

**UNION GOSPEL MISSION ASSOCIATION OF ST. PAUL  
DBA: UNION GOSPEL MISSION TWIN CITIES**

**FINANCIAL STATEMENTS**

**YEARS ENDED SEPTEMBER 30, 2021 AND 2020**



WEALTH ADVISORY | OUTSOURCING  
AUDIT, TAX, AND CONSULTING

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**UNION GOSPEL MISSION ASSOCIATION OF ST. PAUL  
DBA: UNION GOSPEL MISSION TWIN CITIES  
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YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Union Gospel Mission Association of St. Paul  
dba: Union Gospel Mission Twin Cities  
St. Paul, Minnesota

We have audited the accompanying financial statements of Union Gospel Mission Association of St. Paul (a Minnesota corporation), dba: Union Gospel Mission Twin Cities, which comprise the statements of financial position as of September 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors  
Union Gospel Mission Association of St. Paul  
dba: Union Gospel Mission Twin Cities

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Union Gospel Mission Association of St. Paul as of September 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
February 15, 2022

**UNION GOSPEL MISSION ASSOCIATION OF ST. PAUL  
DBA: UNION GOSPEL MISSION TWIN CITIES  
STATEMENTS OF FINANCIAL POSITION  
SEPTEMBER 30, 2021 AND 2020**

<b>ASSETS</b>	2021	2020
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 5,648,614	\$ 4,820,424
Accounts Receivable, Net Allowance of \$2,000 Each Year	18,370	14,853
Inventories:		
Food	11,375	7,164
Clothing and Other	182,445	241,735
Support Receivables	-	3,980
Prepaid Expenses	496,773	318,390
Total Current Assets	6,357,577	5,406,546
<b>OTHER ASSETS</b>		
Investments	26,988,262	12,279,133
Property Held for Sale	960,000	2,609,367
Total Other Assets	27,948,262	14,888,500
<b>PROPERTY AND EQUIPMENT</b>		
Land	730,472	930,471
Buildings and Improvements	13,194,062	16,087,451
Equipment	488,179	564,605
Vehicles	332,093	332,093
Construction in Progress	85,820	137,858
Total Property and Equipment	14,830,626	18,052,478
Less: Accumulated Depreciation	(8,094,643)	(9,448,780)
Net Property and Equipment	6,735,983	8,603,698
Total Assets	\$ 41,041,822	\$ 28,898,744
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 724,366	\$ 677,509
Accrued Compensation and Benefits	663,450	734,287
Deferred Revenue	64,090	50,732
Total Current Liabilities	1,451,906	1,462,528
<b>LONG-TERM LIABILITIES</b>		
Asset Retirement Obligation	72,302	119,545
Notes Payable	-	1,097,200
Total Long-Term Liabilities	72,302	1,216,745
Total Liabilities	1,524,208	2,679,273
<b>NET ASSETS</b>		
Without Donor Restrictions	33,877,680	21,179,358
With Donor Restrictions	5,639,934	5,040,113
Total Net Assets	39,517,614	26,219,471
Total Liabilities and Net Assets	\$ 41,041,822	\$ 28,898,744

See accompanying Notes to Financial Statements.

**UNION GOSPEL MISSION ASSOCIATION OF ST. PAUL  
DBA: UNION GOSPEL MISSION TWIN CITIES  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE, SUPPORT, AND GAINS</b>			
Public Support:			
Contributions	\$ 18,982,917	\$ 651,563	\$ 19,634,480
Revenue and Gains (Losses):			
Net Investment Income	2,029,831	847,090	2,876,921
Gain on Sale of Fixed Assets	5,874,942	-	5,874,942
Loss on Impairment of Fixed Assets	(908,006)	-	(908,006)
Gain on Extinguishment of Debt	1,097,200	-	1,097,200
Program Service Fees and Other	753,221	-	753,221
Total Revenue and Gains	8,847,188	847,090	9,694,278
Net Assets Released from Restriction	898,832	(898,832)	-
Total Revenue, Support, and Gains	28,728,937	599,821	29,328,758
<b>EXPENSES AND LOSSES</b>			
Program Services Expense	11,741,598	-	11,741,598
Supporting Services Expense:			
Management and General	1,372,025	-	1,372,025
Fundraising and Development	2,916,992	-	2,916,992
Total Supporting Services Expenses	4,289,017	-	4,289,017
Total Expenses and Losses	16,030,615	-	16,030,615
<b>CHANGE IN NET ASSETS</b>	12,698,322	599,821	13,298,143
Net Assets - Beginning of Year	21,179,358	5,040,113	26,219,471
<b>NET ASSETS - END OF YEAR</b>	\$ 33,877,680	\$ 5,639,934	\$ 39,517,614

See accompanying Notes to Financial Statements.

**UNION GOSPEL MISSION ASSOCIATION OF ST. PAUL  
DBA: UNION GOSPEL MISSION TWIN CITIES  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUE, SUPPORT, AND GAINS</b>			
Public Support:			
Contributions	\$ 16,867,234	\$ 1,288,737	\$ 18,155,971
Revenue and Gains:			
Net Investment Income	666,308	274,178	940,486
Program Service Fees and Other	639,291	-	639,291
Total Revenue and Gains	<u>1,305,599</u>	<u>274,178</u>	<u>1,579,777</u>
Net Assets Released from Restriction	208,061	(208,061)	-
Total Revenue, Support, and Gains	<u>18,380,894</u>	<u>1,354,854</u>	<u>19,735,748</u>
<b>EXPENSES AND LOSSES</b>			
Program Services Expense:	11,466,727	-	11,466,727
Supporting Services Expense:			
Management and General	1,074,922	-	1,074,922
Fundraising and Development	3,348,100	-	3,348,100
Total Supporting Services Expenses	<u>4,423,022</u>	<u>-</u>	<u>4,423,022</u>
Total Expenses and Losses	<u>15,889,749</u>	<u>-</u>	<u>15,889,749</u>
<b>CHANGE IN NET ASSETS</b>	2,491,145	1,354,854	3,845,999
Net Assets - Beginning of Year	<u>18,688,213</u>	<u>3,685,259</u>	<u>22,373,472</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 21,179,358</u>	<u>\$ 5,040,113</u>	<u>\$ 26,219,471</u>

See accompanying Notes to Financial Statements.

**UNION GOSPEL MISSION ASSOCIATION OF ST. PAUL  
DBA: UNION GOSPEL MISSION TWIN CITIES  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED SEPTEMBER 30, 2021**

	Program Services							Support Services			2021 Total	
	Men's Programs	Women and Children's Programs	Food Programs	Faith Formation	Mental Health Care	Adult Education and Training	Public Education	Total Program Services	Administrative	Fundraising		Total Support Services
Salaries, Benefits, and Payroll Taxes	\$ 1,800,587	\$ 1,369,576	\$ 469,460	\$ 589,550	\$ 493,986	\$ 609,576	\$ 214,387	\$ 5,547,122	\$ 691,064	\$ 952,038	\$ 1,643,102	\$ 7,190,224
Professional Fees and Stipends	351,671	274,331	103,375	226,409	252,670	98,579	145,712	1,452,746	409,269	169,142	578,411	2,031,157
Supplies	59,469	71,211	13,699	16,919	8,530	10,354	3,838	184,019	1,954	5,563	7,517	191,536
Communications	19,357	27,675	4,508	3,124	4,070	8,639	2,553	69,926	3,668	6,341	10,009	79,935
Occupancy and Related Costs	384,825	533,970	66,841	9,502	26,004	39,806	14,487	1,075,435	28,713	28,584	57,297	1,132,732
Transportation	32,171	4,736	2,664	2,452	2,699	4,936	3,203	52,861	12,263	7,424	19,687	72,548
Postage and Printing	7,402	5,891	748	1,149	3,489	2,843	4,004	25,526	7,719	1,497,262	1,504,981	1,530,507
Food Service	9,794	4,506	760,944	7,799	50,598	1,913	-	835,554	-	-	-	835,554
Specific Assistance	1,096,670	74,656	60	60	60	22,876	-	1,194,382	-	-	-	1,194,382
Interest Expense	-	-	-	-	-	-	-	-	381	-	381	381
Other	61,199	51,408	17,003	32,835	302	20,273	13,549	196,568	160,723	181,140	341,863	538,431
Equipment Repairs and Rentals	177,508	86,272	39,480	7,638	1,221	40,258	13,047	365,424	37,310	58,292	95,602	461,026
Depreciation	408,250	190,745	76,620	4,174	26,064	27,039	9,143	742,035	18,961	11,206	30,167	772,202
<b>Total</b>	<b>\$ 4,408,902</b>	<b>\$ 2,694,976</b>	<b>\$ 1,555,402</b>	<b>\$ 901,611</b>	<b>\$ 869,693</b>	<b>\$ 887,091</b>	<b>\$ 423,924</b>	<b>\$ 11,741,598</b>	<b>\$ 1,372,025</b>	<b>\$ 2,916,992</b>	<b>\$ 4,289,017</b>	<b>\$ 16,030,615</b>

See accompanying Notes to Financial Statements.



**UNION GOSPEL MISSION ASSOCIATION OF ST. PAUL  
DBA: UNION GOSPEL MISSION TWIN CITIES  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED SEPTEMBER 30, 2020**

	Program Services							Support Services			2020 Total	
	Men's Programs	Women and Children's Programs	Food Programs	Faith Formation	Mental Health Care	Adult Education and Training	Public Education	Total Program Services	Administrative	Fundraising		Total Support Services
Salaries, Benefits, and Payroll Taxes	\$ 1,688,323	\$ 1,563,135	\$ 473,263	\$ 581,206	\$ 562,876	\$ 611,490	\$ 271,703	\$ 5,751,995	\$ 610,980	\$ 838,373	\$ 1,449,353	\$ 7,201,348
Professional Fees and Stipends	336,282	349,952	100,421	109,200	252,133	122,327	95,690	1,366,005	323,599	268,417	592,016	1,958,021
Supplies	143,068	88,136	28,878	12,964	6,093	12,444	20,365	311,948	11,331	67,689	79,020	390,968
Communications	12,140	17,299	2,421	2,005	3,235	6,441	2,396	45,937	2,863	2,610	5,473	51,410
Occupancy and Related Costs	317,414	342,971	67,351	3,485	22,874	27,960	8,664	790,718	21,215	11,125	32,340	823,058
Transportation	40,355	9,435	1,582	3,140	3,844	7,566	6,050	71,972	13,931	9,421	23,352	95,324
Postage and Printing	6,444	6,091	1,136	1	3,078	3,439	1,178	21,366	5,166	1,901,373	1,906,539	1,927,905
Food Service	14,352	9,461	833,641	9,636	88,917	2,045	478	958,530	-	-	-	958,530
Specific Assistance	778,629	4,563	-	-	-	9,045	150	792,387	250	-	250	792,637
Interest Expense	-	-	-	-	-	-	-	-	-	-	-	-
Other	16,294	26,659	8,234	37,079	454	8,588	27,108	124,416	47,891	184,602	232,493	356,909
Equipment Repairs and Rentals	153,531	102,014	32,318	227	438	41,540	67,861	397,929	23,632	56,132	79,764	477,693
Depreciation	388,430	314,778	72,140	1,441	23,437	25,311	7,987	833,524	14,064	8,358	22,422	855,946
<b>Total</b>	<b>\$ 3,895,262</b>	<b>\$ 2,834,492</b>	<b>\$ 1,621,385</b>	<b>\$ 760,385</b>	<b>\$ 967,379</b>	<b>\$ 878,197</b>	<b>\$ 509,628</b>	<b>\$ 11,466,727</b>	<b>\$ 1,074,922</b>	<b>\$ 3,348,100</b>	<b>\$ 4,423,022</b>	<b>\$ 15,889,749</b>

See accompanying Notes to Financial Statements.

**UNION GOSPEL MISSION ASSOCIATION OF ST. PAUL  
DBA: UNION GOSPEL MISSION TWIN CITIES  
STATEMENTS OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 13,298,143	\$ 3,845,999
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	772,202	855,946
Realized and Unrealized Gain on Investments	(2,494,556)	(704,924)
Net Loss (Gain) on Disposal of Property and Equipment	(5,821,125)	(1,800)
Impairment Loss on Property Held for Sale	908,006	-
Gain on Extinguishment of Debt	(1,097,200)	-
(Increase) Decrease in:		
Accounts Receivable	(3,517)	6,247
Pledges Receivable	3,980	(3,980)
Inventories	55,079	(23,714)
Prepaid Expenses	(178,383)	16,869
(Increase) Decrease in:		
Accounts and Contracts Payable	46,857	244,211
Accrued Compensation and Benefits	(70,837)	397,852
Deferred Revenue	13,358	18,349
Asset Retirement Obligation	(47,243)	6,232
Net Cash Provided by Operating Activities	5,384,764	4,657,287
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	(761,650)	(405,552)
Proceeds on Disposals of Property and Equipment	8,419,649	-
Proceeds from Sales of Operating Investments	2,253,456	811,113
Purchases of Operating Investments	(14,468,029)	(2,608,200)
Net Cash Used by Investing Activities	(4,556,574)	(2,202,639)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds on Note Payable	-	1,097,200
Net Cash Provided by Financing Activities	-	1,097,200
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	828,190	3,551,848
Cash and Cash Equivalents - Beginning of Year	4,820,424	1,268,576
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 5,648,614	\$ 4,820,424

See accompanying Notes to Financial Statements.

**UNION GOSPEL MISSION ASSOCIATION OF ST. PAUL  
DBA: UNION GOSPEL MISSION TWIN CITIES  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021 AND 2020**

**NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The Union Gospel Mission Association of St. Paul, doing business as Union Gospel Mission Twin Cities, (the Mission) is a Christian ministry which has been dedicated to serving the homeless, poor, and addicted in our community for nearly 120 years. By meeting physical, spiritual, emotional, and educational needs, the Mission is changing lives.

**Food Services**

In fiscal year 2021, 213,691 healthy meals were provided to homeless and hungry people. Two kitchens at the Mission served three meals a day. On average, the Men's Campus cafeteria served 13,370 on-site meals monthly. In addition, nearly 1,123 meals were served monthly as part of our women and children's program, and two meals a day and snacks were provided at our Child Development Center (436 on average per month until the program was briefly paused due to COVID-19).

During the week of Thanksgiving, over 32,000 complete take-home meals were given to families in need, including a frozen turkey, groceries and a five-pound bag of potatoes. Approximately 2,540 meals were delivered to local senior and low-income housing complexes for Thanksgiving and Christmas. Overall, more than 1,805 meals were served on-site during the Thanksgiving, Christmas, and Easter holidays.

**Men's Programs**

For men in crisis, the Mission provides both emergency shelter (guests) and longer-term, transformational programming (residents), with services tailored to the needs of each individual.

Facilities include emergency shelter, transitional housing, and programs that encourage men to make progress toward leading more productive, self-sufficient lives.

Men in Bethel Hotel receive food, shelter, clean clothing, access to showers, and personal care items when they come to the Mission seeking help.

All residents of long-term programs are guided through a transformative process of recovery, spiritual growth and education, including financial literacy, so they leave the Mission equipped with life and job skills that help them restore dignity and claim the life God intended for them.

- In fiscal year 2021, Bethel Hotel provided beds in our emergency shelter for up to 158 men per day, and another 52 beds for men in our transitional housing programs. In addition, 51 beds were available to men participating in our Discipleship Program. Over the course of the year, 864 men were served in our emergency housing and transitional housing facilities.

**UNION GOSPEL MISSION ASSOCIATION OF ST. PAUL  
DBA: UNION GOSPEL MISSION TWIN CITIES  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021 AND 2020**

**NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Organization (Continued)**

- The Christ Recovery Center is a residential recovery program designed to help men struggling with late-stage addiction to alcohol and other drugs. In fiscal year 2021, 88 men were offered the tools needed to break free from the grip of addiction by a multi-disciplinary care team, which includes licensed drug and alcohol counselors who use the Bible and a Twelve-Step-based approach to lifelong transformation.
- In the residential Discipleship Program, men are taught to rebuild their lives on biblical principles. In fiscal year 2021, 86 men attended classes designed to deepen spiritual knowledge, improve academic abilities, and overcome trauma to obtain gainful employment and stable housing.
- In fiscal year 2021, Support Services offered case management and therapeutic services to approximately 250 men who reside on the Men's Campus. Staff and social work interns from the Support Services program connect clients with the resources needed to develop relational and spiritual support systems, develop appropriate life skills, and find safe, affordable housing.

**Women and Children's Programs**

The Naomi Family Program provides transitional shelter and programming for single women and homeless mothers with children (0-10 years) who are escaping domestic violence, the effects of addiction, unemployment, or lack of family support.

An integrated team of therapists, counselors, case managers, and chaplains help women and children heal from trauma including domestic violence and addictions. Focusing on spiritual growth, mental and emotional health, chemical dependency recovery, and the development of academic abilities and life skills, including financial literacy, this program helps women move through crisis to self-sufficiency, providing them with a solid foundation for safe, independent living. In fiscal year 2021, 133 women and children found a safe place to rebuild their lives at Union Gospel Mission Twin Cities.

Our licensed Child Development Center provides services to children between the ages of six weeks to Kindergarten. In fiscal year 2021, 48 children were enrolled. Originally developed to care for children participating in our Naomi Family Program with their moms, today our Child Development Center also serves families of individuals living or working in the St. Paul area, including children of the graduates of the Naomi Family Program. The Child Development Center continued to hold the nationally recognized NAEYC Accreditation and 4-Star Parent Aware Rating.

Children helped through the Naomi Family Program receive case management services that provide pastoral care and a variety of activities designed to address the needs of the whole child. Weekly individual visits with a dedicated youth and family chaplain provide children with a safe place to experience hope and healing. Thirty-six children were served during fiscal year 2021.

**UNION GOSPEL MISSION ASSOCIATION OF ST. PAUL  
DBA: UNION GOSPEL MISSION TWIN CITIES  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021 AND 2020**

**NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Organization (Continued)**

Adult Education and Training (LifeNet, Career Services)

The goal of Adult Education and Training is to help students prepare for Christ-centered independent living. Specifically, the Mission helps students grow academically, socially, and spiritually, so they are fully equipped for long-term, sustainable, gratifying employment.

With 27 computer workstations, the LifeNet program offers a self-paced, computer-based curriculum. Students brush up on basic academic skills and computer literacy, while developing workplace skills such as punctuality, goal setting, and appropriate communication. Students get help in earning their general equivalency diploma (GED) as a key step in their career development.

The program takes students through three phases: 1) the Ready phase stabilizes students as they develop study skills, engage in academic pursuits, and begin a personal development plan; 2) in the Set phase, students continue what they began in the Ready phase and add necessary skills for success; and 3) in the Go phase, students focus on career skills and job-search strategies.

LifeNet also provides a variety of workshops throughout the year to enhance personal and professional development including resume building and interview practices.

In fiscal year 2021, 69 men and women participated in LifeNet. Fifty-one percent of students fulfilled all requirements and completed the program.

Career Services provides one-on-one coaching to assist students in achieving their long-term educational and employment goals. In fiscal year 2021, this service helped 24 students find gainful employment and 12 students enroll in college and various vocational training programs. (These numbers were lower than previous years due to the impact of COVID-19.) Former graduates also received assistance with job coaching and résumé development.

**Mental Health Care**

The Mission's onsite mental health and medical clinic provides free, comprehensive mental health care and referrals for men, women, and children residing at the Mission. The Mission is unique in providing these services to emergency shelter guests, not just full-time program residents. We recognize that people seeking emergency shelter are among those with the most acute need for these vital services. This year, 239 residents and guests participated in individual and group therapy, totaling 4,478 clinic appointments. The number of appointments represents an increase of more than 50% over the previous year.

**UNION GOSPEL MISSION ASSOCIATION OF ST. PAUL  
DBA: UNION GOSPEL MISSION TWIN CITIES  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021 AND 2020**

**NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Organization (Continued)**

Public Education

Public education at the Mission consists of two components: volunteering and community awareness.

Through our robust volunteer program, the Mission helps connect people in need with people who care. In fiscal year 2021, 4,300 volunteers reached out to serve the homeless and provided 120,000 hours of service. While the number of volunteers increased this year, in response to COVID-19 restrictions we reduced both the number of community engagement events, as well as shift lengths, resulting in fewer available volunteer service hours.

In fiscal year 2021, the Mission continued to raise awareness through print materials, radio spots, videos, email campaigns, social networking opportunities (Facebook, Twitter, Instagram, and YouTube), and in-person events, designed to inform and inspire. Many of these public education initiatives featured interviews with our residents, who shared how the Mission has changed their lives and provided them with help and hope.

**Financial Statement Presentation**

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

*Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

*With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The Mission reports contributions restricted by donors 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. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

**UNION GOSPEL MISSION ASSOCIATION OF ST. PAUL  
DBA: UNION GOSPEL MISSION TWIN CITIES  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021 AND 2020**

**NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

**Cash and Cash Equivalents**

The Mission considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

**Accounts Receivable**

The Mission provides an allowance for bad debts using the allowance method. Program Services are charged on an unsecured basis. Finance charges also accrue if payment is not made in a timely manner and continue to accrue until the balance is paid in full. When all collection efforts have been exhausted, accounts are written off against the related allowance. In addition, an allowance is provided for other accounts when a significant pattern of uncollectability has occurred. At September 30, 2021 and 2020, the allowance was \$-0-.

**Pledges Receivable**

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Contributions that are expected to be collected within one year are recorded at their net realizable value. Contributions that are expected to be collected in future years are recorded at the present value of the amount expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the pledge is received. The discount on the pledges was \$-0- in 2021 and 2020. An allowance estimated by management, for uncollectible pledges receivable was \$-0- as of September 30, 2021 and 2020.

Conditional pledges are not included as support until such time as the conditions are substantially met. In 2021, the Mission had one conditional pledge for \$40,000 for which the conditions had not been met as of September 30, 2021.

**Inventories**

Inventories of purchased and donated food are stated at an average cost or donated value per pound. Clothing items are valued at an average estimated net realizable value based on a comparative market study of clothing values from retail and resale outlets in 2010. These estimates have been adjusted annually for changes in the local consumer price index.

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**NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments**

The Mission carries its mutual funds, bonds, and stocks at fair value and realized and unrealized gains and losses are reflected in the statements of activities. Donated investments are reflected as contributions at their market values at date of receipt. In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the amounts reported in the balance sheets.

**Property Held for Sale**

The Mission classifies land and fixed assets actively marketed for sale as property held for sale and is measured at the lower of its carrying amount or fair value less estimated costs to sell.

**Property and Equipment**

Property and equipment is stated at cost. The construction in process is largely comprised of a roofing repair project underway at year-end. Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as donor-restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as without donor restrictions. Depreciation is based on the estimated useful lives of the assets. Costs of current repairs and minor replacements are charged to expense as incurred. All acquisitions of land, buildings, and equipment in excess of \$5,000 are capitalized.

**Revenue Recognition**

The Mission generates certain program service fee revenue through room, locker, and laundry fees, as well as fees for providing childcare services at its childcare center. This revenue is generally recognized at a point in time when the performance obligation has been met. Funds received but not yet earned are shown as deferred revenue.

**Deferred Revenue**

Program service fees which are paid in advance of when services are provided are recorded as deferred revenue until the applicable performance obligations are met.

**Donated Materials and Services**

Donated food and clothing and donated services are valued at their fair market value and are presented as revenue and expense, when incurred.

**Functional Allocation of Expense**

The costs of programs and support services have been presented on a functional basis. Salaries and related expenses are allocated to program and supporting services based on actual time spent on each program. IT related expenses are allocated based on computers used by department. The remaining expenses are specifically allocated whenever practical and, when this is impractical, are allocated based on the best estimates of management and the board of directors.



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**NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Tax-Exempt Status**

The Mission is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and Minnesota Statute. It has been classified as an organization that is not a private foundation under the IRC and charitable contributions by donors are tax deductible. The Mission has no current obligation for unrelated business income tax.

**Fair Value Measurements**

The Mission follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the Mission has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the balance sheets are categorized based on the inputs to the valuation techniques as follows:

*Level 1* – Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date. The Mission has investments of equities and bonds included in Level 1.

*Level 2* – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

*Level 3* – Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

**Concentrations**

The Mission maintains its cash reserves and cash balances in three financial institutions. At times throughout the year, the amounts on deposit may exceed the Federal Deposit Insurance Corporation limit of \$250,000.

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**NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Reclassifications**

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported total net assets.

**Subsequent Events**

We have evaluated subsequent events through February 15, 2022, the date the financial statements were available to be issued.

**NOTE 2 LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 5,648,614	\$ 4,820,424
Accounts Receivable	18,370	14,853
Support Receivables	-	3,980
Operating Investments	26,988,262	12,279,133
Endowment Spending-Rate Distributions Appropriations	218,000	146,000
Less: Net Assets with Donor Restrictions	<u>(5,639,934)</u>	<u>(5,040,113)</u>
Total	<u><u>\$ 27,233,312</u></u>	<u><u>\$ 12,224,277</u></u>

The Mission's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The Mission's board-designated reserve of \$21,394,658 is available by board action as described in Note 8. Although we do not intend to spend from this board-designated reserves, these amounts could be made available to support general operating expenditures, if necessary.

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**NOTE 3 INVESTMENTS**

The carrying value of investments consists of the following at September 30:

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 1,616,933	\$ 924,527
Mutual Funds	3,826,174	2,391,335
Bonds	10,196,609	2,235,085
Stock	11,348,546	6,728,186
Total	<u>\$ 26,988,262</u>	<u>\$ 12,279,133</u>

**NOTE 4 FAIR VALUE MEASUREMENTS**

The Mission uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the organization values all other assets and liabilities, refer to Note 1 – Summary of Significant Accounting Policies.

The following tables present the fair value hierarchy for the balance of the assets of the organization measured at fair value on a recurring basis as of September 30:

	<u>2021</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Mutual Funds	\$ 3,826,174	\$ -	\$ -	\$ 3,826,174
Bonds	-	10,196,609	-	10,196,609
Stocks	11,348,546	-	-	11,348,546
Total	<u>\$ 15,174,720</u>	<u>\$ 10,196,609</u>	<u>\$ -</u>	<u>\$ 25,371,329</u>
	<u>2020</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Mutual Funds	\$ 2,391,335	\$ -	\$ -	\$ 2,391,335
Bonds	-	2,235,085	-	2,235,085
Stocks	6,728,186	-	-	6,728,186
Total	<u>\$ 9,119,521</u>	<u>\$ 2,235,085</u>	<u>\$ -</u>	<u>\$ 11,354,606</u>

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**NOTE 5 DONATED GOODS AND SERVICES**

The value of donated materials and services included in the financial statements and the corresponding expenses for the years ended September 30 is as follows:

<u>Description</u>	<u>2021</u>	<u>2020</u>
Donated Food [In 2021, 125,359 lbs. (34,572 lbs. from Second Harvest); in 2020, 133,233 lbs. (104,209 lbs. from Second Harvest) valued at \$1.18/lb. in 2021 and \$1.15/lb. in 2020. Food from Second Harvest valued at \$1.74/lb. in 2021 and \$1.62/lb. in 2020.]	\$ 167,285	\$ 202,196
Donated Clothing (Approximately 84,110 lbs. and 59,413 lbs at \$11.89/lb in 2021 and \$12.46/lb in 2020, respectively).	1,000,068	740,286
Miscellaneous Donated Items	45,807	110,916
Donated Services: Medical Professionals, Counselors, Attorneys, Pastors, Business Professionals, and Educators	<u>428,103</u>	<u>307,106</u>
Donated Goods and Services	<u>\$ 1,641,263</u>	<u>\$ 1,360,504</u>

All goods and services were considered program activities. The professional services were donated by dentists, doctors, lawyers, counselors, and ministers.

**NOTE 6 EXTINGUISHMENT OF DEBT**

In April 2020, the Mission received a loan in the amount of \$1,097,200 to fund payroll, rent, and utilities through the federal Paycheck Protection Program (PPP). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over 24 months, with interest deferred for the first six months. The Mission was eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Mission received full forgiveness of the loan on November 25, 2020. The loan forgiveness has been recorded as a gain on extinguishment of debt on the statement of activities for the year ending September 30, 2021.

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Mission's financial position.

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**NOTE 7 ENDOWMENT**

The Mission's endowment consists of funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**Investment Objectives and Strategies**

The Mission has adopted an investment policy to provide guidelines for investing endowment and quasi-endowment assets. Under this policy, as approved by the Finance Committee and the board of directors, the endowment assets are invested in a manner that is intended to maintain the principle of the fund and maximize growth and income over time. It has been determined the best way to achieve this objective is to grow the real assets of the fund over time. The horizon for the fund is perpetual, implying management of the fund with a long-term perspective. Income can be used for general operating. Ultimately, the purpose of the endowment is to support financially the programs of the Mission. Thus, the purpose in maintaining or growing the real value of the fund is to allow for an increased level of support over time. The objective is to maximize return within reasonable and prudent levels of risk and maintain an appropriate asset allocation based on a total return policy that is compatible with a flexible spending policy. To achieve these objectives, the organization follows an asset diversification plan, sets performance benchmarks for investments managers, and has established various asset quality and limitations thresholds. The organization expects its endowment funds, over time, to provide investment returns required to maintain purchasing power – consumer price index plus 5%. Actual returns in any given year may vary from this amount.

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**NOTE 7 ENDOWMENT (CONTINUED)**

**Interpretation of Relevant Law**

Our board of directors of the Mission has interpreted the Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. As a result of this interpretation, the Mission retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts including promises to give at fair value]) donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA. We consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

The following is a summary of endowment funds subject to Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) for the years ended September 30:

	Without Donor Restrictions	With Donor Restrictions	2021 Total
Endowment Net Assets - October 1, 2020	\$ -	\$ 4,311,162	\$ 4,311,162
Net Investment Income	-	847,090	847,090
Contributions	-	316,247	316,247
Appropriations of Endowment Assets for Expenditure	-	(148,000)	(148,000)
Endowment Net Assets - September 30, 2021	\$ -	\$ 5,326,499	\$ 5,326,499

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**NOTE 7 ENDOWMENT (CONTINUED)**

**Interpretation of Relevant Law (Continued)**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020 Total</u>
Endowment Net Assets - October 1, 2019	\$ -	\$ 3,673,317	\$ 3,673,317
Net Investment Income	-	274,178	\$ 274,178
Contributions	-	535,667	\$ 535,667
Appropriations of Endowment Assets for Expenditure	<u>-</u>	<u>(172,000)</u>	<u>\$ (172,000)</u>
Endowment Net Assets - September 30, 2020	<u>\$ -</u>	<u>\$ 4,311,162</u>	<u>\$ 4,311,162</u>

No board-designated endowments existed at September 30, 2021 and 2020.

**Investment and Spending Policies**

The Mission has a policy that the board of directors shall determine at the end of each fiscal year what portion of the Endowment Fund shall be appropriated for expenditure for the following fiscal year, in accordance with the provisions and standards set forth in Minnesota Statutes Section 309.745; provided, however, that not more than 5% of the value of the Endowment Fund at the end of the year shall be appropriated for expenditure for the following fiscal year. In 2018, the board approved annual withdrawals on the Endowment Fund. The withdrawal calculation was based on 4% of the Endowment Fund's three-year average for the year ending September 30, 2021 and 5% of the average for the year ending September 30, 2020. The Endowment Fund corpus is not to be affected. The annual withdrawal in 2021 and 2020 totaled \$148,000 and \$172,000, respectively.

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**NOTE 8 NET ASSETS WITHOUT DONOR RESTRICTIONS**

The board of directors designates certain funds for a reserve to meet future operating needs and to fund specific board-designated projects each year. Funds are designated to the reserve or to future capital projects and maintenance and released from the reserve by board action. Undesignated funds are at the discretion of management for general operating needs. Net assets without donor restrictions consisted of the following at September 30:

	<u>2021</u>	<u>2020</u>
Net Property and Equipment	\$ 6,735,983	\$ 8,603,698
Long-Term Debt, Related Accrued Interest, and Asset Retirement Obligation	<u>(72,302)</u>	<u>(119,545)</u>
Total Designated Property and Equipment	6,663,681	8,484,153
Board Designated Operating Reserve	3,865,208	3,822,208
Board Designated Capital Funds	<u>17,529,450</u>	<u>4,505,617</u>
Total Designated	28,058,339	16,811,978
Total Undesignated	<u>5,819,341</u>	<u>4,367,380</u>
Total Net Assets Without Donor Restrictions	<u>\$ 33,877,680</u>	<u>\$ 21,179,358</u>

**NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purposes or periods at September 30:

	<u>2021</u>	<u>2020</u>
Subject to Expenditure for Specific Program Purpose	\$ 313,435	\$ 728,951
Endowments:		
Subject to Endowment Spending Policy and Appropriation:		
Earnings on Endowment Funds	2,308,810	1,609,720
Original Donor-Restricted Gift Amount to be Maintained in Perpetuity	<u>3,017,689</u>	<u>2,701,442</u>
Total Endowments	<u>5,326,499</u>	<u>4,311,162</u>
Total Net Assets with Donor Restrictions	<u>\$ 5,639,934</u>	<u>\$ 5,040,113</u>



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**NOTE 9 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 years ended September 30:

	2021	2020
Satisfaction of Purpose Restrictions:		
Programs	\$ 56,545	\$ 4,508
NFR Capital Projects	693,687	30,803
Other	600	750
Total	750,832	36,061
Restricted-Purpose Spending-Rate Distributions and Appropriations:		
General Use	148,000	172,000
Total	148,000	172,000
Total Net Assets Released from Donor Restrictions	\$ 898,832	\$ 208,061

**NOTE 10 LEASE COMMITMENTS**

The Mission entered into an operating lease for space for its women's and children's program. The lease commenced on April 15, 2021 and is for a 36-month term, with an option to terminate the lease with a 90-day written notice after the first 12 months. Total expenses paid for the operating lease for the year ending September 30, 2021 was \$221,000.

Future minimum lease payments are as follows for years ending September 30:

Year Ending September 30,	Amount
2022	\$ 482,400
2023	482,400
2024	261,300
Total	\$ 1,226,100

**NOTE 11 EMPLOYEE BENEFITS**

The Mission has a 401(k) employee savings plan covering substantially all employees. Eligible employees may contribute up to the maximum dollar limit permitted by law. The Association matches contributions to the plan up to 50% of the first 5% of employee contributions. The Mission match was \$106,652 and \$102,555 for the years ended September 30, 2021 and 2020, respectively. The Mission may also make an annual discretionary contribution to the plan. The Mission did not make a discretionary contribution in 2021 and 2020.

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