

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

Combined Financial Statements

June 30, 2023

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

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Roger L. Handy, PC

Certified Public Accountants
and Consultants

1064 Laskin Road, Suite 25C
Virginia Beach, VA 23451-6337
Telephone (757) 965-7501
Fax (757) 965-7503

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, 2023, 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, 2023 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

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, 2022 combined financial statements, and our report dated October 25, 2022, 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, 2022, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

Roger L. Standy, PC

October 10, 2023

The Union Mission

and Union Mission Holding Corporation

Combined Statement of Financial Position

		June 30,	
		Total	Comparative
		2023	Total
			2022
Assets			
Current assets			
Cash and cash equivalents	\$	4,910,956	\$ 4,854,365
Unconditional promises to give, net of allowance			
\$0 and \$0; respectively (see Note 4)		1,625	76,967
Accounts receivable		1,506	2,710
Grants receivable		30,000	45,000
Inventory		1,410	940
Prepaid expenses		234,945	124,094
Total current assets		5,180,442	5,104,076
Property and equipment			
Land, building and equipment (see Note 5)		40,378,858	40,374,913
Less accumulated depreciation		(16,494,319)	(15,747,058)
Property and equipment, net		23,884,539	24,627,855
Other assets			
Unconditional promises to give, net		55,897	128,333
Investments		2,407,370	2,252,610
Beneficial interest in charitable remainder trusts		330,000	550,000
Beneficial interest in perpetual trusts		5,830,000	9,930,000
Beneficial interest in community foundation (see Note 8)		20,000	-
Other assets		31,442	31,442
Intangible assets, goodwill and license		-	6,782
Total other assets		8,674,709	12,899,167
Total assets	\$	37,739,690	\$ 42,631,098
Liabilities and Net Assets			
Current liabilities			
Accounts payable	\$	199,194	\$ 187,449
Accrued expenses		234,088	364,626
Deferred revenue		986	-
Total current liabilities		434,268	552,075
Total liabilities		434,268	552,075
Net assets			
Net assets without donor restrictions			
Undesignated		29,754,074	30,376,575
Board designated: quasi-endowment (see Note 9)		20,000	-
Total net assets without donor restrictions		29,774,074	30,376,575
Net assets with donor restrictions		7,531,348	11,702,448
Total net assets		37,305,422	42,079,023

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

Combined Statement of Activities

	Years Ended June 30,			Comparative
	Without Donor Restrictions	With Donor Restrictions	Total 2023	Total 2022
Public support				
Contributions	\$ 7,321,752	\$ 350,241	\$ 7,671,993	\$ 7,282,427
Noncash contributions	651,401	-	651,401	967,470
Bequests	467,202	2,650	469,852	489,619
Noncash bequests	-	-	-	-
Grants	25,000	129,200	154,200	300,000
Net assets released from restrictions	333,191	(333,191)	-	-
	<u>8,798,546</u>	<u>148,900</u>	<u>8,947,446</u>	<u>9,039,516</u>
Revenue				
Store sales	464,371	-	464,371	484,906
Less cost of goods sold	(51,757)	-	(51,757)	(28,180)
Net store sales	<u>412,614</u>	<u>-</u>	<u>412,614</u>	<u>456,726</u>
SRO revenue	181,580	-	181,580	200,060
Rag sales	82,843	-	82,843	111,950
Other sales	20,851	-	20,851	14,338
Camp Retreat revenue	83,544	-	83,544	56,888
Rental income	55,380	-	55,380	47,250
Change in value of beneficial interest in charitable remainder trusts	-	(220,000)	(220,000)	(80,000)
Change in value of beneficial interest in perpetual trust	-	(4,100,000)	(4,100,000)	560,000
Change in value of beneficial interest in community foundation	(5,000)	-	(5,000)	560,000
Net Investment income(loss)	570,893	-	570,893	197,965
Other income	16,551	-	16,551	23,080
Gain (loss) on sale of assets	942,959	-	942,959	(1,151)
	<u>2,362,215</u>	<u>(4,320,000)</u>	<u>(1,957,785)</u>	<u>2,147,106</u>
Total revenues and support	<u>11,160,761</u>	<u>(4,171,100)</u>	<u>6,989,661</u>	<u>11,186,622</u>
Program service expenses				
Women's Shelter	1,431,277	-	1,431,277	1,334,336
Retail Training Center	727,785	-	727,785	754,072
Rescue Mission	4,397,469	-	4,397,469	3,990,704
Camp Hope Haven	515,246	-	515,246	425,504
Children's Home	289,419	-	289,419	296,750
Good News Network	142,470	-	142,470	145,742
Reaching Romania	1,282,803	-	1,282,803	630,477
Wellness Program	142,697	-	142,697	115,890
	<u>8,929,166</u>	<u>-</u>	<u>8,929,166</u>	<u>7,693,475</u>
Supporting service expenses				
Management and general	992,069	-	992,069	921,349
Fund raising	1,842,027	-	1,842,027	1,607,168
	<u>2,834,096</u>	<u>-</u>	<u>2,834,096</u>	<u>2,528,517</u>
Total expenses	<u>11,763,262</u>	<u>-</u>	<u>11,763,262</u>	<u>10,221,992</u>
Change in net assets	(602,501)	(4,171,100)	(4,773,601)	964,630
Net assets, beginning of year	<u>30,376,575</u>	<u>11,702,448</u>	<u>42,079,023</u>	<u>41,674,393</u>
Net assets, end of year	<u>\$ 29,774,074</u>	<u>\$ 7,531,348</u>	<u>\$ 37,305,422</u>	<u>\$ 42,639,023</u>

See notes to financial statements.

The Union Mission
and Union Mission Holding Corporation

Combined Statement of Cash Flows

	Years Ended June 30,	
	Total 2023	Comparative Total 2022
Cash flows from operating activities		
Cash received from contributors	\$ 8,360,342	\$7,977,437
Cash received from sales and services	838,853	900,543
Cash received from investment income	535,255	626,737
Cash paid to suppliers and employees	(10,513,157)	(8,845,772)
Net cash provided/(used) by operating activities	(778,707)	658,945
Cash flows from investing activities		
Purchase of property and equipment	(275,109)	(537,964)
Proceeds from disposal of fixed assets	950,000	-
Cash paid for investments	(813,856)	(546,829)
Proceeds from disposal of investments	974,263	1,116,350
Net cash provided by investing activities	835,298	31,557
Cash flows from financing activities		
Increase in cash and cash equivalents	56,591	690,502
Cash and cash equivalents		
Beginning of year	4,854,365	4,163,863
End of year	<u>\$ 4,910,956</u>	<u>\$ 4,854,365</u>
Reconciliation of change in net assets to net cash provided by operating activities		
Change in net assets	\$ (4,773,601)	\$ 404,630
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,017,394	1,061,005
Amortization	775	775
Provision for bad debts	-	-
Realized (gain) loss on disposition of assets	(942,959)	1,151
Realized (gain) loss on investments	96,081	(21,656)
Unrealized (gain) loss on investments	(131,719)	450,427
Change in value of beneficial interest in charitable remainder trusts	220,000	80,000
Change in value of beneficial interest in perpetual trusts	4,100,000	(560,000)
Change in value of beneficial interest in community foundation	5,000	-
Non-cash bequests and contributions of assets	(304,532)	(684,085)
Change in cash value of life insurance	-	41,682
(Increase)/decrease unconditional promises to give	147,778	(39,772)
(Increase)/decrease in accounts receivable	1,204	9,612
(Increase)/decrease in grant receivable	15,000	(45,000)
(Increase)/decrease in inventory	(470)	67
(Increase)/decrease in prepaid expenses	(110,851)	(93,769)
Increase/(decrease) in accounts payable	11,745	(8,284)
Increase/(decrease) in accrued expenses	(130,538)	62,162
Increase/(decrease) in deferred revenue	986	-
Net cash provided/(used) by operating activities	\$ (778,707)	\$ 658,945
Supplemental disclosure of cash flow information		
Noncash operating and investing activities		
Contributions of donated services	\$ 23,730	\$22,464
Contributions of donated goods	421,620	312,440
Bequests and contributions of assets	304,532	684,085
	<u>\$ 749,882</u>	<u>\$ 1,018,989</u>

See notes to financial statements.

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

Combined Statement of Functional Expenses

	Program Services					
	Women's Shelter	Retail Training Center	Rescue Mission	Camp Hope Haven	Children's Home	Good News Network
Activities	\$ -	\$ -	\$ 300	\$ -	\$ -	\$ -
Advertising	-	571	-	-	-	-
Amortization	-	-	-	-	-	775
Background checks	488	-	-	822	-	-
Bad debt expense / (recovery)	-	-	-	-	-	-
Bank charges	-	5,343	-	1,170	-	359
Children's activities	-	-	-	4,825	5,040	-
Children's expense	-	-	-	-	17,956	-
Commissions	-	7,437	-	-	-	-
Contract labor	-	33,490	89,087	25,668	1,110	-
Contributions	22,722	13	105,496	30	-	-
Cost of goods sold	-	51,757	-	-	-	-
Depreciation	270,228	135,967	549,406	24,149	37,522	-
Dues and subscriptions	-	-	10,558	-	1,111	-
E-Appeals	-	-	-	-	-	-
Employee training	7,791	258	28,125	254	-	-
Equipment rental	-	-	1,273	2,652	-	17,879
Food	97,512	-	374,184	26,398	13,099	-
Health insurance	40,656	-	75,621	12,416	9,786	9,185
Indigent aid	31,564	10,691	42,293	-	-	-
Insurance	24,084	30,964	74,161	23,670	24,965	4,298
Licenses	266	517	3,831	1,422	253	3,469
Mail production	-	-	-	-	-	-
Medical	-	-	-	-	1,213	-
Miscellaneous	-	155	-	1,393	951	-
Office supplies	3,443	1,768	17,249	1,623	194	89
Payroll taxes	45,862	24,302	144,212	12,454	5,139	5,834
Postage	8	41	4,358	330	7	-
Prescriptions	-	-	-	-	-	-
Printing	-	-	3,466	2,490	-	-
Professional fees	-	-	110,331	4,775	11,435	11,707
Promotion	-	-	-	185	-	-
Public awareness	-	-	36,423	-	-	-
Repairs and maintenance	64,434	33,853	236,606	68,433	9,154	2,136
Salary and fringe benefits	639,000	325,111	2,031,874	170,380	83,487	78,828
Software support	-	2,907	13,730	519	331	-
SRO income - forgiven	-	-	6,380	-	-	-
Supplies	32,484	16,065	128,238	34,292	4,256	400
Taxes	-	18,063	13,634	-	-	-
Telephone and Internet	5,668	4,663	23,129	3,834	3,099	2,671
Telephone Appeal	-	-	-	-	-	-
Travel	244	5,742	9,965	2,167	2,517	764
Utilities	144,823	69,864	263,539	88,895	56,794	4,076
Total expenses by function	1,431,277	779,542	4,397,469	515,246	289,419	142,470
Less expenses included with revenues on the statement of activities						
Cost of goods sold	-	(51,757)	-	-	-	-
Total expenses included in the expense section on the statement of activities	\$ 1,431,277	\$ 727,785	\$ 4,397,469	\$ 515,246	\$ 289,419	\$ 142,470

See notes to financial statements.

Years Ended June 30,

Supporting Services							
Reaching Romania	Wellness Program	Total Program Services	Management and General	Fund Raising	Total Supporting Services	Total 2023 Functional Expenses	Comparative Total 2022 Functional Expenses
\$ -	\$ -	\$ 300	\$ -	\$ -	\$ -	\$ 300	\$ -
-	-	571	-	-	-	571	949
-	-	775	-	-	-	775	775
-	-	1,310	-	-	-	1,310	680
-	-	-	-	-	-	-	-
1,030	-	7,902	86,461	20,120	106,581	114,483	93,138
-	-	9,865	-	-	-	9,865	3,078
-	-	17,956	-	-	-	17,956	18,169
-	-	7,437	-	-	-	7,437	5,521
122,800	-	272,155	75,727	-	75,727	347,882	295,571
1,069,380	-	1,197,641	-	-	-	1,197,641	644,223
-	-	51,757	-	-	-	51,757	28,180
-	-	1,017,272	122	-	122	1,017,394	1,061,005
-	-	11,669	980	-	980	12,649	8,706
-	-	-	-	3,350	3,350	3,350	3,475
-	3,699	40,127	7,188	-	7,188	47,315	66,093
-	-	21,804	142	-	142	21,946	25,922
1,573	-	512,766	100	-	100	512,866	395,324
-	5,717	153,381	23,864	-	23,864	177,245	176,178
-	-	84,548	-	-	-	84,548	45,050
3,627	2,033	187,802	11,734	-	11,734	199,536	185,850
-	-	9,758	3,429	-	3,429	13,187	11,852
-	-	-	-	592,839	592,839	592,839	765,769
-	20,080	21,293	-	-	-	21,293	5,697
4,446	-	6,945	-	-	-	6,945	5,118
468	506	25,340	7,661	-	7,661	33,001	19,780
-	6,495	244,298	39,604	-	39,604	283,902	258,114
675	-	5,419	13	278,072	278,085	283,504	251,011
-	5,657	5,657	-	-	-	5,657	4,499
2,307	-	8,263	-	75,406	75,406	83,669	44,992
42,407	-	180,655	106,602	106,245	212,847	393,502	293,568
-	-	185	560	-	560	745	152
-	-	36,423	100	133,765	133,865	170,288	276,743
-	113	414,729	5,686	-	5,686	420,415	414,545
-	93,264	3,421,944	564,599	-	564,599	3,986,543	3,633,104
890	-	18,377	41,982	618,877	660,859	679,236	317,815
-	-	6,380	-	-	-	6,380	7,040
233	1,737	217,705	11,978	-	11,978	229,683	193,219
-	-	31,697	-	-	-	31,697	31,877
-	-	43,064	3,199	-	3,199	46,263	46,550
-	-	-	-	13,353	13,353	13,353	10,721
32,967	3,396	57,762	257	-	257	58,019	47,300
-	-	627,991	81	-	81	628,072	546,819
1,282,803	142,697	8,980,923	992,069	1,842,027	2,834,096	11,815,019	10,250,172
-	-	(51,757)	-	-	-	(51,757)	(28,180)
\$ 1,282,803	\$ 142,697	\$ 8,929,166	\$ 992,069	\$ 1,842,027	\$ 2,834,096	\$ 11,763,262	\$ 10,221,992

See notes to financial statements.

**The Union Mission
and Union Mission Holding Corporation
Notes to Combined Financial Statements
June 30, 2023**

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's Shelter (including Women and Children's 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 broadcasted 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: Children's Home – 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, 2023.

Net Assets Without Donor Restrictions with Board Designation: Quasi-endowment – Net assets that have been designated by the Board to be a quasi-endowment to provide funds for operations, see Note 9. The balance is \$20,000 as of June 30, 2023.

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, checking and savings accounts, cash sweep accounts, money market accounts, and certificates of deposit with an original maturity of three months or less or with no penalty withdrawals, to be cash equivalents.

**The Union Mission
and Union Mission Holding Corporation
Notes to Combined Financial Statements
June 30, 2023**

Note 2 - Summary of significant accounting policies (continued)

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.

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.

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. Net investment income(loss) 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. See Note 7 for discussion of fair value measurements.

Net realized and unrealized investment gains or losses are determined by comparison of asset cost, using the specific identification method, or net proceeds received at the time of sale and changes in the difference between market values and cost, respectively.

The Organizations' investment portfolio consists of a diverse mix of investments, without concentration of risk by type, industry or geographic area, which are managed by professional investment managers in compliance with the investment policy established by the Board of Directors. Investments are exposed to various risks, such as interest rate, market volatility and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of investments may occur in the near term and that such changes could materially affect account balances.

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. The station was sold during the year ending June 30, 2023.

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.

**The Union Mission
and Union Mission Holding Corporation**
Notes to Combined Financial Statements
June 30, 2023

Note 2 - Summary of significant accounting policies (continued)

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.

Beneficial interest in community foundation - The beneficial interest in the funds held and invested by the Hampton Roads Community Foundation are the result of agreements whereby the Organization has transferred assets to the community foundation to establish a board designated quasi-endowment fund and benefits from those assets. At the time of the transfer, the Organization granted limited variance power to the community foundation. That power gives the community foundation the right to vary the purpose of the fund if continued adherence to any condition or restriction is in the judgment of the community foundation's Boards of Directors unnecessary, incapable of fulfillment or inconsistent with the charitable or other exempt purposes of the community foundations or needs of the community served by the community foundations. The Organization is allocated its funds' proportionate share of the community foundation's funds' investment return on an annual basis. The Organization may draw up to a certain percent of the value of the funds each year, subject to certain conditions and limitations, but may only obtain draw amounts more than the spending policy upon consent of the community foundation. Annual distributions, if withdrawn, from the community foundation to the Organization are expended on programs or services that fulfill its mission.

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 2019 through 2023 remain open for examination by the Internal Revenue Service and the Virginia Department of Taxation.

**The Union Mission
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Notes to Combined Financial Statements
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Note 2 - Summary of significant accounting policies (continued)

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. Donated food is utilized in the Organization programs and is recorded as support at its estimated fair market value using an average cost of \$.50 per pound. Donated Assistance and Supplies are generally new items such as socks, toiletries, bus tickets, etc... that are utilized in the programs and are recorded at the retail value of the items. This also includes items from the Retail Training Center that are distributed to clients using vouchers; these items are recorded at the thrift store value of the items distributed. Donated marketable securities, real estate, and fixed assets are recorded at the fair value at the time of the gift.

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 \$571 in 2023 and \$949 in 2022.

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 10, 2023 the date the financial statements were available to be issued.

**The Union Mission
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Notes to Combined Financial Statements
June 30, 2023**

Note 3 - Liquidity

The Organization has identified \$4,910,956 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, \$860,239 is not available for general use due to donor-imposed restrictions. The amount available for general use is \$4,050,717. 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 \$1,790,850.

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.

The Organization's board-designated endowment is subject to an annual spending rate as described in Note 9. Although the Organization does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation), these amounts could be made available if necessary.

Note 4 - Unconditional promises to give

Unconditional promises to give are valued at their fair value using the present value of future cash flows discounted at the incremental borrowing rate, 7.63171%. An allowance for uncollectable promises to give of zero has been estimated by management in 2023 and 2022. A discount of \$9,104 in 2023 and \$20,406 in 2022 has been estimated by management.

Unconditional Promises to Give

	2023	2022
Due in less than one year	\$ 1,625	\$ 76,967
Due in one to five years	55,897	128,333
Due in more than five years	-	-
	<u>\$ 57,522</u>	<u>\$ 205,300</u>

Note 5 - Land, building and equipment

Land, building and equipment consisted of the following:

	Estimated Lives	2023	2022
Land and Land Improvements		\$ 3,013,957	\$ 3,013,957
Building and Improvements	15-40 years	34,962,511	34,884,078
Furniture and Equipment	7-10 years	2,402,390	2,476,878
		<u>40,378,858</u>	<u>40,374,913</u>
Less accumulated depreciation		<u>(16,494,319)</u>	<u>(15,757,058)</u>
		<u>\$ 23,884,539</u>	<u>\$ 24,617,855</u>

**The Union Mission
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Notes to Combined Financial Statements
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Note 6 - Investments

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

June 30, 2023				
	Book Value	Unrealized Gains	Unrealized Losses	Fair Value (Note 7)
Equities, mutual funds, and exchange traded funds	\$ 2,579,071	\$ -	\$ 219,304	\$ 2,359,767
Real estate	47,603	-	-	47,603
	<u>\$ 2,626,674</u>	<u>\$ -</u>	<u>\$ 219,304</u>	<u>\$ 2,407,370</u>

June 30, 2022				
	Book Value	Unrealized Gains	Unrealized Losses	Fair Value (Note 7)
Equities, mutual funds, and exchange traded funds	\$ 2,583,247	\$ -	\$ 350,240	\$ 2,233,007
Real estate	19,603	-	-	19,603
	<u>\$ 2,602,850</u>	<u>\$ -</u>	<u>\$ 350,240</u>	<u>\$ 2,252,610</u>

There is no income derived from the real estate, but an additional property valued at \$28,000 was added during the year.

Investment income for the years ended June 30, 2023 and 2022 consists of the following:

	2023	2022
Interest and dividend income	\$ 103,458	\$ 58,454
Net realized and unrealized gain/(loss) on investments	51,716	(411,865)
Payments received from beneficial interest in perpetual trusts	415,719	551,376
	<u>\$ 570,893</u>	<u>\$ 197,965</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 Union Mission
and Union Mission Holding Corporation**
Notes to Combined Financial Statements
June 30, 2023

Note 7 - Fair value measurements (continued)

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.

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, 2023:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets				
Equities, mutual funds, and exchange traded funds	\$ 2,359,767	\$ 2,359,767	\$ -	\$ -
Real estate	47,603	-	47,603	-
Beneficial interest in:				
charitable remainder trusts	330,000	-	-	330,000
perpetual trusts	5,830,000	-	-	5,830,000
community foundation	20,000	-	-	20,000
Total assets	<u>\$ 8,587,370</u>	<u>\$ 2,359,767</u>	<u>\$ 47,603</u>	<u>\$ 6,180,000</u>

**Fair Value Measurements Using Significant Unobservable
Inputs (Level 3)**

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
	<u>Beneficial Interest in Community Foundation</u>	<u>Beneficial Interest in Charitable Remainder Trusts</u>	<u>Beneficial Interest in Perpetual Trust</u>
Assets			
Beginning balance	\$ -	\$ 550,000	\$ 9,930,000
Additions	25,000	-	-
Change in value of beneficial interest	(5,000)	(220,000)	(4,100,000)
Ending assets	<u>\$ 20,000</u>	<u>\$ 330,000</u>	<u>\$ 5,830,000</u>
			<u>\$ 6,180,000</u>

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 Union Mission
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Note 7 - Fair value measurements (continued)

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.

Beneficial Interest in Charitable Remainder Trusts: Valued based on quoted market prices at the close of the valuation date set by the trustee and future cash flows discounted to net present value using United States Internal Revenue Service actuarial tables and the incremental borrowing rate, 7.63171%.

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 future cash flows discounted to net present value using United States Internal Revenue Service actuarial tables and the incremental borrowing rate, 7.63171%.

Beneficial Interest in Community Foundation: Valued based upon the Organization's proportionate share of the community foundations' pooled investment portfolios, as reported by the community foundations at year-end, and future cash flows based on the current spending policy of 4.5% discounted to net present value using the incremental borrowing rate, 7.63171%.

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 - Beneficial interest in community foundation

The estimated value of the Organization's beneficial interests in community foundation which represents the fair market value is as follows:

	2023	2022
Hampton Roads Community Foundation	\$ 20,000	\$ -
	<u>\$ 20,000</u>	<u>\$ -</u>

Note 9 - Endowment funds

ASC 958, Not-for-Profit Entities, required certain net asset classification changes for institutional endowment funds under the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as adopted by the Commonwealth of Virginia. The Organization may hold donor restricted endowment funds where the gift instrument clearly stipulates that the Organization is not to spend the principal or some other portion of the gift, in which case such gift instrument will supersede the Organization's ability to spend the whole fund or board designated quasi-endowment funds where the Board stipulates the spending of the funds. The Organization, as of June 30, 2023, did not have any donor-restricted endowment funds.

The Organization's endowment consists of certain net assets without donor restrictions that have been designated for endowment by the Board of Directors.

Endowment net asset composition by type of fund as of June 30, 2023 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated quasi-endowment funds	\$ 20,000	\$ -	\$ 20,000
Total endowment funds	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ 20,000</u>

**The Union Mission
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Note 9 - Endowment funds (continued)

Changes in endowment net assets for the year ended June 30, 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year	\$ -	\$ -	\$ -
Contributions	25,000	-	25,000
Change in value of beneficial interest in community foundation	(5,000)	-	(5,000)
Endowment net assets at end of year	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ 20,000</u>

Investment and Spending Policies

Endowment assets include those assets that the Organization's board- designated as a quasi-endowment. The Organization invests the endowment assets in a long-term investment pool held in a beneficial interest in community foundation, see Note 8. The Organization has adopted investment and spending policies for the endowment that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. The primary financial objective of the investment policy is to protect capital and grow investment assets to cover projected draws. The primary investment objective of the investment policy as approved by the Board of Directors, is the endowment funds are invested in a manner that is intended to produce stated investment results while assuming a moderate level of investment risk. The Organization's spending and investment policies work together to achieve this objective.

To satisfy its long-term rate-of-return objectives, the Organization has placed the money in a community foundation fund that manages the investment of the assets.

Expenses for board designated quasi-endowment are charged to the endowment as incurred. The Organization uses an endowment spending-rate formula (distribution or payout policy) to determine the maximum amount to spend from its endowment each year. The rate, determined and adjusted from time to time by the Board of Directors, is applied to the average fair value of the endowment investments for the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. The spending rate maximum (annual distribution percentage available for distribution) was 4.5 percent for the years ended June 30, 2023, as established by the community foundation agreement. In establishing this policy, the Organization considered the long-term expected return on its endowment and set the rate with the objective of maintain the purchasing power of its endowment over time.

The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. The Organization has a policy that permits spending from underwater endowments depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations. There were no amounts appropriated for expenditure from the underwater endowment fund during the year ended June 30, 2023.

**The Union Mission
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Notes to Combined Financial Statements
June 30, 2023**

Note 10 - 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, Women's Shelter, and Wellness.

	Beginning Net Assets	Additions	Released from Restrictions	Ending Net Assets
Subject to expenditure for specified purpose:				
Mission	\$ 128,360	\$ 82,500	\$ 126,703	\$ 84,157
Children's Home	839,630	352,891	195,382	997,139
Camp	7,620	-	-	7,620
Women's	246,838	16,700	11,106	252,432
Wellness	-	30,000	-	30,000
	<u>\$ 1,222,448</u>	<u>\$ 482,091</u>	<u>\$ 333,191</u>	<u>\$ 1,371,348</u>
Subject to passage of time:				
Mission - Beneficial interests in charitable remainder trusts	\$ 120,000	\$ -	\$ 50,000	\$ 70,000
Children's Home - Beneficial interests in charitable remainder trusts	430,000	-	170,000	260,000
	<u>\$ 550,000</u>	<u>\$ -</u>	<u>\$ 220,000</u>	<u>\$ 330,000</u>
Perpetual in nature, not subject to spending policy or appropriation				
Mission - Beneficial interests in perpetual trusts	\$ 9,930,000	\$ -	\$ 4,100,000	\$ 5,830,000
	<u>\$ 9,930,000</u>	<u>\$ -</u>	<u>\$ 4,100,000</u>	<u>\$ 5,830,000</u>
Total	<u>\$11,702,448</u>	<u>\$ 482,091</u>	<u>\$ 4,653,191</u>	<u>\$ 7,531,348</u>

Note 11 - Related party transactions

A member of the board of directors is an owner of a supplier which during the year ended June 30, 2023 and 2022, provided office supplies and receipt processing of \$234,114 and \$105,248 respectively.

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.

**The Union Mission
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Notes to Combined Financial Statements
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Note 12 - 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 \$3,303,963 at June 30, 2023 for the excess of the deposit liabilities reported by the banks over the amounts that would have been covered by federal insurance.

Note 13 - Commitments

The Organization uses an independent marketing company to send out fundraising literature. The Organization is under contract with a new marketing company until June 30, 2026; however, it may be terminated with 90 days notice. During the years ended June 30, 2023 and 2022 the contracted cost was \$55,998 and \$48,000, respectively with the previous company.

Note 14 - 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 \$72,294 and \$61,721 for the years ended June 30, 2023 and 2022.

Note 15 - Line of Credit

The Organization obtained approval for an unsecured bank line of credit in the amount of \$5,000,000 expiring December 6, 2023. The interest rate on this line of credit will be equal to the one-month AMERIBOR plus 250 basis points and a floor rate of 4.75%, which shall be adjusted monthly. The available credit remaining at June 30, 2023 was \$5,000,000.

Note 16 - Noncash contributions

For the years ended June 30, contributed noncash assets recognized within the statement of activities included:

	2023	2022
Assistance	\$ 80,162	\$ 44,449
Food	317,492	244,682
Supplies	23,966	23,309
Services	23,730	22,464
Marketable securities	276,532	603,069
Fixed assets	-	81,016
Real estate	28,000	-
	<u>\$ 749,882</u>	<u>\$ 1,018,989</u>

Amounts reported as part of the statement of activities are less amounts received as satisfaction of a previous unconditional promise to give, \$98,481 and \$51,519; respectively.

**The Union Mission
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Note 17 - Rental income

The Organization leases residential space to individuals on an annual or month-to-month basis. Rental income from these leases was \$43,900 and \$47,250 for the year ended June 30, 2023 and 2022; respectively.

The Organization leases office space to an outside party. The original lease term is 5 years commencing on July 1, 2022. Rental income from this lease was \$11,480 for the year ended June 30, 2023.

Future minimum rental income from these leases is as follows:

June 30,	
2024	\$ 11,824
2025	12,179
2026	12,545
2027	12,921
2028	-
Thereafter	-
	<u>\$ 49,469</u>

Note 18 - Comparative totals

The financial statements include certain June 30, 2022 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, 2022, from which the summarized information was derived.

Note 19 - 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 20 - Subsequent Events

Beginning July 1, 2023, a separate, independent 501(c)(3) organization is being created to continue operations the Reaching Romania program performed; however, The Union Mission may continue to financially support efforts of The Bashford Foundation through the new organization.