

SEATTLE'S UNION GOSPEL MISSION

FINANCIAL REPORT

AUGUST 31, 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Seattle's Union Gospel Mission
Seattle, Washington

We have audited the accompanying financial statements of Seattle's Union Gospel Mission ("the Mission"), which comprise the statement of financial position as of August 31, 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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; 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. 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 Seattle's Union Gospel Mission as of August 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

Report on Summarized Comparative Information

We have previously audited the 2015 consolidated financial statements of Seattle's Union Gospel Mission and Subsidiary, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 24, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Peterson Sullivan LLP

November 21, 2016

SEATTLE'S UNION GOSPEL MISSION

STATEMENT OF FINANCIAL POSITION

August 31, 2016

(With Comparative Totals for 2015)

ASSETS	2016	2015
	<u> </u>	<u> </u>
Current Assets		
Cash and cash equivalents	\$ 3,271,491	\$ 1,209,951
Grants, pledges, and estates receivable, net	2,027,934	614,766
Inventory	1,498,669	1,189,842
Prepaid expenses and other	112,698	211,621
	<u> </u>	<u> </u>
Total current assets	6,910,792	3,226,180
Investments	4,706,899	4,531,396
Land, Buildings, and Equipment, net	33,029,984	34,016,705
	<u> </u>	<u> </u>
Total assets	<u>\$ 44,647,675</u>	<u>\$ 41,774,281</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 223,241	\$ 497,345
Accrued expenses	698,346	372,298
Current portion of gift annuities payable	19,630	21,330
Current portion of notes payable	128,872	125,186
	<u> </u>	<u> </u>
Total current liabilities	1,070,089	1,016,159
Gift Annuities Payable, net of current portion	68,209	82,144
Notes Payable, net of current portion	1,661,190	1,855,594
Deferred Rent Liability	90,000	90,000
	<u> </u>	<u> </u>
Total liabilities	2,889,488	3,043,897
Net Assets		
Unrestricted	39,622,524	38,606,371
Temporarily restricted	2,011,650	
Permanently restricted	124,013	124,013
	<u> </u>	<u> </u>
Total net assets	41,758,187	38,730,384
	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 44,647,675</u>	<u>\$ 41,774,281</u>

See Notes to Financial Statements

SEATTLE'S UNION GOSPEL MISSION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended August 31, 2016

(With Comparative Totals for 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2016</u>	<u>Total 2015</u>
Operating					
Support and revenue					
Contributions					
Individuals	\$ 11,491,166	\$ 25,000	\$ -	\$ 11,516,166	\$ 11,447,866
Churches	264,817			264,817	302,954
Companies	488,246			488,246	841,027
Foundations	1,244,430			1,244,430	1,123,215
Organizations	976,033	2,000,000		2,976,033	378,406
Estates	1,300,897			1,300,897	1,455,981
Donated goods and services	4,411,661			4,411,661	4,379,982
Catalyst event, less direct costs of \$188,752 in 2016 and \$201,966 in 2015	1,148,400			1,148,400	1,312,628
Net assets released from restrictions	13,350	(13,350)			
Total contributions	21,339,000	2,011,650		23,350,650	21,242,059
Rental income	83,442			83,442	91,405
Program fees	533,039			533,039	325,249
Other income	265,999			265,999	
Change in value of split interest agreements	(13,694)			(13,694)	9,515
Investment return	262,443			262,443	661,370
Total support and revenue	22,470,229	2,011,650		24,481,879	22,329,598
Expenses					
Program services	19,693,325			19,693,325	19,391,178
Supporting services					
Management and general	1,875,533			1,875,533	1,640,782
Fundraising	2,985,218			2,985,218	2,825,525
Total supporting services	4,860,751			4,860,751	4,466,307
Total operating expenses	24,554,076			24,554,076	23,857,485
Change in net assets - operating	(2,083,847)	2,011,650		(72,197)	(1,527,887)
Nonoperating					
Insurance settlement	3,100,000			3,100,000	
Gain on expiration of NMTC					5,456,699
Loss on disposal of fixed assets and other					(27,070)
Change in net assets - nonoperating	3,100,000			3,100,000	5,429,629
Total change in net assets	1,016,153	2,011,650		3,027,803	3,901,742
Net assets, beginning of year	38,606,371		124,013	38,730,384	34,828,642
Net assets, end of year	<u>\$ 39,622,524</u>	<u>\$ 2,011,650</u>	<u>\$ 124,013</u>	<u>\$ 41,758,187</u>	<u>\$ 38,730,384</u>

See Notes to Financial Statements

SEATTLE'S UNION GOSPEL MISSION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended August 31, 2016

(With Comparative Totals for 2015)

	Program Services	Management and General	Fundraising	Total 2016	Total 2015
Salaries	\$ 7,391,658	\$ 836,395	\$ 708,860	\$ 8,936,913	\$ 8,084,548
Employee benefits	1,697,827	108,269	113,208	1,919,304	1,901,545
Payroll taxes	528,452	42,921	52,333	623,706	548,421
Total personnel costs	9,617,937	987,585	874,401	11,479,923	10,534,514
In-kind gifts used	4,075,848	8,226	23,160	4,107,234	3,426,922
Marketing, design, and data services	493,923	11,716	993,503	1,499,142	1,650,095
Depreciation and amortization	1,210,947	250,482	14,393	1,475,822	1,475,295
Other expenses	429,351	284,647	219,011	933,009	818,724
Professional services	335,661	100,442	206,499	642,602	509,430
Program and religious material	633,531	145	7,068	640,744	980,718
Production and printing services	202,908		426,232	629,140	708,384
Utilities	517,913	27,680	13,103	558,696	610,736
Maintenance and repair	447,537	20,872	7,629	476,038	385,803
Postage	100,440	3,305	196,854	300,599	531,060
Insurance	179,316	114,597	175	294,088	304,114
Rent	278,944	7,855	521	287,320	291,514
Auto and truck expenses	218,339	7,253	14,645	240,237	259,029
Industrial insurance	191,971	5,900	6,047	203,918	144,253
Advertising costs	67,164	33	135,083	202,280	185,761
Food cost	180,959	1,465	350	182,774	254,039
Household expenses	175,710	1,637	803	178,150	187,235
Telephone	83,949	5,926	13,619	103,494	160,613
Staff training and education	66,975	25,209	2,399	94,583	108,752
Travel and conventions	83,848	5,173	1,671	90,692	138,508
Office supplies	62,818	5,385	16,804	85,007	64,347
Interest expense and other financing costs	37,336			37,336	328,748
Bad debt expense					857
Total expenses	19,693,325	1,875,533	3,173,970	24,742,828	24,059,451
Less expenses netted against revenue on the					
Statement of Activities			(188,752)	(188,752)	(201,966)
Total expenses included on the					
Statement of Activities	\$ 19,693,325	\$ 1,875,533	\$ 2,985,218	\$ 24,554,076	\$ 23,857,485

See Notes to Financial Statements

SEATTLE'S UNION GOSPEL MISSION

STATEMENT OF CASH FLOWS

For the Year Ended August 31, 2016

(With Comparative Totals for 2015)

	2016	2015
Cash Flows from Operating Activities		
Change in net assets	\$ 3,027,803	\$ 3,901,742
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	1,475,822	1,475,295
Unrealized and realized gains on investments	(172,567)	(100,920)
Change in value of gift annuity agreements	(15,635)	(43,245)
Gain on insurance settlement	(3,100,000)	
Contribution receivable for capital project	(2,000,000)	
Loss on disposal of fixed assets		57,306
Contributions of land and buildings		(934,000)
Gain on expiration of NMTC agreement		(5,456,699)
Decrease (increase) in operating assets:		
Inventory	(308,827)	(86,072)
Prepaid expenses and other	98,923	297,973
Grants, pledges, and estates receivable	586,832	(278,909)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	51,944	247,248
Net cash flows from operating activities	(355,705)	(920,281)
Cash Flows from Investing Activities		
Decrease in cash restricted for reserves		141,455
Purchase of land, buildings, and equipment	(489,101)	(615,327)
Proceeds from insurance settlement	3,100,000	
Purchase of investments	(433,586)	(1,108,862)
Proceeds from sales of investments	430,650	3,260,780
Net cash flows from investing activities	2,607,963	1,678,046
Cash Flows from Financing Activities		
Payments on notes payable	(190,718)	(119,845)
Proceeds from notes payable		72,750
Net cash flows from financing activities	(190,718)	(47,095)
Net change in cash and cash equivalents	2,061,540	710,670
Cash and Cash Equivalents, beginning of year	1,209,951	499,281
Cash and Cash Equivalents, end of year	\$ 3,271,491	\$ 1,209,951
 Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 37,336	\$ 328,748

See Notes to Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Mission and Significant Accounting Policies

Seattle's Union Gospel Mission ("the Mission") was organized by representatives from Seattle area churches and the founding director, the Reverend Francis O. Peterson, in 1932. The Mission is managed by a Board of Trustees elected for staggered terms at the annual meeting of the Mission. The objectives and purposes of the Mission are the preaching of the gospel of Jesus Christ by conducting rescue mission work in the City of Seattle.

A rescue mission is the church's emergency station doing what the Bible tells the church to do, "Feed the hungry, preach to the captive, clothe the naked," etc., things which the church cannot do well due to the special need for facilities, special calling and training, and the high cost of doing it alone. The programs include emergency shelters, assistance recovery programs, day and resident camping, youth programs, counseling and jail ministry, feeding programs, and outreach programs to low income families and elderly.

The Mission is a member of the Evangelical Council for Financial Accountability ("the Council"). The Council is an association requiring the highest standards of financial accountability and disclosures, and has become an effective national self-regulatory Mission for the purpose of showing the giving public that the gifts are being spent and accounted for in a responsible manner.

The Mission is also a member of the Association of Gospel Rescue Missions and the Christian Leadership Alliance.

In February 2016, the Mission dissolved its wholly-owned subsidiary (UGM Landowner) and all assets of UGM Landowner, comprised primarily of land, buildings, and equipment, were transferred to the Mission. The dissolution of UGM Landowner did not have an impact on the amounts reported in the financial statements for 2016 or 2015.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the 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. Unrestricted net assets consist of the following at August 31:

	<u>2016</u>	<u>2015</u>
Undesignated, available for operations	\$ 32,181,425	\$ 31,092,756
Board-designated reserves:		
Operating Reserve	1,769,337	4,801,950
General Reserve	5,671,762	1,678,870
Lighthouse Reserve		1,032,795
	<u>\$ 39,622,524</u>	<u>\$ 38,606,371</u>

- Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Mission and/or the passage of time. Temporarily restricted net assets consist of the following at August 31:

	<u>2016</u>	<u>2015</u>
Men's Shelter renovation	\$ 2,000,000	\$ -
Hope Place extended care	11,650	
	<u>\$ 2,011,650</u>	<u>\$ -</u>

- Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that will be maintained permanently by the Mission. Generally, the donors of these assets permit the use of all or part of the income earned on related investments for general or specific purposes.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Mission considers all short-term securities with maturities of three months or less, except for those held in its investment portfolios, to be cash equivalents. The Mission maintains its cash and cash equivalents and investments in depository institution accounts that, at times, may exceed federally insured limits.

Receivables

Pledges, notes, grants, and estates receivable are stated at the amount management expects to collect from outstanding balances. Long-term contributions are recognized at fair value (at the time of the donation) and are measured at the present value of their cash flows. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the corresponding receivable.

Inventory

Inventory consists of donated goods, including food, clothing, office supplies, and other items. Inventories are stated at the lower of cost or market. Cost is estimated based on fair value of the donated goods and is determined using the first-in, first-out method.

Investments

Investments are reported at fair value. Realized and unrealized gains and losses are reflected in the statement of activities. The investments have been classified as long-term assets based on management's intent not to use the investments in the near term.

Land, Buildings, and Equipment

Land, buildings, and equipment are recorded at cost or, if donated, at the estimated fair value at the date of donation. Improvements are capitalized while expenditures for maintenance and repairs are charged to expense as incurred. Depreciation has been provided for equipment and vehicles on the straight-line basis over 4 to 10 years. Depreciation has been provided for buildings and facilities on the straight-line basis over 31 to 50 years. Leasehold improvements are amortized over the shorter of the duration of the lease or the useful life.

The Mission reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the assets to the future net undiscounted cash flows expected to be generated by the assets including any estimated proceeds from the eventual disposition of the assets. If the assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the assets exceeds their fair value. No impairment losses were recognized during the years ended August 31, 2016 or 2015.

Contributions

Contributions are recorded when the pledges are made. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Donated Goods and Services

Donated goods and services revenue totaled \$4,411,661 and \$3,517,837 for the years ended August 31, 2016 and 2015, respectively. Donated goods include food, clothing, and supplies, and are recorded at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated item to a specific purpose. Donated goods totaled \$4,090,399 and \$2,597,087 for the years ended August 31, 2016 and 2015, respectively. Donated services are recognized if the services received (1) create or enhance non-financial assets or (2) require specialized skills, are provided by individuals possessing those skills, and would need to be purchased if not provided by donation. Donated dental and legal services totaled \$321,262 and \$678,640 for the years ended August 31, 2016 and 2015, respectively.

Operating and Nonoperating Activities

All activities are considered operating except for revenues, expenses, gains, and losses related to capital campaigns, insurance settlements, and property sales.

Advertising Costs

The Mission expenses its advertising costs as incurred.

Restricted and Unrestricted Revenue and Support

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the revenue is recognized, except for capital campaign contributions. All other temporarily restricted donor contributions are reported as increases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Mission reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

Catalyst Event

Catalyst is the Mission's annual fundraising gala event. The event is held every year in October as part of the Mission's fall fundraising efforts and is designed to raise non-designated monies through ticket sales, principal and table sponsorships, auction items, and individual gifts from attendees. Catalyst event revenues and expenses are recognized at the time the event occurs. Event revenue received prior to the event is recorded as deferred revenue. Event expenses paid prior to the date of the event are recorded as prepaid expenses.

Federal Income Tax

The Mission has been notified by the Internal Revenue Service that they are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Summarized Information from Prior Year

The financial information includes certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the Mission's consolidated financial statements for the year ended August 31, 2015, from which the summarized information was derived.

Subsequent Events

The Mission has evaluated subsequent events through the date these consolidated financial statements were available to be issued, which was November 21, 2016.

Note 2. Grants, Pledges, and Estates Receivable

Grants, pledges, and estates receivable are expected to be received in less than one year. During the year ended August 31, 2016, the Mission received a grant of \$2,000,000 to be used for renovation and rehabilitation of the Mission's Men's Shelter in downtown Seattle. The grant contribution is recorded as temporarily restricted net assets in the statement of activities and changes in net assets. The grant funds have been made available by the donor for a three-year period, and the Mission will lose use of any unrequested funds at the end of the period. The Mission has submitted a request for the full amount of the grant, and expects to receive this amount in the next fiscal year. As such, the entire amount of the grant receivable is recorded as current on the statement of financial position. At August 31, 2016 and 2015, 99% and 95% of the Mission's grants, pledges, and estates receivable were from one and two donors, respectively.

Note 3. Investments

Investments are reported at fair value using a fair value hierarchy that prioritizes the inputs to valuation approaches into three broad levels. The hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3). Investments are valued using Level 1 inputs based on unadjusted quoted market prices within active markets such as national exchanges.

Investments consisted of the following at August 31:

	2016	2015
Money market funds	\$ 426,601	\$ 100,437
Fixed income securities		
Municipal bonds	789,872	821,589
Certificates of deposit	404,762	557,045
Corporate bonds	74,785	77,060
Equity securities		
Domestic stocks	1,038,016	940,066
International stocks	110,491	173,644
Mutual funds		
Large cap mutual funds	1,345,186	1,312,742
Mid cap mutual funds	172,306	250,479
International mutual funds	107,443	106,598
Other	149,003	94,321
Fixed income mutual funds	78,616	86,763
Small cap mutual funds	9,818	10,652
Total	<u>\$ 4,706,899</u>	<u>\$ 4,531,396</u>

Investment return for the years ended August 31 was as follows:

	2016	2015
Dividends and interest	\$ 113,676	\$ 119,633
Unrealized and realized gains	172,567	100,920
Investment fees	(23,800)	(29,181)
	<u>262,443</u>	<u>191,372</u>
Interest earned on cash accounts and notes receivable		469,998
	<u>\$ 262,443</u>	<u>\$ 661,370</u>

Note 4. Land, Buildings, and Equipment

Land, buildings, and equipment consisted of the following at August 31:

	2016	2015
Land	\$ 2,951,224	\$ 2,951,224
Buildings and facilities	39,718,107	39,425,121
Equipment and vehicles	7,780,246	7,618,341
Leasehold improvements	250,093	250,093
	<u>50,699,670</u>	<u>50,244,779</u>
Less accumulated depreciation and amortization	(17,697,569)	(16,228,074)
Total land, buildings, and equipment	33,002,101	34,016,705
Construction in process	27,883	
	<u>\$ 33,029,984</u>	<u>\$ 34,016,705</u>

In July 2011, a fire destroyed a four-story apartment building and an adjacent smaller building owned by the Mission. During the year ended August 31, 2012, the Mission received \$1,032,815 of the insurance proceeds and recorded a loss of \$111,565 for the amount of the initial insurance settlement not expected to be received. During the year ended August 31, 2016, the Mission recognized a gain of \$3,100,000 due to additional insurance proceeds being received as the final settlement, net of associated expenses, and is included as nonoperating income on the statement of activities and changes in net assets.

Note 5. Notes Payable

Notes payable consisted of the following at August 31:

	2016	2015
Note payable to Mississippi Valley Life Insurance Company; bearing no interest; principal will be forgiven at maturity in April 2024, provided no default or breach has occurred; secured by a Deed of Trust.	\$ 1,000,000	\$ 1,000,000
Note payable to First Sound Bank; bearing interest at 4% per annum; principal and interest payment of \$11,723 due monthly until note matures on November 1, 2021; secured by a Deed of Trust on real property owned by the Mission.	674,049	784,849
Note payable to King County; bearing interest at 4.13% per annum; principal and interest payment of \$4,662 due quarterly until note matures in December 2023; no collateral requirements; used to finance sewage connection and related costs associated with the construction of Hope Place.	116,013	125,029
Note payable to 1st Security Bank. This note was repaid during 2016.		70,902
	1,790,062	1,980,780
Less current portion	(128,872)	(125,186)
Noncurrent portion	\$ 1,661,190	\$ 1,855,594

Principal maturities are as follows for the years ending August 31:

2017	\$ 128,872
2018	134,315
2019	139,990
2020	145,908
2021	152,078
Thereafter	1,088,899
	\$ 1,790,062

Note 6. Gift Annuities Payable/Split Interest Agreements

The Mission administers gift annuities for which it is obligated to make periodic distributions to designated beneficiaries. Contributed assets are recorded at fair value as general assets of the Mission at the date of receipt, and a liability is established for the present value of future annuity payments. The present value of the payments due to the beneficiaries is recorded as a liability and totaled \$87,839 and \$103,474 at August 31, 2016 and 2015, respectively. Net present values are calculated using the applicable federal discount rate at the date of the gift. The annuity liability is revalued annually based upon actuarially computed present values. The change in value for the years ended August 31, 2016 and 2015, was a gain of \$15,635 and \$43,245, respectively.

Note 7. Commitments and Other

Warehouse and Housing Leases

In June 2013, the Mission entered into an agreement to lease warehouse space in Kent, Washington, with a lease term ending January 31, 2021. The monthly base rent ranges from \$16,040 to \$18,148 over the period of the lease term. In addition, the Mission is obligated to pay its pro rata share of the building's operating expenses, taxes, and insurance. The Mission recognizes the related rent expense on a straight-line basis over the term of the lease. The Mission records the difference between the recognized rental expense and amounts payable under the lease agreements as deferred rent. The Mission's liability for deferred rent totaled \$90,000 as of August 31, 2016 and 2015, and is recorded as a non-current liability.

Future minimum lease payments under non-cancelable operating leases are as follows for the years ending August 31:

2017	\$	197,703
2018		202,645
2019		207,708
2020		212,903
2021		90,740
		<hr/>
	\$	911,699
		<hr/>

Other Operating Leases

The Mission has entered into lease agreements to lease some of the Mission's building space as a lessor. The Mission is unable to determine the cost of the building and accumulated depreciation that is allocated to the lease agreements. The leases have expiration dates expiring no later than January 2020.

Future minimum rental income to be received under non-cancelable operating leases are as follows for the years ending August 31:

2017	\$	78,613
2018		79,305
2019		52,943
2020		1,566
		<hr/>
	\$	212,427
		<hr/> <hr/>

Retirement Plan

The Mission has established a defined contribution retirement plan ("the Plan"). Participation in the Plan is voluntary. Participants are eligible to contribute salary reductions on their first day of employment. Participants are eligible for employer contributions when they have completed 90 days of service, work at least 37.5 hours per week, and have attained age 21. The Mission will match 50% of each participant's contribution, up to 4% of the participant's salary. For the years ended August 31, 2016 and 2015, the total retirement plan expense was \$98,381 and \$76,413, respectively.

Note 8. Allocation of Joint Costs

The Mission conducts activities that include requests for contributions as well as program components. These activities include direct mail letters, newspaper space ads, newsletters, brochures, and other such items. The costs of conducting these activities are not specifically attributable to particular components of the activities (joint costs). Material costs are allocated to fundraising based on the actual percentage of the item or event used for fundraising. Personnel costs are allocated based on estimates of the percent of annual time worked on the aforementioned activities and publications. Total joint costs for the years ended August 31, 2016 and 2015, were \$2,926,119 and \$3,114,558, respectively, of which \$933,484 and \$934,377 were allocated to program and \$1,992,636 and \$2,180,181 were allocated to fundraising.