

**MEMPHIS UNION MISSION AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS**

September 30, 2011

MEMPHIS UNION MISSION AND SUBSIDIARY
CONTENTS

REPORT OF INDEPENDENT ACCOUNTANTS	1
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	2
CONSOLIDATED STATEMENT OF ACTIVITIES	3
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES	4
CONSOLIDATED STATEMENT OF CASH FLOWS	5
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	6/11

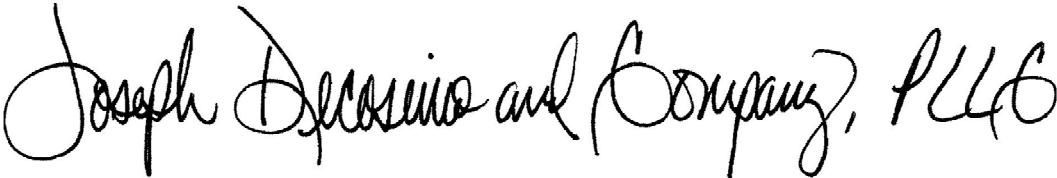
REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Directors
Memphis Union Mission
Memphis, Tennessee

We have audited the accompanying consolidated statement of financial position of Memphis Union Mission and subsidiary (collectively, the Mission) as of September 30, 2011, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Mission's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Memphis Union Mission and subsidiary as of September 30, 2011, and the changes in their net assets and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.



Memphis, Tennessee
January 18, 2012

MEMPHIS UNION MISSION AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

September 30, 2011

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 442,081
Investments - temporarily restricted	611,547
Investments, at fair value	3,404,637
Accounts receivable	11,303
Deposits	81,301
Prepaid expenses	136,537
Donated assets held for sale	<u>11,665</u>
Total current assets	4,699,071
PROPERTY AND EQUIPMENT, net	<u>4,762,990</u>
TOTAL ASSETS	<u>\$ 9,462,061</u>
 LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts payable	\$ 71,660
Client funds payable	17,319
Accrued expenses	<u>109,055</u>
Total liabilities	<u>198,034</u>
NET ASSETS	
Unrestricted -	
Undesignated	2,439,681
Board designated	<u>6,212,799</u>
Total unrestricted net assets	8,652,480
Temporarily restricted	<u>611,547</u>
Total net assets	<u>9,264,027</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,462,061</u>

The accompanying notes are an integral part of the consolidated financial statements.

MEMPHIS UNION MISSION AND SUBSIDIARY**CONSOLIDATED STATEMENT OF ACTIVITIES**

Year Ended September 30, 2011

	Unrestricted	Temporarily Restricted	Total
REVENUE			
Contributions	\$ 3,258,880	\$ -	\$ 3,258,880
Program revenues	276,463	-	276,463
Special event revenues, net of direct expenses	22,014	-	22,014
Loss on sale of donated assets held for sale	(5,850)	-	(5,850)
Investment return	<u>98,178</u>	<u>38,080</u>	<u>136,258</u>
Total revenue	<u>3,649,685</u>	<u>38,080</u>	<u>3,687,765</u>
EXPENSES			
Program services -			
Men's Emergency Shelter	804,652	-	804,652
Calvary Colony	549,847	-	549,847
Wright Transitional House	210,445	-	210,445
Moriah House	500,506	-	500,506
Intact Family Housing	91,277	-	91,277
Bus Bench	64,028	-	64,028
Opportunity Center	<u>251,094</u>	<u>-</u>	<u>251,094</u>
Total program services	<u>2,471,849</u>	<u>-</u>	<u>2,471,849</u>
Supporting services -			
General administration	362,233	-	362,233
Public education	64,537	-	64,537
Fundraising	<u>523,738</u>	<u>-</u>	<u>523,738</u>
Total supporting services	<u>950,508</u>	<u>-</u>	<u>950,508</u>
Total expenses	<u>3,422,357</u>	<u>-</u>	<u>3,422,357</u>
CHANGE IN NET ASSETS	227,328	38,080	265,408
NET ASSETS - beginning of year	<u>8,425,152</u>	<u>573,467</u>	<u>8,998,619</u>
NET ASSETS - end of year	<u>\$ 8,652,480</u>	<u>\$ 611,547</u>	<u>\$ 9,264,027</u>

The accompanying notes are an integral part of the consolidated financial statements.

MEMPHIS UNION MISSION AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2011

	Program Services								Supporting Services				Total Expenses
	Men's Emergency Shelter	Calvary Colony	Wright Transitional House	Moriah House	Intact Family Housing	Bus Bench	Opportunity Center	Total Program Services	General Administration	Public Education	Fundraising	Total Supporting Services	
Salaries	\$ 396,990	\$ 149,483	\$ 89,199	\$ 187,588	\$ 37,920	\$ 44,266	\$ 105,154	\$ 1,010,600	\$ 210,166	\$ 29,498	\$ 26,941	\$ 266,605	\$ 1,277,205
Employee benefits	44,712	40,666	999	17,049	4,467	3,401	20,621	131,915	26,434	5,622	5,573	37,629	169,544
Payroll taxes	28,573	10,484	6,711	13,539	2,752	3,287	7,414	72,760	15,606	2,073	1,928	19,607	92,367
Professional fees	3,216	3,216	3,216	3,216	3,216	1,200	3,216	20,496	62,214	2,155	33,600	97,969	118,465
Supplies	76,155	19,707	6,029	10,133	26	3,113	30,175	145,338	5,868	8,388	7,974	22,230	167,568
Telephone and internet	6,700	5,472	1,944	6,068	2,018	1,287	1,513	25,002	3,257	1,770	1,770	6,797	31,799
Postage	383	188	113	481	1	128	3	1,297	1,115	10,300	12,246	23,661	24,958
Travel	402	402	201	-	-	-	201	1,206	43	511	500	1,054	2,260
Food - residents	52,808	12,800	8,104	20,161	-	-	-	93,873	1,132	-	-	1,132	95,005
Donor acquisition	-	-	-	-	-	-	-	-	-	-	186,202	186,202	186,202
Newsletter/brochure	-	-	-	-	-	-	-	-	-	-	75,120	75,120	75,120
Direct mail appeal	-	-	-	-	-	-	-	-	-	-	167,664	167,664	167,664
Radio/TV advertising	3,226	3,226	3,226	3,226	3,226	-	3,226	19,356	-	-	-	-	19,356
Repairs and maintenance	43,349	80,987	14,942	41,875	11,012	2,877	9,535	204,577	12,287	2,648	2,648	17,583	222,160
Insurance	10,339	13,939	7,099	9,096	2,866	2,406	8,886	54,631	3,512	1,272	1,272	6,056	60,687
Utilities	66,177	85,315	34,193	36,542	15,743	600	30,261	268,831	4,200	300	300	4,800	273,631
Allowances - residents	3,660	19,920	1,220	4,347	-	-	1,840	30,987	-	-	-	-	30,987
Taxes and licenses	34	631	54	-	-	1,463	63	2,245	3,529	-	-	3,529	5,774
Vending machine	23,690	2,508	1,075	-	-	-	2,619	29,892	-	-	-	-	29,892
Miscellaneous	8,276	658	798	733	658	-	542	11,665	1,243	-	-	1,243	12,908
Depreciation	<u>35,962</u>	<u>100,245</u>	<u>31,322</u>	<u>146,452</u>	<u>7,372</u>	<u>-</u>	<u>25,825</u>	<u>347,178</u>	<u>11,627</u>	<u>-</u>	<u>-</u>	<u>11,627</u>	<u>358,805</u>
	<u>\$ 804,652</u>	<u>\$ 549,847</u>	<u>\$ 210,445</u>	<u>\$ 500,506</u>	<u>\$ 91,277</u>	<u>\$ 64,028</u>	<u>\$ 251,094</u>	<u>\$ 2,471,849</u>	<u>\$ 362,233</u>	<u>\$ 64,537</u>	<u>\$ 523,738</u>	<u>\$ 950,508</u>	<u>\$ 3,422,357</u>

The accompanying notes are an integral part of the consolidated financial statements.

MEMPHIS UNION MISSION AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended September 30, 2011

OPERATING ACTIVITIES

Change in net assets	\$	265,408
Adjustments to reconcile change in net assets to net cash flows from operating activities -		
Contributions of assets held for sale		(2,100)
Depreciation		358,805
Realized and unrealized loss on investments		6,383
Reinvestment of income		(82,654)
Loss on sale of donated assets held for sale		5,850
Changes in operating assets and liabilities -		
Accounts receivable		(9,703)
Deposits		(81,301)
Prepaid expenses		8,426
Accounts payable		30,008
Client funds payable		(3,108)
Accrued expenses		<u>(21,373)</u>

Net cash flows from operating activities 474,641

INVESTING ACTIVITIES

Purchases of property and equipment	(118,711)
Purchases of investments	(2,377,163)
Proceeds from sale of donated assets held for sale	4,400
Proceeds from sale of investments	<u>230,468</u>

Net cash flows from investing activities (2,261,006)

NET CHANGE IN CASH AND CASH EQUIVALENTS (1,786,365)

CASH AND CASH EQUIVALENTS - beginning of year, including temporarily restricted balances 2,228,446

CASH AND CASH EQUIVALENTS - end of year \$ 442,081

The accompanying notes are an integral part of the consolidated financial statements.

MEMPHIS UNION MISSION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and practices followed by the Mission are as follows:

PRINCIPLES OF CONSOLIDATION - Memphis Union Mission is a not-for-profit Tennessee corporation. Its wholly-owned subsidiary is a non-profit limited liability company. The consolidated financial statements include the accounts of Memphis Union Mission and its wholly-owned subsidiary. All significant intercompany balances and transactions have been eliminated in consolidation.

NATURE OF ORGANIZATION - Founded in 1945, Memphis Union Mission is a Christian non-profit organization located in Memphis, Tennessee, that ministers to the spiritual and physical needs of the hurting and the homeless by providing food, shelter and clothing, as well as pastoral care and recovery programs. In offering these services to the needy, the Mission's ultimate goal is for clients to be freed from addictions, experience fulfilled, abundant lives, become productive family and community members, and play an active part in the local church. The Mission accomplishes this goal through six separate ministries that are located on four separate properties in Shelby County. The Mission has no denominational affiliation, receives no government help, and is supported primarily from individual donor's contributions. The Mission formed a single member LLC in March 2010 to support the programs of the Mission.

BASIS OF ACCOUNTING - The consolidated financial statements of the Mission have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

CONSOLIDATED FINANCIAL STATEMENT PRESENTATION - The consolidated financial statements reflect the results of all programs operated by the Mission. The Mission is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets, based on the absence or existence of donor-imposed restrictions. Accordingly, net assets of the Mission and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations or the donor-imposed restrictions have expired or been satisfied. All gifts, grants and bequests are considered unrestricted unless specifically restricted by the donor.

Temporarily restricted net assets - Net assets that are subject to donor-imposed restrictions either for use during a specified time period or for a particular purpose.

Permanently restricted net assets - Net assets that are subject to donor-imposed restrictions that they be maintained permanently by the Mission. The donors of the assets allow the Mission to use all or part of the income earned on related investments for unrestricted or restricted purposes.

NET ASSETS RELEASED FROM RESTRICTIONS - When a donor-imposed restriction is fulfilled or when a time restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying consolidated statement of activities as net assets released from restrictions.

MEMPHIS UNION MISSION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

CASH AND CASH EQUIVALENTS - Cash and cash equivalents include cash on hand and investments with maturities of three month or less and cash and cash equivalents held as part of the investment portfolio. The Mission considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents. The Mission maintains cash accounts which may exceed federally insured amounts at times and which may at times significantly exceed statement of financial position amounts due to outstanding checks.

INVESTMENTS AND INVESTMENT INCOME - Investments are reported at fair value based on quoted prices in an active market. Realized and unrealized gains and losses on investments are reported in the consolidated statement of activities as increases or decreases in unrestricted net assets unless temporarily or permanently restricted by the donor or by law. The Mission's investments are held by a single custodian and investment decisions are made by the Mission's finance committee. Cash and cash equivalents that are temporarily restricted are to be used to fund the Mission's capital campaigns.

Investments in securities listed on a national securities exchange are valued at the last sales price or, if no sale occurred, at the mean of the closing bid and asked prices on the date of determination. Securities not so listed are valued at the mean between the last closing bid and asked prices on such day as reported by NASDAQ or other sources.

Investment income consists of interest and dividends and is available to support any activities of the Mission and is recognized as unrestricted revenue, unless otherwise specified by the donor.

FAIR VALUE MEASUREMENTS - The Mission's investments include various types of securities in various companies within various markets that are considered available-for-sale securities and each is carried at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Generally accepted accounting principles establish a fair value hierarchy which gives the highest priority to observable inputs such as quoted prices in active markets for identical assets or liabilities (Level 1), the next highest priority to inputs from observable data other than quoted prices (Level 2) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The Mission's investments are valued using Level 1 inputs.

PROPERTY AND EQUIPMENT - The Mission reports land, buildings and equipment at historical cost if purchased, or at fair value if donated, less accumulated depreciation. Property and equipment purchased in excess of \$1,500 are capitalized. Repairs and maintenance costs are expensed as incurred while betterments and improvements are capitalized. Provision for depreciation is recognized using primarily the straight-line method over the estimated useful lives of the depreciable assets. Upon the sale or other retirement of depreciable property, the cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in the consolidated statement of activities.

MEMPHIS UNION MISSION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

REVENUE RECOGNITION - The Mission recognizes contributions as revenue when received or unconditionally promised. Contributions are measured at the fair value of the assets or services received or promised. The fair value of contributions arising from unconditional promises to give cash or other assets in one or more future years is measured (discounted) using a risk-adjusted rate of return appropriate for the expected term of the promise to give. Such discounts are amortized between the date the promise to give is initially recognized and the date the actual cash is expected to be collected. Revenues from program service fees and special events are recognized when received. Revenues are classified as restricted support if they are received with donor stipulations that limit the use of the contributions. When a donor restriction expires in the same period received, the contribution is recognized as unrestricted support.

SPECIAL EVENT REVENUES - Special event revenues consist of fundraisers sponsored by the Mission and are reported net of direct expenses of \$22,014 for the year ended September 30, 2011.

ADVERTISING - Advertising costs are expensed as incurred, except for direct mail appeals. Prepaid direct mail expense and postage consist of the cost of direct mailings that will be made in the subsequent year. Advertising expense totaled \$262,140 for the year ended September 30, 2011, and prepaid direct mail expense and postage totaled \$133,847 as of September 30, 2011.

EMPLOYEE BENEFIT PLAN - The Mission has a 403(b) plan that covers eligible employees. Participants may defer a portion of their compensation by contributing such amounts to the plan. The Mission had no expenses under this plan for the year ended September 30, 2011.

TAX EXEMPTION - The Internal Revenue Service has classified the Mission as other than a private foundation, which is exempt from federal income taxes on its related purpose income under Section 501(c)(3) of the United States Internal Revenue Code and is similarly exempt from state taxes. Consequently, no federal or state income taxes have been provided for in these consolidated financial statements. The subsidiary is classified as a limited liability company pursuant to the provisions of the Tennessee Act and is similarly exempt from its related purpose net income under the Internal Revenue Code, except on net income derived from unrelated business activities. The subsidiary is similarly exempt from Tennessee taxes in its related exempt net income under the provisions of the Tennessee Tax Code.

The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the positions will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely of being realized upon settlement with the applicable taxing authority. As of September 30, 2011, the Mission has not recognized liabilities for uncertain tax positions or associated interest and penalties.

The Mission's federal and state exempt organization returns for the years ended September 30, 2008, 2009 and 2010, are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

MEMPHIS UNION MISSION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

IN-KIND CONTRIBUTIONS - The Mission receives various types of in-kind contributions in the course of daily operations, including professional services, supplies and materials. Contributed professional services are recognized as in-kind contributions if the services received create or enhance long-lived assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contributions. Contributions of tangible assets are capitalized at fair value when received.

During the year ended September 30, 2011, a number of volunteers have contributed significant voluntary services to the Mission which do not meet the two recognition criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the consolidated financial statements.

FUNCTIONAL EXPENSES - Directly identifiable expenses are classified as program services, fundraising, public education and general administration. Expenses related to more than one function are allocated to program, fundraising, public education and general administration on the basis of management estimates. General administration expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Mission.

ESTIMATES AND UNCERTAINTIES - The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

SUBSEQUENT EVENTS - The Mission has evaluated subsequent events for potential recognition and disclosure through January 18, 2012, the date the consolidated financial statements were available to be issued.

NOTE 2 - INVESTMENTS

Investment securities, carried at fair value, consist of the following:

	Cost	Fair Value Measurements			Total
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Corporate bonds	\$ 455,503	\$ 427,326	\$ -	\$ -	\$ 427,326
Mutual funds	2,127,691	2,175,947	-	-	2,175,947
Government securities	797,443	828,092	-	-	828,092
Equities	632,873	584,819	-	-	584,819
	<u>\$ 4,013,510</u>	<u>\$ 4,016,184</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,016,184</u>

MEMPHIS UNION MISSION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2011

NOTE 2 - INVESTMENTS - continued

The following schedule summarizes the components of investment return:

Investment income	\$ 142,641
Realized gain on investments	5,670
Unrealized loss on investments	<u>(12,053)</u>
	<u>\$ 136,258</u>

NOTE 3 - PREPAID EXPENSES

Prepaid expenses consist of the following:

Direct mail expense and postage	\$ 133,847
Insurance	<u>2,690</u>
	<u>\$ 136,537</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Land and improvements	\$ 1,041,837
Buildings and improvements	5,898,703
Furniture and fixtures	457,327
Automobiles and trucks	211,200
Machinery and equipment	474,652
Office equipment and software	225,482
Promotional film	<u>15,000</u>
	8,324,201
Accumulated depreciation	<u>(3,561,211)</u>
	<u>\$ 4,762,990</u>

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

The Mission's temporarily restricted net assets as of September 30, 2011, consist solely of mutual funds and totaled \$611,547. These assets are to be used to fund the Mission's capital campaign consisting of the expansion and renovation of the Men's Emergency Shelter in phase two and the expansion and renovation of Calvary Colony in phase three. Net assets will be released from restrictions once the renovations and expansions are complete. There were no permanently restricted net assets as of September 30, 2011.

MEMPHIS UNION MISSION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2011

NOTE 6 - BOARD DESIGNATIONS OF UNRESTRICTED NET ASSETS

In support of the strategic plan, the Board of Directors designated the Property and Equipment Fund to acquire, replace or improve fixed assets.

The balance as of September 30, 2011, consists of the following:

Property and Equipment Fund - investments	\$ 1,449,809
Property and Equipment , net	<u>4,762,990</u>
	<u>\$ 6,212,799</u>

NOTE 7 - CONCENTRATIONS

The Mission maintains deposits in bank and broker accounts that occasionally may exceed FDIC and SIPC insured limits.