

**UNION GOSPEL MISSION OF SALEM, OREGON
(A NONPROFIT ORGANIZATION)**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
AUGUST 31, 2009**

**PO BOX 431
SALEM, OR 97308**

WITH AUDITORS' REPORT BY:

**JOHNSON, GLAZE & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS**

**3085 RIVER ROAD N.
SALEM, OREGON 97303**

NOVEMBER 30, 2009

UNION GOSPEL MISSION OF SALEM, OREGON

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Union Gospel Mission of Salem, Oregon
Salem, Oregon 97301

Larry R. Glaze

Certified Public Accountant
CERTIFIED FINANCIAL PLANNER™
Professional

John R. La'Gere

Certified Public Accountant

Michael A. Blanchard

Certified Public Accountant

M. Gayle Klampe

Certified Public Accountant

We have audited the accompanying statement of financial position of **Union Gospel Mission of Salem, Oregon** (a nonprofit organization) as of August 31, 2009 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Mission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As explained in Note A, the Mission had recorded land, buildings equipment and vehicles at fair market value and had not recorded depreciation on these assets as required by generally accepted accounting principles. Beginning in 1999, depreciation is being taken using the straight-line method on all new acquisitions. However, it is not practicable to determine the effect of these earlier departures from generally accepted accounting principles on the financial statements.

A Professional Corporation

Certified Public Accountants

3085 River Road North
Salem, OR 97303
phone: 503.390.7880
fax: 503.390.0812
www.johnsonglaze.com

In our opinion, except for the effects of not recording land, buildings, equipment and vehicles at cost and not recording prior depreciation, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of **Union Gospel Mission of Salem, Oregon** as of August 31, 2009, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Sincerely,

Johnson, Glaze + Co. P.C.

Johnson, Glaze & Co., P.C.
Certified Public Accountants
November 30, 2009

**UNION GOSPEL MISSION OF SALEM, OREGON
(A NONPROFIT ORGANIZATION)**

**STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2009**

ASSETS

CURRENT ASSETS

Cash & Cash Equivalents	\$ 300,345
Prepays	119
Inventory	191,439
Total Current Assets	<u>491,903</u>

MARKETABLE SECURITIES

Investments	<u>583,782</u>
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FIXED ASSETS

Land	3,647,480
Buildings	2,638,898
Leasehold Improvements	69,162
Furniture & Fixtures	553,598
Vehicles	196,530
Dental Clinic	53,609
Less Accumulated Depreciation	(656,585)
Total Fixed Assets	<u>6,502,692</u>

OTHER ASSETS

Deposits	<u>4,605</u>
Total Other Assets	<u>4,605</u>

TOTAL ASSETS

\$ 7,582,982

See Auditors' Report and Notes to the Financial Statements.

**UNION GOSPEL MISSION OF SALEM, OREGON
(A NONPROFIT ORGANIZATION)**

**STATEMENT OF FINANCIAL POSITION (CONTINUED)
AUGUST 31, 2009**

LIABILITIES & NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 51,934
Accrued Liabilities	58,781
Rent Deposits	200
Current Portion of Long-term Debt	62,388
Total Current Liabilities	<u>173,303</u>

LONG-TERM LIABILITIES

Long-term Debt	1,160,405
Less Current Portion of Long-term Debt	(62,388)
Total Long-term Liabilities	<u>1,098,017</u>

TOTAL LIABILITIES

1,271,320

NET ASSETS

Unrestricted	6,270,022
Temporarily Restricted	41,640
Total Net Assets	<u>6,311,662</u>

TOTAL LIABILITIES & NET ASSETS

\$ 7,582,982

See Auditors' Report and Notes to the Financial Statements.

**UNION GOSPEL MISSION OF SALEM, OREGON
(A NONPROFIT ORGANIZATION)**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2009**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT			
Contributions	\$ 2,556,076	\$ 41,640	\$ 2,597,716
In-Kind Contributions	646,447	-	646,447
Grants	8,500	-	8,500
Bequests	92,076	-	92,076
Total Support	<u>3,303,099</u>	<u>41,640</u>	<u>3,344,739</u>
OTHER REVENUE			
Investments			
Interest & Dividends	30,705	-	30,705
Net Realized/Unrealized Gain (Loss)	(79,413)	-	(79,413)
Program Fees & Other	49,416	-	49,416
Mission Store			
Retail Sales & Recycling	466,563	-	466,563
In-Kind Contributions	519,697	-	519,697
Restrictions Satisfied by Payment	27,955	(27,955)	-
Total Other Revenue	<u>1,014,923</u>	<u>(27,955)</u>	<u>986,968</u>
TOTAL SUPPORT & OTHER REVENUE	<u>\$ 4,318,022</u>	<u>\$ 13,685</u>	<u>\$ 4,331,707</u>

See Auditors' Report and Notes to the Financial Statements.

**UNION GOSPEL MISSION OF SALEM, OREGON
(A NONPROFIT ORGANIZATION)**

**STATEMENT OF ACTIVITIES (Continued)
FOR THE YEAR ENDED AUGUST 31, 2009**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
EXPENSES			
Program Services			
Men's Missions	\$ 1,196,929	\$ -	\$ 1,196,929
Simonka Place	578,462	-	578,462
Zobel House	205,024	-	205,024
Mission Store	978,336	-	978,336
Community Ministries	513,220	-	513,220
Grear St Housing	15,798	-	15,798
Total Program Services	<u>3,487,769</u>	<u>-</u>	<u>3,487,769</u>
Management Activities			
Administrative Expenses	316,511	-	316,511
Fundraising	702,867	-	702,867
Total Management Activities	<u>1,019,378</u>	<u>-</u>	<u>1,019,378</u>
TOTAL EXPENSES	<u>4,507,146</u>	<u>-</u>	<u>4,507,146</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>(189,124)</u>	<u>13,685</u>	<u>(175,439)</u>
NET ASSETS (DEFICIT) - BEGINNING	<u>6,459,146</u>	<u>27,955</u>	<u>6,487,101</u>
NET ASSETS (DEFICIT) - ENDING	<u>\$ 6,270,022</u>	<u>\$ 41,640</u>	<u>\$ 6,311,662</u>

See Auditors' Report and Notes to the Financial Statements.

**UNION GOSPEL MISSION OF SALEM, OREGON
(A NONPROFIT ORGANIZATION)**

**SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2009**

	MISSION ACTIVITIES					
	Men's Mission	Simonka Place	Zobel House	Mission Store	Community Ministries	Grear St. Housing
Salaries	\$ 474,209	\$ 310,915	\$ 126,334	\$ 240,253	\$ 96,524	\$ 2,150
Payroll Taxes	37,554	32,256	14,215	22,911	9,527	120
Health Ins./Fringe Benefits	47,897	19,000	12,837	23,178	9,070	-
W/C Insurance	7,889	6,727	2,185	8,562	2,248	-
Retirement	11,652	4,614	1,335	2,847	877	-
Total Salaries, Wages & Benefits	579,201	373,512	156,906	297,752	118,247	2,270
General Operating Expenses	9,905	71,047	12,579	61,388	53,187	484
Utilities	79,980	46,081	6,888	42,908	5,358	1,425
Vehicle	16,962	2,435	3,272	13,463	3,984	-
Insurance	15,186	5,993	3,620	9,523	1,818	46
Repairs & Maintenance	28,353	13,550	515	7,626	2,121	480
Training	6,055	1,780	1,407	644	3,102	-
Volunteers	765	224	-	6	57	-
Depreciation	37,037	35,787	14,396	5,360	480	11,094
Fundraising & PR	23,460	11,730	2,933	5,865	2,933	-
Program	44,596	7,582	540	250	1,810	-
Food	29,534	4,699	585	-	-	-
GIK Cost of Goods	-	-	-	491,559	-	-
GIK Ministry to Clients	307,489	1,245	-	35,270	252,495	-
GIK Used in Ministry	3,927	2,796	1,384	524	58,228	-
GIK Ministry to Others	14,478	-	-	6,197	9,400	-
Total Expenses	\$ 1,196,929	\$ 578,462	\$ 205,024	\$ 978,336	\$ 513,220	\$ 15,798

See Auditors' Report and Notes to the Financial Statements.

MANAGEMENT ACTIVITIES				
Total			Total	
Mission	Admin	Fund	Mngmt	Total
Activities	Expense	Raising	Activities	Expenses
\$ 1,250,385	\$ 144,961	\$ 186,004	\$ 330,965	\$ 1,581,350
116,584	25,441	11,377	36,818	153,402
111,981	17,742	15,018	32,760	144,742
27,612	2,091	2,335	4,426	32,038
21,326	3,323	2,970	6,294	27,619
1,527,888	193,558	217,704	411,263	1,939,151
208,591	90,502	62,137	152,639	361,229
182,640	6,351	4,043	10,395	193,035
40,116	763	1,493	2,256	42,372
36,186	5,370	-	5,370	41,555
52,644	849	-	849	53,493
12,989	5,379	5,860	11,239	24,228
1,052	57	118	175	1,227
104,154	11,672	1,669	13,341	117,495
46,920	-	409,842	409,842	456,762
54,777	-	-	-	54,777
34,819	-	-	-	34,819
491,559	-	-	-	491,559
596,500	-	-	-	596,500
66,859	2,010	-	2,010	68,869
30,075	-	-	-	30,075
\$ 3,487,769	\$ 316,511	\$ 702,867	\$ 1,019,378	\$ 4,507,146

See Auditors' Report and Notes to the Financial Statements.

**UNION GOSPEL MISSION OF SALEM, OREGON
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**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2009**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets \$ (175,439)

**ADJUSTMENT TO RECONCILE CHANGE IN
NET ASSETS TO NET CASH
PROVIDED BY OPERATING ACTIVITIES**

Depreciation 117,495
(Increase) Decrease in Cash Surrender Value of Life Insurance 2,274
Net Unrealized (Gain) Loss on Investments 88,038
(Increase) Decrease in Assets
Inventory 25,408
Prepaid Expenses (1,553)
Increase (Decrease) in Liabilities
Accounts Payable 30,263
Accrued Expenses 2,361
Net Cash Provided (Used) by Operating Activities 88,847

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Property & Equipment (826,311)
Purchase of Investments (131,273)
Proceeds from Sale of Investment 182,328
Net Cash Provided (Used) by Investing Activities (775,256)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from Loans 650,161
Principal Payments Notes Payable (384,425)
Payments on Post Retirement Benefits Payable (14,296)
Net Cash Provided (Used) by Financing Activities 251,440

**TOTAL INCREASE (DECREASE) IN CASH &
CASH EQUIVALENTS**

(434,969)

CASH & CASH EQUIVALENTS - BEGINNING

735,314

CASH & CASH EQUIVALENTS - ENDING

\$ 300,345

SUPPLEMENTARY INFORMATION

Interest Paid \$ 76,065
In-Kind Donations \$ 1,210,049

See Auditors' Report and Notes to the Financial Statements.

**UNION GOSPEL MISSION OF SALEM, OREGON
(A NONPROFIT ORGANIZATION)**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2009**

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Union Gospel Mission of Salem was founded in 1953 by a group from a local businessmen's fellowship who had a burden for providing food, clothing, shelter and spiritual help to the homeless and hungry. George Simonka was the first Executive Director and served for 37 years. Under Simonka's leadership a building was acquired in 1958 which has been expanded and remodeled over the years, but still serves the men's ministry today. A facility was acquired in 1968 to serve women & children - the first on the west coast. Upon George's retirement in 1989, Tom Zobel became the second Executive Director. Under Tom's leadership, services to women & children expanded with a new facility in Keizer (Simonka Place), the thrift store expanded to a new location and remodeling expanded services to men at the downtown Men's Mission. Michael Rideout became the next President/CEO (Executive Director) January 1, 2008. Michael came to the Mission with extensive experience in addictions recovery, after-care and transitional services. His vision is to lead the staff not only in excellence of service in current programs, but to expand and improve the mission's addiction recovery and transitional services improving the success of men and women becoming productive participating members of our community as their lives are transformed by learning to follow Christ.

Currently the Mission provides over 150,000 meals and 66,000 nights of shelter a year to men, women and children at the Men's Mission in downtown Salem and Simonka Place for Women & Children in Keizer. It also provides long-term (12 months) recovery programs helping both men and women overcome life controlling behaviors and addictions as well as providing help with academic enhancement and job readiness. Gear Street Transitional Housing provides safe and affordable housing for men transitioning from completion of the men's program back to jobs in the community. The Dental Clinic at Simonka Place provides free dental services to mission clients. The R.O.C. Outreach Center provides over \$220,000 of free clothing, furniture and other household items to hundreds of needy families in our community each year while also providing financial counseling and referrals to other agencies as needed. The Mission Store provides over \$50,000 of free clothing to Mission clients and over \$20,000 of supplies to other Mission departments as well as contributing to the general Mission revenue through retail sales in the store.

**UNION GOSPEL MISSION OF SALEM, OREGON
(A NONPROFIT ORGANIZATION)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2009**

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

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

Financial Statement Presentation

The Mission has adopted Statement of Financial Accounting Standards (SFAS) No. 117 "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by the statement, the Organization does not use fund accounting.

Contributions

The Mission accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in unrestricted, temporarily restricted or permanently restricted. Restricted contributions that are received and meet their restrictions in the same fiscal period are recorded as unrestricted revenue per the Missions policy. Bequests are recorded as revenue at the time an unassailable right to the gift has been established and the proceeds are measurable.

**UNION GOSPEL MISSION OF SALEM, OREGON
(A NONPROFIT ORGANIZATION)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2009**

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Land, Buildings, Equipment and Vehicles

Land, buildings, equipment and vehicles are recorded at estimated fair market value established by the Mission as of August 31, 1998. Since then current year additions are recorded at acquisition price. Depreciation is being recorded on new acquisitions after August 31, 1998. The capitalization policy includes assets that have a life greater than one year and a purchase price greater than \$500. Depreciation is calculated using the straight-line method over the expected useful life of the property with a mid-month convention in the years of acquisition and disposal.

Planned major maintenance is accounted for during the budget process.

Income Taxes

The Mission is a non-profit corporation as described in Section 501(c) (3) of the Internal Revenue Code and as such is exempt from federal income taxes.

Donated Services and Materials

Donated materials, equipment or services, when received are reflected as contributions in the accompanying statements at their estimated fair market values at date placed in service. The value of contributed services meeting the requirements of recognition have been recorded. For the year ending August 31, 2009 the amount was \$33,520. In addition, many individuals volunteer their time and perform a variety of non-specialized tasks that assist the Mission, which do not meet the recognition requirements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Mission to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**UNION GOSPEL MISSION OF SALEM, OREGON
(A NONPROFIT ORGANIZATION)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2009**

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Mission considers all highly liquid debt instruments purchased with less than a maturity of three months to be cash equivalents. All balances held by the Mission were adequately collateralized by FDIC insurance.

Investments

In 1998, the Mission adopted Statement of Financial Accounting Standards (SFAS) No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations." The provisions of the standard require that investments in equity securities with readily determinable fair values and all investments in debt securities be measured at fair value in the Statement of Financial Position. The unrealized gain or loss on investments is reflected in the Statement of Activities. Advisory fees are paid quarterly, the total for the year ending August 31, 2009 was \$5,174.

Mission Store

The Mission Store provides on the job training for clients and program members. Merchandise is donated to the Mission Store for resale to the general public. Donations of merchandise are recorded by the Mission at market value at the date of sale. Mission Store revenue is recorded at the time of the sale of the merchandise. Mission Store expenses are included in program expenses.

Inventory

Mission Store inventory is recorded at the fair market value at fiscal year end.

Functional Allocation of Expenses

The costs of providing the Mission's various activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the activities benefited.

**UNION GOSPEL MISSION OF SALEM, OREGON
(A NONPROFIT ORGANIZATION)**

**NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED AUGUST 31, 2009**

NOTE B: CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

Cash for Tills - Mission Store	\$	300
Petty Cash		1,000
Operating Account - Pioneer		173,814
Descretionary Acct - Wells Fargo		2,998
Reserve MM - Pioneer		39,181
Trust MM - Wells Fargo Investments		31,985
Willamette Valley CD's		51,067
Total Cash & Cash Equivalents	\$	<u>300,345</u>

NOTE C: INVESTMENTS

Investments are recorded at fair value. The value assigned to investments received by gift is the market value at the date of donation. Fair values of investments as of August 31, 2009 were as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized (Loss)</u>
Mutual Funds	\$ 512,642	\$ 464,933	\$ (47,709)
Preferred Stocks	129,582	118,368	(11,214)
Government Securities	915	481	(434)
Stocks	102,212	-	(102,212)
Total	<u>\$ 745,351</u>	<u>\$ 583,782</u>	<u>\$ (161,569)</u>

NOTE D: RETIREMENT PLANS

The Mission has established for the benefit of its employees, a 403(b) retirement plan through Christian Retirement Coalition. Employees are eligible to contribute upon their date of hire. After 18 months of employment the Mission will contribute 1.5% of the eligible employee's gross wages. To encourage the employees' participation the Mission will contribute 3% if the employees contribute at least 1.5% of their wages. During the year, voluntary contributions by the employees amounted to \$42,040. The Mission contributed \$27,619 on behalf of its employees for the year ended August 31, 2009.

**UNION GOSPEL MISSION OF SALEM, OREGON
(A NONPROFIT ORGANIZATION)**

**NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED AUGUST 31, 2009**

NOTE E: POST RETIREMENT BENEFITS

In 1985, The Mission's board of directors voted to provide a former Executive Director a monthly retirement benefit. This retirement benefit is for over 30 years of dedicated past services provided to the Mission. As of August 31, 2009, the retirement benefit was \$1,260 per month and is adjusted annually for changes in the Consumer Price Index. The payments are to continue for the lifetime of the former Executive Director. In addition to this monthly retirement benefit, the Mission also agreed to pay the former Executive Director's medical insurance payment and the premiums for a life insurance policy. The payment for the life insurance premium was discontinued June 30, 2009 at the direction of the board of directors. For the year ended August 31, 2009 these payments totaled \$21,733.

In 2007 the board of directors voted to pay for the recently retired Executive Director's Medicare premiums, these payments totaled \$1,200 for the year ended August 31, 2009.

Minimum future post retirement payments for the year ending August 31 are as follows:

2010	\$	22,933
2011		23,621
2012		24,330
2013		25,060
2014		25,811

NOTE F: NET ASSETS TEMPORARILY RESTRICTED

The Mission has temporarily restricted net assets that are donations from the public, which have been donor-imposed for a specific use in operations. As of August 31, 2009 the Mission had not yet used the following funds for their specific purposes:

Grear Street Transitional Housing	<u>\$ 41,640</u>
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**UNION GOSPEL MISSION OF SALEM, OREGON
(A NONPROFIT ORGANIZATION)**

**NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED AUGUST 31, 2009**

NOTE G: OPERATING LEASES

The Mission has several non-cancelable operating leases, for administrative offices, storage and equipment, which expire at various dates. Those leases generally contain renewal options for periods ranging from three to ten years and require the Mission to pay all executory costs such as taxes, maintenance, and insurance. Rental expenses for those leases for the year ended August 31, 2009 was \$113,518.

Future minimum lease payments under operating leases that have remaining terms of one year or more as of August 31, 2009 are:

2010	\$	113,078
2011		108,108
2012		107,492
2013		104,224
2014		103,284

NOTE H: LONG-TERM DEBT

Long-term debt at August 31, 2009 consists of the following:

Note payable to the Confederated Tribes of the Grand Ronde Community of Oregon payable in monthly installments of \$9,769 including interest at the fixed rate of 8% through October 10, 2012 at which time the balance of the note will be due.

The note is secured by a Deed of Trust on the land and buildings. \$ 818,083

Note payable to Hyundai Motor Finance Company payable in monthly installments of \$371 for the duration of the loan. This is a 0% interest loan. Secured by a 2007 Hyundai Azera. 19,670

Note payable to Craig and Cherie Cline Charitable Remainder UniTrust began December 2008 payable in monthly installments of \$1,948.54 including interest at a fixed rate of 6% for thirty years. The loan is secured by the land and building at Gear Street. 322,652

Less Current Portion (62,338)
Total Long-term Debt \$ 1,098,067

**UNION GOSPEL MISSION OF SALEM, OREGON
(A NONPROFIT ORGANIZATION)**

**NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED AUGUST 31, 2009**

NOTE H: LONG-TERM DEBT (Continued)

Principal Maturities of long-term debt of the next five years are as follows:

<u>August 31</u>	<u>Amount</u>
2010	\$ 62,338
2011	67,053
2012	72,155
2013	652,566
2014	7,132
Thereafter	299,160
Total	<u>\$ 1,160,404</u>

NOTE I: COMPENSATED ABSENCES

Employees of the Mission are entitled to personal time off (PTO), depending on job classification, length of service, and other factors. The Mission has accrued PTO payable of \$55,664 as of August 31, 2009.

NOTE J: FAIR VALUE OF FINANCIAL INSTRUMENTS

The Mission's financial instruments, none of which are held for trading purposes, include cash, investments, receivables, and payables. The Mission estimates that the fair value of all financial instruments at August 31, 2009 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The estimated fair value amounts have been determined by the Mission using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amounts that the Mission could realize in a current market exchange.

**UNION GOSPEL MISSION OF SALEM, OREGON
(A NONPROFIT ORGANIZATION)**

**NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED AUGUST 31, 2009**

NOTE K: RELATED PARTY TRANSACTIONS

The Mission paid LD Huff owned by Lon Huff, a board member of the Mission, \$23,113 in construction costs for the year ended August 31, 2009. The construction costs were board approved.

NOTE L: CONCENTRATION

The Mission operates primarily in the Salem, Oregon vicinity and could therefore be materially affected by economic fluctuations in that geographic area.