

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

**FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
AUGUST 31, 2011 AND 2010**

**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**

**OCTOBER 21, 2011**

# 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  
Accredited in Business Valuation

**M. Gayle Klampe**

Certified Public Accountant

**Karen J. Lord**

Certified Public Accountant  
Certified Forensic Accountant

**Lori L. Grant**

Certified Public 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, 2011 and 2010, 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, 2011 and 2010, 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,

A handwritten signature in cursive script that reads "Johnson, Glaze + Co. P.C.".

Johnson, Glaze & Co., P.C.  
Certified Public Accountants

October 21, 2011

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

**STATEMENTS OF FINANCIAL POSITION  
AUGUST 31, 2011 AND 2010**

---

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash & Cash Equivalents	\$ 269,913	\$ 390,208
Prepays	9,646	9,080
Inventory	256,578	186,771
Total Current Assets	<u>536,137</u>	<u>586,059</u>
<b>MARKETABLE SECURITIES</b>		
Investments	660,624	630,579
Total Marketable Securities	<u>660,624</u>	<u>630,579</u>
<b>FIXED ASSETS</b>		
Land	3,647,480	3,647,480
Buildings	2,734,531	2,692,668
Leasehold Improvements	95,824	58,386
Furniture & Fixtures	570,830	549,873
Vehicles	132,777	176,898
Dental Clinic	53,609	53,609
Less Accumulated Depreciation	<u>(875,863)</u>	<u>(762,675)</u>
Total Fixed Assets	<u>6,359,188</u>	<u>6,416,239</u>
<b>OTHER ASSETS</b>		
Deposits	500	500
Total Other Assets	<u>500</u>	<u>500</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 7,556,449</u></u>	<u><u>\$ 7,633,377</u></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, 2011 AND 2010**

---

	<u>2011</u>	<u>2010</u>
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 83,955	\$ 30,806
Accrued Liabilities	26,644	42,026
Rent Deposits	1,000	800
Current Portion of Long-term Debt	63,020	67,053
Total Current Liabilities	<u>174,619</u>	<u>140,685</u>
 <b>LONG-TERM LIABILITIES</b>		
Long-term Debt	706,169	1,098,320
Less Current Portion of Long-term Debt	<u>(63,020)</u>	<u>(67,053)</u>
Total Long-term Liabilities	<u>643,149</u>	<u>1,031,267</u>
 <b>TOTAL LIABILITIES</b>	<u>817,768</u>	<u>1,171,952</u>
 <b>NET ASSETS</b>		
Unrestricted	6,738,681	6,356,152
Temporarily Restricted	-	105,273
Total Net Assets	<u>6,738,681</u>	<u>6,461,425</u>
 <b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<u>\$ 7,556,449</u>	<u>\$ 7,633,377</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, 2011 AND 2010**

	2011		
	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT</b>			
Contributions	\$ 2,457,927	\$ 95,150	\$ 2,553,077
In-Kind Contributions	829,279	-	829,279
Bequests	369,693	-	369,693
Total Support	<u>3,656,899</u>	<u>95,150</u>	<u>3,752,049</u>
<b>OTHER REVENUE</b>			
Investments			
Interest & Dividends	32,200		32,200
Net Realized/Unrealized Gain (Loss)	28,377	-	28,377
Program Fees & Other	78,360	-	78,360
Mission Store			
Retail Sales & Recycling	668,747	-	668,747
In-Kind Contributions	879,439	-	879,439
Restrictions Satisfied by Payment	200,423	(200,423)	-
Total Other Revenue	<u>1,887,546</u>	<u>(200,423)</u>	<u>1,687,123</u>
<b>TOTAL SUPPORT &amp; OTHER REVENUE</b>	<u>\$ 5,544,445</u>	<u>\$ (105,273)</u>	<u>\$ 5,439,172</u>

See Auditors' Report and Notes to the Financial Statements.

---

<b>2010</b>		
<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
\$ 2,390,723	\$ 83,364	\$ 2,474,087
635,034	-	635,034
246,421	-	246,421
<u>3,272,178</u>	<u>83,364</u>	<u>3,355,542</u>
23,853	130	23,983
45,688	-	45,688
40,995	-	40,995
634,725	-	634,725
759,655	-	759,655
19,861	(19,861)	-
<u>1,524,777</u>	<u>(19,731)</u>	<u>1,505,046</u>
<u>\$ 4,796,955</u>	<u>\$ 63,633</u>	<u>\$ 4,860,588</u>

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

**STATEMENTS OF ACTIVITIES (Continued)  
FOR THE YEARS ENDED AUGUST 31, 2011 AND 2010**

	2011		Total
	Unrestricted	Temporarily Restricted	
<b>EXPENSES</b>			
Program Services			
Men's Missions	\$ 1,588,315	\$ -	\$ 1,588,315
Simonka Place	627,217	-	627,217
Howard Street	25,828	-	25,828
Mission Store	1,410,072	-	1,410,072
Community Ministries	380,594	-	380,594
Gear St Transitional Housing	90,830	-	90,830
Total Program Services	<u>4,122,856</u>	<u>-</u>	<u>4,122,856</u>
Management Activities			
Administrative Expenses	301,066	-	301,066
Fundraising	737,994	-	737,994
Total Management Activities	<u>1,039,060</u>	<u>-</u>	<u>1,039,060</u>
<b>TOTAL EXPENSES</b>	<u>5,161,916</u>	<u>-</u>	<u>5,161,916</u>
<b>INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS</b>	<u>382,529</u>	<u>(105,273)</u>	<u>277,256</u>
<b>NET ASSETS (DEFICIT) - BEGINNING</b>	<u>6,356,152</u>	<u>105,273</u>	<u>6,461,425</u>
<b>NET ASSETS (DEFICIT) - ENDING</b>	<u>\$ 6,738,681</u>	<u>\$ -</u>	<u>\$ 6,738,681</u>

See Auditors' Report and Notes to the Financial Statements.

---

<b>2010</b>		
<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
\$ 1,339,440	\$ -	\$ 1,339,440
621,878	-	621,878
81,367	-	81,367
1,247,998	-	1,247,998
386,063	-	386,063
98,735	-	98,735
<u>3,775,481</u>	<u>-</u>	<u>3,775,481</u>
309,185	-	309,185
626,160	-	626,160
<u>935,345</u>	<u>-</u>	<u>935,345</u>
<u>4,710,826</u>	<u>-</u>	<u>4,710,826</u>
<u>86,130</u>	<u>63,633</u>	<u>149,763</u>
<u>6,270,022</u>	<u>41,640</u>	<u>6,311,662</u>
<u>\$ 6,356,152</u>	<u>\$ 105,273</u>	<u>\$ 6,461,425</u>

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

**SCHEDULES OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED AUGUST 31, 2011 AND 2010**

	2011 MISSION ACTIVITIES						Total Mission Activities
	Men's Mission	Simonka Place	Howard Street	Mission Store	Community Ministries	Grear St. Trans Housing	
Salaries	492,511	323,449	-	337,265	143,355	31,834	1,328,414
Payroll Taxes	46,240	32,674	-	38,679	12,502	2,669	132,764
Health Ins./Benefits	53,558	41,171	-	34,598	14,789	5,600	149,716
W/C Insurance	6,668	3,794	-	8,463	3,765	248	22,938
Retirement	8,693	5,416	-	1,256	1,219	236	16,820
Total Salaries, Wages & Benefits	607,670	406,504	-	420,261	175,630	40,587	1,650,652
General Operating Expenses	70,557	11,699	7,758	35,695	2,004	1,038	128,751
Rent	-	-	-	42,043	28,028	-	70,071
Interest	-	59,045	-	-	-	7,842	66,887
Utilities	85,959	36,455	-	31,693	7,804	12,255	174,166
Vehicle	13,197	5,061	-	16,327	5,772	127	40,484
Insurance	11,527	6,236	592	9,832	491	2,321	30,999
Repairs & Maintenance	35,700	15,136	2,701	9,936	321	1,821	65,615
Training	6,461	4,488	-	3,643	436	436	15,464
Volunteers	-	-	-	-	-	-	-
Depreciation	43,666	37,265	14,777	10,650	583	18,051	124,992
Fund Raising & PR	30,230	11,336	-	7,557	-	3,779	52,902
Program	18,346	10,932	-	1,792	892	1,036	32,998
Food	31,472	6,493	-	-	-	-	37,965
GIK Cost of Goods	-	-	-	666,581	-	-	666,581
GIK Ministry to Clients	601,243	-	-	134,685	119,353	-	855,281
GIK Used in Ministry	17,010	14,953	-	3,821	1,670	1,537	38,991
GIK Ministry to Others	15,277	1,614	-	15,556	37,610	-	70,057
Total Expenses	<u>\$ 1,588,315</u>	<u>\$ 627,217</u>	<u>\$ 25,828</u>	<u>\$ 1,410,072</u>	<u>\$ 380,594</u>	<u>\$ 90,830</u>	<u>\$ 4,122,856</u>

See Auditors' Report and Notes to the Financial Statements.

**2011  
MANAGEMENT ACTIVITIES**

<b>Admin Expense</b>	<b>Fund- raising</b>	<b>Total Mgmt Activities</b>	<b>Total Expenses</b>
139,108	122,473	261,581	\$ 1,589,995
8,331	13,884	22,215	154,979
16,337	4,530	20,867	170,583
240	170	410	23,348
3,831	2,102	5,933	22,753
167,847	143,159	311,006	1,961,658
73,694	57,406	131,100	259,851
34,195	-	34,195	104,266
-	-	-	66,887
6,601	3,011	9,612	183,778
508	1,543	2,051	42,535
6,135	-	6,135	37,134
423	-	423	66,038
877	2,964	3,841	19,305
-	-	-	-
6,984	1,477	8,461	133,453
-	528,434	528,434	581,336
-	-	-	32,998
-	-	-	37,965
-	-	-	666,581
-	-	-	855,281
3,057	-	3,057	42,048
745	-	745	70,802
<u>\$ 301,066</u>	<u>\$ 737,994</u>	<u>\$ 1,039,060</u>	<u>\$ 5,161,916</u>

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

**SCHEDULES OF FUNCTIONAL EXPENSES (Continued)  
FOR THE YEARS ENDED AUGUST 31, 2011 AND 2010**

	2010 MISSION ACTIVITIES						
	Men's Mission	Simonka Place	Howard Street	Mission Store	Community Ministries	Grear St. Trans Housing	Total Mission Activities
Salaries	\$ 459,589	\$ 325,375	\$ 41,880	\$ 278,421	\$ 141,717	\$ 28,344	\$ 1,275,326
Payroll Taxes	39,642	26,493	4,007	26,944	13,962	3,094	114,142
Health Ins./Benefits	49,381	34,538	5,049	31,027	16,548	2,954	139,497
W/C Insurance	7,236	4,331	619	7,144	270	406	20,006
Retirement	8,510	5,460	951	1,582	1,173	231	17,907
Total Salaries, Wages & Benefits	564,358	396,197	52,506	345,118	173,670	35,029	1,566,878
General Operating Expenses	27,223	12,519	5,022	26,422	4,035	3,555	78,776
Rent	-	-	-	41,720	27,813	-	69,533
Interest	-	63,505	-	-	-	19,482	82,987
Utilities	77,517	34,131	4,008	38,776	5,602	13,481	173,515
Vehicle	13,741	3,809	783	14,565	5,245	86	38,229
Insurance	14,185	6,903	671	12,555	335	2,571	37,220
Repairs & Maintenance	28,666	12,378	2,979	9,818	320	1,509	55,670
Training	7,741	3,627	134	3,179	3,639	216	18,536
Volunteers	172	61	-	72	60	6	371
Depreciation	42,803	37,152	14,578	10,728	375	17,021	122,657
Fund Raising & PR	-	-	-	-	-	-	-
Program	58,198	27,337	254	7,998	4,710	3,367	101,864
Food	27,155	7,230	282	-	-	-	34,667
GIK Cost of Goods	-	-	-	631,738	-	-	631,738
GIK Ministry to Clients	405,546	650	-	95,516	157,752	-	659,464
GIK Used in Ministry	53,584	16,379	150	2,479	1,901	2,412	76,905
GIK Ministry to Others	18,551	-	-	7,314	606	-	26,471
Total Expenses	\$ 1,339,440	\$ 621,878	\$ 81,367	\$ 1,247,998	\$ 386,063	\$ 98,735	\$ 3,775,481

See Auditors' Report and Notes to the Financial Statements.

**2010  
MANAGEMENT ACTIVITIES**

<b>Admin Expense</b>	<b>Fund- raising</b>	<b>Total Mgmt Activities</b>	<b>Total Expenses</b>
\$ 140,060	\$ 95,342	\$ 235,402	\$ 1,510,728
11,029	6,488	17,517	131,659
20,742	6,737	27,479	166,976
247	333	580	20,586
3,903	1,620	5,523	23,430
175,981	110,520	286,501	1,853,379
78,934	57,997	136,931	215,707
33,914	-	33,914	103,447
-	-	-	82,987
5,019	3,296	8,315	181,830
428	1,403	1,831	40,060
4,703	50	4,753	41,973
441	-	441	56,111
978	3,481	4,459	22,995
-	356	356	727
7,408	1,673	9,081	131,738
-	447,384	447,384	447,384
-	-	-	101,864
-	-	-	34,667
-	-	-	631,738
-	-	-	659,464
1,379	-	1,379	78,284
-	-	-	26,471
<b>\$ 309,185</b>	<b>\$ 626,160</b>	<b>\$ 935,345</b>	<b>\$ 4,710,826</b>

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

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED AUGUST 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 277,256	\$ 149,763
<b>ADJUSTMENT TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Depreciation	133,453	131,738
Net Unrealized (Gain) Loss on Investments	(31,193)	(42,383)
<b>(Increase) Decrease in Assets</b>		
Inventory	(69,807)	4,668
Prepaid Expenses and Deposits	(1,094)	(4,705)
<b>Increase (Decrease) in Liabilities</b>		
Accounts Payable	53,150	(21,128)
Accrued Expenses	(14,660)	(17,621)
Net Cash Provided (Used) by Operating Activities	<u>347,105</u>	<u>200,332</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property & Equipment	(101,457)	(41,880)
Purchase of Investments	(104,736)	(8,700)
Proceeds from Sale of Equipment	17,445	-
Proceeds from Sale of Investment	113,499	2,201
Net Cash Provided (Used) by Investing Activities	<u>(75,249)</u>	<u>(48,379)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal Payments on Notes Payable	(392,151)	(62,090)
Net Cash Provided (Used) by Financing Activities	<u>(392,151)</u>	<u>(62,090)</u>
<b>TOTAL INCREASE (DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<u>(120,295)</u>	<u>89,863</u>
<b>CASH &amp; CASH EQUIVALENTS - BEGINNING</b>	<u>390,208</u>	<u>300,345</u>
<b>CASH &amp; CASH EQUIVALENTS - ENDING</b>	<u>\$ 269,913</u>	<u>\$ 390,208</u>
<b>SUPPLEMENTARY INFORMATION</b>		
Interest Paid	\$ 66,887	\$ 82,987
In-Kind Donations	1,638,911	1,432,928

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, 2011 AND 2010**

---

**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 January 1, 2008. Since then a Dental Clinic has opened providing free services to clients and a 17 unit facility is now providing safe affordable housing for men transition back into the community. 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 165,000 meals and 65,000 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 \$95,000 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 \$135,000 of free clothing to Mission clients and over \$83,000 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, 2011 AND 2010**

---

**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, 2011 AND 2010**

---

**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, 2011 AND 2010**

---

**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, 2011 and 2010 the amount was \$18,418 and \$30,145 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, 2011 AND 2010**

---

**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>2011</u>	<u>2010</u>
Cash for Tills - Mission Store	\$ 500	\$ 400
Petty Cash	700	800
Operating Account - Pioneer	147,578	95,293
Discretionary Acct - Wells Fargo	8,592	5,160
Reserve MM - Pioneer	-	13,521
Capital Improvements - Pioneer	5,579	-
Operating Account - CEP	24,382	127,494
Reserve - CEP	-	91,424
Trust MM - Wells Fargo Investments	30,847	4,581
CD's - Willamette Valley Bank	51,735	51,535
Total Cash & Cash Equivalents	<u>\$ 269,913</u>	<u>\$ 390,208</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, 2011 AND 2010**

---

**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, 2011 AND 2010**

---

**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, 2011 and 2010 are summarized as follows:

	<b>2011</b>		
	<b>Cost</b>	<b>Fair Value</b>	<b>Unrealized Gain (Loss)</b>
Mutual Funds	\$ 481,873	\$ 494,679	\$ 12,806
Stocks	38,951	36,735	(2,216)
Preferred Stocks	114,342	129,067	14,725
Government Securities	915	143	(772)
Total	<u>\$ 636,081</u>	<u>\$ 660,624</u>	<u>\$ 24,543</u>
	<b>2010</b>		
	<b>Cost</b>	<b>Fair Value</b>	<b>Unrealized Gain (Loss)</b>
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>

**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 \$31,826 and \$32,305 in 2011 and 2010. The Mission contributed \$22,753 and \$23,430 on behalf of its employees for the years ended August 31, 2011 and 2010 respectively.

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

**NOTES TO FINANCIAL STATEMENTS (Continued)  
FOR THE YEARS ENDED AUGUST 31, 2011 AND 2010**

---

**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. For the years ended August 31, 2011 and 2010, the retirement benefit was \$1,335 per month, \$16,020 annually. In addition to this monthly retirement benefit, the Mission also agreed to pay for two former Executive Director's medical insurance payments. For the years ended August 31, 2011 and 2010 the payments for both of those medical premium benefits totaled \$2,871 and \$4,827 respectively.

Minimum future post retirement payments for the year ending August 31, 2011, are as follows:

	<u>2011</u>
2012	\$ 24,330
2013	25,060
2014	25,811
2015	26,586
2016	27,384

**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, 2011 all restrictions for temporarily restricted net assets have been met. For the year ending August 31, 2010 the temporarily restricted net assets were \$105,273.

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

**NOTES TO FINANCIAL STATEMENTS (Continued)  
FOR THE YEARS ENDED AUGUST 31, 2011 AND 2010**

---

**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, 2011 and 2010 were \$111,093 and \$111,499 respectively.

Future minimum lease payments under operating leases that have remaining terms of one year or more as of August 31, 2011 are:

2012	\$	118,109
2013		114,841
2014		96,687
2015		2,200
2016		2,200

**NOTE I: LONG-TERM DEBT**

Long-term Debt at August 31, 2011 and 2010 consists of the following:

	<u>2011</u>	<u>2010</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.	\$ 706,169	\$ 764,359
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. This was paid off in 2011.	-	15,216
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. This was paid off in 2011.	-	318,745
Less Current Portion	<u>(63,020)</u>	<u>(67,053)</u>
Total Long-term Debt	<u>\$ 643,149</u>	<u>\$ 1,031,267</u>

No five year schedule is presented as all long-term debt is due within 12 months.

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

**NOTES TO FINANCIAL STATEMENTS (Continued)  
FOR THE YEARS ENDED AUGUST 31, 2011 AND 2010**

---

**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 \$23,144 and \$40,992 as of August 31, 2011 and 2010.

**NOTE K: RELATED PARTY TRANSACTIONS**

The Mission paid LD Huff owned by Lon Huff, a board member of the Mission, \$0 and \$3,443 in construction costs for the years ended August 31, 2011 and 2010. 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.