

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

Combined Financial Statements

June 30, 2022

**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

**Opinion**

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, 2022, 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.

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, 2022 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.

**Basis for Opinion**

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

**Responsibilities of Management for the Financial Statements**

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

#### **Report on Summarized Comparative Information**

We have previously audited The Union Mission's and Union Mission Holding Corporation's June 30, 2021 combined financial statements, and our report dated September 23, 2021, 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, 2021, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

*Roger L. Hardy, PC*

October 25, 2022

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

**Combined Statement of Financial Position**

		June 30,	
		Total	Comparative
		2022	Total
		2021	
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 4,854,365	\$ 4,163,863
Unconditional promises to give, net of allowance \$0 and \$0; respectively (see Note 4)		76,967	45,681
Accounts receivable		2,710	12,322
Grants receivable		45,000	-
Inventory		940	1,007
Prepaid expenses		124,094	30,325
<b>Total current assets</b>		<b>5,104,076</b>	<b>4,253,198</b>
<b>Property and equipment</b>			
Land, building and equipment (see Note 5)		40,374,913	39,828,576
Less accumulated depreciation		(15,747,058)	(14,758,696)
<b>Property and equipment, net</b>		<b>24,627,855</b>	<b>25,069,880</b>
<b>Other assets</b>			
Unconditional promises to give, net		128,333	119,847
Investments		2,252,610	2,648,984
Beneficial interest in charitable remainder trusts		550,000	630,000
Beneficial interest in perpetual trusts		9,930,000	9,370,000
Other assets		31,442	73,124
Intangible assets, goodwill and license		6,782	7,557
<b>Total other assets</b>		<b>12,899,167</b>	<b>12,849,512</b>
<b>Total assets</b>		<b>\$ 42,631,098</b>	<b>\$ 42,172,590</b>
<b>Liabilities and Net Assets</b>			
<b>Current liabilities</b>			
Accounts payable		\$ 187,449	\$ 195,733
Accrued expenses		364,626	302,464
<b>Total current liabilities</b>		<b>552,075</b>	<b>498,197</b>
<b>Total liabilities</b>		<b>552,075</b>	<b>498,197</b>
<b>Net assets</b>			
Net assets without donor restrictions		30,376,575	29,847,737
Net assets with donor restrictions		11,702,448	11,826,656
<b>Total net assets</b>		<b>42,079,023</b>	<b>41,674,393</b>
<b>Total liabilities and net assets</b>		<b>\$ 42,631,098</b>	<b>\$ 42,172,590</b>

See notes to financial statements.

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

**Combined Statement of Activities**

	Years Ended June 30,			Comparative
	Without Donor Restrictions	With Donor Restrictions	Total 2022	Total 2021
<b>Public support</b>				
Contributions	\$ 7,220,434	\$ 61,993	\$ 7,282,427	\$ 7,857,458
Noncash contributions	964,736	2,734	967,470	1,003,048
Bequests	482,459	7,160	489,619	423,054
Noncash bequests	-	-	-	-
Grants	125,000	175,000	300,000	330,000
Noncash grant PPP loan forgiveness	-	-	-	711,900
Net assets released from restrictions	851,095	(851,095)	-	-
	<u>9,643,724</u>	<u>(604,208)</u>	<u>9,039,516</u>	<u>10,325,460</u>
<b>Revenue</b>				
Store sales	484,906	-	484,906	455,958
Less cost of goods sold	(28,180)	-	(28,180)	(29,275)
Net store sales	456,726	-	456,726	426,683
SRO revenue	200,060	-	200,060	254,268
Rag sales	111,950	-	111,950	88,552
Other sales	14,338	-	14,338	25,766
Camp Retreat revenue	56,888	-	56,888	10,691
Rental income	47,250	-	47,250	36,400
Change in value of beneficial interest in charitable remainder trusts	-	(80,000)	(80,000)	160,000
Change in value of beneficial interest in perpetual trust	-	560,000	560,000	40,000
Investment income(loss)	197,965	-	197,965	391,411
Other income	23,080	-	23,080	33,171
Gain (loss) on sale of assets	(1,151)	-	(1,151)	(58,620)
	<u>1,107,106</u>	<u>480,000</u>	<u>1,587,106</u>	<u>1,408,322</u>
<b>Total revenues and support</b>	<u>10,750,830</u>	<u>(124,208)</u>	<u>10,626,622</u>	<u>11,733,782</u>
<b>Program service expenses</b>				
Women and Family Shelter	1,334,336	-	1,334,336	1,460,906
Retail Training Center	754,072	-	754,072	748,647
Rescue Mission	3,990,704	-	3,990,704	3,685,526
Camp Hope Haven	425,504	-	425,504	349,653
Children's Home	296,750	-	296,750	267,102
Good News Network	145,742	-	145,742	138,299
Reaching Romania	630,477	-	630,477	254,564
Wellness Program	115,890	-	115,890	101,122
	<u>7,693,475</u>	<u>-</u>	<u>7,693,475</u>	<u>7,005,819</u>
<b>Supporting service expenses</b>				
Management and general	921,349	-	921,349	863,956
Fund raising	1,607,168	-	1,607,168	1,482,804
	<u>2,528,517</u>	<u>-</u>	<u>2,528,517</u>	<u>2,346,760</u>
<b>Total expenses</b>	<u>10,221,992</u>	<u>-</u>	<u>10,221,992</u>	<u>9,352,579</u>
Change in net assets	528,838	(124,208)	404,630	2,381,203
<b>Net assets, beginning of year</b>	<u>29,847,737</u>	<u>11,826,656</u>	<u>41,674,393</u>	<u>39,293,190</u>
<b>Net assets, end of year</b>	<u>\$ 30,376,575</u>	<u>\$ 11,702,448</u>	<u>\$ 42,079,023</u>	<u>\$ 41,674,393</u>

See notes to financial statements.

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

**Combined Statement of Cash Flows**

	Years Ended June 30,	
	Total 2022	Comparative Total 2021
<b>Cash flows from operating activities</b>		
Cash received from contributors	\$ 7,977,437	\$8,579,581
Cash received from sales and services	900,543	851,799
Cash received from investment income	626,737	263,653
Cash paid to suppliers and employees	(8,845,772)	(7,565,587)
<b>Net cash provided by operating activities</b>	<b>658,945</b>	<b>2,129,446</b>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(537,964)	(227,106)
Proceeds from disposal of fixed assets	-	-
Cash paid for investments	(546,829)	(2,048,049)
Proceeds from disposal of investments	1,116,350	1,348,331
<b>Net cash provided/(used) by investing activities</b>	<b>31,557</b>	<b>(926,824)</b>
<b>Cash flows from financing activities</b>		
<b>Increase in cash and cash equivalents</b>	690,502	1,202,622
<b>Cash and cash equivalents</b>		
Beginning of year	4,163,863	2,961,241
End of year	<b>\$ 4,854,365</b>	<b>\$ 4,163,863</b>
<b>Reconciliation of change in net assets to net cash provided by operating activities</b>		
Change in net assets	\$ 404,630	\$ 2,381,203
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,061,005	1,089,111
Amortization	775	775
Provision for bad debts	-	-
Realized (gain) loss on disposition of assets	1,151	58,620
Realized (gain) loss on investments	(21,656)	(66,426)
Unrealized (gain) loss on investments	450,427	(61,332)
Change in value of beneficial interest in charitable remainder trusts	80,000	(160,000)
Change in value of beneficial interest in perpetual trusts	(560,000)	(40,000)
Non-cash bequests and contributions of assets	(684,085)	(488,654)
Non-cash PPP loan forgiveness	-	(711,900)
Change in cash value of life insurance	41,682	(1,135)
Other	-	-
(Increase)/decrease unconditional promises to give	(39,772)	(51,296)
(Increase)/decrease in SRO receivable	9,612	12,128
(Increase)/decrease in grant receivable	(45,000)	21,500
(Increase)/decrease in inventory	67	10,194
(Increase)/decrease in prepaid expenses	(93,769)	7,475
Increase/(decrease) in accounts payable	(8,284)	42,596
Increase/(decrease) in accrued expenses	62,162	86,587
<b>Net cash provided by operating activities</b>	<b>\$ 658,945</b>	<b>\$ 2,129,446</b>
<b>Supplemental disclosure of cash flow information</b>		
Noncash operating and investing activities		
Contributions of donated services	\$ 22,464	\$28,290
Contributions of donated goods	312,440	486,104
Bequests and contributions of assets	684,085	488,654
PPP loan forgiveness	-	711,900
	<b>\$ 1,018,989</b>	<b>\$ 1,714,948</b>

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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Advertising	-	949	-	-	-	-
Amortization	-	-	-	-	-	775
Background checks	255	252	-	19	-	-
Bad debt expense / (recovery)	-	-	-	-	-	-
Bank charges	-	11,169	-	2,435	15	300
Children's activities	-	-	-	-	3,078	-
Children's expense	-	-	-	-	18,169	-
Commissions	-	5,521	-	-	-	-
Contract labor	-	74,825	45,617	6,546	-	-
Contributions	10,036	-	132,037	846	288	-
Cost of goods sold	-	28,180	-	-	-	-
Depreciation	254,129	138,212	589,823	19,506	43,654	15,194
Dues and subscriptions	100	30	4,398	250	3,619	-
E-Appeals	-	-	-	-	-	-
Employee training	14,779	1,948	41,477	1,049	-	-
Equipment rental	6,000	264	1,240	1,088	-	17,330
Food	28,584	-	331,083	18,515	14,437	-
Health insurance	50,686	-	77,887	10,166	9,189	7,228
Indigent aid	9,542	7,984	27,271	253	-	-
Insurance	24,175	27,684	77,301	21,757	16,691	4,166
Licenses	360	1,811	2,932	356	85	1,513
Mail production	-	-	-	-	-	-
Medical	-	-	-	60	112	-
Miscellaneous	-	177	139	3,125	10	-
Office supplies	1,947	1,113	5,969	470	84	-
Payroll taxes	43,865	23,501	128,229	10,606	5,282	5,471
Postage	15	14	9	1,698	37	-
Prescriptions	-	-	-	-	-	-
Printing	-	-	86	1,170	-	-
Professional fees	-	-	66,913	10,747	21,305	2,193
Promotion	-	122	5	-	-	-
Public awareness	-	-	33,311	-	-	-
Repairs and maintenance	111,866	24,736	213,515	51,460	11,984	54
Salary and fringe benefits	636,794	317,018	1,827,637	145,371	85,428	85,194
Software support	1,980	1,334	7,930	448	63	-
SRO income - forgiven	-	-	7,040	-	-	-
Supplies	24,822	15,356	89,378	28,681	5,551	489
Taxes	-	23,843	8,034	-	-	-
Telephone and Internet	3,546	7,577	20,863	5,485	3,618	1,781
Telephone Appeal	-	-	-	-	-	-
Travel	174	9,420	9,143	2,461	3,160	392
Utilities	110,681	59,212	241,437	80,936	50,891	3,662
<b>Total expenses by function</b>	<b>1,334,336</b>	<b>782,252</b>	<b>3,990,704</b>	<b>425,504</b>	<b>296,750</b>	<b>145,742</b>
Less expenses included with revenues on the statement of activities						
Cost of goods sold	-	(28,180)	-	-	-	-
<b>Total expenses included in the expense section on the statement of activities</b>	<b>\$ 1,334,336</b>	<b>\$ 754,072</b>	<b>\$ 3,990,704</b>	<b>\$ 425,504</b>	<b>\$ 296,750</b>	<b>\$ 145,742</b>



Years Ended June 30,

		Supporting Services					Comparative	
Reaching Romania	Wellness Program	Total Program Services	Management and General	Fund Raising	Total Supporting Services	Total 2022 Functional Expenses	Total 2021 Functional Expenses	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$120	
-	-	949	-	-	-	949	1,279	
-	-	775	-	-	-	775	775	
-	-	526	154	-	154	680	2,154	
-	-	-	-	-	-	-	-	
495	-	14,414	78,374	350	78,724	93,138	83,283	
-	-	3,078	-	-	-	3,078	1,399	
-	-	18,169	-	-	-	18,169	17,556	
-	-	5,521	-	-	-	5,521	5,716	
100,601	-	227,589	67,982	-	67,982	295,571	239,948	
501,016	-	644,223	-	-	-	644,223	282,888	
-	-	28,180	-	-	-	28,180	29,275	
-	-	1,060,518	487	-	487	1,061,005	1,089,111	
-	-	8,397	309	-	309	8,706	9,944	
-	-	-	-	3,475	3,475	3,475	17,861	
215	999	60,467	5,626	-	5,626	66,093	30,315	
-	-	25,922	-	-	-	25,922	27,171	
1,610	-	394,229	1,095	-	1,095	395,324	433,664	
-	5,014	160,170	16,008	-	16,008	176,178	179,724	
-	-	45,050	-	-	-	45,050	116,662	
3,742	2,029	177,545	8,305	-	8,305	185,850	188,523	
186	120	7,363	4,244	245	4,489	11,852	9,416	
-	-	-	-	765,769	765,769	765,769	562,806	
-	5,525	5,697	-	-	-	5,697	5,224	
958	-	4,409	709	-	709	5,118	1,960	
17	202	9,802	9,978	-	9,978	19,780	18,980	
-	8,740	225,694	32,420	-	32,420	258,114	217,964	
202	-	1,975	2,063	246,973	249,036	251,011	238,786	
-	4,499	4,499	-	-	-	4,499	4,154	
-	-	1,256	-	43,736	43,736	44,992	25,264	
-	-	101,158	110,346	82,064	192,410	293,568	221,862	
-	-	127	25	-	25	152	860	
-	-	33,311	-	243,432	243,432	276,743	294,359	
-	860	414,475	70	-	70	414,545	376,469	
-	73,110	3,170,552	462,552	-	462,552	3,633,104	3,373,357	
369	-	12,124	101,288	204,403	305,691	317,815	412,436	
-	-	7,040	-	-	-	7,040	25,960	
606	12,651	177,534	15,685	-	15,685	193,219	209,358	
-	-	31,877	-	-	-	31,877	34,914	
-	172	43,042	3,508	-	3,508	46,550	49,887	
-	-	-	-	16,721	16,721	16,721	14,512	
20,460	1,969	47,179	121	-	121	47,300	20,665	
-	-	546,819	-	-	-	546,819	505,293	
630,477	115,890	7,721,655	921,349	1,607,168	2,528,517	10,250,172	9,381,854	
-	-	(28,180)	-	-	-	(28,180)	(29,275)	
<u>\$ 630,477</u>	<u>\$ 115,890</u>	<u>\$ 7,693,475</u>	<u>\$ 921,349</u>	<u>\$ 1,607,168</u>	<u>\$ 2,528,517</u>	<u>\$ 10,221,992</u>	<u>\$ 9,352,579</u>	

See notes to financial statements.

**The Union Mission  
and Union Mission Holding Corporation  
Notes to Combined Financial Statements  
June 30, 2022**

**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 Without Donor Restrictions with Board Designation – Net assets that have been designated by the Board from the investment income related to the Children's Home investment accounts (interest, dividends, realized/unrealized capital gains) to be applied against expenses of the Children's Home. There is no balance as of June 30, 2022.

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, 2022**

**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  
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**Notes to Combined Financial Statements**  
**June 30, 2022**

**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 2018 through 2022 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 \$949 in 2022 and \$1,279 in 2021.



**The Union Mission  
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Notes to Combined Financial Statements  
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**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 October 25, 2022 the date the financial statements were available to be issued.

**Note 3 - Liquidity**

The Organization has identified \$3,348,746 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, \$974,192 is not available for general use due to donor-imposed restrictions. The amount available for general use is \$2,374,554. 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 \$1,526,702.

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 zero has been estimated by management in 2022 and 2021. A discount of \$20,406 in 2022 and \$22,298 in 2021 has been estimated by management.

<b>Unconditional Promises to Give</b>	2022	2021
Due in less than one year	\$ 76,967	\$ 45,681
Due in one to five years	128,333	119,847
Due in more than five years	-	-
	<u>\$ 205,300</u>	<u>\$ 165,528</u>

**Note 5 - Land, building and equipment**

Land, building and equipment consisted of the following:

	Estimated Lives	2022	2021
Land and Land Improvements		\$ 3,013,957	\$ 3,013,957
Building and Improvements	15-40 years	34,884,078	34,350,036
Furniture and Equipment	7-10 years	2,476,878	2,464,583
		<u>40,374,913</u>	<u>39,828,576</u>
Less accumulated depreciation		<u>(15,757,058)</u>	<u>(14,758,696)</u>
		<u>\$ 24,617,855</u>	<u>\$ 25,069,880</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, 2022			
	Book Value	Unrealized Gains	Unrealized Losses	Fair Value (Note 7)
Equity and fixed income securities	\$ 2,583,247	\$ -	\$ 350,240	\$ 2,233,007
Real estate	19,603	-	-	19,603
	\$ 2,602,850	\$ -	\$ 350,240	\$ 2,252,610

  

	June 30, 2021			
	Book Value	Unrealized Gains	Unrealized Losses	Fair Value (Note 7)
Equity and fixed income securities	\$ 2,509,921	\$ 99,159	\$ -	\$ 2,609,080
Real estate	39,904	-	-	39,904
	\$ 2,549,825	\$ 99,159	\$ -	\$ 2,648,984

There is no income derived from the real estate.

Investment income for the years ended June 30, 2022 and 2021 consists of the following:

	2022	2021
Interest and dividend income	\$ 58,454	\$ 41,502
Net realized and unrealized gain/(loss) on investments	(411,865)	133,679
Payments received from beneficial interest in perpetual trusts	551,376	216,230
	\$ 197,965	\$ 391,411

**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.

**The Union Mission  
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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, 2022:

	Fair Value	Level 1	Level 2	Level 3
<b>Assets</b>				
Equity and fixed income securities	\$ 2,233,007	\$ 2,233,007	\$ -	\$ -
Real estate	19,603	-	19,603	-
Beneficial interest in:				
charitable remainder trusts	550,000	-	-	550,000
perpetual trusts	9,930,000	-	-	9,930,000
<b>Total assets</b>	<b>\$ 12,732,610</b>	<b>\$ 2,233,007</b>	<b>\$ 19,603</b>	<b>\$ 10,480,000</b>

**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	
<b>Assets</b>				
Beginning balance	\$ -	\$ 630,000	\$ 9,370,000	\$ 10,000,000
Change in value of beneficial interest	-	(80,000)	560,000	480,000
<b>Ending assets</b>	<b>\$ -</b>	<b>\$ 550,000</b>	<b>\$ 9,930,000</b>	<b>\$ 10,480,000</b>

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.

	<u>Beginning Net Assets</u>	<u>Additions</u>	<u>Released from Restrictions</u>	<u>Ending Net Assets</u>
Subject to expenditure for specified purpose:				
Mission	\$ 67,345	\$ 135,000	\$ 73,985	\$ 128,360
Children's Home	1,020,839	71,887	253,096	839,630
Camp	8,385	-	765	7,620
Women & Family	730,087	40,000	523,249	246,838
	<u>\$ 1,826,656</u>	<u>\$ 246,887</u>	<u>\$ 851,095</u>	<u>\$ 1,222,448</u>
Subject to passage of time:				
Mission - Beneficial interests in charitable remainder trusts	\$ 140,000	\$ -	\$ 20,000	\$ 120,000
Children's Home - Beneficial interests in charitable remainder trusts	490,000	-	60,000	430,000
	<u>\$ 630,000</u>	<u>\$ -</u>	<u>\$ 80,000</u>	<u>\$ 550,000</u>
Perpetual in nature, not subject to spending policy or appropriation				
Mission - Beneficial interests in perpetual trusts	\$ 9,370,000	\$ 560,000	\$ -	\$ 9,930,000
	<u>\$ 9,370,000</u>	<u>\$ 560,000</u>	<u>\$ -</u>	<u>\$ 9,930,000</u>
<b>Total</b>	<u><b>\$11,826,656</b></u>	<u><b>\$ 806,887</b></u>	<u><b>\$ 931,095</b></u>	<u><b>\$11,702,448</b></u>



**The Union Mission  
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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, 2022 and 2021, provided office supplies of \$105,248 and \$71,964 respectively, net.

The Bashford Foundation is incorporated in the country of Romania for the purpose of establishing ministry outreach to citizens of that country. The Union Mission, through "Reaching Romania" program services, supports the efforts of The Bashford Foundation. The Board of Directors of The Bashford Foundation consists of 3 US citizens who are employees of the Union Mission and 1 Romanian citizen. 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 \$3,348,746 at June 30, 2022 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 one television tower. Total rent paid for the tower for the years ended June 30, 2022 and 2021 was \$17,330 and \$16,560 respectively. The lease renewed August 1, 2021 for ten years, with a 3% increase annually starting at \$17,400.

Future minimum lease payments are:

June 30,	Total Amount
2023	\$ 17,879
2024	18,415
2025	18,967
2026	19,536
2027	20,122
Thereafter	88,602
	\$ 183,521

The Organization uses an independent marketing company to send out fundraising literature. The Organization is under contract with the marketing company until August 31, 2021. During the years ended June 30, 2022 and 2021 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 \$61,721 and \$54,052 for the years ended June 30, 2022 and 2021.

**The Union Mission  
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**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, 2022. 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, 2022 was \$5,000,000.

**Note 14 - Comparative totals**

The financial statements include certain June 30, 2021 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, 2021, 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 and forgiveness**

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 were be deferred for six months, no collateral or personal guarantees are required, and there was potential for loan forgiveness. The Organization met the requirements for loan forgiveness before the deadline of December 31, 2020 and received forgiveness on January 6, 2021. As such, the 2021 forgiveness was recognized as noncash grant on the Combined Statement of Activities.

**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.