 - SUBSEQUENT EVENTS:

The Board of Directors has evaluated events subsequent from August 31, 2021 through November 22, 2021 (the date the financial statements were available to be issued) and has identified no events that, if disclosed, would influence the readers' opinion concerning these financial statements.