

REDWOOD GOSPEL MISSION, INC
FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015
(WITH INDEPENDENT AUDITORS' REPORTS)

REDWOOD GOSPEL MISSION, INC.

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September 30, 2016 and 2015

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Davis & Company

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Redwood Gospel Mission, Inc.

We have audited the accompanying financial statements of Redwood Gospel Mission, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2016 and the related statement of activities, 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 of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards general accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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.

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Davis & Company

CERTIFIED PUBLIC ACCOUNTANTS

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Redwood Gospel Mission, Inc. as of September 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 of America.

Report on Summarized Comparative Information

We have previously audited Redwood Gospel Mission, Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 1, 2016. In our opinion, the summarized comparative information presented herein as of and for the year then ended September 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Davis & Company

Davis & Company

Santa Rosa, California

April 1, 2017

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REDWOOD GOSPEL MISSION, INC.

Statements of Financial Position

September 30, 2016 and 2015

ASSETS

| | September 30, | |
|--|---------------------|---------------------|
| | 2016 | 2015 |
| CURRENT ASSETS | | |
| Cash and Cash Equivalents | \$ 381,698 | \$ 17,651 |
| Accounts Receivable | 2,379 | - |
| Inventory - Thrift Store and Rag and Recycling | 80,981 | 80,829 |
| Prepaid Expenses | 13,520 | 48,428 |
| TOTAL CURRENT ASSETS | <u>478,578</u> | <u>146,908</u> |
| LONG-TERM ASSETS | | |
| Cash Restricted for Capital Acquisition | 84,746 | 87,833 |
| Property and Equipment, Net | 4,126,773 | 4,659,128 |
| Loan Fees-Net of Accumulated Amortization of \$4,314 and \$5,206 | 2,710 | 6,721 |
| Deposits | 19,605 | 114,739 |
| TOTAL LONG-TERM ASSETS | <u>4,233,834</u> | <u>4,868,421</u> |
| TOTAL ASSETS | <u>\$ 4,712,412</u> | <u>\$ 5,015,329</u> |

LIABILITIES AND NET ASSETS

| | | |
|--|---------------------|---------------------|
| CURRENT LIABILITIES | | |
| Accounts Payable | \$ 65,302 | \$ 136,654 |
| Accrued Salaries and Wages | 51,419 | 43,663 |
| Accrued Employee Benefits | 88,917 | 79,939 |
| Mortgages Payable - Current Portion | 63,768 | 76,658 |
| Note Payable - Current Portion | 16,520 | 16,800 |
| TOTAL CURRENT LIABILITIES | <u>285,926</u> | <u>353,714</u> |
| LONG-TERM LIABILITIES | | |
| Mortgages Payable - Net of Current Portion | 3,219,784 | 3,807,016 |
| Note Payable - Net of Current Portion | - | 16,805 |
| TOTAL LONG-TERM LIABILITIES | <u>3,219,784</u> | <u>3,823,821</u> |
| TOTAL LIABILITIES | <u>3,505,710</u> | <u>4,177,535</u> |
| NET ASSETS | | |
| Unrestricted | 1,121,956 | 749,961 |
| Temporarily Restricted | 84,746 | 87,833 |
| TOTAL NET ASSETS | <u>1,206,702</u> | <u>837,794</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 4,712,412</u> | <u>\$ 5,015,329</u> |

See accompanying notes to financial statements and independent auditors' report

REDWOOD GOSPEL MISSION, INC.

Statement of Activities

For the year ended September 30, 2016, with Summarized Comparative Information
for the year ended 2015

| | 2016 | | | 2015 |
|---|---------------------|-----------------------------------|---------------------|-------------------|
| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> | <u>Total</u> |
| Monetary Transactions | | | | |
| REVENUES AND OTHER SUPPORT | | | | |
| General Donations | \$ 2,406,438 | \$ 42,901 | \$ 2,449,339 | \$ 2,061,412 |
| Thrift Store Sales | 913,442 | - | 913,442 | 891,946 |
| Rag and Recycling Sales | 58,332 | - | 58,332 | 77,202 |
| Coffee Sales | 17,694 | - | 17,694 | - |
| Sales of Donated Vehicles | 19,384 | - | 19,384 | 7,372 |
| Program Fees | 39,681 | - | 39,681 | 48,785 |
| Rental Income | 24,000 | - | 24,000 | 24,000 |
| Special Event Revenue | 121,539 | - | 121,539 | 124,305 |
| Interest, Dividends and Investment Income | 2 | - | 2 | 1,078 |
| Net Gain (Loss) on Disposal of Assets | 158,786 | - | 158,786 | (1,603) |
| Net Assets Released From Restrictions | 45,988 | (45,988) | - | - |
| TOTAL REVENUES AND SUPPORT, MONETARY | 3,805,286 | (3,087) | 3,802,199 | 3,234,497 |
| EXPENSES | | | | |
| Program Services | 2,621,631 | - | 2,621,631 | 2,531,531 |
| General and Administrative | 287,047 | - | 287,047 | 244,808 |
| Fundraising | 536,519 | - | 536,519 | 479,611 |
| TOTAL EXPENSES, MONETARY | 3,445,197 | - | 3,445,197 | 3,255,950 |
| CHANGE IN NET ASSETS, MONETARY | 360,089 | (3,087) | 357,002 | (21,453) |
| In-Kind Transactions | | | | |
| REVENUES AND OTHER SUPPORT | | | | |
| Donated Thrift Store Inventory and Equipment Rental | 1,027,507 | - | 1,027,507 | 1,053,192 |
| Donated Food | 1,085,163 | - | 1,085,163 | 955,430 |
| Donated Securities | 8,912 | - | 8,912 | 9,471 |
| TOTAL REVENUES AND SUPPORT, IN-KIND | 2,121,582 | - | 2,121,582 | 2,018,093 |
| EXPENSES | | | | |
| Program Services | 2,109,676 | - | 2,109,676 | 2,000,548 |
| CHANGE IN NET ASSETS, IN-KIND | 11,906 | - | 11,906 | 17,545 |
| TOTAL CHANGE IN NET ASSETS | 371,995 | (3,087) | 368,908 | (3,908) |
| NET ASSETS BEGINNING OF YEAR | 749,961 | 87,833 | 837,794 | 841,702 |
| NET ASSETS END OF YEAR | \$ 1,121,956 | \$ 84,746 | \$ 1,206,702 | \$ 837,794 |

See accompanying notes to financial statements and independent auditors' report

REDWOOD GOSPEL MISSION, INC.
Statement of Functional Expenses
For the year ended September 30, 2016

| | Program Services | | | | | | | Supporting Services | | | Total all Functions | |
|--|---------------------|--------------------|-------------------|---------------------|-------------------|---------------------|------------------------|---------------------|-------------------|-------------------|---------------------|--|
| | Men's Ministries | Women's Ministries | Mobile Ministries | Outreach Ministries | Coffee Ministries | Thrift Store | Total Program Services | General & Admin | Fundraising | Total Supporting | | |
| Operating Expenses - Monetary | | | | | | | | | | | | |
| Auto | \$ 21,398 | \$ 16,372 | \$ 9,862 | \$ - | \$ 2,171 | \$ 35,198 | \$ 85,001 | \$ 798 | \$ 418 | \$ 1,216 | \$ 86,217 | |
| Depreciation and Amortization | 23,349 | 24,295 | 5,507 | - | 264 | 58,300 | 111,715 | 19,709 | - | 19,709 | 131,424 | |
| Repair of Donated Vehicles | - | - | - | - | - | 205 | - | - | - | - | 205 | |
| Cost of Sales-Coffee Program | - | - | - | - | 8,860 | - | 8,860 | - | - | - | 8,860 | |
| Program Expenses | 36,373 | 10,608 | - | 37 | - | - | 47,018 | 600 | - | 600 | 47,618 | |
| Special Events | - | - | - | 17,248 | - | - | 17,248 | - | 5,328 | 5,328 | 22,576 | |
| Dues & Subscriptions | 3,465 | 743 | 450 | 368 | - | 1,197 | 6,223 | 3,281 | 417 | 3,698 | 9,921 | |
| Equipment Purchases | 1,807 | 1,803 | 794 | 616 | 835 | 2,361 | 8,216 | 23 | 352 | 375 | 8,591 | |
| Employee Rental | - | 52 | - | 1,356 | 11,930 | - | 13,338 | 6,609 | 4,361 | 10,970 | 24,308 | |
| Employee Benefits | 33,787 | 30,985 | 9,532 | 11,983 | 668 | 40,700 | 127,655 | 15,021 | 24,702 | 39,723 | 167,378 | |
| Food Expenses | 5,946 | 3,108 | 354 | 16,612 | - | 211 | 26,231 | 341 | 9,605 | 9,946 | 36,177 | |
| Insurance | 9,080 | 6,242 | - | 389 | - | 8,794 | 24,505 | 2,790 | 367 | 3,157 | 27,662 | |
| Interest, Penalties & Bank Charges | 21,509 | 13,949 | 192 | 339 | - | 186,401 | 222,390 | 71,500 | 9,750 | 73,130 | 295,520 | |
| Consulting | 3,680 | - | - | - | - | - | 3,680 | - | - | - | 13,430 | |
| Publication Design | - | - | - | - | - | - | - | - | 50,150 | 50,150 | 50,150 | |
| Operational Supplies | 27,210 | 14,229 | 844 | 8,712 | 1,943 | 9,540 | 62,478 | 1,437 | 72 | 1,509 | 63,987 | |
| Legal & Accounting | - | - | - | - | - | 11,235 | - | 15,475 | - | 15,475 | 15,475 | |
| Merchant Fees | 1,816 | 754 | 392 | - | 152 | 338 | 11,387 | - | 11,706 | 11,706 | 23,093 | |
| Office & Computer Expense | 600 | 28,800 | 1,235 | - | 163 | - | 3,463 | 9,863 | 493 | 10,356 | 13,819 | |
| Rent | 87,339 | - | - | - | - | - | 30,635 | - | 3,623 | 3,623 | 34,258 | |
| Roberts Road Expenses | - | - | - | 17,550 | - | - | 87,339 | - | - | - | 87,339 | |
| Housing & Allowances | - | - | - | 3,770 | - | - | 17,550 | 8,775 | 8,775 | 17,550 | 35,100 | |
| Retirement-Employer Contribution | 8,460 | 734 | - | - | - | 1,831 | 14,795 | 2,173 | 3,906 | 6,079 | 20,874 | |
| Workers Compensation | 21,188 | 22,362 | 6,940 | 613 | 3,542 | 10,199 | 64,844 | 640 | 731 | 1,371 | 66,215 | |
| Promotional Expense | 275 | - | 1,275 | 10,000 | - | 61,239 | 72,789 | 595 | 49,104 | 49,699 | 122,488 | |
| Printing & Postage | 333 | 89 | - | - | 27 | 65 | 514 | - | 137,337 | 137,337 | 137,851 | |
| Repairs & Maintenance | 53,801 | 10,578 | 100 | 5,192 | 458 | 13,815 | 83,944 | 5,556 | 14,153 | 19,709 | 103,653 | |
| Salaries | 259,631 | 282,298 | 86,192 | 136,306 | 31,007 | 377,704 | 1,173,138 | 97,864 | 170,415 | 268,279 | 1,441,417 | |
| Taxes & Licenses | 4,757 | - | - | 1,205 | - | 368 | 6,330 | 375 | - | 375 | 6,705 | |
| Payroll Service Expenses | 41 | 63 | - | 27 | - | 108 | 239 | 4,570 | 27 | 4,597 | 4,836 | |
| Employer Payroll Taxes | 17,936 | 20,723 | 6,327 | 9,263 | 2,254 | 27,788 | 84,291 | 7,754 | 13,712 | 21,466 | 105,757 | |
| Property Taxes | 211 | 4,351 | - | - | - | 7,602 | 12,164 | - | - | - | 12,164 | |
| Telephone and Website | 6,669 | 6,556 | 585 | 2,091 | 5,382 | 3,466 | 24,749 | 5,951 | 12,061 | 18,012 | 42,761 | |
| Meetings, Seminars & Travel | 3,773 | 1,630 | 1,212 | 2,255 | 2,108 | 2,254 | 13,232 | 2,626 | 2,430 | 5,056 | 18,288 | |
| Utilities | 84,661 | 24,445 | 115 | 284 | - | 45,960 | 155,465 | 2,721 | 894 | 3,615 | 159,080 | |
| TOTAL EXPENSES-MONETARY | \$ 739,095 | \$ 525,769 | \$ 131,908 | \$ 246,216 | \$ 71,764 | \$ 906,879 | \$ 2,621,631 | \$ 287,047 | \$ 536,519 | \$ 823,566 | \$ 3,445,197 | |
| Operating Expenses - In-Kind | | | | | | | | | | | | |
| Cost of Donated Food Disbursed | \$ 792,169 | \$ 292,994 | \$ - | \$ - | \$ - | \$ - | \$ 1,085,163 | \$ - | \$ - | \$ - | \$ 1,085,163 | |
| Cost of Sales-Thrift, Rag, Vehicles and Equipment Rental | - | - | - | - | - | 1,024,513 | 1,024,513 | - | - | - | 1,024,513 | |
| TOTAL EXPENSES - IN-KIND | \$ 792,169 | \$ 292,994 | \$ - | \$ - | \$ - | \$ 1,024,513 | \$ 2,109,676 | \$ - | \$ - | \$ - | \$ 2,109,676 | |
| Total Expenses | \$ 1,531,264 | \$ 818,763 | \$ 131,908 | \$ 246,216 | \$ 71,764 | \$ 1,931,392 | \$ 4,731,307 | \$ 287,047 | \$ 536,519 | \$ 823,566 | \$ 5,554,873 | |
| Percent of Total of all Functions | 27.57% | 14.74% | 2.37% | 4.43% | 1.29% | 34.77% | 85.17% | 5.17% | 9.66% | 14.83% | 100.00% | |

See accompanying notes to financial statements and independent auditors' report

REDWOOD GOSPEL MISSIONS, INC.
Statement of Functional Expenses
For the year ended September 30, 2015

| | Program Services | | | | | | | | | | Supporting Services | | | Total all Functions |
|--|---------------------|--------------------|-------------------|---------------------|------------------|---------------------|------------------------|-------------------|-------------------|-------------------|---------------------|-------------|-------------|---------------------|
| | Downtown Mission | Women's Ministries | Mobile Ministries | Outreach Ministries | Davis Street | Thrift Store | Total Program Services | General & Admin | Fundraising | Total Supporting | 9/30/15 | | | |
| | | | | | | | | | | | | | | |
| Operating Expenses - Monetary | | | | | | | | | | | | | | |
| Auto | \$ 31,917 | \$ 18,784 | \$ 2,685 | \$ 10 | \$ - | \$ 34,428 | \$ 87,824 | \$ 3,943 | \$ 2,417 | \$ 6,360 | \$ 94,184 | \$ - | \$ - | |
| Depreciation and Amortization | 22,794 | 16,225 | - | - | 8,407 | 57,075 | 104,501 | 19,025 | - | 19,025 | 123,526 | - | - | |
| Repair of Donated Vehicles | - | - | - | - | - | 700 | 700 | - | - | - | 700 | - | - | |
| Program Expenses | 26,133 | 1,792 | 2,725 | - | - | - | 30,650 | - | - | - | 30,650 | - | - | |
| Special Events | 100 | - | - | 25,893 | - | - | 25,993 | - | 7,256 | 7,256 | 30,650 | - | - | |
| Dues & Subscriptions | 816 | 741 | - | 746 | - | 940 | 3,243 | 2,606 | 1,516 | 4,122 | 33,249 | - | - | |
| Employee Education | - | 1,937 | - | - | - | - | 1,937 | - | - | - | 1,937 | - | - | |
| Equipment Purchases | 3,913 | 2,348 | 648 | 571 | 96 | 2,961 | 10,537 | 33 | 1,109 | 1,142 | 11,679 | - | - | |
| Equipment Rental | 163 | 313 | - | 1,041 | - | - | 1,517 | 6,202 | 3,337 | 9,539 | 11,056 | - | - | |
| Employee Benefits | 44,627 | 49,346 | 118 | 26,457 | - | 47,951 | 168,499 | 10,065 | 31,681 | 41,746 | 210,245 | - | - | |
| Food Expenses | 4,855 | 4,714 | 1,190 | 17,476 | - | 139 | 28,374 | 156 | 4,625 | 4,781 | 33,155 | - | - | |
| Insurance | 9,433 | 7,749 | - | 253 | 3,011 | 14,106 | 34,552 | - | 105 | 105 | 34,657 | - | - | |
| Interest, Penalties & Bank Charges | 139 | 13,338 | - | 115 | 19,829 | 187,729 | 221,150 | 80,462 | 511 | 80,973 | 302,123 | - | - | |
| Consulting | 6,000 | 24,911 | - | - | - | - | 30,911 | - | 4,612 | 4,612 | 35,523 | - | - | |
| Publication Design | - | - | - | - | - | - | - | - | 46,850 | 46,850 | 46,850 | - | - | |
| Operational Supplies | 30,259 | 13,665 | 4,011 | 3,316 | - | 8,589 | 59,840 | 1,352 | 5,615 | 6,967 | 66,807 | - | - | |
| Legal & Accounting | - | - | - | - | - | - | - | 21,300 | - | 21,300 | 21,300 | - | - | |
| Merchant Fees | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Office & Computer Supplies | 1,947 | 2,199 | 52 | 268 | - | 274 | 4,740 | 2,514 | 9,316 | 9,316 | 19,969 | - | - | |
| Rent | - | 28,800 | - | 2,005 | - | - | 30,805 | - | 1,013 | 3,527 | 8,267 | - | - | |
| Housing & Allowances | - | - | - | 17,550 | - | - | 17,550 | 8,775 | 8,775 | 17,550 | 35,100 | - | - | |
| Retirement-Employer Contribution | 4,458 | 929 | - | 3,446 | - | 1,704 | 10,537 | 2,048 | 4,117 | 6,165 | 16,702 | - | - | |
| Workers Compensation | 19,766 | 25,119 | 3,238 | 1,008 | - | 15,587 | 64,718 | 793 | 941 | 1,734 | 66,452 | - | - | |
| Promotional Expense | - | - | - | (203) | - | 60,096 | 59,893 | 2,184 | 57,915 | 60,099 | 119,992 | - | - | |
| Printing & Postage | 260 | 240 | - | - | - | 1,434 | 1,934 | 8 | 110,036 | 110,044 | 111,978 | - | - | |
| Repairs & Maintenance | 34,169 | 15,194 | - | 3,045 | 3,042 | 8,530 | 63,980 | 4,358 | 13,451 | 17,809 | 81,789 | - | - | |
| Salaries | 313,314 | 342,690 | 43,538 | 125,722 | - | 359,711 | 1,184,975 | 56,027 | 132,152 | 188,179 | 1,373,154 | - | - | |
| Taxes & Licenses | 2,205 | 315 | - | - | 333 | 402 | 3,255 | 83 | 95 | 178 | 3,433 | - | - | |
| Payroll Service Expenses | - | - | - | - | - | - | - | 4,519 | - | 4,519 | 4,519 | - | - | |
| Employer Payroll Taxes | 19,452 | 24,028 | 3,239 | 8,263 | - | 26,639 | 81,621 | 6,121 | 11,317 | 17,438 | 99,059 | - | - | |
| Property Taxes | 113 | 4,198 | - | - | 77 | 7,328 | 11,716 | 143 | - | 143 | 11,859 | - | - | |
| Telephone and Website | 4,885 | 5,905 | 72 | 2,919 | - | 3,048 | 16,829 | 5,719 | 14,238 | 19,957 | 36,786 | - | - | |
| Meetings, Seminars & Travel | 3,998 | 7,886 | 253 | 2,180 | - | 2,205 | 16,522 | 1,770 | 6,611 | 8,381 | 24,903 | - | - | |
| Utilities | 83,228 | 23,510 | - | - | 5,877 | 28,960 | 141,575 | 4,602 | - | 4,602 | 146,177 | - | - | |
| TOTAL EXPENSES-MONETARY | \$ 668,944 | \$ 636,876 | \$ 61,769 | \$ 242,081 | \$ 40,672 | \$ 881,189 | \$ 2,531,531 | \$ 244,808 | \$ 479,611 | \$ 724,419 | \$ 3,255,950 | \$ - | \$ - | |
| Operating Expenses - In-Kind | | | | | | | | | | | | | | |
| Cost of Donated Food Disbursed | \$ 697,464 | \$ 257,966 | \$ - | \$ - | \$ - | \$ - | \$ 955,430 | \$ - | \$ - | \$ - | \$ 955,430 | \$ - | \$ - | |
| Cost of Sales-Thrift, Rag, Vehicles and Equipment Rental | - | - | - | - | - | 1,045,118 | 1,045,118 | - | - | - | 1,045,118 | - | - | |
| TOTAL EXPENSES - IN-KIND | \$ 697,464 | \$ 257,966 | \$ - | \$ - | \$ - | \$ 1,045,118 | \$ 2,000,548 | \$ - | \$ - | \$ - | \$ 2,000,548 | \$ - | \$ - | |
| Total Expenses | \$ 1,366,408 | \$ 894,842 | \$ 61,769 | \$ 242,081 | \$ 40,672 | \$ 1,926,307 | \$ 4,532,079 | \$ 244,808 | \$ 479,611 | \$ 724,419 | \$ 5,256,498 | \$ - | \$ - | |
| Percent of Total of all Functions | | | | | | | | | | | | | | |

See accompanying notes to financial statements and independent auditors' report

REDWOOD GOSPEL MISSION, INC.
 Statements of Cash Flows
 For the years ended September 30, 2016 and 2015

| | 2016 | 2015 |
|--|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in Net Assets | \$ 368,908 | \$ (3,908) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Subtract Non Cash Income | (2,121,582) | (2,018,093) |
| Add Back Non Cash Expenses | 2,109,680 | 2,000,548 |
| Depreciation and Amortization | 130,891 | 123,526 |
| (Gains) Losses on Sales of Fixed Assets | (158,786) | 1,603 |
| Contributions Restricted for Long-Term Purposes | (42,901) | (112,740) |
| Decrease (Increase) in Operating Assets: | | |
| Accounts Receivable | (2,379) | - |
| Inventory | (152) | - |
| Prepaid Expenses | 34,908 | 9,234 |
| Deposits | 95,134 | (43,972) |
| Increase (Decrease) in Operating Liabilities: | | |
| Accounts Payable | (71,352) | 90,556 |
| Accrued Liabilities | 16,734 | 7,275 |
| | 359,103 | 54,029 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from Sale of Investments | 648,845 | 9,471 |
| Purchase of fixed Assets | (81,594) | (110,611) |
| Proceeds from Sales of Fixed Assets | 8,912 | 400 |
| | 576,163 | (100,740) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Collections of contributions restricted for long-term purposes: | | |
| Rose Home Expansion | 42,901 | 112,740 |
| Loan Fee - Note Payable | - | (555) |
| Proceeds from Long Term Note Payable | - | 35,000 |
| (Decrease) in Mortgages Payable- Property | (600,122) | (70,992) |
| (Decrease) in Note Payable | (17,085) | (1,395) |
| | (574,306) | 74,798 |
| NET INCREASE IN CASH | 360,960 | 28,087 |
| CASH AT BEGINNING OF YEAR | 105,484 | 77,397 |
| CASH AT END OF YEAR - See Note 4 | \$ 466,444 | \$ 105,484 |

See accompanying notes to financial statements and independent auditors' report

REDWOOD GOSPEL MISSION, INC.

Notes to Financial Statements

September 30, 2016

(1) Organization and Operations

General

The Redwood Gospel Mission, Inc. (the Mission) is a California nonprofit religious corporation. The Mission is exempt from Federal and California income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Mission's Federal Return of Organization Exempt from Income Tax (Form 990) and California Exempt Organization Annual Information Return (Form 199) for 2012, 2013, and 2014 are subject to examination by the IRS and California Franchise Tax Board.

The Mission is dedicated to helping the homeless and rejected of Sonoma County, CA, and operates a downtown facility in Santa Rosa which provides on a limited basis a clean bed, shower, hot meal, and loving Christian influence to people coming off the streets. When life-changing decisions are made, the individual may be enrolled in a work-training program.

The Mission operates two homes for women, both of which are located in Santa Rosa: Manna Home and Rose Home. Rose Home is a short-term housing facility for homeless women and their children, and Manna Home is a long-term residential treatment facility for women with substance abuse problems.

In 2016 an additional New Life Program Certification program began with the addition of Coffee Roasting and Sales. Managed by an RGM staff member, this program trains men and women in the New Life Program to roast coffee in quantity. Churches and individuals support this program by purchasing the roasted coffee.

In addition, the Mission conducts various outreach events each year including a Thanksgiving and Christmas feast and food and toy distribution, a summer picnic and school supply distribution, and a birthday party for the homeless. These events benefit homeless and underprivileged men, women, and children.

The Mission relies on donations from individuals, businesses and churches. The Mission operates a thrift store which sells donated clothing and household items to the general public. The thrift store provides jobs for men and women in the work-training program.

(2) Summary of Significant Accounting Procedures

The significant accounting policies of the Mission are as follows:

Basis of Presentation

The financial statements of the Mission are presented on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles (GAAP).

REDWOOD GOSPEL MISSION, INC.

Notes to Financial Statements

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GAAP requires not-for-profit organizations to classify net assets, revenues, gains, and other support and expenses based on the existence or absence of donor-imposed restrictions. Unrestricted net assets and contributions are those that are not subject to donor-imposed restrictions, or are received with restrictions that are satisfied in the same reporting period.

Temporarily restricted net assets and contributions are subject to legal or donor-imposed restrictions that will be satisfied either by actions of the Mission, the passage of time, or both. Once restrictions are satisfied, those temporarily restricted net assets are released from restrictions and reclassified to unrestricted net assets. On the Statement of Activities, such assets are reported as net assets released from restrictions. See Note 9 for information regarding the Mission's temporarily restricted net assets.

In accordance with GAAP, expenses are reported as decreases in unrestricted net assets.

Comparative Financial Information

The financial statements include 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 U.S. GAAP. Accordingly, such information should be read in conjunction with the Mission's audited financial statements for the year ended September 30, 2015, from which the information was derived.

Cash and Cash Equivalents

Cash and cash equivalents include cash held in checking and money market accounts and all highly liquid investments with original maturities of three months or less.

Fair Value Measurements

The investment in stock, thrift and rag inventory, and donate fixed assets are presented in the statement of financial position at fair value.

Fair value means the price that would be received to sell an asset or paid to transfer a liability between market participants in the principal market or in the most advantageous market when no principal market exists. Since considerable judgement may be required in interpreting market data used to develop fair value estimates, disclosures must distinguish which level, from the following hierarchy, the measurement inputs were taken:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

REDWOOD GOSPEL MISSION, INC.

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Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; 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 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Mission's value for inventory of \$80,981 and \$80,829 at September 30, 2016 and 2015, respectively, is from Level 2. The Mission uses the past year's average selling price of one month's worth of inventory, calculated from actual sales records, to determine the value of inventory at year end. Management has determined that there is approximately 30 days' worth of inventory on hand for sale at any given time.

As of September 30, 2016 and 2015, respectively, the Mission has a gross balance of \$87,381 and \$85,201 in donated fixed assets, with accumulated depreciation of \$28,149 and \$26,811, respectively, resulting in a net book value of \$59,232 and \$58,390 as of September 30, 2016 and 2015, respectively. The donated value is from Level 2, and is based on donor-provided asset prices.

Fixed Assets

Land, buildings, improvements, vehicles and equipment additions over \$500 are stated at cost at date of acquisition, or fair value at date of donation in the case of gifts. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets with no salvage value. Estimated useful lives of assets are as follows:

| | |
|-----------------------|--------------|
| Buildings | 50 years |
| Property Improvements | 5 – 20 years |
| Furniture & Fixtures | 5 – 10 years |
| Office Equipment | 5 – 10 years |
| Computer Hardware | 5 years |
| Computer Software | 3 years |
| Vehicles | 5 years |

Replacements, maintenance and repairs which do not extend the life of the asset are expensed in the current period. No time restrictions have been implied on the contributions of long-lived assets.

REDWOOD GOSPEL MISSION, INC.

Notes to Financial Statements

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Deposits

Included in Deposits as of September 30, 2016 and 2015 respectively, are \$0 and \$95,884 of payment made relating to the pending purchase of land on Roberts Road in Santa Rosa. In 2016 the pending purchase was canceled and \$87,339 in deposits were expensed under the line item "Roberts Road Expenses" in the Statement of Functional Expenses.

Contributions

Contributions are reported as increases in unrestricted net assets unless the use of those assets is limited by donor-imposed restrictions. Contributions received and investment gains and income, for which the restriction is satisfied in the same reporting period, are classed to unrestricted net assets. No time restrictions have been implied on contributions of cash restricted to purchasing long-lived assets. The Mission does not receive advance notice of contributions and thus does not record contribution revenue until money or items are received.

The Mission receives substantial amounts of donated food for use in its programs. The donated food is valued by either the wholesale prices provided by the donors, or by using a formula based on food industry data to adjust donors' retail prices to wholesale prices.

Unpaid volunteers have made significant contributions of their time to the Mission's programs, however, because the services do not require specialized skills, the value of donated volunteer time has not been recorded in these financial statements in accordance with GAAP.

Functional Expense Allocation

The cost of providing the various programs and supporting services has been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Food expense is allocated per program based upon number of meals served. Key employees' salary expense is allocated based on percentage of time worked per program.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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, expenses, gains, and losses during the reporting period. Actual results could differ from those estimates.

REDWOOD GOSPEL MISSION, INC.

Notes to Financial Statements

September 30, 2016

(3) Coffee Program

| | <u>2016</u> | <u>2015</u> |
|-------------------------------|-----------------|-------------|
| Coffee Sales Revenue | \$ 17,694 | \$ - |
| Cost of Sales | <u>8,860</u> | <u>-</u> |
| Net Revenue from Coffee Sales | <u>\$ 8,834</u> | <u>\$ -</u> |

(4) Investment Income

| | <u>2016</u> | <u>2015</u> |
|-----------|-------------|-----------------|
| Interest | \$ 2 | \$ 2 |
| Dividends | <u>-</u> | <u>1,076</u> |
| | <u>\$ 2</u> | <u>\$ 1,078</u> |

(5) Cash and Restricted Cash

| | <u>2016</u> | <u>2015</u> |
|---|-------------------|-------------------|
| Cash – Current Assets | \$ 381,698 | \$ 17,651 |
| Cash Restricted for Capital Acquisition – Rose Home | <u>84,746</u> | <u>87,833</u> |
| Total Cash per Statement of Cash Flows | <u>\$ 466,444</u> | <u>\$ 105,484</u> |

(6) Inventory

| | <u>2016</u> | <u>2015</u> |
|-----------------------------|------------------|------------------|
| Thrift Store Inventory | \$ 76,120 | \$ 74,395 |
| Rag and Recycling Inventory | <u>4,861</u> | <u>6,434</u> |
| | <u>\$ 80,981</u> | <u>\$ 80,829</u> |

REDWOOD GOSPEL MISSION, INC.

Notes to Financial Statements

September 30, 2016

(7) Property, Plant & Equipment

| | | 2016 | | |
|--|---------------------|---------------------|---------------------|-----------------|
| | | Less Reserve | | |
| | | for | | Net Book |
| <u>By Category</u> | <u>Totals</u> | <u>Depreciation</u> | <u>Value</u> | |
| Land | \$ 1,358,862 | \$ - | \$ 1,358,862 | |
| Buildings | 3,093,055 | 654,324 | 2,438,731 | |
| Property Improvements | 412,743 | 244,836 | 167,907 | |
| Furniture & Fixtures | 152,108 | 94,622 | 57,486 | |
| Office Equipment | 29,787 | 19,497 | 10,288 | |
| Computer Hardware | 32,779 | 22,488 | 10,291 | |
| Computer Software | 27,113 | 26,717 | 396 | |
| Vehicles | 147,114 | 69,744 | 77,370 | |
| Construction in Progress – Rose Home Expansion | <u>5,442</u> | <u>-</u> | <u>5,442</u> | |
| | <u>\$ 5,259,003</u> | <u>\$ 1,132,230</u> | <u>\$ 4,126,773</u> | |
| Depreciation expenses for the year ended September 30, 2016: | | | <u>\$ 130,891</u> | |

| | | 2015 | | |
|--|---------------------|---------------------|---------------------|-----------------|
| | | Less Reserve | | |
| | | for | | Net Book |
| <u>By Category</u> | <u>Totals</u> | <u>Depreciation</u> | <u>Value</u> | |
| Land | \$ 1,530,955 | \$ - | \$ 1,530,955 | |
| Buildings | 3,494,604 | 690,843 | 2,803,761 | |
| Property Improvements | 395,957 | 211,737 | 184,220 | |
| Furniture & Fixtures | 181,029 | 112,035 | 68,994 | |
| Office Equipment | 33,889 | 32,970 | 919 | |
| Computer Hardware | 30,512 | 18,437 | 12,075 | |
| Computer Software | 27,113 | 21,990 | 5,123 | |
| Vehicles | 127,540 | 82,915 | 44,625 | |
| Construction in Progress – Rose Home Expansion | <u>8,456</u> | <u>-</u> | <u>8,456</u> | |
| | <u>\$ 5,830,055</u> | <u>\$ 1,170,927</u> | <u>\$ 4,659,128</u> | |
| Depreciation expenses for the year ended September 30, 2016: | | | <u>\$ 123,526</u> | |

REDWOOD GOSPEL MISSION, INC.

Notes to Financial Statements

September 30, 2016

(8) Mortgages Payable

| | <u>Interest Rate</u> | <u>Long-Term Balance</u> |
|-----------------------------------|----------------------|--------------------------|
| a. Westamerica Bank | 6.50% | \$ 175,862 |
| b. 1 st Community Bank | 7.75% | 2,664,907 |
| c. 1 st Community Bank | 7.75% | 442,783 |
| | | <u>\$ 3,283,552</u> |

a. This loan is secured by the Mission building, which has a book value of \$138,682 at September 30, 2016. The maturity date of this loan is 8/1/19.

b. This loan is secured by the Piner Road thrift store and office as a first mortgage. The Piner Road building as a book value of \$3,491,606 at September 30, 2016. The maturity date of this loan is 11/20/22.

c. This loan is secured by the Mission building, which has a book value of \$138,682 at September 30, 2015. The maturity date of this loan is 8/10/18.

Long-term Debt Maturities Over Next 5 Years:

| | |
|------------|---------------------|
| 09/30/2017 | 63,768 |
| 09/30/2018 | 497,419 |
| 09/30/2019 | 224,521 |
| 09/30/2020 | 64,819 |
| 09/30/2021 | 70,024 |
| Thereafter | 2,363,001 |
| | <u>\$ 3,283,552</u> |

(9) Note Payable

| | <u>Interest Rate</u> | <u>Current Balance</u> |
|-----------------------------------|----------------------|------------------------|
| a. 1 st Community Bank | 5.5% | \$ 16,520 |

a. This loan is secured by a Penske truck which has a book value of \$28,475 at September 30, 2015. The maturity date of this loan is August 1, 2017.

Long-term Debt Maturities Over Next 5 Years:

| | |
|------------|------------------|
| 09/30/2017 | \$ 16,520 |
| | <u>\$ 16,520</u> |

REDWOOD GOSPEL MISSION, INC.

Notes to Financial Statements

September 30, 2016

(10) Net Assets

Unrestricted Net Assets

| | 2016 | 2015 |
|---|--------------|------------|
| Designated by Management for Men's Programs | \$ 15,867 | \$ 9,165 |
| Undesignated | 1,106,089 | 740,796 |
| Total Undesignated Net Assets | \$ 1,121,956 | \$ 749,961 |

Temporarily Restricted Net Assets

| | 2016 | 2015 |
|---|-----------|-----------|
| Rose Home Expansion – Capital Acquisition | \$ 84,746 | \$ 87,833 |
| Program Expenses – Windsor City Kids | - | - |
| Total Temporarily Restricted Net Assets | \$ 84,746 | \$ 87,833 |

(11) Operating Leases

| | <u>Ending Date</u> | <u>Monthly Payment</u> | <u>Paid</u> | <u>Remaining</u> |
|--|--------------------|------------------------|-------------|------------------|
| Copy Machines, 60 month term | 2/1/2020 | \$ 446 | \$ 5,352 | \$ 23,636 |
| Neopost Postage Machine, 69 moth term | 10/20/2017 | 119 | 5,238 | 2,973 |
| | | \$ 565 | \$ 10,590 | \$ 26,609 |

Lease Payments Remaining

| | |
|-----------|-----------|
| 9/30/2016 | 6,781 |
| 9/30/2017 | 6,781 |
| 9/30/2018 | 5,465 |
| 9/30/2019 | 5,352 |
| 9/30/2020 | 2,227 |
| | \$ 26,609 |

Total rent charged to expense for operating leases in excess of one year for the years ended September 30, 2016 and 2015 was \$7,918 and \$20,586, respectively.

REDWOOD GOSPEL MISSION, INC.

Notes to Financial Statements

September 30, 2016

(12) Supplemental Cash Flow Information

The Mission received \$2,826 and \$1,910 worth of donated equipment and furniture during the years ended September 30, 2016 and 2015, respectively, which were capitalized as part of the Mission's property. The Mission also received \$8,520 and \$12,733 worth of donated photocopier rental expense during the years ended September 30, 2016 and 2015, respectively, which is included under the in-kind transactions on the Statement of Activities and Statement of Functional Expenses.

Total interest paid and charged to expenses for the year ended September 30, 2016 was \$304,368. The amount of interest paid for the year ended September 30, 2015 was \$302,123.

(13) Advertising Costs

The Mission incurs both direct – and nondirect-response advertising costs. The Mission does not capitalize any of its advertising costs. All advertising costs are expensed as incurred. There was a total of \$122,488 and \$119,992 in advertising costs charged to expense for the years ended September 30, 2016 and 2015, respectively, titled "Promotional Expense" in the Statement of Functional Expenses.

(14) Retirement Plan

The Mission operates a SIMPLE defined contribution retirement plan for the benefit of its employees. The Mission matches employee contributions up to 3% of payroll and is current on its matching contributions.

(15) Subsequent Events

Management has evaluated subsequent events through April 1, 2016, the date the financial statements were available to be issued.