

UNION RESCUE MISSION

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2024

UNION RESCUE MISSION
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

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WE ARE AN INDEPENDENT MEMBER OF
THE GLOBAL ADVISORY
AND ACCOUNTING NETWORK

**AUDIT
AND
ASSURANCE**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Union Rescue Mission

Opinion

We have audited the consolidated financial statements of Union Rescue Mission and Union Rescue Mission Support Corporation (collectively, the Mission), which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statements 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 accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Mission as of June 30, 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the 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 discussed in Note 22 to the consolidated financial statements, the June 30, 2023 consolidated financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the Mission's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

To the Board of Directors
Union Rescue Mission

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS, 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 the 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 the 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.

Report on Summarized Comparative Information

We have previously audited the Mission's June 30, 2023 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 4, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023 is consistent, in all material respects, with the consolidated financial statements from which it has been derived.

Green Hasson & Janks LLP

March 31, 2025
Los Angeles, California

UNION RESCUE MISSION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2024

With Summarized Totals at June 30, 2023

ASSETS	2024	(Restated) 2023
Cash and Cash Equivalents	\$ 12,477,000	\$ 9,793,000
Restricted Cash	1,146,000	1,438,000
Investments	4,380,000	3,156,000
Accounts and Other Receivables	81,000	131,000
Employee Retention Credit Receivable	3,464,000	3,464,000
Bequests Receivable	14,012,000	12,000
Pledges Receivable, Net	2,116,000	9,567,000
Inventory	1,309,000	1,265,000
Prepaid Expenses and Other Assets	200,000	692,000
Beneficial Interest in Charitable Remainder Trusts	240,000	240,000
Beneficial Interest in Perpetual Trust	150,000	150,000
Notes Receivable, Related Parties	24,986,000	24,986,000
Right-of-Use Assets	2,960,000	3,489,000
Land, Buildings and Equipment, Net	59,416,000	59,010,000
TOTAL ASSETS	\$ 126,937,000	\$ 117,393,000
 LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts Payable and Accrued Expenses	\$ 5,065,000	\$ 3,580,000
Lease Liabilities	3,135,000	3,646,000
Line of Credit	3,000,000	-
Notes Payable, Net	36,217,000	36,676,000
Deferred Revenue	253,000	247,000
TOTAL LIABILITIES	47,670,000	44,149,000
NET ASSETS:		
Without Donor Restrictions	76,936,000	67,088,000
With Donor Restrictions	2,331,000	6,156,000
TOTAL NET ASSETS	79,267,000	73,244,000
TOTAL LIABILITIES AND NET ASSETS	\$ 126,937,000	\$ 117,393,000

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

UNION RESCUE MISSION

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2024

With Summarized Totals for the Year Ended June 30, 2023

	2024			(Restated) 2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
PUBLIC SUPPORT:				
Contributions	\$ 13,626,000	\$ -	\$ 13,626,000	\$ 19,109,000
Gifts-in-Kind	14,771,000	-	14,771,000	12,106,000
Bequests and Planned Giving	23,597,000	-	23,597,000	6,565,000
Special Events, Net of Direct Donor Benefits of \$1,032,000	4,084,000	-	4,084,000	2,726,000
Change in the Provision for Uncollectible Pledges Receivable	(850,000)	-	(850,000)	-
Net Assets Released from Donor Restrictions	3,835,000	(3,835,000)	-	-
TOTAL PUBLIC SUPPORT	59,063,000	(3,835,000)	55,228,000	40,506,000
OTHER REVENUE (EXPENSE):				
Employee Retention Credit	-	-	-	3,464,000
Thrift Store Revenue	3,011,000	-	3,011,000	2,609,000
Other Income	953,000	-	953,000	855,000
Investment Return, Net	364,000	10,000	374,000	131,000
TOTAL OTHER REVENUE	4,328,000	10,000	4,338,000	7,059,000
TOTAL PUBLIC SUPPORT AND OTHER REVENUE	63,391,000	(3,825,000)	59,566,000	47,565,000
OPERATING EXPENSES:				
Program Services:				
Shelter Services	15,600,000	-	15,600,000	16,541,000
Recovery Programs	27,768,000	-	27,768,000	22,083,000
Community Outreach	2,310,000	-	2,310,000	1,705,000
TOTAL PROGRAM SERVICES	45,678,000	-	45,678,000	40,329,000
Support Services:				
Management and General	3,136,000	-	3,136,000	3,016,000
Fundraising	4,729,000	-	4,729,000	4,150,000
TOTAL SUPPORT SERVICES	7,865,000	-	7,865,000	7,166,000
TOTAL OPERATING EXPENSES	53,543,000	-	53,543,000	47,495,000
CHANGE IN NET ASSETS	9,848,000	(3,825,000)	6,023,000	70,000
Net Assets - Beginning of Year, As Restated	67,088,000	6,156,000	73,244,000	73,174,000
NET ASSETS - END OF YEAR	<u>\$ 76,936,000</u>	<u>\$ 2,331,000</u>	<u>\$ 79,267,000</u>	<u>\$ 73,244,000</u>

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

UNION RESCUE MISSION

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES Year Ended June 30, 2024 With Summarized Totals for the Year Ended June 30, 2023

	2024									
	Program Services				Support Services					
	Shelter Services	Recovery Programs	Community Outreach	Total Program Services	Management and General	Fundraising	Total Support Services	Total		2023 Total
Payroll and Related Expenses	\$ 4,490,000	\$ 11,392,000	\$ 483,000	\$ 16,365,000	\$ 1,392,000	\$ 2,115,000	\$ 3,507,000	\$ 19,872,000	\$	18,766,000
Supplies and Program Expenses	4,586,000	4,809,000	938,000	10,333,000	157,000	187,000	344,000	10,677,000		8,444,000
Food and Kitchen Supplies	1,994,000	2,080,000	404,000	4,478,000	18,000	-	18,000	4,496,000		4,554,000
Occupancy	2,030,000	3,511,000	62,000	5,603,000	-	93,000	93,000	5,696,000		3,905,000
Depreciation and Amortization	1,288,000	1,212,000	-	2,500,000	142,000	25,000	167,000	2,667,000		2,550,000
Thrift Store Operations	-	2,181,000	-	2,181,000	-	-	-	2,181,000		1,785,000
Donor Appeals	273,000	397,000	23,000	693,000	47,000	906,000	953,000	1,646,000		1,667,000
Insurance	448,000	1,388,000	51,000	1,887,000	30,000	17,000	47,000	1,934,000		1,361,000
Miscellaneous	134,000	225,000	8,000	367,000	629,000	146,000	775,000	1,142,000		1,197,000
Professional Consultation	177,000	146,000	28,000	351,000	432,000	1,228,000	1,660,000	2,011,000		2,158,000
Vehicles and Equipment Expenses	166,000	413,000	2,000	581,000	31,000	1,000	32,000	613,000		515,000
Interest	14,000	14,000	5,000	33,000	258,000	11,000	269,000	302,000		418,000
Gifts-in-Kind Distribution	-	-	306,000	306,000	-	-	-	306,000		175,000
TOTAL 2024 FUNCTIONAL EXPENSES	\$ 15,600,000	\$ 27,768,000	\$ 2,310,000	\$ 45,678,000	\$ 3,136,000	\$ 4,729,000	\$ 7,865,000	\$ 53,543,000		
TOTAL 2023 FUNCTIONAL EXPENSES	\$ 16,541,000	\$ 22,083,000	\$ 1,705,000	\$ 40,329,000	\$ 3,016,000	\$ 4,150,000	\$ 5,004,000			\$ 47,495,000

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

UNION RESCUE MISSION

CONSOLIDATED STATEMENT OF CASH FLOWS Year Ended June 30, 2024 With Comparative Totals for the Year Ended June 30, 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 6,023,000	\$ 70,000
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	2,667,000	2,550,000
Realized and Unrealized (Gains) Losses on Investments	(84,000)	7,000
Change in Provision for Uncollectible		
Pledges Receivable	850,000	-
(Increase) Decrease in:		
Accounts and Other Receivables	50,000	90,000
Employee Retention Credit Receivable	-	(3,464,000)
Bequests Receivable	(14,000,000)	281,000
Pledges Receivable	6,601,000	(10,000)
Inventory	(44,000)	(482,000)
Prepaid Expenses and Other Assets	492,000	69,000
Right-of-Use Assets	529,000	506,000
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	1,485,000	(2,427,000)
Deferred Revenue	6,000	141,000
Lease Liabilities	(511,000)	(465,000)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	4,064,000	(3,134,000)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investments	(1,191,000)	(2,066,000)
Proceeds from Sale of Investments	51,000	-
Purchase of Land, Buildings and Equipment	(3,073,000)	(1,168,000)
NET CASH USED IN INVESTING ACTIVITIES	(4,213,000)	(3,234,000)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Line of Credit	3,000,000	-
Payments of Notes Payable	(459,000)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	2,541,000	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,392,000	(6,368,000)
Cash and Cash Equivalents - Beginning of Year	11,231,000	17,599,000
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 13,623,000</u>	<u>\$ 11,231,000</u>
CASH AND CASH EQUIVALENTS INCLUDES:		
Cash and Cash Equivalents	\$ 12,477,000	\$ 9,793,000
Restricted Cash	1,146,000	1,438,000
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 13,623,000</u>	<u>\$ 11,231,000</u>

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

UNION RESCUE MISSION

CONSOLIDATED STATEMENT OF CASH FLOWS Year Ended June 30, 2024 With Comparative Totals for the Year Ended June 30, 2023

	2024	2023
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash Paid During the Year for Interest	\$ 302,000	\$ 418,000
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Non-Cash Impact of Implementation of Accounting Standards Codification (ASC) 842, <i>Leases</i>		
Increase in Right-of-Use Assets	\$ -	\$ 3,995,000
Increase in Lease Liabilities	-	4,111,000
Derecognition of Deferred Rent and Lease Incentives Assets	-	116,000

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

UNION RESCUE MISSION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS **June 30, 2024**

NOTE 1 - NATURE OF ORGANIZATION

Union Rescue Mission is a California, religious, not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Funds raised by the Mission provide food, shelter and clothing for impoverished men, women and children. Founded in 1891, Union Rescue Mission is the largest mission of its kind in America and is the oldest in Los Angeles, operating 24 hours a day, 7 days a week, 365 days a year. The Mission provides a comprehensive array of emergency and long-term services, including food, shelter, clothing, medical and dental care, recovery programs, transitional housing, legal assistance, education and counseling, in addition to job training for men and women.

Union Rescue Mission operates a 77-acre property, named Hope Gardens Family Center, which provides a safe, healthy, positive and tranquil living environment for formerly homeless senior women and women with children. The facilities accommodate permanent supportive housing for the senior women and transitional supportive housing for women with children. Residents receive job training, financial literacy education, life skills coursework, personal and spiritual development classes, as well as access to off-site legal, medical and dental services. Childcare is provided for nursery and preschool children while school-age children receive transportation to the local public school. Hope Gardens Family Center offers a safe, peaceful and aesthetically pleasing environment that lends itself to the healing of broken lives and the rebuilding of shattered dreams.

Union Rescue Mission also operates community thrift stores located in Covina and Whittier, California. The thrift store operations have two key objectives: First, donated items earn support for all of the Life Transformation Programs of Union Rescue Mission. In addition, the stores provide skill development and job training for men and women nearing their transition back into the community.

Through the Union Rescue Mission's Community Outreach Program, donated products are solicited and acquired each month for internal use and for distribution in the Southern California area and to sites of natural disasters. Typical products include food, clothes, hygiene items, medical/dental supplies and equipment, and school supplies for children. The program allows the Mission to extend its ministry beyond the immediate service area in Downtown Los Angeles.

URM Support Corporation (URMSC), a 501(c)(3) organization, was formed to facilitate a new market tax credit project sale and leaseback transaction related to Union Rescue Mission's outreach center, Angeles House.

UNION RESCUE MISSION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2024

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Union Rescue Mission and URMSC, and are collectively referred to in these consolidated financial statements as the Mission. All significant intercompany transactions and balances have been eliminated upon consolidation.

(b) BASIS OF PRESENTATION

The consolidated financial statements of the Mission have been prepared utilizing the accrual basis of accounting.

(c) NET ASSETS

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions.** Net assets available for use in general operations and not subject to donor-imposed restrictions. The Board of Directors has designated, from net assets without donor restrictions, net assets for a board designated reserve fund.
- **Net Assets With Donor Restrictions.** Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from donor restrictions.

(d) CASH AND CASH EQUIVALENTS

Cash and cash equivalents are short-term, highly liquid investments with maturities of three months or less at the time of purchase. The carrying value of cash equivalents approximates its fair value at June 30, 2024.

The Mission maintains cash in bank deposit accounts held as reserves for its new market tax credit project for making quarterly interest payments on the loans payable (Note 12). These reserves amounted to \$1,146,000 at June 30, 2024 and are classified as restricted cash.

UNION RESCUE MISSION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS **June 30, 2024**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) CASH AND CASH EQUIVALENTS (continued)

The Mission maintains its cash and cash equivalents in bank deposit accounts and other investment accounts, which, at times, may exceed federally insured limits. The Mission has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

(e) INVESTMENTS

Investments in equity and debt securities with readily determinable market values are reported at fair value. The fair value of these investments is determined based on the closing price on the last business day of the fiscal year. For limited partnerships and investment fund contracts, values are determined with reference to the net asset value per share provided by the partnership or fund manager.

Investment purchases and sales are accounted for on a trade-date basis. Interest income is recorded as earned on an accrual basis, and dividend income is recorded based upon the ex-dividend date. Realized gains and losses are calculated based upon the underlying cost of the securities traded. The change in unrealized gains and losses is included in investment return, net in the consolidated statement of activities and represents the current year change in the difference between the cost and fair value of investments held at the end of the fiscal year.

Investments are made according to the Investment Policies, Guidelines, and Objectives adopted by the Mission's Board. These guidelines provide for investments in equities, fixed income, and other securities with performance measured against appropriate indices. The investments are managed by outside investment managers contracted by the Mission. Market values of such investments and credit ratings of bond issuers are routinely reviewed by the Board of Directors or designated committee of the Board of Directors.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statement of financial position.

UNION RESCUE MISSION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS **June 30, 2024**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) ACCOUNTS AND OTHER RECEIVABLES

Receivables are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of receivables, net of the allowance for doubtful accounts, if any, represents their estimated fair value. The allowance for potential credit losses is estimated based on historical collection trends, type of debtor, the age of outstanding receivables, existing economic conditions and future projections. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Past due receivable balances are written-off when internal collection efforts have been unsuccessful in collecting the amount due. At June 30, 2024, all receivables are deemed fully collectible; therefore, no allowance for potential credit losses has been established.

(g) BEQUESTS AND PLANNED GIVING

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

(h) CONTRIBUTIONS AND PLEDGES RECEIVABLE

Contributions, pledges, as well as unconditional promises to give, are recognized as revenue in the period promised. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not included as revenue until such time as the conditions on which they depend have been substantially met. A discount rate of 3.0% has been used to calculate the present value of pledges receivable. At June 30, 2024, the Mission evaluated the collectability of pledges receivable and established an allowance for uncollectible pledges receivable in the amount of \$880,000. At June 30, 2024, 45% of the total outstanding pledges receivable were from two individual donors.

UNION RESCUE MISSION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) INVENTORY

Inventory consists of materials designated in two areas: internal inventory and thrift store inventory. Internal inventory is used by shelter services and recovery programs, and for general administrative purposes. It includes food, clothing, beverages, hygiene items and office supplies purchased by or donated to the Mission and are valued at the lower of cost or market if purchased and at fair value at the date of donation, if donated. Thrift store inventory includes donations of clothes, housewares, toys, furniture and other saleable items also valued at fair value at the date of donation. The Mission utilizes the first-in, first-out method of inventory valuation.

(j) BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUSTS

The Mission has been designated as the beneficiary of assets held in charitable remainder trusts administered by other trustees. The Mission recognizes temporarily restricted contribution revenue and, as a receivable, the present value of the estimated future benefits to be received when the trust assets are distributed. Adjustments to the receivable to reflect the revaluation of the present value of the estimated future payments to the Mission are recognized in the consolidated statement of activities as a change in value of beneficial interest in charitable remainder trusts. The carrying values of certain other trusts have not yet been determined; accordingly, such assets have not been recorded in the consolidated financial statements.

(k) BENEFICIAL INTEREST IN PERPETUAL TRUST

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

UNION RESCUE MISSION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2024

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(I) LEASES

The Mission recognizes and measures its leases in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 842, *Leases*. The Mission is a lessee in several operating leases for facilities. The Mission determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. The Mission recognizes a lease liability and a right-of-use (ROU) asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. The discount rate is the implicit rate if it is readily determinable or otherwise the Mission uses the risk-free rate.

The ROU asset is subsequently measured throughout the lease term at the amount of the re-measured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

The Mission has elected, for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement, and do not include an option to purchase the underlying asset that the Mission is reasonably certain to exercise. The Mission recognizes lease cost associated with short-term leases on a straight-line basis over the lease term.

(m) LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment are recorded at cost if purchased or at fair value at the date of donation, if donated. Depreciation is provided over the estimated useful lives of the related assets on a straight-line basis as follows:

Buildings and Other Improvements	5-25 Years
Furniture and Equipment	3-5 Years
Computer Software	5 Years
Transportation Equipment	5 Years

Expenditures for maintenance and repairs are charged to operations as incurred while renewals and betterments are capitalized. Land, buildings, and equipment are capitalized if the cost of an asset is equal to or greater than \$1,000 and the useful life is three years or greater.

UNION RESCUE MISSION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2024

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) LONG-LIVED ASSETS

The Mission reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flow is less than the carrying amount of the assets, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No impairment losses were recognized on long-lived assets during the year ended June 30, 2024.

(o) CONTRIBUTED GOODS AND SERVICES

Contributions of donated noncash assets are recorded at fair values in the period received, based upon estimates of fair market value that would be received for selling the goods in their principal market considering their condition and utility for use at the time the goods are contributed by the donor. Contributions of donated services are recognized if the services received create or enhance long-lived assets or require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

(p) DEBT ISSUANCE COSTS

Debt issuance costs are amortized by use of the straight-line method over the anticipated life of the related debt. Debt issuance costs are netted against the corresponding liability as reflected in Note 12.

(q) INCOME TAXES

Union Rescue Mission and URMSC are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and the corresponding California provisions.

In accordance with the FASB ASC Topic No. 740, *Uncertainty in Income Taxes*, the Mission recognizes the impact of tax positions in the consolidated financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. During the year ended June 30, 2023, the Mission performed an evaluation of uncertain tax positions and did not note any matters that would require recognition in the consolidated financial statements or which might have an effect on its tax-exempt status.

UNION RESCUE MISSION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) THRIFT STORE REVENUE

The Mission has contracts with customers for thrift store purchases where the Mission has a performance obligation under the contracts and in return the Mission receives commensurate value. Performance obligations under these contracts are satisfied at a point in time, specifically upon delivery of the purchased item(s) from the thrift store. The revenue is recognized at a point in time, at the point of sale, when the performance obligation is satisfied.

(s) FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the Mission's programs and other activities have been presented in the consolidated statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit which is determined by management through consideration of the portion of effort expended by each supporting department to each functional category.

(t) USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(u) COMPARATIVE TOTALS

The consolidated statement of activities includes prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a full comparative presentation. Accordingly, such information should be read in conjunction with the Mission's consolidated financial statements for the year ended June 30, 2023 from which the summarized information was derived.

(v) PRESENTATION

Amounts in the consolidated financial statements have been rounded to the nearest thousand dollars.

(w) RECLASSIFICATIONS

For comparability, certain June 30, 2023 amounts have been reclassified, where appropriate, to conform with the consolidated financial statement presentation used at June 30, 2024.

UNION RESCUE MISSION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2024

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) NEW ACCOUNTING PRONOUNCEMENTS

In June 2016, FASB issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which replaces the incurred loss impairment methodology previously used for certain financial instruments with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates in their measurement. The guidance has subsequently been amended through a series of targeted ASUs. The Mission adopted this guidance in 2024 and it had no material effect on the consolidated financial statements.

(y) SUBSEQUENT EVENTS

The Mission has evaluated events and transactions occurring subsequent to the consolidated statement of financial position date of June 30, 2024, for items that should potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through March 31, 2025, the date these consolidated financial statements were available to be issued. No such material events or transactions were noted to have occurred.

NOTE 3 - INVESTMENTS

Investments consist of the following at June 30, 2024:

Cash and Cash Equivalents	\$ 25,000
Certificates of Deposit	1,032,000
Mutual and Exchange Traded Funds	2,995,000
U.S. Treasury Bills	243,000
Limited Partnership	85,000
TOTAL INVESTMENTS	\$ 4,380,000

NOTE 4 - FAIR VALUE MEASUREMENTS

The Mission has implemented the accounting standard that defines fair value for those assets (and liabilities) that are re-measured and reported at fair value at each reporting period. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements. This standard applies to fair value measurements already required or permitted by existing standards.

In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset (or liability) and include situations where there is little, if any, market activity for the asset (or liability).

UNION RESCUE MISSION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2024

NOTE 4 - FAIR VALUE MEASUREMENTS (continued)

The following table presents information about the Mission's assets that are measured at fair value on a recurring basis at June 30, 2024 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Year Ended June 30, 2023	Fair Value Measurements Using			Net Asset Value Per Share or its Equivalent (NAV)
		Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
ASSETS:					
Cash and Cash Equivalents	\$ 25,000	\$ 25,000	\$ -	\$ -	\$ -
Certificates of Deposit					
Mutual and Exchange	1,032,000	-	1,032,000	-	-
Traded Funds	2,995,000	2,995,000	-	-	-
U.S. Treasury Bills	243,000	-	243,000	-	-
Limited Partnership	85,000	-	-	-	85,000
Beneficial Interest in:					
Charitable Remainder					
Trusts	240,000	-	-	240,000	-
Perpetual Trust	150,000	-	-	150,000	-
TOTAL ASSETS	\$ 4,770,000	\$ 3,020,000	\$ 1,275,000	\$ 390,000	\$ 85,000

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

The fair value of investments within Level 2 was obtained based on data points that are observable, such as quoted prices in active markets, interest rates and yield curves.

Investments valued using net asset value per share (NAV) are comprised of a limited partnership investment. Such investments (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The limited partnership interest is valued using the NAV provided by the fund manager. It is probable that the investment will be sold at an amount different from its fair value at June 30, 2024. The redemption frequency is ninety days and there are no unfunded commitments at June 30, 2024.

The beneficial interest in charitable remainder trusts is valued as described in Note 2(j). The beneficial interest in perpetual trust is valued as described in Note 2(k).

UNION RESCUE MISSION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2024

NOTE 4 - FAIR VALUE MEASUREMENTS (continued)

The changes in fair value measurements using significant unobservable inputs for the year ended June 30, 2024 are as follows:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) With Donor Restrictions		
	Beneficial Interest in Charitable Remainder Trusts	Beneficial Interest in Perpetual Trust	Total
ASSETS:			
Beginning Balance	\$ 240,000	\$ 150,000	\$ 390,000
Contributions	-	-	-
Distributions	-	-	-
Change in Value	-	-	-
ENDING BALANCE	\$ 240,000	\$ 150,000	\$ 390,000

NOTE 5 - PLEDGES RECEIVABLE

Pledges receivable at June 30, 2024 are expected to be collected as follows:

Less than One Year	\$ 2,603,000
Two to Five Years	429,000
GROSS PLEDGES RECEIVABLE	3,032,000
Allowance for Uncollectible Pledges	(880,000)
Present Value Discount	(36,000)
PLEDGES RECEIVABLE, NET	\$ 2,116,000

NOTE 6 - BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUSTS

The Mission is the beneficiary of four charitable remainder trusts administered by other trustees. Assets held in charitable remainder trusts totaled \$240,000 at June 30, 2024, representing the portion of the net present value of the charitable remainder trust assets for which the Mission is the designated beneficiary. One of the charitable remainder trusts, with a net present value of \$35,000 at June 30, 2024, is restricted to Hope Gardens Family Center. The remaining charitable remainder trusts, with a net present value of \$205,000 at June 30, 2024, are for the general charitable operations of Union Rescue Mission.

UNION RESCUE MISSION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2024

NOTE 7 - BENEFICIAL INTEREST IN PERPETUAL TRUST

The Mission is the beneficiary of a trust whose assets are not under its control. The Mission has legally enforceable rights or claims to its beneficial interest in the annual income from the trust. The carrying value of the Mission's beneficial interest in this trust at June 30, 2024 is \$150,000.

NOTE 8 - LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consist of the following at June 30, 2024:

Land	\$ 12,786,000
Buildings and Other Improvements	79,418,000
Furniture and Equipment	7,319,000
Computer Software	867,000
Transportation Equipment	1,009,000
Construction in Progress	<u>2,182,000</u>
TOTAL	103,581,000
Less: Accumulated Depreciation	<u>(44,165,000)</u>
LAND, BUILDINGS AND EQUIPMENT, NET	<u>\$ 59,416,000</u>

Depreciation and amortization expense for the year ended June 30, 2024 was \$2,667,000.

NOTE 9 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following at June 30, 2024:

Accounts Payable	\$ 2,254,000
Accrued Expenses	1,256,000
Accrued Payroll	403,000
Funds Held for Others	419,000
Accrued Vacation	<u>733,000</u>
TOTAL ACCOUNTS PAYABLE AND ACCRUED EXPENSES	<u>\$ 5,065,000</u>

UNION RESCUE MISSION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2024

NOTE 10 - LINE OF CREDIT

The Mission's operating line of credit with permissible borrowings of up to \$6,000,000 matures on July 24, 2026. The line of credit is secured by land and buildings (545 South San Pedro Street, Los Angeles, California) and interest is payable monthly at the bank's prime rate plus 1%, with an interest rate floor of 4%. The balance was \$3,000,000 at June 30, 2024. The bank's prime rate at June 30, 2024 was 8.5%.

NOTE 11 - NOTES PAYABLE

The Mission has notes payable outstanding consisting of the following at June 30, 2024:

Note Payable (see below)	\$ 1,042,000
New Market Tax Credit Notes Payable (See Note 12)	<u>35,175,000</u>
TOTAL NOTES PAYABLE, NET	<u><u>\$ 36,217,000</u></u>

In September 2020, the Mission entered into a note payable agreement in the amount of \$1,150,000 with a financial institution related to an affordable housing project. The note does not bear interest, and principal under the note is due and payable in full in June 2039. The note payable balance of \$1,042,000 is net of \$107,000 of unamortized debt issuance costs.

NOTE 12 - NEW MARKET TAX CREDIT FUNDING

The New Market Tax Credit (NMTC) program is a federal subsidy program for economic development of depressed areas. The NMTC program is designed to stimulate the flow of investment capital into underserved areas by providing tax credit investment in a 'low-income community', which is claimed over a seven-year credit allowance period. On March 19, 2020, the Mission closed a NMTC transaction of approximately \$36.3 million to complete its South Los Angeles project (new program/administrative facility).

The NMTC funding was utilized as follows:

Acquisition, Design, Construction of South Los Angeles Campus	\$ 29,707,000
Land	4,313,000
Reserve Funds for Audit and Tax	1,407,000
NMTC Fees and Consulting Costs	<u>900,000</u>
TOTAL	<u><u>\$ 36,327,000</u></u>

UNION RESCUE MISSION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2024

NOTE 12 - NEW MARKET TAX CREDIT FUNDING (continued)

The NMTC structure included a loan in the amount of \$17,892,000 from the Mission to Angeles House Investment Fund, LLC. These funds, together with investment funds of approximately \$9,108,000 from Wells Fargo Community Investments Holdings, LLC (NMTC Investor) were used to fund LADF XX, LLC and GLA Sub-CDE XXVI, LLC community development entities, collectively the CDEs, which, in turn, loaned the funds to URMSC, a 501(c)(3) organization established to facilitate the NMTC sale and leaseback transaction. On March 19, 2027, the end of the seven-year NMTC term, the Mission has an option to exercise the Investment Fund Put and Call Agreement.

On December 22, 2021, the Mission entered into another NMTC transaction to provide Phase II funding for the South Los Angeles Campus. The NMTC structure included a loan in the amount of \$7,094,000 from the Mission to Angeles House Investment Fund II, LLC. These funds, together with investment funds of approximately \$3,081,000 from Wells Fargo Community Investments Holdings, LLC (NMTC Investor) were used to fund NMCC Sub-CDE XXX, LLC community development entity, which, in turn, loaned the funds to URMSC to facilitate the NMTC sale and leaseback transaction.

The Mission has the following notes receivable from Angeles House Investment Fund, LLC, and Angeles House Investment Fund II, LLC at June 30, 2024:

Note Receivable, Angeles House Investment Fund, LLC, Interest at 1.00% Per Annum, Interest-Only Receipts Quarterly in Arrears until June 2027 when Principal Payments Commence in Accordance with the Loan Amortization Schedule, Maturing March 2055	\$ 17,892,000
Note Receivable, Angeles House Investment Fund II, LLC, Interest at 1.00% Per Annum, Interest-Only Receipts Quarterly in Arrears until June 2027 when Principal Payments Commence in Accordance with the Loan Amortization Schedule, Maturing March 2055	<u>7,094,000</u>
TOTAL NOTES RECEIVABLE	<u><u>\$ 24,986,000</u></u>

Future principal collections on the notes receivable are as follows:

Year Ended June 30

2025	\$ -
2026	-
2027	-
2028	-
2029	-
Thereafter	<u>24,986,000</u>
TOTAL	<u><u>\$ 24,986,000</u></u>

UNION RESCUE MISSION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2024

NOTE 12 - NEW MARKET TAX CREDIT FUNDING (continued)

URMSC has the following notes payable to the CDEs at June 30, 2024:

Note Payable, related party - LADF Loan A, Interest at 1.2422% Per Annum, Interest Only Payments Quarterly in Arrears until March 2027, Thereafter Installments of Principal and Interest Quarterly in Arrears, Maturing March 2055	\$ 9,940,000
Note Payable, related party - GLA Loan A, Interest at 1.2422% Per Annum, Interest Only Payments Quarterly in Arrears until March 2027, Thereafter Installments of Principal and Interest Quarterly in Arrears, Maturing March 2055	7,952,000
Note Payable - LADF Loan B, Interest at 1.2422% Per Annum, Interest Only Payments Quarterly in Arrears until March 2027, Thereafter Installments of Principal and Interest Quarterly in Arrears, Maturing March 2055	5,060,000
Note Payable - GLA Loan B, Interest at 1.2422% Per Annum, Interest Only Payments Quarterly in Arrears until March 2027, Thereafter Installments of Principal and Interest Quarterly in Arrears, Maturing March 2055	3,688,000
Note Payable - NMCC XXX Loan A, Interest at 1.4800% Per Annum, Interest Only Payments Quarterly in Arrears until January 2029, Thereafter Installments of Principal and Interest Quarterly in Arrears, Maturing December 2056	7,094,000
Note Payable - NMCC XXX Loan B, Interest at 1.4800% Per Annum, Interest Only Payments Quarterly in Arrears until January 2029, Thereafter Installments of Principal and Interest Quarterly in Arrears, Maturing December 2056	<u>2,706,000</u>
TOTAL NEW MARKET TAX CREDIT NOTES PAYABLE	36,440,000
Less: Unamortized Debt Issuance Costs	<u>(1,265,000)</u>
TOTAL NEW MARKET TAX CREDIT NOTES PAYABLE, NET	<u><u>\$ 35,175,000</u></u>

UNION RESCUE MISSION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2024

NOTE 12 - NEW MARKET TAX CREDIT FUNDING (continued)

Future payments are as follows:

Year Ended June 30

2025	\$	-
2026		-
2027		-
2028		-
2029		-
Thereafter		<u>36,440,000</u>
TOTAL NEW MARKET TAX CREDIT NOTES PAYABLE		<u>36,440,000</u>
Less: Unamortized Debt Issuance Costs		<u>(1,265,000)</u>
TOTAL NEW MARKET TAX CREDIT NOTES PAYABLE, NET		<u>\$ 35,175,000</u>

In accordance with the interest reserve disbursement agreement, URMSC is required to maintain an interest reserve account for making quarterly interest payments on the loans payable. At June 30, 2024, the balance in the interest reserve accounts was \$1,146,000 and is included in restricted cash on the consolidated statement of financial position.

NOTE 13 - COMMUNITY OUTREACH PROGRAM

The Mission conducts a Community Outreach Program that provides various donated products such as food, hygiene items and medical supplies to the poor and homeless outside the immediate service area of the Mission. Recipients of the products during the year ended June 30, 2024 were located in the United States.

The products are donated primarily by corporations. The receipt of donated products by the Mission for this program is reflected as gifts-in-kind revenue and the distribution to the recipients is reflected as gifts-in-kind distribution expense in the consolidated statement of functional expenses. The donated products are valued in a manner consistent with Accord Network Interagency Gift-In-Kind Standards.

Of the \$14,771,000 gifts-in-kind revenue reflected in the consolidated statement of activities for the year ended June 30, 2024, \$13,716,000 are gifts-in-kind used by the Mission in its own programs and thrift store. \$306,000 was provided to other non-profit organizations through the Mission's Community Outreach Program. The balance of \$749,000 are miscellaneous donations and vehicles.

UNION RESCUE MISSION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2024

NOTE 14 - OPERATING LEASES

The Mission leases its thrift store and warehouse space facilities, which are accounted for as operating leases. The operating leases expire at various dates ranging from March 2024 to March 2039. Most leases include one or more options to renew, with renewal terms generally ranging from 5 to 15 years. The exercise of lease renewal options is at the Mission's discretion. The Mission has chosen to include the renewal term in the calculation of the right-of-use asset and related lease liability when such renewals are reasonably certain of being exercised. Leases with an initial term of 12 months or less, which are not expected to be renewed beyond one year, are not recorded on the consolidated statement of financial position and are recognized as lease expense on a straight-line basis over the lease term. As of June 30, 2024, the Mission recognized \$2,960,000 of right-of-use assets and \$3,135,000 of related lease liabilities for contracts that are classified as operating leases. Lease cost was \$687,000 for the year ended June 30, 2024.

As of June 30, 2024, the weighted-average remaining lease term is 12.7 years and the weighted-average discount rate used to determine the lease liabilities as of June 30, 2024 was approximately 4.71%.

Maturities of lease liabilities as of June 30, 2024 are as follows:

Years Ending June 30

2025	\$	345,000
2026		315,000
2027		316,000
2028		320,000
2029		327,000
Thereafter		<u>2,599,000</u>
Total Lease Payments		4,222,000
Less: Imputed Interest		<u>(1,087,000)</u>
TOTAL		<u><u>\$ 3,135,000</u></u>

NOTE 15 - COMMITMENTS AND CONTINGENCIES

In the ordinary course of conducting its business, the Mission becomes involved in various lawsuits. Some of these proceedings may result in judgments being assessed against the Mission which, from time to time, may have an impact on changes in net assets. The Mission recognizes a liability related to legal claims when the loss contingency is both probable and reasonably estimable.

UNION RESCUE MISSION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2024

NOTE 16 - RETIREMENT PLAN

The Mission has a defined contribution retirement plan for all full-time employees. Eligible employees may contribute annually up to the applicable Internal Revenue Service limitations. During the year ended June 30, 2024, the Mission made \$316,000 in matching retirement contributions.

NOTE 17 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of undesignated and Board designated amounts for the following purposes at June 30, 2024:

Undesignated	\$ 72,633,000
Board Designated Reserve Fund	<u>4,303,000</u>
TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>\$ 76,936,000</u>

NOTE 18 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2024:

Subject to Expenditure for Specified Purpose:	
Charitable Remainder Trusts - Mission Operations	\$ 205,000
Charitable Remainder Trust - Hope Gardens Family Center	35,000
Various Programs	831,000
Capital Improvements	1,023,000
Subject to Endowment Spending Policy:	
Donor Restricted Contributions Subject to Spending Policy	24,000
Not Subject to Appropriation or Expenditure:	
Beneficial Interest in Perpetual Trust	150,000
Donor-Restricted Endowment Corpus	<u>63,000</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 2,331,000</u>

UNION RESCUE MISSION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2024

NOTE 18 - NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended June 30, 2024:

Satisfaction of Purpose Restrictions:	
Capital Improvements	\$ 2,037,000
Other	<u>1,798,000</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 3,835,000</u>

NOTE 19 - ENDOWMENTS

The Mission's endowments consist of funds established for a variety of purposes. Endowment funds are established by donor-restricted gifts to provide a permanent endowment, which is to provide a permanent source of income to the Mission.

The Mission's management understands California State law as (1) requiring the preservation of the fair market value of the original gifts as of the gift date of the donor restricted endowment funds, and (2) allowing the spending of income and gains on permanently restricted endowments, absent explicit donor stipulations that all or a portion of such gains be maintained in perpetuity.

The primary long-term financial objective for the Mission's endowments is to preserve the real (inflation-adjusted) purchasing power of endowment assets and income after accounting for endowment spending, annual growth percentage and costs of portfolio management.

The Mission's Board of Directors developed a spending policy which restricts the use of endowment funds to 4.5% of the average market value of the total endowment portfolio over the past 12 quarters (3 years) with the gift instrument taking precedence over this policy. This policy will allow for a greater predictability of spendable income for budgeting purposes and for gradual steady growth for the support of operations by the endowment. In addition, this policy will minimize the probability of invading the principal over the long term.

Endowment Net Asset Composition by Type of Fund at June 30, 2024

Donor-Restricted	<u>\$ 87,000</u>
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Changes in Endowment Net Assets for the Year Ended June 30, 2024

Endowment Net Assets -	
Beginning of Year	\$ 77,000
Contributions	-
Investment Return, Net	<u>10,000</u>

ENDOWMENT NET ASSETS - END OF YEAR

<u>\$ 87,000</u>

UNION RESCUE MISSION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024

NOTE 19 - ENDOWMENTS (continued)

At times, the fair value of assets associated with these endowment funds may fall below the level that the donors require the Mission to retain as funds of perpetual duration. These deficiencies result from unfavorable market fluctuations. The Mission had no endowment funds with such deficiencies at June 30, 2024.

NOTE 20 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The total financial assets held by the Mission at June 30, 2024 and the amounts of those financial assets that could be made available for general expenditures within one year of the date of the consolidated statement of financial position are summarized in the following table:

Financial Assets at June 30, 2024:	
Cash and Cash Equivalents	\$ 12,477,000
Investments	4,380,000
Accounts and Other Receivables	81,000
Employee Retention Credit Receivable	3,464,000
Bequests Receivable	14,012,000
Pledges Receivable, Net	<u>2,116,000</u>
TOTAL FINANCIAL ASSETS	
AT JUNE 30, 2024	36,530,000
Less Amounts Not Available to Be Used	
within One Year, Due to:	
Board Designations:	
Board Designated Reserve Fund	(4,303,000)
Donor-Imposed Restrictions:	
Funds Held or Pledges Receivable	<u>(2,331,000)</u>
FINANCIAL ASSETS AVAILABLE TO	
MEET GENERAL EXPENDITURES	
WITHIN ONE YEAR	<u>\$ 29,896,000</u>

The Mission regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Mission is substantially supported by unrestricted contributions. As part of the Mission's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The Mission has various sources of liquidity at its disposal, including cash and cash equivalents and marketable debt and equity securities, and an unused line of credit of \$3,000,000 at June 30, 2024. The Mission's board designated reserve fund in the amount of \$4,303,000 is available to be drawn upon in the event of unanticipated liquidity needs.

UNION RESCUE MISSION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2024

NOTE 21 - GIFTS-IN-KIND

Gifts-in-kind contributions were utilized by the Mission as follows during the year ended June 30, 2024:

Expense Category	Restrictions	Valuation	Activity	Amount
Food	None	Wholesale Prices of Identical or Similar Products	Shelter, Recovery, Outreach Program	\$ 3,998,000
Supplies	None	Wholesale Prices of Identical or Similar Products	Shelter, Recovery, Outreach Program	852,000
Toys	None	Wholesale Prices of Identical or Similar Products	Recovery	306,000
Clothing	None	Vendor Quote	Recovery	8,866,000
Miscellaneous	None	Vendor Quote	Recovery	749,000
TOTAL GIFTS IN-KIND				<u><u>\$ 14,771,000</u></u>

NOTE 22 - PRIOR PERIOD RESTATEMENT

During the year ended June 30, 2024, management reviewed the composition of net assets with donor restrictions and determined that certain net assets previously classified as with donor restrictions should have been released from restriction in an earlier year. Accordingly, net assets as of the beginning of the year have been adjusted to reflect the correction of this misstatement. There was no impact on the change in net assets for the prior years as a result of this restatement. The following table summarizes the effects of the correction on the consolidated financial statements as of July 1, 2023:

	Balance as Previously Reported at July 1, 2023	Restatement	Balance as Restated at July 1, 2023
Net Assets Without Donor Restrictions	\$ 46,199,000	\$ 20,889,000	\$ 67,088,000
Net Assets With Donor Restrictions	27,045,000	(20,889,000)	6,156,000
TOTAL NET ASSETS	<u><u>\$ 73,244,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 73,244,000</u></u>