



## Financial Statements

Years Ended June 30, 2016 and 2015



**Financial Statements**  
Years Ended June 30, 2016 and 2015

# Atlanta Union Mission Corporation

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## Independent Auditor's Report

To the Directors of  
Atlanta Union Mission Corporation  
Atlanta, Georgia

We have audited the accompanying financial statements of Atlanta Union Mission Corporation ("AUM"), which comprise the statements of financial position as of June 30, 2016 and 2015, 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.

### *Auditor's 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 audit 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 auditor's 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.

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AUM as of June 30, 2016 and 2015, 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.

*BDO USA, LLP*

Atlanta, Georgia  
November 4, 2016

## Financial Statements

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# Atlanta Union Mission Corporation

## Statements of Financial Position

<i>June 30,</i>	2016	2015
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2,291,473	\$ 1,574,223
Inventory	279,629	268,112
Prepaid expenses and other assets	133,015	116,885
<b>Total Current Assets</b>	<b>2,704,117</b>	<b>1,959,220</b>
<b>Other Assets</b>		
Deposits	57,778	57,778
Long-term investment	-	93,382
Endowment fund (Note 1)	16,667,579	17,384,074
<b>Total Other Assets</b>	<b>16,725,357</b>	<b>17,535,234</b>
<b>Property, Buildings and Equipment - Net (Note 2)</b>	<b>20,264,530</b>	<b>20,750,498</b>
<b>Total Assets</b>	<b>\$ 39,694,004</b>	<b>\$ 40,244,952</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 597,042	\$ 376,915
Current portion of long-term debt (Note 3)	32,633	30,185
Short-term deferred income (Note 10)	5,051	-
<b>Total Current Liabilities</b>	<b>634,726</b>	<b>407,100</b>
<b>Long-Term Liabilities</b>		
Long-term debt, net of current portion (Note 3)	48,834	83,491
Long-term deferred income (Note 10)	492,424	-
<b>Total Liabilities</b>	<b>1,175,984</b>	<b>490,591</b>
<b>Commitments and Contingencies (Note 8)</b>		
<b>Net Assets</b>		
Unrestricted		
Designated by the Board (Note 4)	10,018,545	9,604,166
Undesignated	20,668,939	21,415,227
<b>Total unrestricted</b>	<b>30,687,484</b>	<b>31,019,393</b>
Donor restricted		
Temporarily (Note 5)	6,780,536	7,684,968
Permanently (Note 6)	1,050,000	1,050,000
<b>Total Net Assets</b>	<b>38,518,020</b>	<b>39,754,361</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 39,694,004</b>	<b>\$ 40,244,952</b>

*See accompanying organization and summary of significant accounting policies and notes to financial statements.*

# Atlanta Union Mission Corporation

## Statements of Activities

	June 30, 2016				June 30, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and Revenues</b>								
Support:								
Contributions	\$ 9,289,269	\$ 413,913	\$ -	\$ 9,703,182	\$ 7,946,628	\$ 210,164	\$ -	\$ 8,156,792
Donated goods received	3,375,641	-	-	3,375,641	3,367,181	-	-	3,367,181
Grants	-	-	-	-	-	2,000	-	2,000
Satisfaction of program restrictions	1,138,827	(1,138,827)	-	-	1,365,033	(1,365,033)	-	-
<b>Total support</b>	<b>13,803,737</b>	<b>(724,914)</b>	<b>-</b>	<b>13,078,823</b>	<b>12,678,842</b>	<b>(1,152,869)</b>	<b>-</b>	<b>11,525,973</b>
<b>Revenues</b>								
Program related income	619,768	-	-	619,768	727,106	-	-	727,106
Interest and dividend income	157,455	126,523	-	283,978	126,472	119,720	-	246,192
Sales of donated, purchased and crafted goods	2,140,867	-	-	2,140,867	2,156,133	-	-	2,156,133
Other income	21,227	-	-	21,227	47,832	-	-	47,832
<b>Total revenues</b>	<b>2,939,317</b>	<b>126,523</b>	<b>-</b>	<b>3,065,840</b>	<b>3,057,543</b>	<b>119,720</b>	<b>-</b>	<b>3,177,263</b>
<b>Total support and revenues</b>	<b>16,743,054</b>	<b>(598,391)</b>	<b>-</b>	<b>16,144,663</b>	<b>15,736,385</b>	<b>(1,033,149)</b>	<b>-</b>	<b>14,703,236</b>
<b>Expenses</b>								
Addiction recovery and homeless programs	(8,948,083)	-	-	(8,948,083)	(8,887,692)	-	-	(8,887,692)
Thrift ministry	(3,499,173)	-	-	(3,499,173)	(3,918,895)	-	-	(3,918,895)
General and administrative	(1,422,841)	-	-	(1,422,841)	(1,460,619)	-	-	(1,460,619)
Fund raising and development, donor cultivation	(2,862,958)	-	-	(2,862,958)	(2,473,438)	-	-	(2,473,438)
<b>Total expenses</b>	<b>(16,733,055)</b>	<b>-</b>	<b>-</b>	<b>(16,733,055)</b>	<b>(16,740,644)</b>	<b>-</b>	<b>-</b>	<b>(16,740,644)</b>
Realized/unrealized loss on investments	(341,908)	(306,041)	-	(647,949)	(86,544)	(53,244)	-	(139,788)
Contributions	-	-	-	-	(565,277)	-	-	(565,277)
<b>Total expenses and gains (losses)</b>	<b>(17,074,963)</b>	<b>(306,041)</b>	<b>-</b>	<b>(17,381,004)</b>	<b>(17,392,465)</b>	<b>(53,244)</b>	<b>-</b>	<b>(17,445,709)</b>
<b>Change in Net Assets</b>	<b>(331,909)</b>	<b>(904,432)</b>	<b>-</b>	<b>(1,236,341)</b>	<b>(1,656,080)</b>	<b>(1,086,393)</b>	<b>-</b>	<b>(2,742,473)</b>
<b>Net Assets, beginning of year</b>	<b>31,019,393</b>	<b>7,684,968</b>	<b>1,050,000</b>	<b>39,754,361</b>	<b>32,675,473</b>	<b>8,771,361</b>	<b>1,050,000</b>	<b>42,496,834</b>
<b>Net Assets, end of year</b>	<b>\$ 30,687,484</b>	<b>\$ 6,780,536</b>	<b>\$ 1,050,000</b>	<b>\$ 38,518,020</b>	<b>\$ 31,019,393</b>	<b>\$ 7,684,968</b>	<b>\$ 1,050,000</b>	<b>\$ 39,754,361</b>

See accompanying organization and summary of significant accounting policies and notes to financial statements.



# Atlanta Union Mission Corporation

## Statements of Functional Expenses

Year ended June 30, 2016

	<i>Addiction Recovery and Homeless Programs</i>	<i>Thrift Ministry</i>	<i>General and Administrative</i>	<i>Fund Raising and Development, Donor Cultivation</i>	<i>Total Expenses</i>
<b>Operating Expenses</b>					
Costs of generating support	\$ 464	\$ 120,014	\$ 1,689	\$ 1,764,765	\$ 1,886,932
Costs of generating support -					
In-Kind <sup>(2)</sup>	-	1,811,321	-	167,666	1,978,987
Salary and payroll tax	3,865,042	668,554	508,529	723,013	5,765,138
Employee benefits	545,735	52,829	55,604	78,996	733,164
Other human resources costs	89,802	4,850	42,573	12,309	149,534
Food costs	599,038	-	-	-	599,038
Other program costs	880,012	-	-	-	880,012
Rent	25,000	419,876	-	-	444,876
Facilities maintenance	536,168	23,479	35,696	-	595,343
Utilities	1,137,209	164,025	129,000	26,584	1,456,818
General insurance	84,369	29,965	18,778	-	133,112
Office equipment, supplies and postage	81,315	7,740	91,447	16,896	197,398
Licenses, fees, dues and subscriptions	4,668	5,277	144,984	5,052	159,981
Professional services	36,239	10,434	307,078	1,922	355,673
Autos, meals and travel	201,090	74,252	30,801	10,675	316,818
Depreciation	861,932	106,557	56,662	55,080	1,080,231
<b>Total operating expenses</b>	<b>\$8,948,083</b>	<b>\$ 3,499,173</b>	<b>\$ 1,422,841</b>	<b>\$ 2,862,958</b>	<b>\$16,733,055</b>
<b>Total program service expenses<sup>(1)</sup></b>		<b>\$12,447,256</b>			

*See accompanying organization and summary of significant accounting policies  
and notes to financial statements.*

(1) Includes Addiction Recovery and Homeless Programs and Thrift Ministry expenses.

(2) AUM receives donations of goods that are later sold at its thrift stores. In-kind support represents the value of donated goods.

# Atlanta Union Mission Corporation

## Statements of Functional Expenses

*Year ended June 30, 2015*

	<i>Addiction Recovery and Homeless Programs</i>	<i>Thrift Ministry</i>	<i>General and Administrative</i>	<i>Fund Raising and Development, and Donor Cultivation</i>	<i>Total Expenses</i>
<b>Operating Expenses</b>					
Costs of generating support	\$ 2,159	\$ 97,785	\$ 4,674	\$ 1,624,899	\$ 1,729,517
Costs of generating support -					
In-Kind <sup>(2)</sup>	-	2,169,196	-	94,230	2,263,426
Salary and payroll tax	3,702,574	695,939	610,593	546,613	5,555,719
Employee benefits	480,465	55,671	89,777	55,567	681,480
Other human resources costs	322,334	23,101	61,070	10,476	416,981
Food costs	550,374	-	-	-	550,374
Other program costs	932,331	-	9,042	-	941,373
Rent	25,000	368,590	-	-	393,590
Facilities maintenance	587,730	33,501	30,307	900	652,438
Utilities	1,091,960	176,832	156,758	18,006	1,443,556
General insurance	107,583	30,991	-	-	138,574
Office equipment, supplies and postage	83,074	18,039	143,006	34,356	278,475
Licenses, fees, dues and subscriptions	5,985	20,601	124,811	8,591	159,988
Professional services	30	-	104,988	12,520	117,538
Autos, meals and travel	153,450	72,620	88,282	11,258	325,610
Depreciation	842,643	156,029	37,311	56,022	1,092,005
<b>Total operating expenses</b>	<b>\$8,887,692</b>	<b>\$ 3,918,895</b>	<b>\$ 1,460,619</b>	<b>\$ 2,473,438</b>	<b>\$16,740,644</b>
<b>Total program service expenses<sup>(1)</sup></b>		<b>\$12,806,587</b>			

*See accompanying organization and summary of significant accounting policies and notes to financial statements.*

(1) Includes Addiction Recovery and Homeless Programs and Thrift Ministry expenses.

(2) AUM receives donations of goods that are later sold at its thrift stores. In-kind support represents the value of donated goods.

# Atlanta Union Mission Corporation

## Statements of Cash Flows

<i>Year ended June 30,</i>	2016	2015
<b>Cash Flows from Operating Activities</b>		
Increase in net assets	\$ (1,236,341)	\$ (2,742,473)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Unrealized loss on investments	-	31,127
Investment loss (gain) on investments in endowment fund	647,949	(135,663)
Depreciation	1,080,231	1,092,005
Loss on sale deemed contribution	-	525,700
Noncash rental income	(2,525)	-
Changes in assets and liabilities:		
Inventory	(11,517)	219,877
Contribution receivables	-	2,468
Prepaid expenses and other assets	(16,130)	173,833
Accounts payable and accrued expenses	220,128	(127,546)
<b>Net cash provided by (used in) operating activities</b>	<b>681,795</b>	<b>(960,672)</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of investments	(769,198)	-
Cash transfer from endowment to operating account	837,744	620,579
Proceeds from sale of asset held for sale	-	500,000
Payments for capital additions and construction in progress	(594,263)	(955,525)
Proceeds from real estate lease	500,000	-
Proceeds from sale of long-term investment	93,382	-
<b>Net cash used in investing activities</b>	<b>67,665</b>	<b>165,054</b>
<b>Cash Flows from Financing Activity</b>		
Payments of long-term debt	(32,210)	(27,782)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>717,250</b>	<b>(823,400)</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>1,574,223</b>	<b>2,397,623</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 2,291,473</b>	<b>\$ 1,574,223</b>

*See accompanying organization and summary of significant accounting policies and notes to financial statements.*

# Atlanta Union Mission Corporation

## Organization and Summary of Significant Accounting Policies

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### Organization and Operations

Atlanta Union Mission Corporation (“AUM” or “Organization”) is incorporated in the state of Georgia. AUM is classified as a tax exempt entity. AUM has no authorized or issued capital stock.

AUM provides services to homeless men, women and children through four ministry centers, three of which are in metropolitan Atlanta and one in Jefferson, Georgia. AUM’s emergency shelter services include nutritious food, hot showers, clean clothes and a safe place to sleep. For those individuals willing to commit a minimum of six months to changing their lives, a residential recovery program helps men and women confront addictions and other life-controlling behaviors with individual and group counseling, work therapy and spiritual guidance. Toward the end of the recovery program, clients attend a two-week career counseling class. Graduates of the recovery program can spend an additional eighteen months in transitional housing while working, pursuing a job or continuing their education.

AUM’s emergency shelter and residential recovery program are free of charge. Clients in the transitional housing phase of the program pay a small program fee which is included in program related income.

AUM also operates five thrift stores in metropolitan Atlanta and northeast Georgia.

### *New Accounting Pronouncements to be Adopted*

The FASB has issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, that changes how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. The ASU requires amended presentation and disclosures to help not-for-profits provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: Net Asset Classes; Investment Return; Expenses; Liquidity and Availability of Resources; and Presentation of Operating Cash Flows. The amendments are effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early application of the amendments is permitted. The Organization is currently reviewing the impact of this Update to the Organization’s financial statements.

The FASB has issued its new lease accounting guidance in Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842). Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: A lease liability, which is a lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis; and A right-of-use asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. Certain targeted improvements were made to align, where necessary, lessor accounting with the lessee accounting model and Topic 606, Revenue from Contracts with Customers. Nonpublic business entities should apply the amendments for fiscal years beginning after December 15, 2019 (i.e., January 1, 2020, for a calendar year entity). Early application is permitted for all nonpublic business entities upon issuance. The Organization is currently reviewing the impact of this Update to the Organization’s financial statements.

# Atlanta Union Mission Corporation

## Organization and Summary of Significant Accounting Policies

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The FASB has issued Accounting Standards Update (ASU) No. 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory. Topic 330, Inventory, currently requires an entity to measure inventory at the lower of cost or market. Market could be replacement cost, net realizable value, or net realizable value less an approximately normal profit margin. An entity should measure in scope inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Subsequent measurement is unchanged for inventory measured using LIFO or the retail inventory method. The amendments in this Update more closely align the measurement of inventory in GAAP with the measurement of inventory in International Financial Reporting Standards. For non-public entities, the amendments are effective for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. The amendments should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. The Organization is currently reviewing the impact of this Update to the Organization's financial statements.

The FASB issued ASU 2015-07, "Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share." ASU 2015-07 removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient and removes the requirement to make certain disclosures for these investments. The guidance is effective for fiscal years beginning after December 15, 2015 and early adoption is permitted. The guidance should be applied retrospectively. The Organization is currently reviewing the impact of this Update to the Organization's financial statements.

The FASB has issued Accounting Standards Update (ASU) No. 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date. In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). The amendments in ASU 2015-14 defer the effective date of ASU 2014-09 for all entities by one year. Public business entities, certain not-for-profit entities, and certain employee benefit plans should apply the guidance in ASU 2014-09 to annual reporting periods beginning after December 15, 2017. All other entities should apply the guidance in ASU 2014-09 to annual reporting periods beginning after December 15, 2018. The Organization is currently reviewing the impact of the ASU 2014-09 to the Organization's financial statements.

### Income Taxes

AUM is a non-profit entity exempt from taxation under Internal Revenue Code Section 501(c)(3). Accordingly, income taxes are not provided for in the accompanying financial statements.

In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740-10, *Accounting for Uncertainty in Income Taxes*, the Organization recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. The Organization recognizes interest and penalties associated with tax positions, if any, as a component of general and administrative expenses.

# Atlanta Union Mission Corporation

## Organization and Summary of Significant Accounting Policies

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### Cash and Cash Equivalents

For purposes of the statements of cash flows, AUM considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. At times throughout the year, the account balances may exceed the Federal Deposit Insurance Corporation ("FDIC") insured limits. The insurance coverage is \$250,000 per depositor at each financial institution. As of June 30, 2016 and 2015, cash balances in excess of insured limits were \$1,702,293 and \$1,080,964, respectively.

### Fair Value of Financial Instruments

Financial instruments are stated at fair value.

The Organization accounts for financial instruments in accordance with ASC 820, *Fair Value Measurements and Disclosures*. The Organization classifies its equity and debt securities as trading securities. These securities are carried at fair value, with the unrealized gains and losses reported as a component of realized/unrealized gains on investments in the statements of activities. Generally these securities have readily determinable values and, therefore, are marked to market based on quoted prices in active markets. Dividend and interest income are recognized when declared or earned.

ASC 820 requires that fair value measurements be classified and disclosed in one of the following three categories:

- Level 1 Quoted prices in active markets for identical assets or liabilities that we have the ability to access at the measurement date.
- Level 2 Inputs other than quoted prices in active markets that is observable for the asset or liability, either directly or indirectly.
- Level 3 Inputs that are unobservable for the asset or liability.

The fair value measurements of our investment securities are identified in the following table:

June 30, 2016	Level 1	Level 2	Level 3	Total
Bond funds	\$ 3,140,312	\$ -	\$ -	\$ 3,140,312
Stock funds	8,824,928	-	-	8,824,928
Money market funds	648,613	-	-	648,613
Real estate and commodity funds	1,058,146	-	-	1,058,146
Hedge fund		995,142 <sup>(a)</sup>	2,000,438 <sup>(b)</sup>	2,995,580
	\$ 13,671,999	\$ 995,142	\$ 2,000,438	\$ 16,667,579

# Atlanta Union Mission Corporation

## Organization and Summary of Significant Accounting Policies

June 30, 2015	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Bond funds	\$ 3,553,443	\$ -	\$ -	\$ 3,553,443
Stock funds	9,302,176	-	-	9,302,176
Money market funds	305,382	-	-	305,382
Real estate and commodity funds	1,055,512	-	-	1,055,512
Hedge fund	-	1,093,201 <sup>(a)</sup>	2,074,360 <sup>(b)</sup>	3,167,561
Closely held stock	-	-	93,382	93,382
	<b>\$ 14,216,513</b>	<b>\$ 1,093,201</b>	<b>\$ 2,167,742</b>	<b>\$ 17,477,456</b>

<sup>(a)</sup> This pertains to investment in a hedge fund that invests in an equity long/short focused portfolio of assets. The fund operates as a "Fund of Funds," investing, either directly or indirectly, in a group of funds or other pooled investment vehicles. The fair value has been estimated using the net asset value per share of the investments, as a practical expedient.

<sup>(b)</sup> This pertains to investment in a hedge fund that invests in a diversified portfolio of assets. The fund operates as a "Fund of Funds," investing, either directly or indirectly, in a group of funds or other pooled investment vehicles. The fair value has been estimated using the net asset value per share of the investments, as a practical expedient.

There were no transfers in and out of Level 1, 2 and 3 classifications during the year.

The following is a reconciliation of the beginning and ending balances for Level 3 investments during the fiscal year ended June 30, 2016.

	<i>Closely Held Stock</i>	<i>Hedge Fund</i>	<i>Total</i>
Beginning balance	\$ 93,382	\$ 2,074,360	\$ 2,167,742
Sale of investment	(93,382)	-	(93,382)
Total gains and losses included in change in net assets	-	(73,922)	(73,922)
<b>Total Funds</b>	<b>\$ -</b>	<b>\$ 2,000,438</b>	<b>\$ 2,000,438</b>

The following is a reconciliation of the beginning and ending balances for Level 3 securities during the fiscal year ended June 30, 2015.

	<i>Closely Held Stock</i>	<i>Hedge Fund</i>	<i>Total</i>
Beginning balance	\$ 124,509	\$ 1,913,454	\$ 2,037,963
Total gains and losses included in change in net assets	(31,127)	160,906	129,779
<b>Total Funds</b>	<b>\$ 93,382</b>	<b>\$ 2,074,360</b>	<b>\$ 2,167,742</b>

# Atlanta Union Mission Corporation

## Organization and Summary of Significant Accounting Policies

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### Inventory

Inventory consists principally of donated clothing and household goods. These goods are valued at their estimated realizable value.

### Property, Buildings and Equipment

Property, buildings and equipment are recorded at purchase price, construction cost or fair market value, if donated. All property, buildings, and equipment purchased in excess of \$2,500 are capitalized. Preconstruction costs and construction-in-progress are capitalized as the costs are incurred. Depreciation is provided on the straight-line method at annual rates ranging from 15 to 40 years for buildings and improvements, 5 to 7 years for furniture and equipment, 5 years for vehicles and 3 years for computers. No depreciation is charged for construction in progress and preconstruction costs until the specific construction project has been completed.

### Contributions

Contributions are recognized when a donor makes a promise to give to AUM that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. The Organization accounts for non-cash contributions at fair market value.

### Contributed Services and Donated Materials (In - Kind)

Contributions of services are recognized at fair value if the services received create or enhance nonfinancial assets, or if the services require specialized skills that are provided by individuals possessing such skills that would typically need to be purchased if not provided by donation.

Donated materials are reflected as contributions at their estimated fair values on the date of receipt.

AUM may receive a number of donations of various shares of stocks. Absent specific donor instructions concerning the disposition of such assets, AUM's policy is to sell all stock donations immediately. The value of the donor's gift is determined by the average of the published high and low selling prices of stock for the day it was received.

### Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

### Functional Allocation of Expenses

The costs of providing the various programs and activities of AUM have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the programs and supporting services benefited, as is presented in the statements of functional expenses.



# Atlanta Union Mission Corporation

## Notes to Financial Statements

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### 1. Endowment Fund

AUM's endowment consists of one individual fund established by a donor restriction. The Endowment also includes funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

#### *Interpretation of Relevant Law*

The Board of Directors of Atlanta Union Mission has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization has classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by AUM in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund;
- 2) The purposes of the Organization and the donor-restricted endowment fund;
- 3) General economic conditions;
- 4) The possible effect of inflation and deflation;
- 5) The expected total return from income and the appreciation of investments;
- 6) Other resources of the Organization; and
- 7) The investment policies of the Organization.

Endowment net assets composition by type of fund as of June 30, 2016 and 2015:

#### June 30, 2016

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Donor-restricted endowment funds	\$ -	\$ 6,599,034	\$ 1,050,000	\$ 7,649,034
Board-designated endowment funds	9,018,545	-	-	9,018,545
<b>Total Funds</b>	<b>\$ 9,018,545</b>	<b>\$ 6,599,034</b>	<b>\$ 1,050,000</b>	<b>\$ 16,667,579</b>

# Atlanta Union Mission Corporation

## Notes to Financial Statements

June 30, 2015

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Donor-restricted endowment funds	\$ -	\$ 7,614,791	\$ 1,050,000	\$ 8,664,791
Board-designated endowment funds	8,719,283	-	-	8,719,283
<b>Total Funds</b>	<b>\$ 8,719,283</b>	<b>\$ 7,614,791</b>	<b>\$ 1,050,000</b>	<b>\$ 17,384,074</b>

Changes in endowment net assets for the fiscal years ended June 30, 2016 and 2015:

*June 30, 2016*

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Endowment net assets, beginning of year	\$ 8,719,283	\$ 7,614,791	\$ 1,050,000	\$ 17,384,074
Investment income	142,675	126,523	-	269,198
Net depreciation (realized and unrealized)	(343,413)	(304,536)	-	(647,949)
Total investment return	8,518,545	7,436,778	1,050,000	17,005,323
Contributions	500,000	-	-	500,000
Other changes:				
Disbursements to operating funds	-	(837,744)	-	(837,744)
<b>Total Funds</b>	<b>\$ 9,018,545</b>	<b>\$ 6,599,034</b>	<b>\$ 1,050,000</b>	<b>\$ 16,667,579</b>

*June 30, 2015*

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Endowment net assets, beginning of year	\$ 8,650,095	\$ 8,168,894	\$ 1,050,000	\$ 17,868,989
Investment income	124,605	119,720	-	244,325
Net depreciation (realized and unrealized)	(55,417)	(53,244)	-	(108,661)
Total investment return	8,719,283	8,235,370	1,050,000	18,004,653
Contributions	-	-	-	-
Other changes:				
Disbursements to operating funds	-	(620,579)	-	(620,579)
<b>Total Funds</b>	<b>\$ 8,719,283</b>	<b>\$ 7,614,791</b>	<b>\$ 1,050,000</b>	<b>\$ 17,384,074</b>

# Atlanta Union Mission Corporation

## Notes to Financial Statements

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### *Funds with Deficiencies*

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted and temporarily restricted net assets.

### *Return Objectives and Risk Parameters*

AUM has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for donor-specified periods. Under this policy, as approved by the Finance Committee of the Board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results allowing the Organization to maintain an above-average market performance and stable returns on its investments. The endowment fund consists of equity securities and fixed income securities.

### *Strategies Employed for Achieving Objectives*

To satisfy its long-term rate-of-return objectives, AUM relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). AUM targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

### *Spending Policy and How the Investment Objectives Relate to the Spending Policy*

AUM's policy is to appropriate for distribution each year five percent of its endowment fund's average fair value over the prior 5 years through the calendar year-end preceding the fiscal year in which the distribution is planned. The high and low calendar year end values are eliminated from the average calculation. In establishing this policy, the Organization considered the long-term expected return on its endowment.

In fiscal year 2016, AUM adopted the Yale Formula which provides a smoother spend function over time than the former three year modified formula. The Yale formula uses three inputs (prior year spend, prior year inflation and prior year portfolio balance). The formula weights the prior year portfolio at thirty percent multiplied by the target spend rate of five percent and weights the prior year spend at seventy percent multiplied by the prior year inflation rate. The adoption of the Yale Model is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

# Atlanta Union Mission Corporation

## Notes to Financial Statements

### 2. Property, Buildings and Equipment

Property, buildings and equipment consists of:

<i>June 30,</i>		2016	2015
Land	\$	2,060,545	\$ 2,060,545
Building, improvements and construction in progress		28,556,803	28,256,279
Furniture and equipment		3,454,929	3,161,190
Automobiles and trucks		1,249,878	1,249,878
Computers		627,794	627,794
		35,949,949	35,355,686
Accumulated depreciation		(15,685,419)	(14,605,188)
	\$	20,264,530	\$ 20,750,498

### 3. Debt

During the year ended June 30, 2003, AUM obtained a bank loan to finance the purchase and renovation of a property in Gainesville, Georgia. This property is pledged as collateral against the loan. The total loan facility was \$500,000. The unused portion of the facility expired on September 30, 2003, with a final maturity date of October 1, 2018. The note carries a fixed interest rate of 5.4%.

Maturities of long-term debt are as follows:

<i>Fiscal year ending June 30,</i>	Amount
2017	\$ 32,633
2018	33,614
2019	15,220
	\$ 81,467

### 4. Designated Unrestricted Net Assets

AUM's Board of Directors had designated unrestricted net assets for the following purposes:

<i>June 30,</i>		2016	2015
Operating reserve	\$	1,000,000	\$ 884,883
Other board designations		9,018,545	8,719,283
	\$	10,018,545	\$ 9,604,166

# Atlanta Union Mission Corporation

## Notes to Financial Statements

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The operating reserve is set by the Board at \$1,000,000. At June 30, 2015, there was an operating reserve shortfall of \$115,117.

### 5. Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes:

<i>June 30,</i>	2016	2015
Men's division (Lee Edwards Candler Endowment)	\$ 6,599,034	\$ 7,614,791
Construction of buildings and improvements	181,502	70,177
	<b>\$ 6,780,536</b>	<b>\$ 7,684,968</b>

Pursuant to a bequest by the late Mrs. Lee Edwards Candler (in memory of Flora Glenn Candler), AUM established a temporary restricted fund for capital acquisitions in support of the services of its men's programs. Since a capital project has not yet been approved, AUM is treating these funds as a temporary restricted endowment until they are used towards an appropriate memorial honoring Flora Glenn Candler. In the interim, income from this endowment is temporarily restricted and is being appropriated on an annual basis using a spending rate for the Men's division (see Note 1).

### 6. Permanently Restricted Net Assets

Permanently restricted net assets consist of endowment trust corpus of \$1,050,000 as of June 30, 2016 and 2015.

Of the trust corpus, \$300,000 represents an endowment from an estate. Income under the endowment is used to defray women's division operating costs.

Of the trust corpus, \$250,000 represents a maintenance endowment funded by a private charitable foundation. Income under the endowment is used to defray property maintenance costs throughout AUM's divisions.

Of the trust corpus, \$500,000 represents an additional maintenance endowment funded by a private charitable foundation. Income has been directed to be used to defray ongoing maintenance costs at The Potter's House facility.

### 7. Retirement Plans

On January 1, 1997, AUM adopted a discretionary retirement plan under Section 403(b) of the Internal Revenue Code, covering substantially all employees. AUM can make annual discretionary contributions for eligible employees, as defined in the Plan. Annual contributions made by AUM totaling approximately \$204,574 and \$204,891, are reflected as expenses in the accompanying financial statements in 2016 and 2015, respectively.

# Atlanta Union Mission Corporation

## Notes to Financial Statements

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### 8. Non-cancellable Operating Leases

AUM is the lessee under various non-cancelable leasing arrangements for certain equipment and thrift store locations. Minimum annual lease payments under the agreements are as follows:

<i>Fiscal year ending June 30,</i>	Amount
2017	\$ 314,981
2018	313,379
2019	193,910
2020	15,000
2021 and thereafter	-
	<hr/>
	\$ 837,270

### 9. Assets held for Sale

At June 30, 2014, management committed to a plan to sell the Village of Atlanta properties. The properties amounting to \$1,025,700 was presented as assets held for sale in the statements of financial position as of June 30, 2014. In September 2014, AUM sold the properties to a non-profit organization for \$500,000. As the fair value of the Village Atlanta properties exceeded the carrying value at the date of sale, Management recognized the difference between the net book value and the proceeds received as a contribution. This is presented as part of contribution expense in the 2015 statement of activities.

### 10. Deferred Income

AUM formerly leased a parcel of land at The Potters House farm to a telecommunications company for a cell tower location. In fiscal year 2016, AUM entered a 99 year lease agreement with the company, effective January 1, 2016. In consideration of the lease, AUM received a one-time payment of \$500,000 in January 2016 and recorded as deferred revenue to be recognized over the period of the lease. As of June 30, 2016, the balance of deferred revenue is \$497,475.

### 11. Subsequent Events

In accordance with ASC 855, *Subsequent Events*, the Organization evaluated subsequent events through November 4, 2016, the date these financial statements were available for issuance.