

***SEATTLE'S UNION
GOSPEL MISSION***

Financial Statements With
Independent Auditors' Report

August 31, 2007

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CLARK NUBER

Independent Auditors' Report

*Board of Trustees
Seattle's Union Gospel Mission
Seattle, Washington*

**Certified Public Accountants
& Consultants**

10900 NE 4th Street
Suite 1700
Bellevue WA 98004
T: 425.454.4919
F: 425.454.4620
800.504.8747
clarknuber.com

*Clark Nuber is a
Professional Services Corporation*

We have audited the accompanying statement of financial position of Seattle's Union Gospel Mission as of August 31, 2007, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Mission's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Mission's 2006 audited financial statements and, in our report dated October 18, 2006, we expressed an unqualified opinion on those financial statements.

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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 financial statements referred to above present fairly, in all material respects, the financial position of Seattle's Union Gospel Mission as of August 31, 2007, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Clark Nuber P S

Certified Public Accountants
Bellevue, Washington
October 31, 2007

SEATTLE'S UNION GOSPEL MISSION

Statement of Financial Position

August 31, 2007

(With Comparative Totals for 2006)

	<u>2007</u>	<u>2006</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 2,387,389	\$ 127,784
Inventory	530,630	527,504
Prepaid expenses and other current assets	<u>177,571</u>	<u>311,342</u>
Total Current Assets	3,095,590	966,630
Long-term pledges and estates receivable, net	423,255	383,126
Investments	14,281,958	13,813,814
Land, buildings and equipment, net	<u>14,997,479</u>	<u>14,689,027</u>
Total Assets	<u>\$ 32,798,282</u>	<u>\$ 29,852,597</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 198,263	\$ 259,989
Accrued expenses	239,493	185,648
Current portion of gift annuities payable	<u>90,704</u>	<u>51,143</u>
Total Current Liabilities	528,460	496,780
Gift annuities payable, net of current portion	<u>297,836</u>	<u>201,222</u>
Total Liabilities	826,296	698,002
Net Assets:		
Unrestricted:		
Undesignated	2,694,076	2,377,821
Net investment in land, buildings and equipment	14,997,479	14,689,027
Board-designated capital fund	6,058,394	5,469,810
Board-designated endowment	<u>5,866,746</u>	<u>5,359,138</u>
	29,616,695	27,895,796
Temporarily restricted	2,204,121	1,109,606
Permanently restricted	<u>151,170</u>	<u>149,193</u>
Total Net Assets	<u>31,971,986</u>	<u>29,154,595</u>
Total Liabilities and Net Assets	<u>\$ 32,798,282</u>	<u>\$ 29,852,597</u>

The accompanying notes are an integral part of the financial statements

SEATTLE'S UNION GOSPEL MISSION

**Statement of Activities and Changes in Net Assets
For the Year Ended August 31, 2007
(With Comparative Totals for 2006)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2007</u>	<u>Total 2006</u>
Operating					
Support and Revenue:					
Contributions:					
Individuals	\$ 8,837,996	\$ 133,076	\$ -	\$ 8,971,072	\$ 8,666,155
Churches	170,821			170,821	128,699
Companies	597,648			597,648	509,574
Foundations	490,954	43,000		533,954	641,052
Organizations	301,464			301,464	234,028
Estates	239,549			239,549	187,364
Donated material and services	2,198,420			2,198,420	1,684,799
Net assets released from restrictions	159,789	(159,789)			
	<u>12,996,641</u>	<u>16,287</u>		<u>13,012,928</u>	<u>12,051,671</u>
Retail store sales	517,840			517,840	448,497
Rent	210,996			210,996	218,609
Program fees and other income	93,823			93,823	71,843
Change in value of split interest agreements	(88,245)			(88,245)	(47,318)
Investment return	943,649			943,649	417,199
Total Support and Revenue	14,674,704	16,287		14,690,991	13,160,501
Expenses:					
Program services	11,244,836			11,244,836	10,940,160
Management and general	918,679			918,679	904,343
Fundraising	1,873,719			1,873,719	1,757,442
Total Expenses	14,037,234			14,037,234	13,601,945
Change in Net Assets - Operating	637,470	16,287		653,757	(441,444)
Non-operating					
Contributions from estates designated for long-term purposes	702,499			702,499	449,000
Endowment contributions			1,977	1,977	1,770
Capital campaign contributions		1,571,897		1,571,897	575,918
Capital campaign fundraising expenses	(102,962)			(102,962)	(175,314)
Gain (Loss) on disposal of fixed assets	(9,777)			(9,777)	4,904
Net assets released from restrictions	493,669	(493,669)			
Change in Net Assets - Non-operating	1,083,429	1,078,228	1,977	2,163,634	856,278
Total Change in Net Assets	1,720,899	1,094,515	1,977	2,817,391	414,834
Net Assets:					
Beginning of year	27,895,796	1,109,606	149,193	29,154,595	28,739,761
End of Year	\$ 29,616,695	\$ 2,204,121	\$ 151,170	\$ 31,971,986	\$ 29,154,595

The accompanying notes are an integral part of the financial statements

SEATTLE'S UNION GOSPEL MISSION

**Statement of Functional Expenses
For the Year Ended August 31, 2007
(With Comparative Totals for 2006)**

	<i>Program Services</i>	<i>Management and General</i>	<i>Operating Fundraising</i>	<i>Capital Campaign Fundraising</i>	<i>Total 2007</i>	<i>Total 2006</i>
Salaries	\$ 3,900,116	\$ 516,269	\$ 393,217	\$ 28,900	\$ 4,838,502	\$ 4,815,561
Payroll taxes	273,256	35,778	28,805	2,184	340,023	338,590
Employee benefits	1,046,393	90,784	67,920	4,478	1,209,575	1,172,318
Total Payroll Expenses	5,219,765	642,831	489,942	35,562	6,388,100	6,326,469
In-kind gifts used	1,401,292	20,174	1,185		1,422,651	1,316,609
Marketing, design and data services	280,669		569,843		850,512	767,140
Depreciation	660,051	40,353	5,844		706,248	666,162
In-kind gifts sold or given to clients	617,963				617,963	516,078
Production and printing services	199,134		412,559		611,693	611,765
Utilities	442,466	8,171	2,152		452,789	491,805
Rent	374,978	1,189	476		376,643	407,265
Program and religious material	371,801	1,021	678		373,500	389,300
Other expenses	248,877	71,000		20,705	340,582	254,306
Shipping and mailing costs	112,127		227,651		339,778	388,594
Insurance	249,140	8,193	4,971	595	262,899	283,291
Maintenance and repair	237,276	13,701	9,291		260,268	258,927
Advertising costs	54,034		109,705		163,739	160,690
Auto and truck expenses	134,623	8,849	3,549		147,021	182,810
Staff training and education	117,228	17,458	10,340	106	145,132	103,598
Professional services	50,828	40,037	3,276	44,649	138,790	96,965
Food cost	132,487	194			132,681	130,714
Telephone	93,885	7,791	6,756		108,432	110,581
Household expenses	95,027	925	47		95,999	95,553
Office supplies	68,396	13,433	6,864	1,006	89,699	84,721
Travel and conventions	57,399	7,571	3,902		68,872	54,339
Postage	8,918	15,249	4,254	154	28,575	30,006
Industrial insurance	16,472	539	434	185	17,630	49,571
Total Expenses	\$ 11,244,836	\$ 918,679	\$ 1,873,719	\$ 102,962	\$ 14,140,196	\$ 13,777,259

The accompanying notes are an integral part of the financial statements

SEATTLE'S UNION GOSPEL MISSION

Statement of Cash Flows
For the Year Ended August 31, 2007
(With Comparative Totals for 2006)

	<u>2007</u>	<u>2006</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 2,817,391	\$ 414,834
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	706,248	666,162
Unrealized and realized gains on investments	(292,460)	(80,935)
Change in value of gift annuity agreements	136,175	12,849
Losses (Gains) on sales of land, building, and equipment	9,777	(4,904)
In-kind donations of property and equipment	(76,395)	(62,055)
Contributions restricted by donors for capital campaign or endowment	(1,573,874)	(577,688)
(Increase) Decrease in operating assets:		
Inventory	(3,126)	146,024
Prepaid expenses and other assets	18,771	1,334,446
Increase (Decrease) in operating liabilities:		
Accounts payable and accrued expenses	(7,881)	(40,924)
Net Cash Provided by Operating Activities	1,734,626	1,807,809
Cash Flows from Investing Activities:		
Purchases of land, building and equipment	(951,282)	(420,539)
Proceeds from sales of land, building, and equipment	3,200	328,322
Purchases of investments	(7,496,069)	(8,495,259)
Proceeds from sales of investments	7,320,385	5,931,609
Net Cash Used by Investing Activities	(1,123,766)	(2,655,867)
Cash Flows from Financing Activities:		
Proceeds from contributions restricted by donors for capital campaign or endowment	1,648,745	792,672
Net Cash Provided by Financing Activities	1,648,745	792,672
Net Change in Cash and Cash Equivalents	2,259,605	(55,386)
Cash and Cash Equivalents		
Beginning of year	127,784	183,170
End of Year	\$ 2,387,389	\$ 127,784

The accompanying notes are an integral part of the financial statements

SEATTLE'S UNION GOSPEL MISSION

Notes to Financial Statements For the Year Ended August 31, 2007

Note 1 - Organization

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 and assistance for men, women and children, men's recovery program, day and resident camping and youth programs, counseling and jail ministry, a low income cafeteria and outreach programs to low income families and elderly.

The Mission is a member of the Evangelical Council for Financial Accountability. 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 a member of the Association of Gospel Rescue Missions.

Note 2 - Significant Accounting Policies

Basis of 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.

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.

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 highly liquid debt instruments purchased with maturities of three months or less, except for those held in its investment portfolios, to be cash and cash equivalents. Management anticipates no material effect to the Mission's financial position as a result of cash held in a bank in excess of the available federal deposit insurance.

SEATTLE'S UNION GOSPEL MISSION

Notes to Financial Statements For the Year Ended August 31, 2007

Note 2 - Continued

Receivables - Trade accounts, pledges, and estates receivable are stated at the amount management expects to collect from outstanding balances. 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 trade accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

Inventory - Inventory consists of donated goods, office supplies, and goods purchased for retail resale. Inventories are stated at the lower of cost or market. Cost is estimated based on fair value for donated goods and is determined using the first-in, first-out method for office supplies and goods purchased for retail resale.

Investments - Investments are carried at market value. Realized and unrealized gains and losses are reflected in the statement of activities.

Property and Equipment - Property and equipment are recorded at cost or, if donated, at the approximate 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 furnishings and equipment on the straight-line basis over four to ten years. Depreciation has been provided for buildings on the straight-line basis over lives of 31 to 50 years.

The Mission reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. No impairment losses were recognized in 2007 or 2006.

Donated Goods and Services - Donations of goods, including property and equipment, are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Donated services are recognized if the services received (i) create or enhance non-financial assets or (ii) 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 recorded in program expenses totaled \$312,570 and \$308,455 for 2007 and 2006, respectively. Donated construction services capitalized as assets totaled \$76,395 and \$62,055 in 2007 and 2006, respectively.

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. The Mission reclassifies temporarily restricted net assets to unrestricted net assets at that time.

SEATTLE'S UNION GOSPEL MISSION

***Notes to Financial Statements
For the Year Ended August 31, 2007***

Note 2 - Continued

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. 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.

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 combined statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles 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.

Reclassifications - Certain reclassifications were made to the August 31, 2006 financial statements to conform to the current year presentation. The reclassifications had no effect on change in net assets.

Comparative Totals - 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 financial statements for the year ended August 31, 2006, from which the summarized information was derived.

SEATTLE'S UNION GOSPEL MISSION

**Notes to Financial Statements
For the Year Ended August 31, 2007**

Note 3 - Pledges and Estates Receivable

Included in pledges and estates receivable as of August 31 were the following unconditional promises to give:

	<u>2007</u>	<u>2006</u>
Due to be collected:		
In less than one year	\$ 338,070	\$ 181,184
One to five years	127,444	91,375
More than five years		<u>142,680</u>
	465,514	415,239
Less discount to net present value (5%)	(7,259)	(14,113)
Less allowance for doubtful pledges	<u>(35,000)</u>	<u>(18,000)</u>
Total Pledges and Estates Receivable, Net	<u>\$ 423,255</u>	<u>\$ 383,126</u>

The above total of pledges due in less than one year are comprised entirely of capital campaign and endowment pledges and estates receivable. These pledges are reported as noncurrent on the statement of financial position as they have been restricted by donors or designated by the Mission's board for investment in property and equipment or endowment funds.

Note 4 - Investments

Investments were composed of the following at August 31:

	<u>2007</u>	<u>2006</u>
Cash and cash equivalents	\$ 4,855,917	\$ 838,776
Certificates of deposit	3,854,707	7,831,366
Government bonds	2,276,948	2,400,454
Mutual funds - fixed income	293,869	168,661
Mutual funds - equities	370,878	218,151
Equities	<u>2,629,639</u>	<u>2,356,406</u>
Total Investments	<u>\$ 14,281,958</u>	<u>\$ 13,813,814</u>

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

	<u>2007</u>	<u>2006</u>
Dividends and interest	\$ 691,988	\$ 367,002
Unrealized and realized gains	292,460	80,935
Investment fees	<u>(40,798)</u>	<u>(30,738)</u>
Total Return on Investments	<u>\$ 943,649</u>	<u>\$ 417,199</u>

SEATTLE'S UNION GOSPEL MISSION

**Notes to Financial Statements
For the Year Ended August 31, 2007**

Note 5 - Property and Equipment

A summary of property and equipment is as follows:

	<u>2007</u>	<u>2006</u>
Land	\$ 2,219,466	\$ 2,208,061
Buildings and facilities	15,425,217	15,161,045
Equipment and vehicles	4,939,159	4,667,885
Leasehold Improvements	175,200	150,200
Construction in progress	<u>539,186</u>	<u>148,389</u>
	23,298,228	22,335,580
Less accumulated depreciation	<u>(8,300,749)</u>	<u>(7,646,553)</u>
Total Property and Equipment	<u>\$ 14,997,479</u>	<u>\$ 14,689,027</u>

Note 6 - Gift Annuities Payable

The Mission administers gift annuities for which it is obligated to make periodic distributions to designated beneficiaries. The contributed assets are recorded at the market value on the date of contribution as general assets of the Mission. The present value of the payments due the beneficiaries is recorded as a liability and totaled \$388,540 and \$252,365 at August 31, 2007 and 2006, 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. Resulting actuarial gain or loss is recorded as a change in value of split interest agreements depending on the eventual use of the residual. The change in value for the years ending August 31, 2007 and 2006, were losses of \$88,245 and \$47,318, respectively.

Note 7 - Commitments

Store and Warehouse Leases - The Mission has entered into an agreement to lease space for the Meeker Street Emporium retail store in Kent, Washington for a five year term that ends May 31, 2009. The base monthly rental for the lease term is \$21,600 per month and will be adjusted annually by increases in the consumer price index. In addition, the Mission is obligated to pay its pro rata share of the building operating expenses, taxes and insurance.

The Mission has entered into an agreement to lease warehouse space in the Northwest Corporate Park in Kent, Washington with a lease term ending April 30, 2008. The base monthly rental for fiscal 2007 was \$6,384 and will be increased annually by 2.5%. In addition, the Mission is obligated to pay its pro rata share of the building operating expenses, taxes and insurance.

The Mission has two separate operating lease agreements for an individual copier as well as a maintenance agreement on some of the Mission's other equipment. The terms of the leases extend through 2012 and have a combined monthly payment of \$1,022.

SEATTLE'S UNION GOSPEL MISSION

**Notes to Financial Statements
For the Year Ended August 31, 2007**

Note 7 - Continued

Future minimum rentals to be paid as of August 31 under non-cancelable operating leases are as follows:

<i>Years Ending August 31,</i>	
2008	\$ 395,553
2009	257,474
2010	12,682
2011	12,682
2012	<u>12,682</u>
	<u>\$ 691,073</u>

Other Operating Leases - The Mission has entered into lease agreements with business and charitable organizations to lease some of the Mission's excess building space to those organizations. The leases have expiration dates ranging from October 2006 to October 2009. Future minimum rentals as of August 31 under non-cancelable operating leases are as follows:

Future minimum rentals to be received as of August 31 under non-cancelable operating leases are as follows:

<i>Years Ending August 31,</i>	
2008	\$ 91,550
2009	23,470
2010	<u>2,430</u>
	<u>\$ 117,450</u>

Retirement Plan - The Mission has a defined contribution retirement plan available for all regular full-time employees. Any regular, fulltime employee as defined in the Mission's employee manual may sign up for and contribute to the plan. The Mission will contribute the equivalent of 1% of an eligible employee's monthly gross wages to the employee's retirement account, regardless of employee contributions. In addition, the Mission will contribute 50% for each dollar an employee contributes to a maximum of \$35 per month. For the years ended August 31, 2007 and 2006, the total retirement plan expense was \$59,984 and \$64,332, respectively.

Note 8 - Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes at August 31:

	<u>2007</u>	<u>2006</u>
Capital campaign (Note 11)	\$ 2,072,758	\$ 994,530
Capital and property improvements	<u>131,363</u>	<u>115,076</u>
	<u>\$ 2,204,121</u>	<u>\$ 1,109,606</u>

SEATTLE'S UNION GOSPEL MISSION

**Notes to Financial Statements
For the Year Ended August 31, 2007**

Note 9 - Endowment Funds and Permanently Restricted Net Assets

The Board of Trustees has adopted an endowment program to establish one or more funds to help ensure the future vitality of the Mission. The principal of the funds will be kept intact and the income will be available to meet the objectives of the specific endowment.

Endowment funds and permanently restricted net assets consisted of the following at August 31:

	<u>2007</u>	<u>2006</u>
Francis O. Peterson Operations Endowment	\$ 5,893,821	\$ 5,386,213
Less: portion of endowment that is board-designated	<u>(5,866,746)</u>	<u>(5,359,138)</u>
Permanently restricted portion of Peterson Endowment	27,075	27,075
Carlos A. Holder Endowment for Women and Family Services	58,120	56,393
William T. Gillespie Endowment	29,419	29,419
Wabash Presbyterian Church Endowment	21,862	21,612
Contractors Specialties Operations Endowment	<u>14,694</u>	<u>14,694</u>
Total Permanently Restricted Net Assets	<u>\$ 151,170</u>	<u>\$ 149,193</u>

Francis O. Peterson Operations Endowment - The Board has established a fund in honor of the Mission's founder Francis O. Peterson (the "Peterson Endowment"). The principal of the Peterson Endowment is to be kept intact and the income is to be used to assist in meeting the ongoing operational expenses of the Mission. On October 18, 1993 (and amended effective September 1, 1999), the Board adopted a policy pertaining to unrestricted estate gifts that allocates to the Peterson Endowment the majority of the first \$100,000 of such gifts and, for amounts over \$100,000, gives the Board discretion to apportion such sums to Peterson or to any other fund, program or need of the Mission.

Carlos A. Holder Endowment for Women and Family Services - The Mission has established in perpetuity the Carlos A. Holder Endowment for Women and Family Services to support the operational expenses of the Mission and to further its charitable purposes.

William T. Gillespie Endowment - The Mission has established in perpetuity the William T. Gillespie Endowment to support the feeding of the hungry at the Mission.

Wabash Presbyterian Church Endowment - The Mission has established in perpetuity the Wabash Presbyterian Church Endowment to support the operational expenses of the Mission and to further its charitable purposes.

Contractors Specialties Operations Endowment - The Mission has established in perpetuity the Contractors Specialties Operations Endowment to support the operational expenses of the Mission and to further its charitable purposes.

SEATTLE'S UNION GOSPEL MISSION

***Notes to Financial Statements
For the Year Ended August 31, 2007***

Note 10 - 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, 2007 and 2006, were \$2,746,917 and \$2,741,079, respectively, of which \$903,082 and \$1,014,199 were allocated to program and \$1,843,835 and \$1,726,880 were allocated to fundraising.

Note 11 - Subsequent Events - Hope Place Project

In early calendar 2008 management intends to start construction of the Hope Place Project. This new facility will be used for a women's and children shelter. The total estimated cost of the new facility is \$24,000,000, which management intends to finance with capital campaign fundraising, bank loan financing, and New Market Tax Credit Program financing.