



SEATTLE'S UNION
GOSPEL MISSION

Consolidated Financial Statements
With Independent Auditors' Report

August 31, 2024

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 statement of financial position as of August 31, 2024 and the related consolidated statement of activities, functional expenses, and cash flows for the year 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, 2024, and the changes in its net assets and its 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 *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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As described in Note 15 to the consolidated financial statements, Seattle's Union Gospel Mission identified adjustments pertaining to net assets as of September 1, 2023. Beginning net assets as of September 1, 2023 have been adjusted to correct these errors. Our opinion has not been modified with respect to this matter.

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.

Capin Crouse LLP

Woodland Hills, California
November 20, 2024

SEATTLE'S UNION GOSPEL MISSION

Consolidated Statement of Financial Position

August 31, 2024

ASSETS:

Current assets:

Cash and cash equivalents	\$ 8,029,262
Current portion of pledges receivable	1,327,733
Inventory	803,044
Investments	9,576,528
Asset held for sale	102,120
Prepaid expenses and other assets	254,497
Board-designated operating cash	<u>2,974,307</u>
	23,067,491

Operating lease–right-of-use-asset	534,381
Financing leases–right-of-use-assets	394,183
Investments held for long-term purposes	11,536,664
Pledges receivable, net of current portion	648,834
Cash restricted for capital projects	56,822
Pledges receivable for land, buildings, and equipment	832,000
Land, buildings, and equipment, net	<u>35,708,764</u>

Total Assets \$ 72,779,139

LIABILITIES AND NET ASSETS:

Current liabilities:

Accounts payable	\$ 967,993
Accrued expenses	1,608,971
Operating lease obligation, current portion	393,327
Financing lease obligations, current portion	123,784
Current portion of deferred liabilities	<u>17,582</u>
	3,111,657

Gift annuities payable	22,000
Operating lease obligation, net of current portion	163,801
Financing lease obligations, net of current portion	281,878
Deferred liabilities	<u>29,304</u>

Total Liabilities 3,608,640

Net assets:

Net assets without donor restrictions	51,490,207
Net assets with donor restrictions	<u>17,680,292</u>
Total Net Assets	<u>69,170,499</u>

Total Liabilities and Net Assets \$ 72,779,139

See notes to consolidated financial statements

SEATTLE'S UNION GOSPEL MISSION

Consolidated Statement of Activities

Year Ended August 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
Special event:			
Catalyst event	\$ 1,301,195	\$ -	\$ 1,301,195
Less: costs of direct benefits to donors	(293,618)	-	(293,618)
Special event support-net	1,007,577	-	1,007,577
Contributions:			
Individuals	13,836,929	4,274,409	18,111,338
Churches	353,506	-	353,506
Companies	240,275	-	240,275
Foundations	3,987,358	-	3,987,358
Organizations	596,126	-	596,126
Estates	3,106,290	-	3,106,290
Donated goods	4,206,687	-	4,206,687
Donated services	63,463	-	63,463
Total Contributions and Special event support	27,398,211	4,274,409	31,672,620
Revenue:			
Investment income	1,951,370	1,937,183	3,888,553
Other income (loss)	(260,881)	-	(260,881)
Total Revenue	1,690,489	1,937,183	3,627,672
RECLASSIFICATIONS:			
Net assets released from restrictions	8,130,258	(8,130,258)	-
Total Support and Revenue	37,218,958	(1,918,666)	35,300,292
EXPENSES:			
Program services	25,594,700	-	25,594,700
Management and general	4,470,205	-	4,470,205
Fundraising	4,960,339	-	4,960,339
Total Expenses	35,025,244	-	35,025,244
Change in Net Assets	2,193,714	(1,918,666)	275,048
Net Assets Before Restatement, Beginning of Year	49,296,493	18,134,458	67,430,951
Prior Period Adjustments	-	1,464,500	1,464,500
Net Assets After Restatement, Beginning of Year	49,296,493	19,598,958	68,895,451
Net Assets, End of Year	\$ 51,490,207	\$ 17,680,292	\$ 69,170,499

See notes to consolidated financial statements

SEATTLE'S UNION GOSPEL MISSION

Consolidated Statement of Functional Expenses

Year Ended August 31, 2024

	Supporting Activities				Total
	Program Services	Management and General	Fundraising	Direct Benefits to Donors	
Salaries	\$ 11,447,637	\$ 1,158,312	\$ 1,814,551	\$ -	\$ 14,420,500
Employee benefits	2,560,979	675,145	153,442	-	3,389,566
Payroll taxes	815,466	71,353	132,513	-	1,019,332
Total personnel costs	14,824,082	1,904,810	2,100,506	-	18,829,398
In-kind gifts used	4,244,926	-	-	-	4,244,926
Occupancy costs	2,313,249	82,907	33,112	87,235	2,516,503
Professional services	483,735	398,688	1,546,078	-	2,428,501
Depreciation and amortization	728,574	1,092,860	321,429	-	2,142,863
Office supplies	471,665	287,370	216,782	-	975,817
Insurance	288,070	286,720	81,886	-	656,676
Production and printing services	220,518	-	428,065	-	648,583
Food cost	490,446	-	-	112,874	603,320
Auto and truck expenses	185,787	12,020	5,228	-	203,035
Other expenses	1,343,648	404,830	227,253	93,509	2,069,240
Total functional expenses	25,594,700	4,470,205	4,960,339	293,618	35,318,862
Less costs of direct benefit to donors netted against support on the statement of activities	-	-	-	(293,618)	(293,618)
Total expenses on the statement of activities	\$ 25,594,700	\$ 4,470,205	\$ 4,960,339	\$ -	\$ 35,025,244

See notes to consolidated financial statements

SEATTLE'S UNION GOSPEL MISSION

Consolidated Statement of Cash Flows

Year Ended August 31, 2024

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 275,048
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Donated inventory	(4,206,687)
Distributed inventory	4,181,462
Depreciation and amortization	2,142,863
Contributions restricted for capital projects	(1,721,000)
Realized and unrealized gains on investments	(3,217,261)
Reinvested dividends	(344,570)
Loss on sale of land, buildings, and equipment	424,091
Non-cash lease expense	(24,312)
Changes in operating assets and liabilities:	
Prepaid expenses and other assets	150,644
Pledges receivable	441,766
Accounts payable	386,121
Accrued expenses	33,588
Deferred liabilities	(10,523)
Net Cash Used by Operating Activities	<u>(1,488,770)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of land, buildings, and equipment	(3,455,885)
Proceeds from sale of land, buildings, and equipment	775,909
Proceeds from sale of investments	501,605
Net Cash Used by Investing Activities	<u>(2,178,371)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Payments on finance leases	(110,991)
Contributions restricted for capital projects	1,721,000
Net Cash Provided by Financing Activities	<u>1,610,009</u>

(continued)

See notes to consolidated financial statements

SEATTLE'S UNION GOSPEL MISSION

Consolidated Statement of Cash Flows

Year Ended August 31, 2024

(continued)

CASH FLOWS FROM FINANCING ACTIVITIES, continued:

Change in Cash and Cash Equivalents, Board-Designated

Operating Cash and Restricted Cash (2,057,132)

Cash and Cash Equivalents, Board-Designated

Operating Cash and Restricted Cash, Beginning of Year 13,117,523

Cash and Cash Equivalents, Board-Designated

Operating Cash and Restricted Cash, End of Year \$ 11,060,391

CASH AND CASH EQUIVALENTS CONSISTS OF:

Cash and cash equivalents \$ 8,029,262

Board-designated operating cash 2,974,307

Cash restricted for capital projects 56,822

\$ 11,060,391

SUPPLEMENTAL DISCLOSURES:

Right-of-use assets acquired under finance leases \$ 228,250

Purchases of land, building, and equipment included in accounts payable \$ 271,631

Cash paid for interest \$ 14,086

See notes to consolidated financial statements

SEATTLE'S UNION GOSPEL MISSION

Notes to Consolidated Financial Statements

August 31, 2024

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 activities 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). 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 CityGate 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.

SEATTLE'S UNION GOSPEL MISSION

Notes to Consolidated Financial Statements

August 31, 2024

2. SIGNIFICANT ACCOUNTING POLICIES:

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. The Mission sold this property during the year ended August 31, 2024.

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 AND BOARD-DESIGNATED OPERATING CASH

Cash and cash equivalents and board-designated operating cash consist of checking, savings and money market accounts. At August 31, 2024, the Mission's cash balance exceeded federally insured limits by approximately \$10,226,000.

CASH RESTRICTED 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 as cash restricted for capital projects on the consolidated statement of financial position. The amounts for this purpose have also been recorded in net assets with donor restrictions.

SEATTLE'S UNION GOSPEL MISSION

Notes to Consolidated Financial Statements

August 31, 2024

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

PLEDGES RECEIVABLE

Pledges receivable consists of amounts unconditionally promised by donors. 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% for the year ended August 31, 2024, 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, 2024, so no allowance has been recorded.

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, 2024, as all inventory is considered useable or saleable at lower of cost or net realizable value.

INVESTMENTS

Investments, as further described in Note 5, include stocks and mutual funds reported at fair value and cash and cash equivalents. 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

Some of the Mission's contracts contain the right to control the use of property or assets and are therefore considered leases. The Mission records right-of-use assets and obligations on the consolidated statement of financial position for the rights and obligations created by leases with initial terms of more than twelve months. The additional lease disclosures can be found in Notes 6 and 7.

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.

SEATTLE'S UNION GOSPEL MISSION

Notes to Consolidated Financial Statements

August 31, 2024

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

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, 2024. The revaluation as of August 31, 2024 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.

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.

SEATTLE'S UNION GOSPEL MISSION

Notes to Consolidated Financial Statements

August 31, 2024

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

DONATED GOODS AND SERVICES

Noncash gifts are recorded at their estimated fair value at the date of donation. For the year ended August 31, 2024, the Mission received \$4,206,687 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 \$63,463 of donated services for medical, dental, and legal services provided during the year ended August 31, 2024.

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.

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 money without donor restrictions 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.

SEATTLE'S UNION GOSPEL MISSION

Notes to Consolidated Financial Statements

August 31, 2024

3. LIQUIDITY AND FUNDS AVAILABLE:

The following reflects the Mission's financial assets, as of August 31, 2024, 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.

Financial assets:	
Cash and cash equivalents	\$ 8,029,262
Board-designated operating cash	2,974,307
Pledges receivable	1,976,567
Investments	21,113,192
Cash restricted for capital projects	56,822
Financial assets, at year-end	<u>34,150,150</u>
Less those unavailable for general expenditure within one year, due to:	
Investments held for gift annuity reserves	(22,000)
Cash restricted for capital projects	(56,822)
Board-designated operating cash	(2,974,307)
Pledges receivable, net of current portion	(648,834)
Perpetual endowments and accumulated earnings subject to appropriation beyond one year	<u>(11,052,536)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 19,395,651</u>

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, 2024. 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.

SEATTLE'S UNION GOSPEL MISSION

Notes to Consolidated Financial Statements

August 31, 2024

4. PLEDGES RECEIVABLE:

Pledges receivable consist entirely of pledges receivable before discounting for present value of cash flows as of August 31, 2024. The discount was not applied as it was immaterial to the financial statements as a whole.

Amounts as of August 31, 2024 are due in:

Less than one year	\$ 2,159,733
One to five years	<u>648,834</u>
	<u>\$ 2,808,567</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.

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS:

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

Investments	\$ 9,576,528
Investments held for long-term purposes	<u>11,536,664</u>
	<u>\$ 21,113,192</u>

Investment income for the year ended August 31, 2024 consists of the following:

Interest and dividends	\$ 671,292
Realized gains	285,873
Unrealized gains	<u>2,931,388</u>
	<u>\$ 3,888,553</u>

Annuity assets were \$134,556 of the total investment balance as of August 31, 2024.

SEATTLE'S UNION GOSPEL MISSION

Notes to Consolidated Financial Statements

August 31, 2024

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS, continued:

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 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 year ended August 31, 2024.

SEATTLE'S UNION GOSPEL MISSION

Notes to Consolidated Financial Statements

August 31, 2024

5. INVESTMENTS AND 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, 2024	
	<u>Total</u>	<u>Level 1</u>
Investments held at fair value:		
Common stocks	\$ 5,909,466	\$ 5,909,466
Mutual funds:		
Equity	8,727,798	8,727,798
Fixed income	5,058,369	5,058,369
Exchange traded funds	<u>1,312,796</u>	<u>1,312,796</u>
Total investments held at fair value	21,008,429	<u>\$ 21,008,429</u>
Investments held at cost:		
Cash	<u>104,763</u>	
Total investments	<u>\$ 21,113,192</u>	

SEATTLE'S UNION GOSPEL MISSION

Notes to Consolidated Financial Statements

August 31, 2024

6. 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 approximately \$32,000. The following table reflects the Mission's operating lease, as of August 31, 2024:

Operating lease right-of-use asset	\$	534,381
Operating lease obligation	\$	557,128
Operating lease costs	\$	378,456
Weighted-average discount rate		0.42%
Weighted-average remaining lease term		1.40 years

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>		
2025	\$	393,327
2026		165,567
		<u>558,894</u>
Less amount representing interest		<u>(1,766)</u>
	\$	<u>557,128</u>

SEATTLE'S UNION GOSPEL MISSION

Notes to Consolidated Financial Statements

August 31, 2024

7. FINANCING LEASES—RIGHT-OF-USE ASSETS AND OBLIGATIONS:

The Mission leases equipment and vehicles under various noncancelable financing leases, expiring between April 2025 and April 2029. The leases require monthly payments ranging from \$669 to \$4,608. 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%. The following table reflects the Mission's financing leases, as of August 31, 2024:

Financing leases-right-of-use asset	\$	394,183
Financing leases obligation	\$	405,662
Financing lease costs:		
Amortization of right-of-use assets	\$	128,360
Interest on lease liabilities	\$	14,086
Weighted-average discount rate		3.31%
Weighted-average remaining lease term		3.76 years

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>		
2025	\$	123,784
2026		101,748
2027		90,068
2028		81,188
2029		37,085
		<u>433,873</u>
Less amount representing interest		<u>(28,211)</u>
	\$	<u>405,662</u>

SEATTLE'S UNION GOSPEL MISSION

Notes to Consolidated Financial Statements

August 31, 2024

8. LAND, BUILDINGS, AND EQUIPMENT, NET:

Land, buildings, and equipment, net as of August 31, 2024 consists of the following:

Land and improvements	\$ 3,245,187
Buildings and facilities	47,812,286
Equipment and vehicles	3,629,550
Leasehold improvements	217,654
	<hr/>
	54,904,677
Construction in progress	598,577
Less accumulated depreciation and amortization	(19,794,490)
	<hr/>
	\$ 35,708,764
	<hr/>

9. 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, 2024. Interest on the line of credit is paid monthly at the prime rate less 0.5%, with a floor of 7.5% (prime rate was 8.5% at August 31, 2024). This line of credit is secured by investment assets of the Mission, and expires in September 2025. The Mission did not draw on the line of credit in the year ended August 31, 2024. The line of credit contains certain financial and administrative covenants. The Mission was in compliance with those covenants as of August 31, 2024.

SEATTLE'S UNION GOSPEL MISSION

Notes to Consolidated Financial Statements

August 31, 2024

10. NET ASSETS:

Net assets as of August 31, 2024 consist of the following:

Net assets without donor restrictions:

Undesignated	\$ 48,515,900
Board-designated operating cash	2,974,307
Total net assets without donor restrictions	<u>51,490,207</u>

Net assets with donor restrictions:

Subject to expenditure for specified purpose:

Mental health services	789,322
Capital projects	56,822

Subject to the passage of time:

Continued program use, invested in property and equipment	2,488,917
Pledges receivable	1,976,567

Subject to time and specified purpose restrictions:

Pledges receivable restricted for capital projects	832,000
	<u>6,143,628</u>

Subject to the Mission's spending policy and appropriations:

Accumulated earnings on endowment funds	2,912,741
Endowment funds restricted in perpetuity	8,623,923
	<u>11,536,664</u>

Total net assets with donor restrictions 17,680,292

Total net assets \$ 69,170,499

SEATTLE'S UNION GOSPEL MISSION

Notes to Consolidated Financial Statements

August 31, 2024

10. 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 was forgiven 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 Washington Court renovation, which is being funded by the \$488,917 loan, was officially completed in 2024 and will be forgiven in 2039. 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. The loans are secured by the related property. 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.

11. DONATED GOODS AND SERVICES:

Donated food and services for the fiscal year ended August 31, 2024, included in the consolidated financial statements, are as follows:

Clothing	\$	1,318,875
Food		1,302,560
Furniture and household items		820,171
Supplies (personal protective equipment, hygiene, paper products, office)		368,708
Blankets, linens and bath towels		303,105
Toys		54,178
Dental services		55,363
Turkeys		31,509
Legal services		8,100
Tickets		3,900
Gift cards		3,681
		<hr/>
	\$	<u>4,270,150</u>

SEATTLE'S UNION GOSPEL MISSION

Notes to Consolidated Financial Statements

August 31, 2024

11. DONATED GOODS AND SERVICES, continued:

The donated goods and services are not donor restricted. All donated services were utilized in program activities during the year ended August 31, 2024. 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 \$2,412,000 for the year ended August 31, 2024.

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.

12. ENDOWMENT FUNDS:

The Mission's endowment consists of five 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, 2024

12. 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

Changes in endowment net assets for the year ended August 31, 2024:

	<u>Accumulated Earnings</u>	<u>Restricted in Perpetuity</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,415,332	\$ 8,623,923	\$ 10,039,255
Contributions	-	-	-
Investment return, net	1,937,183	-	1,937,183
Amounts appropriated for expenditure	(439,774)	-	(439,774)
Endowment net assets, end of year	<u>\$ 2,912,741</u>	<u>\$ 8,623,923</u>	<u>\$ 11,536,664</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, 2024.

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.

SEATTLE'S UNION GOSPEL MISSION

Notes to Consolidated Financial Statements

August 31, 2024

12. ENDOWMENTS FUNDS, continued:

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 ended August, 31, 2024, 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.

13. 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 year ended August 31, 2024, the Mission contributed \$181,127 to the plan.

14. 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 year ended August 31, 2024 were \$608,266. Of those costs, \$194,645 were allocated to program, and \$413,621 were allocated to fundraising.

SEATTLE'S UNION GOSPEL MISSION

Notes to Consolidated Financial Statements

August 31, 2024

15. PRIOR PERIOD ADJUSTMENTS:

During the year ended August 31, 2024, management identified pledges receivable and revenue that had not been recorded in the proper period. As a result, the beginning balances within the consolidated financial statements have been restated to properly reflect these amounts. The impact of the restatement on the consolidated statements for the year ended August 31, 2024 and on the change in net assets for the period ended August 31, 2023 is as follows:

	Balance as Previously Reported	Prior Period Adjustment	Balance as Adjusted
Consolidated statement of activities for the year ended August 31, 2024:			
Net Assets Before Restatement, Beginning of year	\$ 67,430,951	\$ 1,464,500	\$ 68,895,451
Consolidated statement of activities for the year ended August 31, 2023:			
Change in net assets with donor restrictions	\$ 739,074	\$ 1,464,500	\$ 2,203,574
Change in net assets	\$ 524,554	\$ 1,464,500	\$ 1,989,054

16. COMMITMENTS:

The Mission entered into construction agreements in August 2024 with Colvos Construction LLC for the completion of the Hope Place and English Chapel projects. Required payments to complete these projects total approximately \$425,000 as of August 31, 2024.

17. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through November 20, 2024, 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 year ended August 31, 2024, and our report dated November 20, 2024, which expressed an unmodified opinion on those consolidated financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position is 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 as a whole.

Capin Crouse LLP

Woodland Hills, California
November 24, 2024

SEATTLE'S UNION GOSPEL MISSION

Supplemental Consolidating Statement of Financial Position

August 31, 2024

	Seattle's Union Gospel Mission	Renovo, LLC	Federal Way Project, LLC	Eliminations	Total
ASSETS:					
Current assets:					
Cash and cash equivalents	\$ 8,029,262	\$ -	\$ -	\$ -	\$ 8,029,262
Current portion of pledges receivable	1,327,733	-	-	-	1,327,733
Investments	9,576,528	-	-	-	9,576,528
Inventory	803,044	-	-	-	803,044
Asset held for sale	102,120	-	-	-	102,120
Prepaid expenses and other assets	254,497	-	-	-	254,497
Board-designated operating reserve	2,974,307	-	-	-	2,974,307
	23,067,491	-	-	-	23,067,491
Operating lease–right-of-use-assets	534,381	-	-	-	534,381
Financing leases–right-of-use-assets	394,183	-	-	-	394,183
Investments held for long-term purposes	11,536,664	-	-	-	11,536,664
Pledges receivable, net of current portion	648,834	-	-	-	648,834
Cash held for capital projects	56,822	-	-	-	56,822
Pledges receivable for land, buildings, and equipment	832,000	-	-	-	832,000
Land, buildings, and equipment, net	34,545,508	1,163,256	-	-	35,708,764
	\$ 71,615,883	\$ 1,163,256	\$ -	\$ -	\$ 72,779,139
LIABILITIES AND NET ASSETS:					
Current liabilities:					
Accounts payable	\$ 967,993	\$ -	\$ -	\$ -	\$ 967,993
Accrued expenses	1,608,971	-	-	-	1,608,971
Operating lease obligations, current portion	393,327	-	-	-	393,327
Financing lease obligations, current portion	123,784	-	-	-	123,784
Current portion of deferred liabilities	17,582	-	-	-	17,582
	3,111,657	-	-	-	3,111,657
Gift annuities payable	22,000	-	-	-	22,000
Operating lease obligations, net of current portion	163,801	-	-	-	163,801
Financing lease obligations, net of current portion	281,878	-	-	-	281,878
Deferred liabilities	29,304	-	-	-	29,304
Total Liabilities	3,608,640	-	-	-	3,608,640
Net assets:					
Net assets without donor restrictions	50,326,951	1,163,256	-	-	51,490,207
Net assets with donor restrictions	17,680,292	-	-	-	17,680,292
Total Net Assets	68,007,243	1,163,256	-	-	69,170,499
Total Liabilities and Net Assets	\$ 71,615,883	\$ 1,163,256	\$ -	\$ -	\$ 72,779,139