

**The Union Mission
and Union Mission Holding Corporation**

Combined Financial Statements

June 30, 2020

**The Union Mission
and Union Mission Holding Corporation**

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Report of Independent Auditors

The Board of Directors
The Union Mission
and Union Mission Holding Corporation

We have audited the accompanying combined financial statements of The Union Mission and Union Mission Holding Corporation (Organization) which comprise the combined statements of financial position as of June 30, 2020, and the related combined statements of activities, functional expenses, and cash flows for the year 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 combined 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

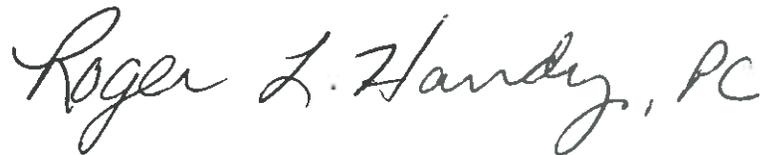
Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of The Union Mission and Union Mission Holding Corporation as of June 30, 2020 and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The Union Mission's and Union Mission Holding Corporation's June 30, 2019 combined financial statements, and our report dated September 22, 2019, expressed an unmodified opinion on those audited combined financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

September 25, 2020

A handwritten signature in black ink that reads "Roger L. Hardy, PC". The signature is written in a cursive, flowing style.

**The Union Mission
and Union Mission Holding Corporation**

Combined Statement of Financial Position

	June 30,	
	Total 2020	Comparative Total 2019
Assets		
Current assets		
Cash and cash equivalents	\$ 2,961,241	\$ 2,471,815
Unconditional promises to give, net of allowance \$0 and \$28,025; respectively (see Note 4)	22,622	9,973
Accounts receivable	24,450	29,786
Grants receivable	21,500	24,500
Inventory	11,201	61,237
Prepaid expenses	37,800	22,918
Total current assets	3,078,814	2,620,229
Property and equipment		
Land, building and equipment (see Note 5)	39,902,483	39,823,863
Less accumulated depreciation	(13,910,932)	(12,904,187)
Property and equipment, net	25,991,551	26,919,676
Other assets		
Unconditional promises to give, net	91,610	132,381
Investments	1,331,808	814,906
Beneficial interest in charitable remainder trusts	470,000	460,000
Beneficial interest in perpetual trusts	9,330,000	8,760,000
Other assets	71,989	70,862
Intangible assets, goodwill and license	8,332	9,107
Total other assets	11,303,739	10,247,256
Total assets	\$ 40,374,104	\$ 39,787,161
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 153,137	\$ 204,258
Accrued expenses	215,877	203,710
Total current liabilities	369,014	407,968
Long-term debt (Note 16)	711,900	-
Total liabilities	1,080,914	407,968
Net assets		
Net assets without donor restrictions	28,385,036	28,850,647
Net assets with donor restrictions	10,908,154	10,528,546
Total net assets	39,293,190	39,379,193
Total liabilities and net assets	\$ 40,374,104	\$ 39,787,161

See notes to financial statements.

**The Union Mission
and Union Mission Holding Corporation**

Combined Statement of Activities

	Years Ended June 30,			Comparative Total 2019
	Without Donor Restrictions	With Donor Restrictions	Total 2020	
Public support				
Contributions	\$ 5,750,035	\$ 74,162	\$ 5,824,197	\$ 5,163,992
Noncash contributions	993,643	1,893	995,536	1,865,767
Bequests	555,842	118	555,960	1,315,043
Noncash bequests	-	-	-	-
Grants	223,000	28,988	251,988	217,120
Net assets released from restrictions	305,553	(305,553)	-	-
	<u>7,828,073</u>	<u>(200,392)</u>	<u>7,627,681</u>	<u>8,561,922</u>
Revenue				
Store sales	460,840	-	460,840	642,917
Less cost of goods sold	(196,878)	-	(196,878)	(132,628)
Net store sales	263,962	-	263,962	510,289
SRO revenue	241,290	-	241,290	225,440
Rag sales	138,049	-	138,049	159,030
Other sales	18,230	-	18,230	11,698
Camp Retreat revenue	35,970	-	35,970	81,868
Rental income	42,675	-	42,675	20,598
Change in value of beneficial interest in charitable remainder trusts	-	10,000	10,000	-
Change in value of beneficial interest in perpetual trust	-	570,000	570,000	400,000
Investment income(loss)	314,495	-	314,495	295,860
Other income	11,308	-	11,308	14,434
Gain (loss) on sale of assets	(131,912)	-	(131,912)	(19,751)
	<u>934,067</u>	<u>580,000</u>	<u>1,514,067</u>	<u>1,699,466</u>
Total revenues and support	<u>8,762,140</u>	<u>379,608</u>	<u>9,141,748</u>	<u>10,261,388</u>
Program service expenses				
Women and Family Shelter	1,367,572	-	1,367,572	1,274,639
Retail Training Center	794,437	-	794,437	951,516
Rescue Mission	3,822,213	-	3,822,213	3,874,926
Camp Hope Haven	278,482	-	278,482	354,424
Children's Home	350,069	-	350,069	381,717
Good News Network	149,218	-	149,218	152,080
Reaching Romania	215,299	-	215,299	229,341
Wellness Program	98,063	-	98,063	98,605
	<u>7,075,353</u>	<u>-</u>	<u>7,075,353</u>	<u>7,317,248</u>
Supporting service expenses				
Management and general	753,363	-	753,363	707,521
Fund raising	1,399,035	-	1,399,035	1,401,219
	<u>2,152,398</u>	<u>-</u>	<u>2,152,398</u>	<u>2,108,740</u>
Total expenses	<u>9,227,751</u>	<u>-</u>	<u>9,227,751</u>	<u>9,425,988</u>
Change in net assets	(465,611)	379,608	(86,003)	835,400
Net assets, beginning of year	<u>28,850,647</u>	<u>10,528,546</u>	<u>39,379,193</u>	<u>38,543,793</u>
Net assets, end of year	<u>\$ 28,385,036</u>	<u>\$ 10,908,154</u>	<u>\$ 39,293,190</u>	<u>\$ 39,379,193</u>

**The Union Mission
and Union Mission Holding Corporation**

Combined Statement of Cash Flows

	Years Ended June 30,	
	Total 2020	Comparative Total 2019
Cash flows from operating activities		
Cash received from contributors	\$ 6,690,166	\$6,671,755
Cash received from sales and services	725,050	957,910
Cash received from investment income	293,966	315,925
Cash paid to suppliers and employees	(7,330,048)	(7,393,289)
Net cash provided by operating activities	379,134	552,301
Cash flows from investing activities		
Purchase of property and equipment	(124,360)	(114,185)
Proceeds from disposal of fixed assets	-	-
Cash paid for investments	(1,638,462)	(373,467)
Proceeds from disposal of investments	1,161,214	1,165,801
Net cash provided/(used) by investing activities	(601,608)	678,149
Cash flows from financing activities		
Proceeds from issuance of long-term debt	711,900	-
Increase in cash and cash equivalents	489,426	1,230,450
Cash and cash equivalents		
Beginning of year	2,471,815	1,241,365
End of year	\$ 2,961,241	\$ 2,471,815
Reconciliation of change in net assets to net cash provided by operating activities		
Change in net assets	\$ (86,003)	\$835,400
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,087,853	1,095,559
Amortization	775	775
Provision for bad debts	(28,025)	-
Realized (gain) loss on disposition of assets	131,912	19,751
Realized (gain) loss on investments	15,548	34,874
Unrealized (gain) loss on investments	(21,407)	(14,810)
Change in value of beneficial interest in charitable remainder trusts	(10,000)	-
Change in value of beneficial interest in perpetual trusts	(570,000)	(400,000)
Non-cash bequests and contributions of assets	(201,075)	(971,694)
Change in cash value of life insurance	(1,127)	(1,126)
Other	-	-
(Increase)/decrease unconditional promises to give	56,147	(24,774)
(Increase)/decrease in SRO receivable	5,336	(19,826)
(Increase)/decrease in grant receivable	3,000	1,500
(Increase)/decrease in inventory	50,036	(45,188)
(Increase)/decrease in prepaid expenses	(14,882)	(1,995)
Increase/(decrease) in accounts payable	(51,121)	29,920
Increase/(decrease) in accrued expenses	12,167	13,935
Net cash provided by operating activities	\$ 379,134	\$ 552,301
Supplemental disclosure of cash flow information		
Noncash operating and investing activities		
Contributions of donated services	\$ 29,000	\$ 26,638
Contributions of donated goods	765,460	867,435
Bequests and contributions of assets	201,075	971,694
	\$ 995,535	\$ 1,865,767

See notes to financial statements.

**The Union Mission
and Union Mission Holding Corporation**

Combined Statement of Functional Expenses

	Program Services					
	Women and Family Shelter	Retail Training Center	Rescue Mission	Camp Hope Haven	Children's Home	Good News Network
Activities	\$ 145	\$ -	\$ -	\$ -	\$ -	\$ -
Advertising	-	-	903	-	-	-
Amortization	-	-	-	-	-	775
Background checks	397	18	111	18	-	-
Bad debt expense / (recovery)	-	-	(28,025)	-	-	-
Bank charges	-	8,249	126	1,768	24	-
Children's activities	-	-	-	-	492	-
Children's expense	-	-	-	-	3,141	-
Commissions	-	13,750	-	-	-	-
Contract labor	-	37,155	24,202	21,342	9,715	-
Contributions	68,380	350	136,430	3,666	486	-
Cost of goods sold	-	196,878	-	-	-	-
Depreciation	269,241	133,548	590,911	16,394	55,651	18,137
Dues and subscriptions	-	95	5,277	30	2,806	-
E-Appeals	-	-	-	-	-	-
Employee training	2,310	1,488	13,354	217	152	-
Equipment rental	6,000	3,211	2,592	1,780	393	16,560
Food	104,492	-	483,054	23,357	8,618	-
Health insurance	31,087	9,643	88,816	3,753	10,779	6,253
Indigent aid	-	30,916	8,605	-	-	-
Insurance	23,909	26,973	76,034	17,466	19,461	10,781
Licenses	200	2,790	3,428	492	204	2,236
Mail production	-	-	-	-	-	-
Medical	-	-	-	-	421	-
Miscellaneous	-	953	1,699	1,013	-	-
Office supplies	1,829	2,861	6,356	251	389	70
Payroll taxes	45,510	26,177	115,857	7,764	6,295	4,420
Postage	55	4	212	77	59	-
Prescriptions	-	-	-	-	-	-
Printing	-	-	-	-	-	-
Professional fees	-	-	7,363	1,750	-	8,558
Promotion	-	535	577	336	-	-
Public awareness	-	-	53,193	-	-	-
Rent	-	-	-	-	-	-
Repairs and maintenance	19,746	39,408	221,514	15,033	32,550	7,754
Salary and fringe benefits	629,709	350,182	1,603,338	104,156	94,223	65,933
Software support	-	3,314	3,362	53	305	-
SRO income - forgiven	-	-	19,180	-	-	-
Supplies	32,337	18,513	130,447	22,467	14,122	833
Taxes	-	20,941	13,472	-	-	-
Telephone and Internet	3,392	6,019	23,465	512	12,343	1,674
Telephone Appeal	-	-	-	-	-	-
Travel	254	7,754	5,077	398	1,297	885
Utilities	128,579	49,590	211,283	34,389	76,143	4,349
Total expenses by function	1,367,572	991,315	3,822,213	278,482	350,069	149,218
Less expenses included with revenues on the statement of activities						
Cost of goods sold	-	(196,878)	-	-	-	-
Total expenses included in the expense section on the statement of activities	\$ 1,367,572	\$ 794,437	\$ 3,822,213	\$ 278,482	\$ 350,069	\$ 149,218

Years Ended June 30,

Supporting Services

		Supporting Services					Comparative
Reaching Romania	Wellness Program	Total Program Services	Management and General	Fund Raising	Total Supporting Services	Total 2020 Functional Expenses	Total 2019 Functional Expenses
\$ -	\$ -	\$ 145	\$ -	\$ -	\$ -	\$ 145	\$ 405
-	-	903	-	-	-	903	715
-	-	775	-	-	-	775	775
-	-	544	55	-	55	599	1,524
-	-	(28,025)	-	-	-	(28,025)	-
180	-	10,347	50,377	2,836	53,213	63,560	56,140
-	-	492	-	-	-	492	2,248
-	-	3,141	-	-	-	3,141	2,202
-	-	13,750	-	-	-	13,750	18,527
40,000	-	132,414	53,657	-	53,657	186,071	180,793
150,000	-	359,312	47	-	47	359,359	461,764
-	-	196,878	-	-	-	196,878	132,628
-	-	1,083,882	3,971	-	3,971	1,087,853	1,095,559
-	-	8,208	1,489	-	1,489	9,697	16,469
-	-	-	-	11,376	11,376	11,376	20,982
-	-	17,521	7,983	-	7,983	25,504	50,971
-	-	30,536	-	-	-	30,536	33,625
1,890	-	621,411	-	-	-	621,411	654,677
-	4,527	154,858	13,260	-	13,260	168,118	144,406
-	-	39,521	-	-	-	39,521	106,436
4,364	-	178,988	10,389	-	10,389	189,377	164,908
-	-	9,350	1,007	590	1,597	10,947	14,442
-	-	-	-	680,050	680,050	680,050	734,727
-	6,198	6,619	-	-	-	6,619	5,386
297	-	3,962	(475)	-	(475)	3,487	5,687
14	-	11,770	8,302	-	8,302	20,072	20,822
-	4,311	210,334	28,408	-	28,408	238,742	235,169
38	-	445	13,291	137,839	151,130	151,575	75,484
-	4,950	4,950	-	-	-	4,950	7,799
-	-	-	-	3,477	3,477	3,477	27,748
-	-	17,671	106,548	49,750	156,298	173,969	155,888
-	-	1,448	82	-	82	1,530	2,109
-	-	53,193	-	274,982	274,982	328,175	414,182
-	-	-	-	-	-	-	-
-	-	336,005	1,736	-	1,736	337,741	260,044
-	64,381	2,911,922	395,397	-	395,397	3,307,319	3,252,225
2,713	-	9,747	50,600	221,044	271,644	281,391	210,873
-	-	19,180	-	-	-	19,180	24,420
289	8,257	227,265	4,582	-	4,582	231,847	261,956
-	-	34,413	-	-	-	34,413	33,650
-	-	47,405	2,652	-	2,652	50,057	59,949
-	-	-	-	17,091	17,091	17,091	18,968
15,514	5,379	36,558	5	-	5	36,563	59,980
-	60	504,393	-	-	-	504,393	531,354
215,299	98,063	7,272,231	753,363	1,399,035	2,152,398	9,424,629	9,558,616
-	-	(196,878)	-	-	-	(196,878)	(132,628)
\$ 215,299	\$ 98,063	\$ 7,075,353	\$ 753,363	\$ 1,399,035	\$ 2,152,398	\$ 9,227,751	\$ 9,425,988

See notes to financial statements.

**The Union Mission
and Union Mission Holding Corporation**

**Notes to Combined Financial Statements
June 30, 2020**

Note 1 - Nature of Organization

The Union Mission (a Virginia not-for-profit, non-stock corporation) is supported primarily through contributions. It engages in various ministries through the following programs: (1) The Rescue Mission and Women and Family Shelter provides for the spiritual and physical needs of homeless people; (2) Camp Hope Haven is a summer camp for children ages seven through thirteen; (3) The Children's Home is a home for children from distressed family situations; (4) The Retail Training Center provides training in the retail industry through the operation of the thrift store; (5) The Good News Network broadcasts Christian programming over two channels to most of the Tidewater area, (6) The Wellness Program provides medical care in cooperation with area health agencies, and (7) Reaching Romania provides ministry outreach to citizens of Romania. The Organization operates its programs primarily in Norfolk and Virginia Beach, Virginia.

In 2008, Union Mission Holding Corporation was created as a not-for-profit organization for the purpose of holding real estate assets of The Union Mission.

Note 2 - Summary of significant accounting policies

Principles of combination – The combined financial statements include the accounts of the two entities: The Union Mission and Union Mission Holding Corporation (Organization). All material intercompany transactions have been eliminated.

Financial statement presentation – The Organization prepares its financial statements on an accrual basis in accordance with U.S. generally accepted accounting principles. The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. In addition, the Organization is required to present a statement of cash flows.

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Non-Profit Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Cash equivalents - For purposes of the statement of cash flows, the Organization considers cash on hand, money market accounts and certificates of deposit with an original maturity of three months or less to be cash equivalents.

Unconditional promises to give - Contributions receivable consist of unconditional promises to give and are recorded in the year the promise is made. Conditional promises to give are not included as support until the conditions are substantially met. Unconditional promises to give are recorded as assets and support in the period in which the promise is received. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. We determine the allowance for uncollectable accounts based on historical experience, an assessment of economic conditions, and a review of subsequent collections.

Accounts receivable - Accounts receivable consists primarily of rag sales and Single-Room Occupancy (SRO) billings.

**The Union Mission
and Union Mission Holding Corporation**

**Notes to Combined Financial Statements
June 30, 2020**

Note 2 - Summary of significant accounting policies (continued)

Land, building and equipment - Land, building and equipment are stated at cost or, if contributed, at the estimated fair market value at the date of contribution. Contributions are reported as without donor restriction support unless the donor restricted the donated asset to a specific purpose. Fixed assets acquired greater than \$5,000 are capitalized. Depreciation is provided primarily using the straight-line method over the estimated useful lives of the related assets. Long-lived assets held and used by the Organization are reviewed for impairment whenever changes in circumstances indicate the carrying value of an asset may not be recoverable.

Investments – The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Investment income is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Intangible assets - The excess of the acquisition cost of Channel 40 over the fair value assigned to its net assets was allocated to Goodwill and License, which is amortized on a straight-line basis over forty years.

Inventory - The Organization's inventory comprises program-related merchandise held for sale in the thrift store and is stated at the lower of cost or market. The majority of the inventory is comprised of noncash donated goods with no cost. The Organization also purchases bulk-lots of merchandise from a whole-seller. These lots contain various clothing, electronics, household goods, and furniture to be sold at the thrift store. The cost of these purchases are allocated to the individual items using a weighted average of the retail price of the items.

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

Beneficial interest in charitable remainder trusts - The Organization has been designated as the beneficiary of assets held in charitable remainder trusts administered by other trustees. The Organization recognizes a contribution with donor restriction and a beneficial interest in charitable remainder trusts is recorded in the statement of financial position at the fair value using 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 Organization are recognized in the statement of activities as a change in value of beneficial interest in charitable remainder trusts. The carrying values of certain other trusts have not yet been determined; accordingly, such assets have not been recorded in the financial statements.

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

**The Union Mission
and Union Mission Holding Corporation**

**Notes to Combined Financial Statements
June 30, 2020**

Note 2 - Summary of significant accounting policies (continued)

Split-interest agreement - The Organization receives certain planned gift donations that benefit not only the Organization, but also the donor or another beneficiary designated by the donor. These contributions are termed split-interest agreements and are generally gifts to be received by the Organization in the future. The Organization benefits from the following types of split-interest agreements: charitable remainder trusts and life-estate agreements.

Income taxes - The Union Mission is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Union Mission Holding Corporation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(2) of the Internal Revenue Code. The Union Mission and Union Mission Holding Corporation's tax years 2016 through 2020 remain open for examination by the Internal Revenue Service and the Virginia Department of Taxation.

Revenue recognition - Contributions are recognized as revenues in the period received and made, including unconditional promises to give. Contributions are recorded as revenue without donor restriction or with donor restriction depending on the existence and/or nature of any donor restrictions. We recognize Store Sales as revenue at the time of purchase in the thrift store. The Organization recognizes grant revenues in the period the grant is received if there are no restrictions on the use of the grant, or if the restrictions are met in the same period received. Rag Sales are recognized as revenue in the period sold. SRO revenue, Camp Retreat revenue, and Rental income are recognized as revenue in the period the facilities are rented.

Noncash contributions - Donated marketable securities and other noncash donations are recorded at the estimated fair value at the date of contribution. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization receives volunteer services, which are not specialized, and therefore, have been excluded from the financial statements.

Recognition of donor restrictions - All donor-restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. However, donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support.

Expenses - Expenses are recognized by the Organization during the period in which they are incurred. Expenses paid in advance and not yet incurred are deferred to the applicable period.

Functional allocation of expenses - The costs of providing the various programs and activities have been summarized on a functional basis in the combined Statements of Activities and the Statements of Functional Expenses. Certain costs have been charged directly. Other costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis using square footage of the space used.

Advertising costs - Advertising costs are expensed as incurred. These costs totaled \$903 in 2020 and \$715 in 2019.

**The Union Mission
and Union Mission Holding Corporation**

**Notes to Combined Financial Statements
June 30, 2020**

Note 2 - Summary of significant accounting policies (continued)

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period, including the allocation of expenses by function. Actual results could differ from those estimates.

Subsequent events - In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 25, 2020 the date the financial statements were available to be issued.

Note 3 - Liquidity

The Organization has identified \$2,961,241 of financial assets available within 1 year of the balance sheet date to meet cash needs for general expenditure consisting of cash and cash equivalents. Of the financial assets identified, \$417,739 is not available for general use due to donor-imposed restrictions. The amount available for general use is \$2,543,502. The Organization has a goal to maintain financial assets, which consist of cash and cash equivalents, on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$1,356,520.

As part of the Organization's goal to liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Organization has committed lines of credit in the amount of \$5 million, which it could draw upon.

Note 4 - Unconditional promises to give

Unconditional promises to give are valued at their fair value. An allowance for uncollectable promises to give of \$- in 2020 and \$28,025 in 2019 has been estimated by management. A discount of \$14,344 in 2020 and \$24,047 in 2019 has been estimated by management.

Unconditional Promises to Give	2020	2019
Due in less than one year	\$ 22,622	\$ 37,998
Due in one to five years	91,610	132,381
Due in more than five years	-	-
	<u>\$ 114,232</u>	<u>\$ 170,379</u>

Note 5 - Land, building and equipment

Land, building and equipment consisted of the following:

	Estimated Lives	2020	2019
Land and Land Improvements		\$ 3,109,036	\$ 3,078,939
Building and Improvements	15-40 years	34,157,294	34,177,187
Furniture and Equipment	7-10 years	2,636,153	2,567,737
		39,902,483	39,823,863
Less accumulated depreciation		(13,910,932)	(12,904,187)
		<u>\$ 25,991,551</u>	<u>\$ 26,919,676</u>

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Note 6 - Investments

The following table presents the fair value of investments, as determined by quoted market price:

		June 30, 2020		
	Book Value	Unrealized Gains	Unrealized Losses	Fair Value (Note 7)
Equity and fixed income securities	\$ 1,254,054	\$ 37,850	\$ -	\$ 1,291,904
Real estate	39,904	-	-	39,904
	<u>\$ 1,293,958</u>	<u>\$ 37,850</u>	<u>\$ -</u>	<u>\$ 1,331,808</u>
		June 30, 2019		
	Book Value	Unrealized Gains	Unrealized Losses	Fair Value (Note 7)
Equity and fixed income securities	\$ 513,284	\$ 14,668	\$ -	\$ 527,952
Real estate	286,954	-	-	286,954
	<u>\$ 800,238</u>	<u>\$ 14,668</u>	<u>\$ -</u>	<u>\$ 814,906</u>

There is no income derived from the real estate.

Investment income for the years ended June 30, 2020 and 2019 consists of the following:

	2020	2019
Interest and dividend income	\$ 35,189	\$ 13,229
Net realized and unrealized gain/(loss) on investments	24,023	(7,922)
Payments received from beneficial interest in perpetual trusts	255,283	290,553
	<u>\$ 314,495</u>	<u>\$ 295,860</u>

Note 7 - Fair value measurements

The following methods and assumptions were used by the Organization in estimating the fair value of other financial instruments, which consist of investments and custodial funds. As defined in FASB ASC Topic 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The Organization utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable. The Organization primarily applies the market approach for recurring fair value measurements and endeavors to utilize the best available information.

FASB ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value and maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available.

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 measurements involving significant unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are as follows:

Level 1 Inputs: Valuation based on quoted prices in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date, and where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

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Note 7 - Fair value measurements (continued)

Level 2 Inputs: Valuation based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, that is markets in which there are few transactions, prices are not current, or prices vary substantially over time.

Level 3 Inputs: Valuation based on inputs that are unobservable for an asset or liability and shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets and liabilities at fair value as of June 30, 2020:

	Fair Value	Level 1	Level 2	Level 3
Assets				
Equity and fixed income securities	\$ 1,291,904	\$ 1,291,904	\$ -	\$ -
Real estate	39,904	-	39,904	-
Beneficial interest in:				
charitable remainder trusts	470,000	-	-	470,000
perpetual trusts	9,330,000	-	-	9,330,000
Total assets	\$ 11,131,808	\$ 1,291,904	\$ 39,904	\$ 9,800,000

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	Without Donor Restriction	With Donor Restriction	Total	
		Beneficial Interest in Charitable Remainder Trusts	Beneficial Interest in Perpetual Trust	
Assets				
Beginning balance	\$ -	\$ 460,000	\$ 8,760,000	\$ 9,220,000
Change in value of beneficial interest	-	10,000	570,000	580,000
Ending assets	\$ -	\$ 470,000	\$ 9,330,000	\$ 9,800,000

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

The fair values of real estate within Level 2 inputs were obtained based on assessments from local governments or sales contracts on the property at the close of the last business day of the fiscal year.

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Note 7 - Fair value measurements (continued)

Beneficial Interest in Charitable Remainder Trusts: Valued based on quoted market prices at the close of the valuation date set by the trustee and discounted to net present value using United States Internal Revenue Service actuarial tables.

Beneficial Interest in Perpetual Trust: Valued based on quoted market prices at the close of the close of the valuation date set by the trustee and discounted to net present value using United States Internal Revenue Service actuarial tables.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future net values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 8 - Net assets with donor restriction

Net assets with donor restrictions are available for program expenses and fixed asset additions of the Children's Home, the Mission, and the Women and Family Shelter.

	Beginning Net Assets	Additions	Released from Restrictions	Ending Net Assets
Subject to expenditure for specified purpose:				
Children's Home	\$ 1,286,118	\$ 76,173	\$ (294,419)	\$ 1,067,872
Camp	18,941	23,888	(11,134)	31,695
Women & Family	3,487	5,100	-	8,587
	<u>\$ 1,308,546</u>	<u>\$ 105,161</u>	<u>\$ (305,553)</u>	<u>\$ 1,108,154</u>
Subject to passage of time:				
Mission - Beneficial interests in charitable remainder trusts	\$ 460,000	\$ 10,000	\$ -	\$ 470,000
	<u>\$ 460,000</u>	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ 470,000</u>
Perpetual in nature, not subject to spending policy or appropriation				
Mission - Beneficial interests in perpetual trusts	\$ 8,760,000	\$ 570,000	\$ -	\$ 9,330,000
	<u>\$ 8,760,000</u>	<u>\$ 570,000</u>	<u>\$ -</u>	<u>\$ 9,330,000</u>
Total	<u>\$10,528,546</u>	<u>\$ 685,161</u>	<u>\$ (305,553)</u>	<u>\$10,908,154</u>

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Note 9 - Related party transactions

A member of the board of directors is an owner of a supplier which during the year ended June 30, 2020 and 2019, provided office supplies of \$145,263 and \$116,912, respectively, net.

The Bashford Foundation is incorporated in the country of Romania for the purpose of establishing ministry outreach to citizens of that country through "Reaching Romania" which is being supported by the Union Mission. The Board of Directors consists of 3 US citizens who are employees of the Union Mission and 2 Romanian citizens. The activity of this corporation is not included in these financial statements.

Note 10 - Concentrations of credit risk

Financial instruments that potentially expose the Organization to concentrations of credit risk consist primarily of cash and cash equivalents, certificates of deposit, and investments in marketable securities. At times, cash balances at financial institutions are in excess of FDIC insurance coverage. The cash balances are maintained at financial institutions with high credit and quality ratings. The Organization has concentrated its credit risk for cash by maintaining large deposits among several banks. The maximum loss that would have resulted from that risk totaled approximately \$2,584,198 at June 30, 2020 for the excess of the deposit liabilities reported by the banks over the amounts that would have been covered by federal insurance.

Note 11 - Commitments

The Organization leases television towers. Total rent paid for the towers for the years ended June 30, 2020 and 2019 was \$16,560 and \$21,130 respectively. One renewed August 2011 and expired July 31, 2016 and renewed for five years beginning August 1, 2016 for \$16,560 annually. The second lease expired November 30, 2013 and renewed for five years beginning December 1, 2013 for \$10,968 annually, this lease was not renewed in December of 2018.

Future minimum lease payments are:

June 30,	Total Amount
2021	\$ 16,560
2022	1,380
2023	-
2024	-
2025	-
Thereafter	-
	\$ 17,940

The Organization uses an independent marketing company to send out fundraising literature. The Organization is under contract with the marketing company until August 31, 2020. During the years ended June 30, 2020 and 2019 the contracted cost was \$48,000 and \$48,000, respectively.

Note 12 - Retirement plan

The Organization sponsors a savings incentive match plan (S.I.M.P.L.E.) as of January 1, 2009 covering any full-time employee over the age of 21. The Organization contributed 3% of the compensation of participating employees, which amounted to \$45,009 and \$43,207 for the years ended June 30, 2020 and 2019.

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**Notes to Combined Financial Statements
June 30, 2020**

Note 13 - Line of Credit

The Organization obtained approval for an unsecured bank line of credit in the amount of \$5,000,000 expiring November 30, 2020. The interest rate on this line of credit will be equal to the one-month LIBOR plus 250 basis points and a floor rate of 3.75%, which shall be adjusted monthly. The available credit remaining at June 30, 2020 was \$5,000,000.

Note 14 - Comparative totals

The financial statements include certain June 30, 2019 summarized comparative information in total but not in sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's combined financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Note 15 - Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Note 16 - Long-term debt

The Organization obtained a Paycheck Protection Program loan in the amount of \$711,900 on April 24, 2020. Under the CARES Act, the term is 2 years at 1%, loan payments will be deferred for six months, no collateral or personal guarantees are required, and there is potential for loan forgiveness. The Organization believes the loan will meet the requirements for loan forgiveness before the current deadline of December 31, 2020.

Note 17 - COVID-19

As of the date through which the Organization has evaluated past and subsequent events, the Organization is evaluating the recent introduction of the COVID-19 virus and its impact on the nonprofit sector. Management has concluded that while it is reasonably possible that the virus could have an adverse effect on the Organization's future revenues, fundraising events, and results of operations, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.