



SEATTLE'S UNION
GOSPEL MISSION

Consolidated Financial Statements
With Independent Auditors' Report

August 31, 2023 and 2022

SEATTLE'S UNION GOSPEL MISSION

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Seattle's Union Gospel Mission
Seattle, Washington

Opinion

We have audited the accompanying consolidated financial statements of Seattle's Union Gospel Mission, which comprise the consolidated statements of financial position as of August 31, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Seattle's Union Gospel Mission as of August 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of Seattle's Union Gospel Mission and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Board of Trustees
Seattle's Union Gospel Mission
Seattle, Washington

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated 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 consolidated 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 consolidated 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 Seattle's Union Gospel Mission'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Seattle's Union Gospel Mission'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.

Board of Trustees
Seattle's Union Gospel Mission
Seattle, Washington

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental consolidated statements of financial position are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Capin Crouse LLP

Woodland Hills, California
November 17, 2023

SEATTLE'S UNION GOSPEL MISSION

Consolidated Statements of Financial Position

	August 31,	
	2023	2022
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 8,409,715	\$ 13,393,661
Current portion of pledges receivable	714,167	1,069,333
Inventory	777,819	1,007,440
Investments	8,013,711	7,262,667
Asset held for sale	102,120	102,120
Prepaid expenses and other assets	405,141	122,123
Operating leases–right-of-use-assets, current portion	383,747	-
Financing leases–right-of-use-assets, current portion	93,628	-
Board designated operating reserve	3,359,986	3,438,202
	22,260,034	26,395,546
Operating leases–right-of-use-assets, net of current portion	525,879	-
Financing leases–right-of-use-assets, net of current portion	181,644	-
Investments held for long-term purposes	10,039,255	9,367,053
Pledges receivable, net of current portion	1,071,666	1,189,167
Cash restricted for capital projects	1,347,822	56,822
Land, buildings, and equipment, net	35,532,839	32,300,986
Total Assets	\$ 70,959,139	\$ 69,309,574
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,222,712	\$ 2,300,669
Operating lease obligations, current portion	383,747	-
Financing lease obligations, current portion	93,628	-
Current portion of deferred liabilities	19,136	19,136
	2,719,223	2,319,805
Gift annuities payable	22,000	20,590
Operating lease obligations, net of current portion	553,917	-
Financing lease obligations, net of current portion	194,775	-
Deferred liabilities	38,273	62,782
Total Liabilities	3,528,188	2,403,177

(continued)

See notes to consolidated financial statements

SEATTLE'S UNION GOSPEL MISSION

Consolidated Statements of Financial Position (continued)

	August 31,	
	<u>2023</u>	<u>2022</u>
Net assets:		
Net assets without donor restrictions	49,296,493	49,511,013
Net assets with donor restrictions	18,134,458	17,395,384
Total Net Assets	<u>67,430,951</u>	<u>66,906,397</u>
Total Liabilities and Net Assets	<u>\$ 70,959,139</u>	<u>\$ 69,309,574</u>

See notes to consolidated financial statements

SEATTLE'S UNION GOSPEL MISSION

Consolidated Statements of Activities

	Year Ended August 31,					
	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions:						
Catalyst event	\$ 940,020	\$ -	\$ 940,020	\$ 629,144	\$ -	\$ 629,144
Less: costs of direct benefits to donors	(257,139)	-	(257,139)	(203,994)	-	(203,994)
Special event support-net	682,881	-	682,881	425,150	-	425,150
Individuals	15,508,146	2,655,264	18,163,410	13,429,768	9,135,987	22,565,755
Churches	207,425	-	207,425	338,519	-	338,519
Companies	769,532	-	769,532	1,139,470	-	1,139,470
Foundations	3,749,074	-	3,749,074	4,243,547	-	4,243,547
Organizations	637,890	-	637,890	769,275	-	769,275
Estates	2,392,566	-	2,392,566	2,269,946	-	2,269,946
Donated goods	3,016,107	-	3,016,107	3,693,734	-	3,693,734
Donated services	64,503	-	64,503	74,579	-	74,579
Total Contributions	27,028,124	2,655,264	29,683,388	26,383,988	9,135,987	35,519,975
Revenue:						
Rental income	29,019	-	29,019	83,521	-	83,521
Program fees	18,696	-	18,696	24,916	-	24,916
Investment income (loss)	1,055,144	1,052,796	2,107,940	(877,017)	(1,036,830)	(1,913,847)
Other income	172,031	-	172,031	83,837	-	83,837
Total Revenue	1,274,890	1,052,796	2,327,686	(684,743)	(1,036,830)	(1,721,573)
RECLASSIFICATIONS:						
Net assets released from restrictions	2,968,986	(2,968,986)	-	2,503,544	(2,503,544)	-
Total Support and Revenue	31,272,000	739,074	32,011,074	28,202,789	5,595,613	33,798,402
EXPENSES:						
Program services	22,759,919	-	22,759,919	21,488,704	-	21,488,704
Management and general	3,885,879	-	3,885,879	3,201,163	-	3,201,163
Fundraising	4,840,722	-	4,840,722	4,331,542	-	4,331,542
Total Expenses	31,486,520	-	31,486,520	29,021,409	-	29,021,409
Change in Net Assets	(214,520)	739,074	524,554	(818,620)	5,595,613	4,776,993
Net Assets, Beginning of Year	49,511,013	17,395,384	66,906,397	50,329,633	11,799,771	62,129,404
Net Assets, End of Year	\$ 49,296,493	\$ 18,134,458	\$ 67,430,951	\$ 49,511,013	\$ 17,395,384	\$ 66,906,397

See notes to consolidated financial statements

SEATTLE'S UNION GOSPEL MISSION

Consolidated Statement of Functional Expenses

Year Ended August 31, 2023

	Program Services	Supporting Activities			Total
		Management & General	Fundraising	Direct Benefits to Donors	
Salaries	\$ 10,831,201	\$ 1,079,981	\$ 1,830,198	\$ -	\$ 13,741,380
Employee benefits	2,285,610	615,799	139,954	-	3,041,363
Payroll taxes	746,058	69,687	119,682	-	935,427
Total personnel costs	13,862,869	1,765,467	2,089,834	-	17,718,170
In-kind gifts used	3,301,528	2,903	5,800	-	3,310,231
Professional services	387,592	379,573	1,371,999	-	2,139,164
Occupancy costs	1,767,037	71,758	28,599	77,563	1,944,957
Depreciation and amortization	654,051	981,076	288,552	-	1,923,679
Other expenses	1,157,948	203,477	209,519	87,667	1,658,611
Production and printing services	302,921	3,327	594,123	-	900,371
Office supplies	403,799	216,039	174,726	-	794,564
Insurance	249,616	246,474	70,342	-	566,432
Auto and truck expenses	253,858	15,703	6,760	-	276,321
Food cost	418,700	82	468	91,909	511,159
Total functional expenses	\$ 22,759,919	\$ 3,885,879	\$ 4,840,722	\$ 257,139	\$ 31,743,659
Less costs of direct benefit to donors netted against support on the statement of activities	-	-	-	(257,139)	(257,139)
Total expenses on the statement of activities	\$ 22,759,919	\$ 3,885,879	\$ 4,840,722	\$ -	\$ 31,486,520

See notes to consolidated financial statements

SEATTLE'S UNION GOSPEL MISSION

Consolidated Statement of Functional Expenses

Year Ended August 31, 2022

	Program Services	Supporting Activities			Total
		Management & General	Fundraising	Direct Benefits to Donors	
Salaries	\$ 9,331,315	\$ 941,878	\$ 1,650,585	\$ -	\$ 11,923,778
Employee benefits	2,048,553	565,331	128,484	-	2,742,368
Payroll taxes	636,490	59,452	102,105	-	798,047
Total personnel costs	12,016,358	1,566,661	1,881,174	-	15,464,193
In-kind gifts used	4,417,460	3,269	6,531	-	4,427,260
Professional services	753,235	164,778	1,307,053	-	2,225,066
Occupancy costs	1,691,417	68,417	27,245	27,485	1,814,564
Depreciation and amortization	570,283	855,426	251,596	-	1,677,305
Other expenses	790,797	179,352	135,484	158,775	1,264,408
Production and printing services	263,663	2,896	517,918	-	784,477
Office supplies	289,668	135,585	138,386	-	563,639
Insurance	225,691	210,178	59,660	-	495,529
Auto and truck expenses	239,410	14,552	6,217	-	260,179
Food cost	230,722	49	278	17,734	248,783
Total functional expenses	\$ 21,488,704	\$ 3,201,163	\$ 4,331,542	\$ 203,994	\$ 29,225,403
Less costs of direct benefit to donors netted against support on the statement of activities	-	-	-	(203,994)	(203,994)
Total expenses on the statement of activities	\$ 21,488,704	\$ 3,201,163	\$ 4,331,542	\$ -	\$ 29,021,409

See notes to consolidated financial statements

SEATTLE'S UNION GOSPEL MISSION

Consolidated Statements of Cash Flows

	Year Ended August 31,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 524,554	\$ 4,776,993
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Donated inventory	(3,016,107)	(3,693,734)
Distributed inventory	3,245,728	3,977,879
Depreciation and amortization	1,923,679	1,677,305
Contributions restricted for capital projects	(1,125,000)	(1,498,000)
Realized and unrealized (gains) losses on investments	(1,557,550)	2,140,857
Non-cash effect of change in accounting principle	38,307	-
Non-cash lease expense	4,066	-
Contributions restricted for endowment	-	(2,499,909)
Pledges receivable	472,667	(2,258,500)
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(283,018)	271,729
Accounts payable and accrued expenses	55,908	555,124
Refundable advances	-	(54,260)
Gift annuities payable	1,410	-
Deferred liabilities	(24,509)	56,812
Net Cash Provided by Operating Activities	260,135	3,452,296
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of land, buildings, and equipment	(5,208,531)	(1,390,916)
Purchase of investments	(360,836)	(5,301,525)
Proceeds from sale of investments	495,140	2,954,494
Net Cash Used by Investing Activities	(5,074,227)	(3,737,947)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on finance leases	(82,070)	-
Payments on notes payable	-	(47,063)
Proceeds from contributions restricted for endowment	-	2,499,909
Proceeds from contributions restricted for capital projects	1,125,000	1,498,000
Net Cash Provided by Financing Activities	1,042,930	3,950,846

(continued)

See notes to consolidated financial statements

SEATTLE'S UNION GOSPEL MISSION

Consolidated Statements of Cash Flows (continued)

	Year Ended August 31,	
	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES, continued:		
Change in Cash and Cash Equivalents, Board Designated Operating Reserve and Restricted Cash	(3,771,162)	3,665,195
Cash and Cash Equivalents, Board Designated Operating Reserve and Restricted Cash, Beginning of Year	16,888,685	13,223,490
Cash and Cash Equivalents, Board Designated Operating Reserve and Restricted Cash, End of Year	\$ 13,117,523	\$ 16,888,685
CASH AND CASH EQUIVALENTS CONSISTS OF:		
Cash and cash equivalents	\$ 8,409,715	\$ 13,393,661
Board designated operating reserve	3,359,986	3,438,202
Cash restricted for capital projects	1,347,822	56,822
	\$ 13,117,523	\$ 16,888,685
SUPPLEMENTAL DISCLOSURES:		
Right-of-use assets acquired under operating lease	\$ 1,283,298	\$ -
Right of use assets acquired under finance leases	\$ 356,138	\$ -
Fixed assets acquired through accounts payable	\$ 337,088	\$ 424,079

See notes to consolidated financial statements

SEATTLE'S UNION GOSPEL MISSION

Notes to Consolidated Financial Statements

August 31, 2023 and 2022

1. NATURE OF ORGANIZATION:

Seattle's Union Gospel Mission (the Mission) was organized by representatives from Seattle area churches and the founding director, the Reverend Francis O. Peterson, in 1932. The Mission is managed by a Board of Trustees elected for staggered terms at the annual meeting of the Mission. The Mission is a passionate community of people who follow Christ in His relentless, redeeming love for all people. Its mission is to serve, rescue, and transform those in greatest need through the grace of Jesus Christ. Its goal is to inspire hope, bring healing, and point people to a new life through Jesus Christ by conducting rescue mission work in the City of Seattle.

A rescue mission is the church's emergency station doing what the Bible tells the church to do, "Feed the hungry, preach to the captive, clothe the naked," etc., things which the church cannot do well due to the special needs for facilities, special calling and training, and the high cost of doing it alone. The programs include emergency shelters, recovery assistance programs, day and resident camping, youth programs, counseling and jail ministry, feeding programs, and outreach programs to low income families and elderly.

The Mission is a member of the Evangelical Council for Financial Accountability (ECFA). The ECFA is an association requiring the highest standards of financial accountability and disclosures, and has become an effective national self-regulatory organization for the purpose of showing the giving public that the gifts are being spent and accounted for in a responsible manner.

The Mission is also a member of City Gate and the Christian Leadership Alliance.

The Mission's primary revenue source is contributions from donors.

The Mission is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (the Code) and comparable state law, except for income taxes pertaining to unrelated business income, and has been classified as a publicly supported organization, which is not a private foundation, under Section 509(a) of the Code. Contributions to the Mission are tax deductible within the limitations prescribed by the Code.

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial resources and activities of each entity listed below. All material intercompany transactions and balances have been eliminated in the consolidated financial statements.

Renovo, LLC was formed in February 2015 to develop transitional housing units for women. Renovo is a fully-integrated, supporting organization within the operating structure of the Mission. The Mission is the sole member.

Federal Way Project, LLC a wholly-owned subsidiary formed in February 2018, was created to hold property held for future development in Federal Way, Washington.

SEATTLE'S UNION GOSPEL MISSION

Notes to Consolidated Financial Statements

August 31, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES:

The consolidated financial statements of the Mission have been prepared on the accrual basis of accounting. The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The significant accounting policies followed are described below.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of checking, savings and money market accounts. Certain items that meet the definition of cash equivalents, but are part of a larger pool of investments, are included in investments. At August 31, 2023 and 2022, the Mission's cash balances (including cash held in investments) exceeded federally insured limits by approximately \$12,174,000 and \$16,046,000, respectively.

CASH HELD FOR CAPITAL PROJECTS

Contributions received that are restricted by donors for expenditures related to capital projects have been segregated from cash and cash equivalents, and shown in assets held for capital projects on the consolidated statements of financial position. The amounts for this purpose have also been recorded in net assets with donor restrictions.

PLEDGES RECEIVABLE

Pledges receivable, including contributions that are expected to be collected within one year are recorded at their net realizable value. Pledges receivable that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount computed at 8.00% and 3.00% for the years ended August 31, 2023 and 2022, respectively, was not recorded as it was immaterial to the financial statements as a whole. Conditional pledges are not included as support until such time as the conditions are substantially met. Unconditional pledges are reviewed for collectability and reserves for uncollectible amounts are recorded based on established policies. Management expects all pledges to be fully collectible as of August 31, 2023.

INVENTORY

Inventory is valued at the lower of cost or net realizable value and consists of donated goods, including food, clothing, office supplies, and other items. These items are recorded at exit transaction value upon receipt and are determined using the first-in, first-out method. There is no reserve for obsolescence recorded at August 31, 2023 and 2022, as all inventory is considered useable or saleable at lower of cost or net realizable value.

SEATTLE'S UNION GOSPEL MISSION

Notes to Consolidated Financial Statements

August 31, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

INVESTMENTS

Investments are reported at fair value as further described in Note 14. Investment income is shown net of investment expenses on the consolidated statements of activities and is included in investment income without donor restrictions unless a donor or law temporarily or permanently restricts their use. Donated securities are recorded at fair value on the date of gift.

OPERATING AND FINANCING LEASES—RIGHT-OF-USE ASSETS AND OBLIGATIONS

The Mission adopted Accounting Standards Update (ASU) 2016-02 (see recently adopted accounting standard below) and its related amendments as of September 1, 2022, which resulted in the recognition of financing leases presented in the consolidated statements of financial position including assets of \$275,272 and lease obligations of \$288,403, and operating lease right-of-use (ROU) asset totaling \$909,626 and lease obligation of \$937,664 as of August 31, 2023. The Mission elected to adopt the transition relief provisions from ASU 2018-11 and recorded the impact of adoption as of September 1, 2022 without restating prior-year amounts. The additional lease disclosures can be found in Notes 5 and 6.

LAND, BUILDINGS, AND EQUIPMENT

Purchased land, buildings, and equipment in excess of \$1,000 are recorded at cost or, if donated, at fair value on the date of the donation. Buildings and equipment are depreciated on a straight-line basis over their estimated useful lives, ranging from 4 to 50 years. Property donated with restrictions regarding their use and contributions of cash to acquire property are reported as support with donor restrictions. Absent any donor stipulations, these restrictions expire when the asset is placed in service, and a reclassification is made from net assets with donor restrictions to net assets without donor restrictions at that time.

GIFT ANNUITIES PAYABLE

The Mission administers gift annuities for which it is obligated to make periodic distributions to designated beneficiaries. A portion of the transfer to the Mission is considered to be a charitable contribution for income tax purposes. The difference between the amount provided for the gift annuity and the discounted liability for future payments, determined on an actuarial basis, is recognized as contribution income without donor restrictions at the date of the gift unless the gift portion is restricted. The actuarial liability totaled \$22,000 at August 31, 2023 and 2022. The revaluation as of August 31, 2023 was not recorded due to being immaterial to the consolidated financial statements as a whole. Net present values are calculated using the applicable federal discount rate at the date of the gift. The annuity liability is revalued annually based upon actuarially computed present values. Annuity assets are included with investments in the consolidated statements of financial position.

SEATTLE'S UNION GOSPEL MISSION

Notes to Consolidated Financial Statements

August 31, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

CLASSES OF NET ASSETS

The Mission uses the accrual basis of accounting and recognizes the existence or absence of donor-imposed restrictions. Accordingly, transactions and net assets are classified into two classes described as follows:

Net assets without donor restrictions include general and Board designated amounts, to be used at the discretion of the Board and management to support the Mission's purposes and operations.

Net assets with donor restrictions are those which are stipulated by donors for specific operating purposes or programs, those with time restrictions, those for the acquisition of land, buildings and equipment, unspent endowment earnings, or those not currently available for use in the Mission's operations until commitments regarding their use have been fulfilled or lifetime beneficiary interests have ceased. These also include donor restrictions requiring the net assets be held in perpetuity as endowments.

SUPPORT AND REVENUE

Contributions are reported as income when made, which may be when cash is received, unconditional promises to give are made or ownership of donated assets is transferred. Bequests are recorded as income at the time when the Mission has an established right to the bequest and the proceeds are measurable. Contributions restricted by the donor for a specific purpose are recorded as revenue with donor restrictions until funds have been expended by the Mission for the purposes specified, except for long-term assets, for which net assets are released from restriction when the assets are placed in service.

DONATED GOODS AND SERVICES

Noncash gifts are recorded at their estimated fair value at the date of donation. For the years ended August 31, 2023 and 2022, the Mission received \$3,016,107 and \$3,693,734, respectively, in food, clothing, and supplies. Donated food items are valued based on a price per pound of \$2, as determined by a study performed by management of the Mission.

Contributed 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 Mission. The Mission recognized \$64,503 and \$74,579, of donated services for medical, dental and legal services provided during the years ended August 31, 2023 and 2022, respectively.

In addition to contributed services recorded in the consolidated financial statements, many other individuals routinely provide voluntary services to the overall programs of the Mission. These services have a significant impact on making the Mission effective. However, the value of these services is not reflected in the consolidated financial statements because they do not meet the criteria described above.

SEATTLE'S UNION GOSPEL MISSION

Notes to Consolidated Financial Statements

August 31, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

FUNCTIONAL ALLOCATION OF EXPENSES

The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and occupancy, which are allocated on a square footage basis, as well as salaries and benefits, travel, and certain office expenses, which are allocated on the basis of estimates of time and effort.

CATALYST EVENT

Catalyst is the Mission's annual fundraising gala event. The event is held every year in October as part of the Mission's fall fundraising efforts and is designed to raise non-designated monies through ticket sales, principal and table sponsorships, and individual gifts from attendees. Catalyst event program revenue and expenses are recognized at the time the event occurs. Event program revenue received prior to the event is recorded as deferred revenue. Event expenses paid prior to the event are recorded as prepaid expenses.

RECENTLY ADOPTED ACCOUNTING STANDARDS

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842 of the ASC). This ASU requires substantially all leases with a non-cancelable lease term over one year to be recognized by lessees on their statement of financial position as a right of use (ROU) asset and a corresponding lease liability, including leases historically accounted for as operating leases. In July 2018, the FASB issued ASU 2018-11, *Leases* (Topic 842): *Targeted Improvements* which allows for an optional transition method to adopt the lease standard by recognizing a cumulative-effect adjustment to the opening net assets in the period of adoption, with no adjustment to prior comparative periods. ASU 2016-02 and all subsequent amendments were adopted by the Mission during the year ended August 31, 2023, and the Mission elected to apply the cumulative-effect adjustment to the opening net assets and optional transition method to not present comparable prior year periods as allowed under ASU 2018-11. The Mission also elected the practical expedient to combine lease and non-lease components and the accounting policy election to exclude short-term leases with lease terms of 12 months or less. The additional lease disclosures can be found in Notes 5 and 6. The Mission determined that the effect of the adjustment to the opening balance of net assets is immaterial. Therefore, it was adjusted through occupancy costs on the consolidated statements of functional expenses.

SEATTLE'S UNION GOSPEL MISSION

Notes to Consolidated Financial Statements

August 31, 2023 and 2022

3. PLEDGES RECEIVABLE:

Pledges receivable consist entirely of pledges receivable before discount for present value of cash flows at year end August 31, 2023. The discount was not applied as it was immaterial to the financial statements as a whole.

Amounts as of August 31, 2023, are due in:

Less than one year	\$ 714,167
One to five years	<u>1,071,666</u>
	<u>\$ 1,785,833</u>

Based on past history and assessment of the donors involved, management expects all of the pledges to be collected as promised. Therefore, no allowance for uncollectible pledges receivable has been established.

4. INVESTMENTS:

Investments consist of the following:

	August 31,	
	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 129,019	\$ 223,891
Common stocks	4,969,941	4,709,934
Mutual funds	<u>12,954,006</u>	<u>11,695,895</u>
	<u>\$ 18,052,966</u>	<u>\$ 16,629,720</u>

Investments appear on the consolidated statements of financial position as follows:

Investments	\$ 8,013,711	\$ 7,262,667
Investments held for long-term purposes	<u>10,039,255</u>	<u>9,367,053</u>
	<u>\$ 18,052,966</u>	<u>\$ 16,629,720</u>

SEATTLE'S UNION GOSPEL MISSION

Notes to Consolidated Financial Statements

August 31, 2023 and 2022

4. INVESTMENTS, continued:

Investment income consists of the following:

	August 31,	
	2023	2022
Interest and dividends	\$ 550,390	\$ 289,022
Realized gains	109,417	622,497
Unrealized gains (losses)	1,448,133	(2,825,366)
	<u>\$ 2,107,940</u>	<u>\$ (1,913,847)</u>

Annuity assets were \$120,091 and \$119,078, of the total investment balance as of August 31, 2023 and 2022, respectively.

5. OPERATING LEASE—RIGHT-OF-USE ASSET AND OBLIGATION:

The Mission leases office space under a noncancelable lease agreement that does not qualify as a short-term lease. The discount rate represents the risk-free discount rate using a period comparable with that of the individual lease term on the inception date of the lease. The office space lease expires in January 2026 and requires monthly payments of \$30,000.

	August 31,	
	2023	2022
Operating lease right-of-use assets	\$ 909,626	\$ -
Operating lease obligations	\$ 937,664	\$ -
Operating lease costs	\$ 378,456	\$ -
Weighted-average discount rate	0.42%	N/A
Weighted-average remaining lease term	2.40 years	N/A

SEATTLE'S UNION GOSPEL MISSION

Notes to Consolidated Financial Statements

August 31, 2023 and 2022

5. OPERATING LEASE–RIGHT-OF-USE ASSET AND OBLIGATION, continued:

Future minimum lease payments required under operating leases that have an initial or remaining non-cancelable lease term in excess of one year are as follows:

<u>Year ending August 31,</u>			
2024	\$	383,747	
2025		393,327	
2026		165,567	
	\$	942,641	
Less amount representing interest		(4,977)	
	\$	937,664	

Prior to the adoption of ASU 2016-02 under Topic 842 as described in Note 2, the Mission was applying Topic 840 in relation to its operating lease. For the comparable period, the Mission had operating lease expense of \$365,250 for the year ended August 31, 2022.

6. FINANCING LEASE–RIGHT-OF-USE ASSETS AND OBLIGATIONS:

The Mission leases equipment and vehicles under various noncancelable financing lease expiring between May 2023 and December 2027. The leases require monthly payments ranging from \$669 to \$2,310. The discount rates represent either the rate implicit in the agreement, or the risk-free discount rate using a period comparable with that of the individual lease term at the adoption date (September 1, 2022). The discount rate on the leases range from 0.31% to 7.40%.

	<u>August 31,</u>		
	<u>2023</u>	<u>2022</u>	
Financing lease right-of-use asset	\$ 275,272	\$	-
Financing lease liability	\$ 288,403	\$	-
Financing lease costs:			
Amortization of right-of-use assets	\$ 80,866	\$	-
Interest on lease liabilities	\$ 9,160	\$	-
Weighted-average discount rate	2.91%		N/A
Weighted-average remaining lease term	3.87 years		N/A

SEATTLE'S UNION GOSPEL MISSION

Notes to Consolidated Financial Statements

August 31, 2023 and 2022

6. FINANCING LEASE–RIGHT-OF-USE ASSETS AND OBLIGATIONS, continued:

Future minimum lease payments required under the finance leases that have an initial or remaining non-cancelable lease term in excess of one year are as follows:

<u>Year ending August 31,</u>	
2024	\$ 93,628
2025	73,588
2026	64,639
2027	30,056
2028	27,720
Thereafter	<u>16,170</u>
	\$ 305,801
Less amount representing interest	<u>(17,398)</u>
	<u>\$ 288,403</u>

Prior to the adoption of ASU 2016-02 under Topic 842 as described in Note 2, the Mission was applying Topic 840 in relation to its financing leases. During the year ended August 31, 2022, the cost of this equipment was \$149,495. The related accumulated amortization was \$102,621 as of August 31, 2022. Amortization expense of \$21,356 for the leased software, furniture, and equipment is included on the consolidated statements of activities for the year ended August 31, 2022.

SEATTLE'S UNION GOSPEL MISSION

Notes to Consolidated Financial Statements

August 31, 2023 and 2022

7. LAND, BUILDINGS, AND EQUIPMENT, NET:

Land, buildings, and equipment, net consists of the following:

	August 31,	
	2023	2022
Land and improvements	\$ 4,326,696	\$ 4,227,935
Buildings and facilities	41,746,069	40,710,654
Equipment and vehicles	2,847,155	2,658,575
Leasehold improvements	217,654	217,654
	<u>49,137,574</u>	<u>47,814,818</u>
Construction in progress	4,175,252	525,962
Less accumulated depreciation and amortization	<u>(17,779,987)</u>	<u>(16,039,794)</u>
	<u>\$ 35,532,839</u>	<u>\$ 32,300,986</u>

8. LINE OF CREDIT:

The Mission has a revolving line of credit with a bank, allowing for maximum borrowings of \$3,000,000, of which \$0 was outstanding at August 31, 2023 and 2022. Interest on the line of credit is paid monthly at the prime rate less 0.5%, with a floor of 7.75% (prime rate was 8.5% at August 31, 2023). This line of credit is secured by investment assets of the Mission, and expires in June 2024. The Mission did not draw on the line of credit in either of the years ended August 31, 2023 and 2022. The line of credit contains certain financial and administrative covenants. The Mission was in compliance with those covenants as of August 31, 2023 and 2022, respectively.

SEATTLE'S UNION GOSPEL MISSION

Notes to Consolidated Financial Statements

August 31, 2023 and 2022

9. NET ASSETS:

Net assets consist of the following:

	August 31,	
	2023	2022
Net assets without donor restrictions:		
Undesignated	\$ 45,936,507	\$ 46,072,811
Board-designated general reserve	3,359,986	3,438,202
Total net assets without donor restrictions	49,296,493	49,511,013
Net assets with donor restrictions:		
Subject to expenditure for specified purpose:		
Mental health services	1,472,631	1,720,970
Woman's Shelter	1,291,000	-
Capital projects	56,822	56,822
Intake optimization	-	500,000
COVID-19 relief	-	3,122
Subject to the passage of time:		
Continued program use, invested in property and equipment	3,488,917	3,488,917
Pledges receivable	1,343,333	1,545,000
Subject to time and specified purpose restrictions:		
Pledges receivable restricted for capital projects	332,000	498,000
Pledge receivable restricted for mental health services	110,500	215,500
	8,095,203	8,028,331
Subject to the Mission's spending policy and appropriations:		
Accumulated earnings on endowment funds	1,415,332	743,130
Endowment funds restricted in perpetuity	8,623,923	8,623,923
	10,039,255	9,367,053
Total net assets with donor restrictions	18,134,458	17,395,384
Total net assets	\$ 67,430,951	\$ 66,906,397

SEATTLE'S UNION GOSPEL MISSION

Notes to Consolidated Financial Statements

August 31, 2023 and 2022

9. NET ASSETS, continued:

The Mission has been awarded three separate loans from the Federal Home Loan Bank Board for a total of \$3,488,917 that are to be used or have been used for renovation and rehabilitation of the Mission's facilities. One loan in the amount of \$1,000,000 is forgivable in March 2024, and the second and third loans in the amounts of \$2,000,000 and \$488,917, respectively, are forgivable 15 years after the completion of the Men's Shelter renovation. The first phase of the Men's Shelter renovation, which was funded by the \$2,000,000 loan, was completed in 2019; therefore, the loan will be forgiven in 2034. The second phase of the Men's Shelter renovation, which is being funded by the \$488,917 loan, is in progress as of August 31, 2023. The loans are forgivable if certain compliance terms, primarily continued use of the facilities for their intended purposes, are met during the time each loan is outstanding. As management considers the possibility of any repayment remote, the amounts have been recorded as revenue with donor restrictions and net assets with donor restrictions in the year the loans were awarded. It is the Mission's policy to recognize the release of net assets with donor restrictions once the compliance terms of the loans have ended.

The donors of the gifts restricted in perpetuity permit the use of all or part of the earnings from endowment assets for general or specific purposes.

10. DONATED GOODS AND SERVICES:

Donated food and services for the fiscal years ended August 31, 2023 and 2022, included in the consolidated financial statements, were as follows:

	August 31,	
	2023	2022
Food	\$ 1,306,700	\$ 1,270,007
Clothing	737,400	1,260,926
Furniture and household items	395,903	381,388
Supplies (personal protective equipment, hygiene, paper products, office)	315,622	374,433
Blankets, linens and bath towels	194,999	284,989
Dental services	62,503	64,379
Turkeys	33,946	39,220
Tickets	12,800	19,175
Gift cards	9,817	6,329
Toys	8,920	57,267
Legal services	2,000	10,200
	<u>\$ 3,080,610</u>	<u>\$ 3,768,313</u>

SEATTLE'S UNION GOSPEL MISSION

Notes to Consolidated Financial Statements

August 31, 2023 and 2022

10. DONATED GOODS AND SERVICES, continued:

The categories listed above are the main line items used in reporting in-kind contributions. These contributions are not donor restricted. All donated services were utilized in program activities during the years ended August 31, 2023 and 2022. Donated goods were utilized in all programs, provided to the Mission's partner organizations to distribute the goods to those in need, or remained in ending inventory, to be utilized in future years. The amount donated to partner organizations was approximately \$1,711,000 and \$2,625,000 for the years ended August 31, 2023 and 2022, respectively.

The Mission reports the fair value of donated food, property, and other noncash donations over which the Mission has control as public support at their estimated fair value as of the date of donation. Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Mission.

11. ENDOWMENT FUNDS:

The Mission's endowment consists of 5 funds established for a variety of purposes. Its endowment consists of funds in which the corpus has been restricted by the donors in perpetuity. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Mission classifies net assets restricted in perpetuity as (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets restricted in perpetuity is classified as net assets restricted by purpose or time until those amounts are appropriated for expenditure by the Mission in a manner consistent with the standard of prudence prescribed by UPMIFA.

SEATTLE'S UNION GOSPEL MISSION

Notes to Consolidated Financial Statements

August 31, 2023 and 2022

11. ENDOWMENTS FUNDS, continued:

In accordance with UPMIFA, the Mission considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Endowment net assets consist of the following:

	August 31,	
	2023	2022
Endowment funds restricted in perpetuity	\$ 8,623,923	\$ 8,623,923
Accumulated earnings on endowment funds	1,415,332	743,130
	\$ 10,039,255	\$ 9,367,053

Changes in endowment net assets for the year ended August 31, 2023:

	Accumulated Earnings	Restricted in Perpetuity	Total
Endowment net assets, beginning of year	\$ 743,130	\$ 8,623,923	\$ 9,367,053
Contributions	-	-	-
Investment return, net	1,052,796	-	1,052,796
Amounts appropriated for expenditure	(380,594)	-	(380,594)
Endowment net assets, end of year	\$ 1,415,332	\$ 8,623,923	\$ 10,039,255

SEATTLE'S UNION GOSPEL MISSION

Notes to Consolidated Financial Statements

August 31, 2023 and 2022

11. ENDOWMENTS FUNDS, continued:

Changes in endowment net assets for the year ended August 31, 2022:

	<u>Accumulated Earnings</u>	<u>Restricted in Perpetuity</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 2,118,802	\$ 6,124,013	\$ 8,242,815
Contributions	-	2,499,910	2,499,910
Investment return, net	(1,036,830)	-	(1,036,830)
Amounts appropriated for expenditure	<u>(338,842)</u>	<u>-</u>	<u>(338,842)</u>
Endowment net assets, end of year	<u>\$ 743,130</u>	<u>\$ 8,623,923</u>	<u>\$ 9,367,053</u>

FUNDS WITH DEFICIENCIES

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Mission to retain as a fund of perpetual duration. There were no funds with deficiencies as of August 31, 2023 and 2022.

RETURN OBJECTIVES AND RISK PARAMETERS

The Mission has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s). The Mission expects its endowment funds, over time, to provide an average rate of return of approximately 6% to 8% annually. Actual returns in any given year may vary from this amount.

STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES

To satisfy its long-term rate-of-return objectives, the Mission relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVES RELATE TO SPENDING POLICY

For the year ending August, 31, 2023, the Mission set apart for distribution 5% of the average value of the three previous fiscal year's beginning-period endowment values. In establishing this percentage, the Mission considers the long-term anticipated return on its endowment. This is consistent with the Mission's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

SEATTLE'S UNION GOSPEL MISSION

Notes to Consolidated Financial Statements

August 31, 2023 and 2022

12. RETIREMENT PLAN:

The Mission has established a defined contribution retirement plan. Participation in the plan is voluntary. Participants are eligible to contribute salary reductions on their first day of employment. Participants are eligible for employer contributions when they have completed 90 days of service, work at least 37.5 hours per week, and have attained age 21. The Mission will match 50% of each participant's contribution, up to 4% of the participant's salary. For the years ended August 31, 2023 and 2022, the Mission contributed \$178,465 and \$148,095, respectively, to the plan.

13. ALLOCATION OF JOINT COSTS:

The Mission conducts activities that involve a combination of fundraising and program activities. These activities are related to newspaper print ads. Total joint costs for the years ended August 31, 2023 and 2022 were \$847,407 and \$733,256, respectively. Of those costs, \$271,170 and \$234,642 were allocated to program, and \$576,237 and \$498,614 were allocated to fundraising for fiscal years 2023 and 2022, all respectively.

14. FAIR VALUE MEASUREMENTS:

The Mission has adopted the provisions of the Fair Value Measurements and Disclosure topic of the FASB Accounting Standards Codification. These standards define fair value, establish a framework for measuring fair value and enhance disclosures about fair value measurements. Fair value is defined under the standards as the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market between market participants on the measurement date.

The fair values of investments are based on the framework established in the standards which establishes a three-level hierarchy for determining fair value. The valuations for each of these levels are determined as follows:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Mission uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Mission measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are used only when Level 1 or Level 2 inputs are not available. The Mission had no Level 2 or Level 3 investments for the years ended August 31, 2023 and 2022.

SEATTLE'S UNION GOSPEL MISSION

Notes to Consolidated Financial Statements

August 31, 2023 and 2022

14. FAIR VALUE MEASUREMENTS, continued:

The following tables present the fair value measurements of assets recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall:

	August 31, 2023	
	Fair Value	Level 1
Investments held at fair value:		
Common stocks	\$ 4,969,941	\$ 4,969,941
Mutual funds:		
Equity	8,421,257	8,421,257
Fixed income	4,532,749	4,532,749
Total investments held at fair value	17,923,947	<u>\$ 17,923,947</u>
Investments held at cost:		
Cash and cash equivalents	129,019	
Total investments	<u>\$ 18,052,966</u>	
	August 31, 2022	
	Fair Value	Level 1
Investments held at fair value:		
Common stocks	\$ 4,709,934	\$ 4,709,934
Mutual funds:		
Equity	6,886,921	6,886,921
Fixed income	4,808,974	4,808,974
Total investments held at fair value	16,405,829	<u>\$ 16,405,829</u>
Investments held at cost:		
Cash and cash equivalents	223,891	
Total investments	<u>\$ 16,629,720</u>	

15. RELATED PARTY TRANSACTIONS:

The Mission's Board of Trustees contributed, or unconditionally promised to give, approximately \$531,000 and \$1,048,000, during the years ended August 31, 2023 and 2022, respectively.

SEATTLE'S UNION GOSPEL MISSION

Notes to Consolidated Financial Statements

August 31, 2023 and 2022

16. LIQUIDITY AND FUNDS AVAILABLE:

The following reflects the Mission's financial assets, reduced by amounts not available for general expenditure because of contractual or donor-imposed restrictions within one year of the consolidated statements of financial position date.

	August 31,	
	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 8,409,715	\$ 16,831,863
Board designated operating reserve	3,359,986	-
Pledges receivable	1,785,833	2,258,500
Investments	18,052,966	16,629,720
Cash held for capital projects	1,347,822	56,822
Financial assets, at year-end	32,956,322	35,776,905
Less those unavailable for general expenditure within one year, due to:		
Investments held for gift annuity reserves	(22,000)	(22,000)
Donor-imposed purpose restrictions	(1,472,631)	(2,224,092)
Cash restricted for capital projects	(1,347,822)	(56,822)
Board designated for general reserves	(3,359,986)	(3,438,202)
Time restricted pledges	(905,666)	(1,146,667)
Time restricted pledges with donor-imposed restrictions subject to passage of time beyond one year	(166,000)	(442,500)
Perpetual endowments and accumulated earnings subject to appropriation beyond one year	(9,614,675)	(9,001,121)
Financial assets available to meet cash needs for general expenditures within one year	\$ 16,067,542	\$ 19,445,501

SEATTLE'S UNION GOSPEL MISSION

Notes to Consolidated Financial Statements

August 31, 2023 and 2022

16. LIQUIDITY AND FUNDS AVAILABLE, continued:

The Mission is substantially supported by contributions some of which are with donor restrictions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Mission must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditures within one year. As part of its liquidity management, the Mission has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Board has set a policy that requires the Mission to begin each calendar year with 25% of that year's budgeted expenses in liquid cash and cash equivalents. The Mission also has a revolving line of credit with a bank, allowing for maximum borrowings of \$3,000,000, of which \$3,000,000 was available at August 31, 2023 and 2022. Additionally, the Mission has Board designated net assets without donor restrictions that, while the Mission does not intend to spend these for purposes other than those identified, upon Board approval they could be made available for current operations, if necessary.

17. COMMITMENTS:

The Mission entered into a lease agreement with a lessor for the right to use real property. Monthly payments of \$36,880, increasing annually by approximately \$1,200, will begin in the upcoming fiscal year when the Mission moves into the space (commencement date). The original term of the lease agreement expires one-hundred and thirty-four months after the commencement date of the lease. The Mission two options to extend the term of the lease for an additional five years.

18. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through November 17, 2023, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.

SUPPLEMENTAL INFORMATION

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTAL INFORMATION**

Board of Trustees
Seattle's Union Gospel Mission
Seattle, Washington

We have audited the consolidated financial statements of Seattle's Union Gospel Mission as of and for the years ended August 31, 2023 and August 31, 2022, and our report dated November 17, 2023, which expressed an unmodified opinion on those consolidated financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position of the individual organizations, and they are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements

Capin Crouse LLP

Woodland Hills, California
November 17, 2023

SEATTLE'S UNION GOSPEL MISSION

Supplemental Consolidating Statement of Financial Position

August 31, 2023

	Seattle's Union Gospel Mission	Renovo, LLC	Federal Way Project, LLC	Eliminations	Total
ASSETS:					
Current assets:					
Cash and cash equivalents	\$ 11,769,701	\$ -	\$ -	\$ -	\$ 11,769,701
Current portion of pledges receivable	714,167	-	-	-	714,167
Inventory	777,819	-	-	-	777,819
Asset held for sale	102,120	-	-	-	102,120
Prepaid expenses and other assets	405,141	-	-	-	405,141
Operating leases—right-of-use-assets, current portion	383,747	-	-	-	383,747
Financing leases—right-of-use-assets, current portion	93,628	-	-	-	93,628
	<u>14,246,323</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,246,323</u>
Operating leases—right-of-use-assets, net of current portion	525,879	-	-	-	525,879
Financing leases—right-of-use-assets, net of current portion	181,644	-	-	-	181,644
Investments	18,052,966	-	-	-	18,052,966
Cash held for capital projects	1,347,822	-	-	-	1,347,822
Pledges receivable, net of current portion	1,071,666	-	-	-	1,071,666
Land, buildings, and equipment, net	33,147,335	1,185,504	1,200,000	-	35,532,839
Total Assets	<u>\$ 68,573,635</u>	<u>\$ 1,185,504</u>	<u>\$ 1,200,000</u>	<u>\$ -</u>	<u>\$ 70,959,139</u>
LIABILITIES AND NET ASSETS:					
Current liabilities:					
Accounts payable and accrued expenses	\$ 2,222,712	\$ -	\$ -	\$ -	\$ 2,222,712
Operating lease obligations, current portion	383,747	-	-	-	383,747
Financing lease obligations, current portion	93,628	-	-	-	93,628
Current portion of deferred liabilities	19,136	-	-	-	19,136
	<u>2,719,223</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,719,223</u>
Gift annuities payable	22,000	-	-	-	22,000
Operating lease obligations, net of current portion	553,917	-	-	-	553,917
Financing lease obligations, net of current portion	194,775	-	-	-	194,775
Deferred liabilities	38,273	-	-	-	38,273
Total Liabilities	<u>3,528,188</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,528,188</u>
Net assets:					
Net assets without donor restrictions	46,910,989	1,185,504	1,200,000	-	49,296,493
Net assets with donor restrictions	18,134,458	-	-	-	18,134,458
Total Net Assets	<u>65,045,447</u>	<u>1,185,504</u>	<u>1,200,000</u>	<u>-</u>	<u>67,430,951</u>
Total Liabilities and Net Assets	<u>\$ 68,573,635</u>	<u>\$ 1,185,504</u>	<u>\$ 1,200,000</u>	<u>\$ -</u>	<u>\$ 70,959,139</u>

SEATTLE'S UNION GOSPEL MISSION

Supplemental Consolidating Statement of Financial Position

August 31, 2022

	Seattle's Union Gospel Mission	Renovo, LLC	Federal Way Project, LLC	Eliminations	Total
ASSETS:					
Current assets:					
Cash and cash equivalents	\$ 16,831,863	\$ -	\$ -	\$ -	\$ 16,831,863
Current portion of pledges receivable	1,069,333	-	-	-	1,069,333
Inventory	1,007,440	-	-	-	1,007,440
Asset held for sale	102,120	-	-	-	102,120
Prepaid expenses and other assets	122,123	-	-	-	122,123
	<u>19,132,879</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,132,879</u>
Investments	16,629,720	-	-	-	16,629,720
Cash held for capital projects	56,822	-	-	-	56,822
Pledges receivable, net of current portion	1,189,167	-	-	-	1,189,167
Land, buildings, and equipment, net	29,887,583	1,213,403	1,200,000	-	32,300,986
	<u>29,887,583</u>	<u>1,213,403</u>	<u>1,200,000</u>	<u>-</u>	<u>32,300,986</u>
Total Assets	<u><u>\$ 66,896,171</u></u>	<u><u>\$ 1,213,403</u></u>	<u><u>\$ 1,200,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 69,309,574</u></u>
LIABILITIES AND NET ASSETS:					
Current liabilities:					
Accounts payable and accrued expenses	\$ 2,300,669	\$ -	\$ -	\$ -	\$ 2,300,669
Current portion of deferred liabilities	19,136	-	-	-	19,136
	<u>2,293,194</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,319,805</u>
Gift annuities payable	20,590	-	-	-	20,590
Deferred liabilities	62,782	-	-	-	62,782
Total Liabilities	<u>2,403,177</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,403,177</u>
Net assets:					
Net assets without donor restrictions	47,097,610	1,213,403	1,200,000	-	49,511,013
Net assets with donor restrictions	17,395,384	-	-	-	17,395,384
Total Net Assets	<u>64,492,994</u>	<u>1,213,403</u>	<u>1,200,000</u>	<u>-</u>	<u>66,906,397</u>
Total Liabilities and Net Assets	<u><u>\$ 66,896,171</u></u>	<u><u>\$ 1,213,403</u></u>	<u><u>\$ 1,200,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 69,309,574</u></u>