

MEMPHIS UNION MISSION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2025 and 2024



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Memphis Union Mission and subsidiaries

Opinion

We have audited the accompanying consolidated financial statements of Memphis Union Mission (a nonprofit organization) and subsidiaries, which comprise the consolidated statements of financial position as of September 30, 2025 and 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Memphis Union Mission and subsidiaries as of September 30, 2025 and 2024, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Memphis Union Mission and subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Memphis Union Mission and subsidiaries' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing

standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Memphis Union Mission and subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Memphis Union Mission and subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The statements of financial position and activities for Memphis Union Mission are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Watkins Mikusall, PLLC

Memphis, Tennessee
December 30, 2025

MEMPHIS UNION MISSION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

September 30, 2025 and 2024

	<u>Assets</u>	
	2025	2024
Cash, Cash Equivalents, and Restricted Cash		
Undesignated	\$ 1,479,331	\$ 1,277,415
Restricted for construction and related fees	333,787	452,287
Board-designated	132,500	510,892
Total cash, cash equivalents, and restricted cash	1,945,618	2,240,594
Investments	2,533,175	1,928,336
Promises to give, net	10,715	10,845
Prepaid expenses	126,095	133,894
Other assets	68,846	74,757
Notes receivable	24,187,800	24,187,800
Property and equipment, net	37,944,078	39,176,637
Total assets	\$ 66,816,327	\$ 67,752,863
	<u>Liabilities and Net Assets</u>	
Accounts payable and accrued expenses	\$ 396,180	\$ 193,721
Client funds payable	79,191	89,700
Other liabilities	127,003	127,003
Notes payable, net	36,765,856	37,268,298
Total liabilities	37,368,230	37,678,722
Net Assets		
Without donor restrictions	29,417,706	30,037,881
Net Assets With Donor Restrictions		
Purpose restrictions	30,391	36,260
Total net assets	29,448,097	30,074,141
Total liabilities and net assets	\$ 66,816,327	\$ 67,752,863

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

MEMPHIS UNION MISSION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2025

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Other Revenues			
Contributions	\$ 5,008,881	\$ 31,522	\$ 5,040,403
In-kind contributions	565,150	-	565,150
Program service fees	346,749	-	346,749
Rental income	38,800	-	38,800
Net investment return	337,623	-	337,623
Interest income	260,593	-	260,593
Net assets released from restrictions	<u>37,391</u>	<u>(37,391)</u>	<u>-</u>
Total support and other revenues	<u>6,595,187</u>	<u>(5,869)</u>	<u>6,589,318</u>
Expenses			
Program Services			
Men's Emergency Shelter	3,358,332	-	3,358,332
Calvary Colony	657,450	-	657,450
Wright Transitional House	329,368	-	329,368
Moriah House	542,019	-	542,019
Intact Family Housing	43,862	-	43,862
Educational Center	42,954	-	42,954
Extended Stay	<u>221,525</u>	<u>-</u>	<u>221,525</u>
Total program services	<u>5,195,510</u>	<u>-</u>	<u>5,195,510</u>
Supporting Services			
Management and general	451,500	-	451,500
Fundraising	<u>1,568,352</u>	<u>-</u>	<u>1,568,352</u>
Total supporting services	<u>2,019,852</u>	<u>-</u>	<u>2,019,852</u>
Total expenses	<u>7,215,362</u>	<u>-</u>	<u>7,215,362</u>
Change in net assets	(620,175)	(5,869)	(626,044)
Net assets, beginning of year	<u>30,037,881</u>	<u>36,260</u>	<u>30,074,141</u>
Net assets, end of year	<u>\$ 29,417,706</u>	<u>\$ 30,391</u>	<u>\$ 29,448,097</u>

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

MEMPHIS UNION MISSION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Other Revenues			
Contributions	\$ 5,209,421	\$ 168,589	\$ 5,378,010
In-kind contributions	29,327	-	29,327
Program service fees	277,629	-	277,629
Rental income	40,769	-	40,769
Net investment return	400,135	-	400,135
Interest income	260,749	-	260,749
Other income	1,848	-	1,848
Net assets released from restrictions	206,629	(206,629)	-
Total support and other revenues	<u>6,426,507</u>	<u>(38,040)</u>	<u>6,388,467</u>
Expenses			
Program Services			
Men's Emergency Shelter	3,240,758	-	3,240,758
Calvary Colony	601,236	-	601,236
Wright Transitional House	320,408	-	320,408
Moriah House	501,264	-	501,264
Intact Family Housing	40,054	-	40,054
Educational Center	38,343	-	38,343
Extended Stay	221,259	-	221,259
Total program services	<u>4,963,322</u>	<u>-</u>	<u>4,963,322</u>
Supporting Services			
Management and general	502,879	-	502,879
Fundraising	1,450,074	-	1,450,074
Total supporting services	<u>1,952,953</u>	<u>-</u>	<u>1,952,953</u>
Total expenses	<u>6,916,275</u>	<u>-</u>	<u>6,916,275</u>
Change in net assets	(489,768)	(38,040)	(527,808)
Net assets, beginning of year	<u>30,527,649</u>	<u>74,300</u>	<u>30,601,949</u>
Net assets, end of year	<u>\$ 30,037,881</u>	<u>\$ 36,260</u>	<u>\$ 30,074,141</u>

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

MEMPHIS UNION MISSION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended September 30, 2025

	Program Services							Supporting Services				
	Men's Emergency Shelter	Calvary Colony	Wright Transitional House	Moriah House	Intact Family Housing	Educational Center	Extended Stay	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries	\$ 633,123	\$ 217,194	\$ 151,904	\$ 246,622	\$ 24,403	\$ 27,302	\$ 103,840	\$ 1,404,388	\$ 137,427	\$ 211,144	\$ 348,571	\$ 1,752,959
Employee benefits	54,371	88,177	17,634	56,415	5,490	258	4,297	226,642	6,100	39,263	45,363	272,005
Payroll taxes	46,886	14,198	10,889	17,224	1,730	2,153	7,606	100,686	10,225	15,374	25,599	126,285
Professional fees	375	375	-	-	-	-	375	1,125	196,582	40,862	237,444	238,569
Supplies	92,931	21,842	9,382	6,481	1,075	452	8,735	140,898	12,657	34,277	46,934	187,832
Telephone and internet	4,222	9,999	2,582	2,582	-	-	-	19,385	763	-	763	20,148
Postage	3	43	5	244	-	-	-	295	1,271	35,360	36,631	36,926
Food	66,855	24,373	8,093	4,832	-	-	6,108	110,261	591	-	591	110,852
Donor acquisition	-	-	-	-	-	-	-	-	-	368,812	368,812	368,812
Newsletter/brochure	-	-	-	-	-	-	-	-	-	143,440	143,440	143,440
Direct mail appeal	-	-	-	-	-	-	-	-	-	389,957	389,957	389,957
Radio/online advertising	-	-	-	-	-	-	-	-	-	233,850	233,850	233,850
Repairs & maintenance	113,357	102,658	27,017	18,603	6,677	-	15,528	283,840	4,798	-	4,798	288,638
Software and IT	-	5,174	622	7,395	-	672	-	13,863	14,462	51,548	66,010	79,873
Insurance	127,725	17,714	9,323	16,781	1,865	-	8,427	181,835	2,797	2,797	5,594	187,429
Utilities	288,460	122,081	53,136	48,434	-	-	43,694	555,805	93	-	93	555,898
Allowances - residents	13,680	18,630	1,710	1,980	-	-	1,480	37,480	-	-	-	37,480
Taxes and licenses	26,327	140	80	40	-	-	40	26,627	7,399	-	7,399	34,026
Vending machine	-	4,781	4,665	-	-	-	5,021	14,467	-	-	-	14,467
Miscellaneous	3,833	-	-	-	-	9,014	-	12,847	2,465	-	2,465	15,312
Interest	754,651	-	-	-	-	-	-	754,651	12,485	-	12,485	767,136
Depreciation	1,131,533	10,071	32,326	114,386	2,622	3,103	16,374	1,310,415	41,385	1,668	43,053	1,353,468
	<u>\$ 3,358,332</u>	<u>\$ 657,450</u>	<u>\$ 329,368</u>	<u>\$ 542,019</u>	<u>\$ 43,862</u>	<u>\$ 42,954</u>	<u>\$ 221,525</u>	<u>\$ 5,195,510</u>	<u>\$ 451,500</u>	<u>\$ 1,568,352</u>	<u>\$ 2,019,852</u>	<u>\$ 7,215,362</u>

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

MEMPHIS UNION MISSION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended September 30, 2024

	Program Services							Supporting Services			Total Expenses	
	Men's Emergency Shelter	Calvary Colony	Wright Transitional House	Moriah House	Intact Family Housing	Educational Center	Extended Stay	Total Program Services	Management and General	Fundraising		Total Supporting Services
Salaries	\$ 673,154	\$ 212,811	\$ 142,619	\$ 215,466	\$ 23,514	\$ 22,456	\$ 99,395	\$ 1,389,415	\$ 241,658	\$ 200,589	\$ 442,247	\$ 1,831,662
Employee benefits	36,957	82,892	16,096	35,916	5,148	384	11,910	189,303	8,034	34,842	42,876	232,179
Payroll taxes	49,570	13,985	10,193	15,290	1,646	1,773	7,228	99,685	17,311	14,591	31,902	131,587
Professional fees	375	375	-	-	-	-	375	1,125	128,802	31,391	160,193	161,318
Supplies	111,572	21,613	7,148	8,277	-	2,252	6,582	157,444	15,875	25,570	41,445	198,889
Telephone and internet	6,097	9,313	2,611	2,611	-	-	-	20,632	382	-	382	21,014
Postage	179	8	5	628	-	-	-	820	1,368	31,900	33,268	34,088
Food	61,426	16,835	9,968	13,470	-	-	8,522	110,221	490	-	490	110,711
Donor acquisition	-	-	-	-	-	-	-	-	-	307,836	307,836	307,836
Newsletter/brochure	-	-	-	-	-	-	-	-	-	136,731	136,731	136,731
Direct mail appeal	-	-	-	-	-	-	-	-	-	432,024	432,024	432,024
Radio/online advertising	-	-	-	-	-	-	-	-	-	183,766	183,766	183,766
Repairs & maintenance	85,306	77,497	30,755	22,866	1,373	-	7,781	225,578	7,634	-	7,634	233,212
Software and IT	-	739	-	889	-	-	-	1,628	6,204	46,075	52,279	53,907
Insurance	141,136	19,574	10,302	18,543	2,060	-	8,584	200,199	3,091	3,091	6,182	206,381
Utilities	275,248	105,296	55,887	52,147	-	-	44,949	533,527	196	-	196	533,723
Allowances - residents	8,390	12,480	1,120	1,740	-	-	1,500	25,230	-	-	-	25,230
Taxes and licenses	18,759	12,033	-	40	-	-	40	30,872	21,423	-	21,423	52,295
Vending machine	-	5,151	3,948	-	-	-	6,341	15,440	-	-	-	15,440
Miscellaneous	9,489	-	-	-	-	7,168	-	16,657	2,095	-	2,095	18,752
Interest	726,317	-	-	-	-	-	-	726,317	12,511	-	12,511	738,828
Depreciation	1,036,783	10,634	29,756	113,381	6,313	4,310	18,052	1,219,229	35,805	1,668	37,473	1,256,702
	<u>\$ 3,240,758</u>	<u>\$ 601,236</u>	<u>\$ 320,408</u>	<u>\$ 501,264</u>	<u>\$ 40,054</u>	<u>\$ 38,343</u>	<u>\$ 221,259</u>	<u>\$ 4,963,322</u>	<u>\$ 502,879</u>	<u>\$ 1,450,074</u>	<u>\$ 1,952,953</u>	<u>\$ 6,916,275</u>

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

MEMPHIS UNION MISSION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended September 30, 2025 and 2024

	2025	2024
Cash Flows From Operating Activities:		
Change in net assets	\$ (626,044)	\$ (527,808)
Adjustments to Reconcile Change in Net Assets to Net Cash From Operating Activities:		
Amortization of debt issuance costs	28,513	28,013
Donated investments	(565,150)	(29,327)
Depreciation	1,353,468	1,256,702
Realized and unrealized (gains) losses on investments	(212,468)	(303,667)
Contributions restricted for construction	(31,522)	(168,589)
Change in Operating Assets and Liabilities		
Promises to give	130	16,879
Prepaid expenses	7,799	(33,565)
Other assets	5,911	(7,605)
Accounts payable and accrued expenses	202,459	(374,135)
Client funds payable	(10,509)	(4,185)
Net cash provided by (used for) operating activities	152,587	(147,287)
Cash Flows From Investing Activities:		
Purchases of property and equipment	(120,909)	(384,966)
Purchases of investments	(1,446,813)	(837,326)
Proceeds from sale of investments	1,619,592	741,389
Net cash provided by (used for) investing activities	51,870	(480,903)
Cash Flows From Financing Activities:		
Principal payments on notes payable	(530,955)	(1,250,000)
Proceeds from contributions restricted for construction	31,522	168,589
Net cash used for financing activities	(499,433)	(1,081,411)
Net decrease in cash and cash equivalents	(294,976)	(1,709,601)
Cash, cash equivalents, and restricted cash, beginning of year	2,240,594	3,950,195
Cash, cash equivalents, and restricted cash, end of year	\$ 1,945,618	\$ 2,240,594
Supplemental Cash Flow Information:		
Cash paid for interest	\$ 767,136	\$ 738,828

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

MEMPHIS UNION MISSION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2025 and 2024

NOTE 1 – PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

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 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. This goal is accomplished through seven separate ministries that are located on five separate properties in Shelby County. Memphis Union Mission has no denominational affiliation, receives no government funding, and is supported primarily from individual donor contributions. A single member LLC and two non-profit corporations were formed in March 2010, November 2019, and December 2021, respectively, to support the programs of Memphis Union Mission.

Basis of Accounting and Principles of Consolidation

The accompanying consolidated financial statements of Memphis Union Mission and its wholly-owned subsidiaries, WIT Properties, LLC, Memphis Union Mission Support Corporation, and Memphis Union Mission Support Corporation 2, (collectively, the “Mission”), have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”). All significant intercompany balances and transactions have been eliminated in consolidation. The consolidated financial statements reflect the results of all programs operated by the Mission.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Revenue Recognition

The Mission receives support from a variety of sources including contributions from individuals, estates, and other agencies. Contributions are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the condition on which they depend have been met.

Program service fees consists of dorm collection fees, vending machine sales, support service fees, and advertising. Revenues from program service fees are recognized when services have been performed or at the time of sale when goods are provided to the customer.

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 donation. Contributions of investments and tangible assets are recognized at fair value when received. In-kind contributions consisted of donated investments of \$565,150 and \$29,327, for the years ended September 30, 2025 and 2024, respectively. A substantial 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.

Concentrations and Credit Risks

The Mission's credit risks primarily relate to cash and investments. Cash deposits are maintained in financial institutions for which the balances may exceed amounts covered by insurance provided by the Federal Deposit Insurance Corporation ("FDIC"). The Mission has not experienced any losses of such funds, and management believes the Mission is not exposed to significant credit risk on cash.

The Mission's investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the financial statements. To mitigate these risks, the Mission utilizes professional investment advisors to assist in fulfilling its investment objectives. The finance committee and its advisors review the asset allocation on a monthly basis and work to ensure all strategies outlined are within the investment policy.

Functional Allocation of Expenses

The costs of program and supporting services have been summarized on a functional basis in the consolidated statement of activities. The consolidated statement of functional expenses presents the natural classification detail of expenses by function. Expenses that are identified with a specific program or support service are charged directly to the appropriate function. Other shared costs have been allocated among the programs and supporting services benefited based on management's estimate of the relative effort expended for the related functions.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, money market accounts, and highly liquid investments and certificates of deposit purchased with original maturities of three months or less.

Restricted cash consists of loan proceeds restricted for construction and related fees in connection with the New Market Tax Credit transactions the Mission entered into for the construction of the new Opportunity Center building. See Notes 6 and 8 for additional information.

Investments

Purchased investments are carried at their fair values in the consolidated statements of financial position. Donated investments are recorded at fair value at the date of donation. Net investment return (loss) is reported in the consolidated statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less related investment advisory fees.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques that incorporate risk-free interest rates applicable to the year in which the promises are received. In subsequent years, amortization of the discounts is included in contribution revenue in the consolidated statement of activities. The Mission provides an allowance for doubtful accounts, as needed for contributions deemed uncollectible. At September 30, 2025 and 2024, no provision for an allowance for doubtful accounts has been made since it is management's opinion that all promises to give are collectible.

Notes Receivable

Notes receivable are collateralized by the membership interests related to the New Market Tax Credit transactions described in Note 6. The Mission has one class of financing receivables from a highly credible financial institution. Management assesses the credit quality of the notes based on indicators such as collateralization, collection experience, and current and forecasted economic conditions. At September 30, 2025 and 2024, management deemed an allowance to be unnecessary.

Property and Equipment

The Mission reports land, buildings and equipment at historical cost if purchased, or at fair value if donated. Property and equipment purchased in excess of \$1,500 are capitalized. Provision for depreciation is recognized using the straight-line method over the estimated useful lives of the depreciable assets ranging from 5 to 39 years. Repairs and maintenance costs are expensed as incurred while betterments and improvements are capitalized. 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.

Debt Issuance Costs

Debt issuance costs include capitalized costs related to obtaining debt. These costs are amortized using the straight-line method over the term of the related debt, which approximates the effective interest method. When a loan is paid in full, any unamortized debt issuance costs are removed from the related accounts and charged to interest expense. Unamortized costs are presented as a direct deduction from the face amount of the debt. Amortization is included with interest expense in the consolidated statement of functional expenses.

Net Assets

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

Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and capital projects, as described in Note 9.

Net Assets with Donor Restrictions – Net assets subject to donor-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. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Income Tax Status

Memphis Union Mission, Memphis Union Mission Support Corporation, and Memphis Union Mission Support Corporation 2 are organized as Tennessee non-profit corporations and have been recognized by the Internal Revenue Service as public charities exempt from federal income taxes under the provisions of IRC Section 501 (c)(3) of the Internal Revenue Code. WIT Properties, LLC is a disregarded entity for tax purposes as Memphis Union Mission is the sole member. The Mission files an exempt organization return in the U.S. federal jurisdiction. Additionally, the Mission is subject to income tax on net income derived from its business activities that are unrelated to its exempt purpose.

Advertising

Advertising costs are expensed as incurred, except for direct mail appeals. Prepaid direct mail and postage consist of the cost of direct mailings that will be made in the subsequent year. For the years ended September 30, 2025 and 2024, advertising expense totaled \$767,247 and \$752,521, respectively.

Date of Management’s Review

The Mission evaluated its September 30, 2025 consolidated financial statements for subsequent events through December 30, 2025, the date the consolidated financial statements were available to be issued. The Mission is not aware of any subsequent events which would require recognition or disclosure in the consolidated financial statements.

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure within one year of the statement of financial position date comprise the following at September 30:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	<u>\$ 1,479,331</u>	<u>\$ 1,277,415</u>

The Mission’s goal is generally to maintain financial assets to meet 90-180 days of operating expenses (approximately \$1,450,000 to \$2,900,000). As discussed in Note 9, certain assets are designated for specific purposes by the Board of Directors and are not included above.

NOTE 3 – FAIR VALUE MEASUREMENTS

The Mission reports certain assets at fair value in the consolidated financial statements. 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. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices with Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Inputs which are unobservable for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2025 and 2024:

Common stock/mutual funds – Valued based on quoted prices in active markets for identical assets.

Government and corporate bonds – Valued based on the current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer.

The following tables set forth by level, within the fair value hierarchy, the Mission's assets measured at fair value on a recurring basis at September 30:

	2025		
	Level 1	Level 2	Total
Investments			
Government bonds	\$ -	\$ 50,295	\$ 50,295
Corporate bonds	-	537,810	537,810
Common stock	1,339,628	-	1,339,628
Mutual funds	605,442	-	605,442
Total investments	<u>\$ 1,945,070</u>	<u>\$ 588,105</u>	<u>\$ 2,533,175</u>
	2024		
	Level 1	Level 2	Total
Investments			
Government bonds	\$ -	\$ 26,670	\$ 26,670
Corporate bonds	-	557,961	557,961
Mutual funds	1,343,705	-	1,343,705
Total investments	<u>\$ 1,343,705</u>	<u>\$ 584,631</u>	<u>\$ 1,928,336</u>

NOTE 4 – PROMISES TO GIVE

Unconditional promises to give consisted of the following at September 30:

	<u>2025</u>	<u>2024</u>
Due in less than one year	<u>\$ 10,715</u>	<u>\$ 10,845</u>

NOTE 5 – PREPAID EXPENSES

Prepaid expenses consist of the following at September 30:

	<u>2025</u>	<u>2024</u>
Software licenses	\$ 95,574	\$ 103,057
Direct mail expense and postage	1,434	3,746
Insurance	29,087	27,091
	<u>\$ 126,095</u>	<u>\$ 133,894</u>

NOTE 6 – NEW MARKET TAX CREDIT TRANSACTIONS AND NOTES RECEIVABLE

NMTC - 2019

In December 2019, the Mission entered into a New Market Tax Credit (NMTC) financing transaction to partially fund the construction of the first phase of the new Opportunity Center building. The NMTC program is designed to spur new or increased investments into operating businesses and real estate projects located in low-income communities by offering investors a federal tax credit in exchange for the investments. To earn the tax credit, the NMTC Investor must remain invested for a seven-year period, which will end in December 2026 for the Mission's project. The NMTCs were allocated in this transaction pursuant to Section 45D of the Internal Revenue Code (IRC).

As part of this financing arrangement, the Mission issued a \$14,112,000 note receivable to COCRF Investor 152, LLC (the "Investor") (an unrelated entity affiliated with a financial institution). The note bears interest at 1.132% per annum and requires semi-annual interest-only payments of \$79,874 until December 31, 2026; at which point semi-annual principal and interest payments of \$378,463 will be due until maturity on December 31, 2047. The note is collateralized by a Fund Pledge Agreement which consists of security interests in the membership interests of three community development entities (CDEs), COCRF SubCDE 91, LLC, Hope New Markets 15, LLC, and Brownfield Revitalization 58, LLC.

Additionally, as part of this financing arrangement, the Investor made investments in the CDEs which in turn provided loans to the Mission totaling \$19,520,000 (see Note 8). After the seven-year NMTC compliance period expires, it is anticipated that the loans will be discharged.

NMTC - 2022

In March 2022, the Mission entered into another NMTC financing transaction to partially fund the construction of the second phase of the new Opportunity Center building. To earn the tax credit, the NMTC Investor must remain invested for a seven-year period, which will end in December 2029 for the Mission's project. The NMTCs were allocated in this transaction pursuant to Section 45D of the Internal Revenue Code (IRC).

As part of this financing arrangement, the Mission issued a \$10,075,800 note receivable to COCRF Investor 226, LLC (the "Investor") (an unrelated entity affiliated with a financial institution). The note bears interest at 1.00% per annum and requires semi-annual interest-only payments of \$50,379 until December 2029; at which point semi-annual principal and interest payments of \$278,551 will be due until maturity on June 30, 2049. The note is collateralized by a Fund Pledge Agreement which consists of security interests in the membership interests of a community development entity (CDE), Hope New Markets 19, LLC.

Additionally, as part of this financing arrangement, the Investor made investments in the CDEs which in turn provided loans to the Mission totaling \$13,580,000 (see Note 8). After the seven-year NMTC compliance period expires, it is anticipated that the loans will be discharged.

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following major classifications at September 30:

	<u>2025</u>	<u>2024</u>
Land and improvements	\$ 3,159,002	\$ 3,159,002
Buildings and improvements	41,726,269	41,649,710
Furniture and fixtures	1,423,983	1,414,492
Automobiles and trucks	331,206	325,387
Machinery and equipment	1,166,772	1,144,843
Office equipment and software	265,473	258,362
Promotional film	7,250	7,250
	<u>48,079,955</u>	<u>47,959,046</u>
Accumulated depreciation	<u>(10,135,877)</u>	<u>(8,782,409)</u>
	<u>\$ 37,944,078</u>	<u>\$ 39,176,637</u>

NOTE 8 – NOTES PAYABLE

As described in Note 6, the Mission entered into a NMTC financing transaction to partially fund the construction of the first phase of the new Opportunity Center building. As part of the financing transaction, the Mission entered into promissory note agreements with the CDEs totaling \$19,520,000, with interest at 1.00% per annum. The notes require semi-annual interest-only payments ranging from \$3,689 to \$49,287 from December 2019 through December 2026, then semi-annual principal and interest payments ranging from \$15,622 to \$208,749, maturing on December 31, 2053. The notes are collateralized by a security interest in the property and building that is being constructed, through a deed of trust.

In 2022, the Mission entered into another NMTC financing transaction to partially fund the construction of the second phase of the new Opportunity Center building. As part of the financing transaction, the Mission entered into promissory note agreements with the CDE totaling \$13,580,000, with interest at 1.00% per annum. The notes require semi-annual interest-only payments ranging from \$20,289 to \$58,339 from June 2022 through June 2029, then semi-annual principal and interest payments ranging from \$82,343 to \$236,766, maturing on December 31, 2053. The notes are collateralized by a security interest in the property and building that is being constructed, through a deed of trust.

The loans and compliance agreements restrict the use of the funds to the Mission and its continued operation as a qualified low-income community business for the term of the notes. At September 30, 2025, the Mission was not aware of any non-compliance with such requirements.

Additional financing was obtained in 2022 for the second phase construction of the Opportunity Center building which consisted of a \$7,500,000 construction term note with a bank at a variable interest rate equal to the Prime Rate less 50 basis points, currently 6.75%. Monthly interest-only payments began April 1, 2022, and in addition, beginning April 1, 2024, annual principal payments equal to twenty percent (20%) of the balance will be due until maturity on March 15, 2029. The note is secured by deposit and brokerage accounts and receivables.

In April 2025, \$1,000,000 of the \$7,500,000 construction term note was refinanced into a term note with a bank at a fixed interest rate of 7.25%. Monthly principal and interest payments of \$7,904 began May 1, 2025, until maturity on April 22, 2040, at which time any unpaid principal and interest is due. The note is collateralized by a deed of trust.

The Mission is subject to certain restrictive debt covenant ratios for the term notes. At September 30, 2025, management was not aware of any non-compliance with such covenants.

Notes payable consisted of the following at September 30:

	<u>2025</u>	<u>2024</u>
<u>NMTC Loans</u>		
Note payable - COCRF A	\$ 2,052,300	\$ 2,052,300
Note payable - COCRF B	947,700	947,700
Note payable - Hope New Markets A	9,857,400	9,857,400
Note payable - Hope New Markets B	3,722,600	3,722,600
Note payable - Brownfield A	2,202,300	2,202,300
Note payable - Brownfield B	737,700	737,700
Note Payable - Hope CDE A	10,075,800	10,075,800
Note payable - Hope CDE B	<u>3,504,200</u>	<u>3,504,200</u>
Total NMTC loans	33,100,000	33,100,000
Construction term note	3,500,000	5,000,000
Bank term loan	<u>987,048</u>	-
	37,587,048	38,100,000
Less unamortized debt issuance costs	<u>(821,192)</u>	<u>(831,702)</u>
	<u>\$ 36,765,856</u>	<u>\$ 37,268,298</u>

Principal maturities of notes payable are as follows for the years ending September 30:

2026	\$ 1,274,136
2027	1,275,945
2028	1,027,890
2029	29,980
2030	32,228
Thereafter	33,946,869
	<u>\$ 37,587,048</u>

NOTE 9 – BOARD-DESIGNATED NET ASSETS

Net assets were designated by the Board of Directors for the following purposes at September 30:

	<u>2025</u>	<u>2024</u>
Cash and Cash Equivalents		
Capital projects	\$ 132,500	\$ 510,892
Investments		
Operating reserve	1,729,764	1,198,016
Long-term purposes	803,411	730,320
	<u>\$ 2,665,675</u>	<u>\$ 2,439,228</u>

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets were restricted by donors for the following purposes at September 30:

	<u>2025</u>	<u>2024</u>
Purpose Restrictions		
Moriah House	\$ 30,391	\$ 36,260
	<u>\$ 30,391</u>	<u>\$ 36,260</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or other events specified by donors as follows for the years ended September 30:

	<u>2025</u>	<u>2024</u>
Satisfaction of Purpose Restrictions		
Capital projects	\$ 31,522	\$ 168,589
Moriah House	5,869	38,040
	<u>\$ 37,391</u>	<u>\$ 206,629</u>

NOTE 11 – RETIREMENT PLAN

The Mission sponsors 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 made no employer contributions to the plan for the years ended September 30, 2025 and 2024.

SUPPLEMENTARY INFORMATION

MEMPHIS UNION MISSION
STATEMENT OF FINANCIAL POSITION

September 30, 2025

<u>Assets</u>	
Cash, Cash Equivalents, and Board-Designated Cash	
Undesignated	\$ 1,444,884
Board-designated	122,628
Total cash, cash equivalents, and board-designated cash	<u>1,567,512</u>
Investments	2,893,537
Promises to give, net	10,715
Prepaid expenses	126,095
Other assets	69,945
Receivable from subsidiaries	2,090,643
Notes receivable	24,187,800
Property and equipment, net	<u>3,746,746</u>
Total assets	<u><u>\$ 34,692,993</u></u>
<u>Liabilities and Net Assets</u>	
Accounts payable and accrued expenses	\$ 474,671
Other liabilities	38,889
Notes payable, net	<u>4,469,546</u>
Total liabilities	4,983,106
Net Assets	
Without donor restrictions	29,679,496
Net Assets With Donor Restrictions	
Purpose restrictions	<u>30,391</u>
Total net assets	<u>29,709,887</u>
Total liabilities and net assets	<u><u>\$ 34,692,993</u></u>

See independent auditors report.

MEMPHIS UNION MISSION

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2025

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Other Revenues			
Contributions	\$ 5,008,881	\$ 31,522	\$ 5,040,403
In-kind contributions	565,150	-	565,150
Program service fees	346,749	-	346,749
Net investment return	337,623	-	337,623
Interest income	260,593	-	260,593
Net assets released from restrictions	37,391	(37,391)	-
Total support and other revenues	<u>6,556,387</u>	<u>(5,869)</u>	<u>6,550,518</u>
Expenses			
Program Services			
Men's Emergency Shelter	2,129,910	-	2,129,910
Calvary Colony	657,450	-	657,450
Wright Transitional House	329,368	-	329,368
Moriah House	542,019	-	542,019
Intact Family Housing	43,862	-	43,862
Educational Center	42,954	-	42,954
Extended Stay	221,525	-	221,525
Total program services	<u>3,967,088</u>	<u>-</u>	<u>3,967,088</u>
Supporting Services			
Management and general	422,846	-	422,846
Fundraising	1,568,352	-	1,568,352
Total supporting services	<u>1,991,198</u>	<u>-</u>	<u>1,991,198</u>
Total expenses	<u>5,958,286</u>	<u>-</u>	<u>5,958,286</u>
Change in net assets	598,101	(5,869)	592,232
Net assets, beginning of year	<u>29,081,395</u>	<u>36,260</u>	<u>29,117,655</u>
Net assets, end of year	<u>\$ 29,679,496</u>	<u>\$ 30,391</u>	<u>\$ 29,709,887</u>

See independent auditors report.