

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

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED
AUGUST 31, 2010 AND 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**

DECEMBER 29, 2010

UNION GOSPEL MISSION OF SALEM, OREGON

TABLE OF CONTENTS

Independent Auditors' Report.....	3
Statements of Financial Position	5
Statements of Activities	7
Statements of Functional Expenses	9
Statements of Cash Flows	11
Notes to the Financial Statements.....	12



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

Karen J. Lord

Certified Public Accountant
Certified Forensic Accountant

Mark W. Vermillion

CERTIFIED FINANCIAL PLANNER™
Professional

We have audited the accompanying statements of financial position of **Union Gospel Mission of Salem, Oregon** (a nonprofit organization) as of August 31, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years 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, 2010 and 2009, and the changes in its net assets and cash flows for the years 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
December 29, 2010

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

**STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2010 AND 2009**

ASSETS	2010	2009
CURRENT ASSETS		
Cash & Cash Equivalents	\$ 390,208	\$ 300,345
Prepays	4,756	119
Inventory	186,771	191,439
Total Current Assets	<u>581,735</u>	<u>491,903</u>
MARKETABLE SECURITIES		
Investments	630,579	583,782
Total Marketable Securities	<u>630,579</u>	<u>583,782</u>
FIXED ASSETS		
Land	3,647,480	3,647,480
Buildings	2,692,668	2,638,898
Leasehold Improvements	58,386	69,162
Furniture & Fixtures	549,873	553,598
Vehicles	176,898	196,530
Dental Clinic	53,609	53,609
Less Accumulated Depreciation	<u>(762,675)</u>	<u>(656,585)</u>
Total Fixed Assets	<u>6,416,239</u>	<u>6,502,692</u>
OTHER ASSETS		
Deposits	4,819	4,605
Total Other Assets	<u>4,819</u>	<u>4,605</u>
TOTAL ASSETS	<u>\$ 7,633,372</u>	<u>\$ 7,582,982</u>

See Auditors' Report and Notes to the Financial Statements.

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

**STATEMENTS OF FINANCIAL POSITION (Continued)
AUGUST 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
LIABILITIES & NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 30,806	\$ 51,934
Accrued Liabilities	42,026	58,781
Rent Deposits	800	200
Current Portion of Long-term Debt	67,053	62,388
Total Current Liabilities	<u>140,685</u>	<u>173,303</u>
LONG-TERM LIABILITIES		
Long-term Debt	1,098,320	1,160,405
Less Current Portion of Long-term Debt	<u>(67,053)</u>	<u>(62,388)</u>
Total Long-term Liabilities	<u>1,031,267</u>	<u>1,098,017</u>
TOTAL LIABILITIES	<u>1,171,952</u>	<u>1,271,320</u>
NET ASSETS		
Unrestricted	6,356,147	6,270,022
Temporarily Restricted	105,273	41,640
Total Net Assets	<u>6,461,420</u>	<u>6,311,662</u>
TOTAL LIABILITIES & NET ASSETS	<u><u>\$ 7,633,372</u></u>	<u><u>\$ 7,582,982</u></u>

See Auditors' Report and Notes to the Financial Statements.

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

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2010 AND 2009**

	2010		
	Unrestricted	Temporarily Restricted	Total
SUPPORT			
Contributions	\$ 2,390,723	\$ 83,364	\$ 2,474,087
In-Kind Contributions	635,034	-	635,034
Grants	-	-	-
Bequests	246,421	-	246,421
Total Support	<u>3,272,178</u>	<u>83,364</u>	<u>3,355,542</u>
OTHER REVENUE			
Investments			
Interest & Dividends	23,853	130	23,983
Net Realized/Unrealized Gain (Loss)	45,686	-	45,686
Program Fees & Other	40,997	-	40,997
Mission Store			
Retail Sales & Recycling	634,725	-	634,725
In-Kind Contributions	759,655	-	759,655
Restrictions Satisfied by Payment	19,861	(19,861)	-
Total Other Revenue	<u>1,524,777</u>	<u>(19,731)</u>	<u>1,505,045</u>
TOTAL SUPPORT & OTHER REVENUE	<u>\$ 4,796,955</u>	<u>\$ 63,633</u>	<u>\$ 4,860,588</u>

See Auditors' Report and Notes to the Financial Statements.

2009		
Unrestricted	Temporarily Restricted	Total
\$ 2,556,076	\$ 41,640	\$ 2,597,716
646,447	-	646,447
8,500	-	8,500
92,076	-	92,076
<u>3,303,099</u>	<u>41,640</u>	<u>3,344,739</u>
30,705	-	30,705
(79,413)	-	(79,413)
49,416	-	49,416
466,563	-	466,563
519,697	-	519,697
27,955	(27,955)	-
<u>1,014,923</u>	<u>(27,955)</u>	<u>986,968</u>
<u>\$ 4,318,022</u>	<u>\$ 13,685</u>	<u>\$ 4,331,707</u>

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

**STATEMENTS OF ACTIVITIES (Continued)
FOR THE YEARS ENDED AUGUST 31, 2010 AND 2009**

	2010		
	Unrestricted	Temporarily Restricted	Total
EXPENSES			
Program Services			
Men's Missions	\$ 1,339,441	\$ -	\$ 1,339,441
Simonka Place	621,876	-	621,876
Zobel House	81,368	-	81,368
Mission Store	1,247,997	-	1,247,997
Community Ministries	386,065	-	386,065
Gear St Transitional Housing	98,736	-	98,736
Total Program Services	<u>3,775,483</u>	<u>-</u>	<u>3,775,483</u>
Management Activities			
Administrative Expenses	309,187	-	309,187
Fundraising	626,160	-	626,160
Total Management Activities	<u>935,346</u>	<u>-</u>	<u>935,346</u>
TOTAL EXPENSES	<u>4,710,830</u>	<u>-</u>	<u>4,710,830</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>86,125</u>	<u>63,633</u>	<u>149,758</u>
NET ASSETS (DEFICIT) - BEGINNING	<u>6,270,022</u>	<u>41,640</u>	<u>6,311,662</u>
NET ASSETS (DEFICIT) - ENDING	<u>\$ 6,356,147</u>	<u>\$ 105,273</u>	<u>\$ 6,461,420</u>

See Auditors' Report and Notes to the Financial Statements.

2009		
Unrestricted	Temporarily Restricted	Total
\$ 1,196,929	\$ -	\$ 1,196,929
578,462	-	578,462
205,024	-	205,024
978,336	-	978,336
513,220	-	513,220
15,798	-	15,798
<u>3,487,769</u>	<u>-</u>	<u>3,487,769</u>
316,511	-	316,511
702,867	-	702,867
<u>1,019,378</u>	<u>-</u>	<u>1,019,378</u>
<u>4,507,146</u>	<u>-</u>	<u>4,507,146</u>
<u>(189,124)</u>	<u>13,685</u>	<u>(175,439)</u>
<u>6,459,146</u>	<u>27,955</u>	<u>6,487,101</u>
<u>\$ 6,270,022</u>	<u>\$ 41,640</u>	<u>\$ 6,311,662</u>

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

**SCHEDULES OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2010 AND 2009**

	2010 MISSION ACTIVITIES					
	Men's Mission	Simonka Place	Zobel House	Mission Store	Community Ministries	Grear St. Trans Housing
Salaries	\$ 459,589	\$ 325,375	\$ 41,880	\$ 278,421	\$ 141,717	\$ 28,344
Payroll Taxes	39,642	26,493	4,007	26,944	13,962	3,094
Health Ins./Benefits	49,381	34,538	5,049	31,027	16,548	2,954
W/C Insurance	7,236	4,331	619	7,144	270	406
Retirement	8,510	5,460	951	1,582	1,173	231
Total Salaries, Wages & Benefits	564,358	396,197	52,506	345,118	173,671	35,030
General Operating Expenses	27,223	76,024	5,022	68,142	31,848	23,037
Utilities	77,517	34,131	4,008	38,776	5,602	13,481
Vehicle	13,741	3,809	783	14,565	5,245	86
Insurance	14,185	6,903	671	12,555	335	2,571
Repairs & Maintenance	28,666	12,378	2,979	9,818	320	1,509
Training	7,741	3,627	134	3,179	3,639	216
Volunteers	172	61	-	72	60	6
Depreciation	42,803	37,152	14,578	10,728	375	17,021
Fund Raising & PR Program	58,198	27,337	254	7,998	4,710	3,367
Food	27,155	7,230	282	-	-	-
GIK Cost of Goods	-	-	-	631,738	-	-
GIK Ministry to Clients	405,546	650	-	95,516	157,752	-
GIK Used in Ministry	53,584	16,379	150	2,479	1,901	2,412
GIK Ministry to Others	18,551	-	-	7,314	606	-
Total Expenses	\$ 1,339,441	\$ 621,876	\$ 81,368	\$ 1,247,997	\$ 386,065	\$ 98,736

See Auditors' Report and Notes to the Financial Statements.

2010 MANAGEMENT ACTIVITIES				
Total Mission Activities	Admin Expense	Fund-raising	Total Mgmt Activities	Total Expenses
\$ 1,275,327	\$ 140,060	\$ 95,342	\$ 235,403	\$ 1,510,730
114,142	11,029	6,488	17,517	131,659
139,497	20,742	6,737	27,479	166,977
20,008	247	333	580	20,588
17,906	3,903	1,620	5,524	23,430
1,566,880	175,982	110,520	286,502	1,853,383
231,295	112,848	57,997	170,844	402,139
173,515	5,019	3,296	8,315	181,830
38,229	428	1,403	1,831	40,060
37,220	4,703	50	4,753	41,974
55,671	441	-	441	56,112
18,536	978	3,481	4,460	22,996
372	-	356	356	727
122,657	7,408	1,673	9,081	131,738
-	-	447,384	447,384	447,384
101,863	-	-	-	101,863
34,668	-	-	-	34,668
631,738	-	-	-	631,738
659,464	-	-	-	659,464
76,904	1,379	-	1,379	78,283
26,471	-	-	-	26,471
\$ 3,775,483	\$ 309,187	\$ 626,160	\$ 935,346	\$ 4,710,830

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

**SCHEDULES OF FUNCTIONAL EXPENSES (Continued)
FOR THE YEARS ENDED AUGUST 31, 2010 AND 2009**

	2009 MISSION ACTIVITIES					
	Men's Mission	Simonka Place	Zobel House	Mission Store	Community Ministries	Grear St. Trans 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.

2009 MANAGEMENT ACTIVITIES				
Total Mission Activities	Admin Expense	Fund-raising	Total Mgmt Activities	Total 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

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

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 149,758	\$ (175,439)
ADJUSTMENT TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Depreciation	131,738	117,495
(Increase) Decrease in Cash Surrender Value of Life Insurance	-	2,274
Net Unrealized (Gain) Loss on Investments	(42,383)	88,038
(Increase) Decrease in Assets		
Inventory	4,668	25,408
Prepaid Expenses and Deposits	(4,705)	(1,553)
Increase (Decrease) in Liabilities		
Accounts Payable	(21,128)	30,263
Accrued Expenses	(17,621)	2,361
Net Cash Provided (Used) by Operating Activities	<u>200,327</u>	<u>88,847</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property & Equipment	(41,880)	(826,311)
Purchase of Investments	(8,700)	(131,273)
Proceeds from Sale of Investment	2,201	182,328
Net Cash Provided (Used) by Investing Activities	<u>(48,379)</u>	<u>(775,256)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Loans	-	650,161
Principal Payments Notes Payable	(62,085)	(384,425)
Payments on Post Retirement Benefits Payable	-	(14,296)
Net Cash Provided (Used) by Financing Activities	<u>(62,085)</u>	<u>251,440</u>
TOTAL INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	<u>89,863</u>	<u>(434,969)</u>
CASH & CASH EQUIVALENTS - BEGINNING	<u>300,345</u>	<u>735,314</u>
CASH & CASH EQUIVALENTS - ENDING	<u>\$ 390,208</u>	<u>\$ 300,345</u>
SUPPLEMENTARY INFORMATION		
Interest Paid	\$ 82,987	\$ 76,065
In-Kind Donations	1,432,928	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 YEARS ENDED AUGUST 31, 2010 AND 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 nearly 145,000 meals and 55,000 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 (12-14 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 provided over \$135,000 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 provided over \$82,000 of free clothing to Mission clients and over \$50,000 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 YEARS ENDED AUGUST 31, 2010 AND 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 reports 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 follows:

Unrestricted net assets—Those net assets which are currently available for use in the Mission's activities.

Temporarily restricted net assets—Those net assets which are restricted by donors for specific purposes or time periods.

Permanently restricted net assets—Those net assets which are subject to donor-imposed stipulations that require they be maintained permanently by the Mission.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or the nature of any donor restrictions. Contributions of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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

**NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEARS ENDED AUGUST 31, 2010 AND 2009**

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions (Continued)

Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions. Contributions of noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received 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

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.

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

**NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEARS ENDED AUGUST 31, 2010 AND 2009**

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 years ending August 31, 2010 and 2009 the amount was \$30,145 and \$33,520 respectively. 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.

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.

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.

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

**NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEARS ENDED AUGUST 31, 2010 AND 2009**

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

NOTE B: CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	<u>2010</u>	<u>2009</u>
Cash for Tills - Mission Store	\$ 400	\$ 300
Petty Cash	800	1,000
Operating Account - Pioneer	95,293	173,814
Discretionary Acct - Wells Fargo	5,160	2,998
Reserve MM - Pioneer	13,521	39,181
Operating Account - CEP	127,494	-
Reserve - CEP	91,424	-
Trust MM - Wells Fargo Investments	4,581	31,985
CD's - Willamette Valley Bank	51,535	51,067
Total Cash & Cash Equivalents	<u>\$ 390,208</u>	<u>\$ 300,345</u>

NOTE C: FAIR VALUE MEASUREMENTS

ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Mission. Unobservable inputs are inputs that reflect the Mission's assumptions about the assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances.

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

**NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEARS ENDED AUGUST 31, 2010 AND 2009**

NOTE C: FAIR VALUE MEASUREMENTS (Continued)

The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1—Valuations are based on quoted prices in active markets for identical assets or liabilities that the Mission's has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2—Valuations are based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.

Level 3—Valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

The Mission's investments consist of government securities, preferred stock and mutual funds which are quoted at market prices for identical assets. The valuations of these investments according to the fair value hierarchy are all at Level 1.

The Mission reports its inventory at fair value which is recorded at comparable thrift value at the time of use. The valuation of this asset according to the fair value hierarchy is at Level 3.

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

**NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEARS ENDED AUGUST 31, 2010 AND 2009**

NOTE D: INVESTMENTS

Investments in marketable securities with readily determinable fair values are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets.

Fair values and unrealized gain (loss) for short-term investments as of August 31, 2010 and 2009 are summarized as follows:

	2010		
	Cost	Fair Value	Unrealized (Loss)
Mutual Funds	\$ 529,152	\$ 500,814	\$ (28,338)
Preferred Stocks	114,342	129,608	15,266
Government Securities	915	157	(758)
Total	<u>\$ 644,409</u>	<u>\$ 630,579</u>	<u>\$ (13,830)</u>
	2009		
	Cost	Fair Value	Unrealized (Loss)
Mutual Funds	\$ 512,642	\$ 464,933	\$ (47,709)
Preferred Stocks	129,582	118,368	(11,214)
Government Securities	915	481	(434)
Total	<u>\$ 643,139</u>	<u>\$ 583,782</u>	<u>\$ (59,357)</u>

NOTE E: RETIREMENT PLANS

The Mission has established for the benefit of its employees, a 403(b) retirement plan through Envoy Financial (formerly Christian Coalition). Employees are eligible to contribute upon their date of hire. After 18 months of employment the Mission will contribute 1.5% to 3% of the eligible employee's gross wages dependent on the employee's level of contribution. During the year, voluntary contributions by the employees amounted to \$32,305 and \$42,040 in 2010 and 2009. The Mission contributed \$23,430 and \$27,619 on behalf of its employees for the years ended August 31, 2010 and 2009 respectively.

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

**NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEARS ENDED AUGUST 31, 2010 AND 2009**

NOTE F: 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. The payment is adjusted annually for changes in the Consumer Price Index. The payments are to continue for the lifetime of the former Executive Director. As of August 31, 2010, the retirement benefit was \$1,335 per month, \$16,020 annually, and \$1,260 per month, \$15,120 annually, as of August 31, 2009. In addition to this monthly retirement benefit, the Mission also agreed to pay for two former Executive Director's medical insurance payment. For the years ended August 31, 2010 and 2009 the payments for both of those medical premium benefits totaled \$4,827 and \$4,747 respectively.

Minimum future post retirement payments for the year ending August 31, 2010, are as follows:

	<u>2010</u>	<u>2009</u>
2011	\$ 23,621	\$ 22,933
2012	24,330	23,621
2013	25,060	24,330
2014	25,811	25,060
2015	26,586	25,811

NOTE G: 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, 2010 and 2009 the Mission had not yet used the following funds for their specific purposes:

	<u>2010</u>	<u>2009</u>
Gear St. Transitional Housing	<u>\$ 105,273</u>	<u>\$ 41,640</u>

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

**NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEARS ENDED AUGUST 31, 2010 AND 2009**

NOTE H: OPERATING LEASES

The Mission has several non-cancelable operating leases, for administrative offices, storage and equipment, which expire at various dates. These 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 these leases for the years ended August 31, 2010 and 2009 were \$111,499 and \$113,518 respectively.

Future minimum lease payments under operating leases that have remaining terms of one year or more as of August 31, 2010 and 2009 are:

2011	\$	113,010
2012		112,424
2013		109,156
2014		108,216
2015		108,216

NOTE I: LONG-TERM DEBT

Long-term debt at August 31, 2010 consists of the following:

	<u>2010</u>	<u>2009</u>
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.	\$ 764,359	\$ 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.	15,216	19,670
Note payable to Craig and Cherie Cline Charitable Remainder UniTrust began December 2008 payable in monthly installments of \$1,949 including interest at a fixed rate of 6% for thirty years. The loan is secured by the land and building at Gear Street.	318,745	322,652
Less Current Portion	(67,053)	(62,338)
Total Long-term Debt	<u>\$ 1,031,267</u>	<u>\$ 1,098,067</u>

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

**NOTES TO FINANCIAL STATEMENTS (Continued)
FOR THE YEARS ENDED AUGUST 31, 2010 AND 2009**

NOTE I: LONG-TERM DEBT (Continued)

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

<u>August 31</u>	<u>Amount</u>
2011	\$ 67,053
2012	72,155
2013	652,566
2014	7,132
2015	5,948
Thereafter	293,466
Total	<u>\$ 1,098,320</u>

NOTE J: COMPENSATED ABSENCES

Employees of the Mission accrue vacation time depending on job classification, length of service, and other factors. The Mission has accrued vacation payable of \$40,992 and \$55,664 as of August 31, 2010 and 2009.

NOTE K: RELATED PARTY TRANSACTIONS

The Mission paid LD Huff owned by Lon Huff, a board member of the Mission, \$3,443 and \$23,113 in construction costs for the years ended August 31, 2010 and 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.

NOTE M: SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date of the Auditors' Report.