

Redwood Gospel Mission

(a California Not-for-Profit Corporation)

**Financial Statements
For the Year Ended September 30, 2021**

Together with Independent Auditors' Report

Redwood Gospel Mission

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Independent Auditors' Report

To the Board of Directors of
Redwood Gospel Mission
Santa Rosa, California

Opinion

We have audited the financial statements of Redwood Gospel Mission, which comprise the statement of financial position as of September 30, 2021, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Redwood Gospel Mission as of September 30, 2021, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Redwood Gospel Mission's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Redwood Gospel Mission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Redwood Gospel Mission's ability to continue as a going concern for a reasonable period of time.

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

Dillwood Burkell & Millar, LLP

Santa Rosa, California
March 15, 2022

Redwood Gospel Mission

Statement of Financial Position

As of September 30, 2021

Assets

Current assets

Cash and cash equivalents	\$ 1,825,742
Accounts receivable	7,073
Inventory-Thrift Store and Rag and Recycling	142,581
Prepaid expenses	<u>60,137</u>

Total current assets 2,035,533

Restricted cash and cash equivalents

523,995

Property and equipment, net

4,318,185

Investments

4,202,019

Deposits

10,500

Total assets \$ 11,090,232

Liabilities and net assets

Current liabilities

Accounts payable and accrued expenses	\$ 325,950
Current portion of notes payable, net of loan fees	<u>189,309</u>

Total current liabilities 515,259

Notes payable, net of current portion and loan fees

1,549,230

Total liabilities 2,064,489

Net assets

Without donor restrictions	4,299,729
With donor restrictions	<u>4,726,014</u>

Total net assets 9,025,743

Total liabilities and net assets \$ 11,090,232

See accompanying Notes to Financial Statements

Redwood Gospel Mission

Statement of Activities and Changes in Net Assets For the Year Ended September 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Donations and contributions	\$ 3,594,747	\$ 200,000	\$ 3,794,747
Non-cash donations	3,546,328	-	3,546,328
Grant income	80,998	-	80,998
Thrift store sales, net	30,187	-	30,187
Program fees, net	341,458	-	341,458
Events income	154,842	-	154,842
Investment income, net	5,406	1,827	7,233
Loss from sale of endowment property	-	(831,211)	(831,211)
Net assets released from restrictions	42,896	(42,896)	-
Total support and revenue	7,796,862	(672,280)	7,124,582
Expenses			
Program services	4,838,483	-	4,838,483
Management and general	305,885	-	305,885
Fundraising	723,087	-	723,087
Total expenses	5,867,455	-	5,867,455
Changes in net assets	1,929,407	(672,280)	1,257,127
Net assets, beginning of year, restated	2,370,322	5,398,294	7,768,616
Net assets, end of year	\$ 4,299,729	\$ 4,726,014	\$ 9,025,743

See accompanying Notes to Financial Statements

Redwood Gospel Mission

Statement of Functional Expenses

For the Year Ended September 30, 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 1,834,511	\$ 185,358	\$ 252,459	\$ 2,272,328
Food expense	1,698,348	-	189	1,698,537
Employee benefits	218,929	13,369	21,090	253,388
Depreciation	192,241	-	-	192,241
Professional fees	12,000	35,651	143,635	191,286
Postage and printing	4,432	162	161,375	165,969
Payroll taxes	125,639	20,306	17,118	163,063
Occupancy	155,816	-	-	155,816
Auto expense	96,287	-	-	96,287
Information technology	50,149	4,256	36,317	90,722
Interest expense	63,129	21,043	-	84,172
Repairs and maintenance	68,050	3,399	7,289	78,738
Program expense	77,971	-	-	77,971
Promotional expense	19,471	-	47,303	66,774
Supplies	52,019	2,494	891	55,404
Bank fees	25,569	2,198	26,786	54,553
Insurance	48,968	4,500	-	53,468
Equipment	31,803	4,580	645	37,028
Taxes, licenses and fees	31,598	212	-	31,810
Meetings and travel	15,745	3,603	5,714	25,062
Employee development	15,171	746	1,686	17,603
Dues and subscriptions	460	3,626	30	4,116
Other operating expenses	177	382	560	1,119
Total expenses	<u>\$ 4,838,483</u>	<u>\$ 305,885</u>	<u>\$ 723,087</u>	<u>\$ 5,867,455</u>

See accompanying Notes to Financial Statements

Redwood Gospel Mission

Statement of Cash Flows

For the Year Ended September 30, 2021

	<i>Increase (decrease) in cash and cash equivalents</i>
Cash flows from operating activities	
Changes in net assets	\$ 1,257,127
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	192,241
Amortization of loan fees	725
Realized and unrealized investment gains	2,227
Stock donations	(125,205)
Loss on disposal of property	600,000
Increase in operating assets	
Receivables	(4,383)
Inventory	(40,976)
Prepaid expenses	(34,037)
Deposits	(10,500)
Increase in operating liabilities	
Accounts payable and accrued expenses	22,487
Net cash provided by operating activities	<u>1,859,706</u>
Cash flows from investing activities	
Purchases of investments	(4,204,246)
Proceeds from sale of donated stocks	125,205
Proceeds from sale of endowment property	4,500,000
Acquisition of property and equipment	(8,126)
Net cash provided by investing activities	<u>412,833</u>
Cash flows from financing activities	
Principal payments on long term debt	<u>(1,154,935)</u>
Net cash used in financing activities	<u>(1,154,935)</u>
Net increase in cash and cash equivalents	1,117,604
Cash and cash equivalents, beginning of year	<u>1,232,133</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,349,737</u></u>
Unrestricted cash and cash equivalents	\$ 1,825,742
Restricted cash and cash equivalents	523,995
Total cash and cash equivalents	<u><u>\$ 2,349,737</u></u>

See accompanying Notes to Financial Statements

Redwood Gospel Mission

Notes to Financial Statements

For the Year Ended September 30, 2021

Note 1. Nature of Activities

The Redwood Gospel Mission (the "Mission") is a California nonprofit religious corporation (filed as Redwood Gospel Missions, Inc.). The Mission is dedicated to helping the "least, last and lost" of Sonoma County, offering shelter and drug or alcohol recovery services 365 days a year.

The Mission operates a downtown Santa Rosa facility for men and another Santa Rosa facility for women. Both of these facilities offer, on a limited basis, a clean bed, shower, hot meal(s), and loving Christian influence to individuals with no resources. Whether coming off the streets, from the county jail or by another referral source, individuals may choose to be enrolled in a 10 to 18 month "New Life" recovery program at no cost.

As individuals become stable and ready to reintegrate into society, the Mission offers a number of work certification programs or job search support. Each individual within the recovery program is assigned a mentor and coach who assist the individual in finding the right work environment for him/her.

The New Life Program Certification programs currently being offered by the Mission include Coffee Roasting and Sales, Forklift Operation, Food Services/Catering and Retail Management. Each of these programs is managed by a staff member from the Mission. These programs are also supported by the sale of coffee, catering and thrift store sales.

The Mission also conducts a number of outreach events each year including a Thanksgiving feast at the Sonoma County Fairgrounds, a Christmas & Easter outreach, a birthday party for the homeless and a large picnic and school supply distribution in the summer months. These events benefit homeless and underprivileged men, women, and children.

Besides the small amount of income from the certification programs, the Mission relies on donations from individuals, businesses and churches to fulfill the annual budget. The Mission also operates a Thrift store selling clothing, household goods & furniture to the general public. The proceeds from the store serve to support the Mission's programs.

In addition, a family assistance program exists to offer both spiritual & emotional support to individuals who may also have physical needs which can be provided free of charge by the Thrift Store. After the 2017 Sonoma County Fires, the Mission offered, and continues to offer services to fire victims. The Mission is partnering with a number of local churches to provide a fund for ongoing support to fire victims.

Redwood Gospel Mission

Notes to Financial Statements

For the Year Ended September 30, 2021

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Mission and changes therein are classified and reported as follows:

Net assets without donor restrictions – revenues without donor restrictions include unconditional promises to give by donors without any use or time restrictions. Investment earnings are recorded as unrestricted net assets for certain restricted funds in accordance with donor stipulations. Net assets without donor restrictions are available for all operations conducted by the Mission.

Net assets with donor restrictions - revenues with donor restrictions include unconditional promises to give by donors that specify a specific use or the occurrence of a certain future event. When a restriction is met, net assets with donor restriction are reclassified to unrestricted net assets and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions. Revenues with donor restriction also include unconditional promises to give by donors that specify that the assets donated be maintained to provide a permanent source of income. If the donor does not restrict the allowed use of the income, the Mission may determine the income's availability to Mission's operations.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions based on management's knowledge and experience. Those estimates affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenue, support and expenses. The use of management's estimates primarily relate to the valuation of the year end Thrift Store inventory, collectability of contributions and other receivables, and depreciable lives of property, equipment and improvements. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Mission considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, except when a restriction is imposed, which limits the investment's use to long-term. Cash is held in demand accounts at banks, and cash balances may exceed the federally insured amounts during the year. The Mission has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. Cash and cash equivalents include only funds that are not restricted by the donor.

Redwood Gospel Mission

Notes to Financial Statements

For the Year Ended September 30, 2021

Note 2. Summary of Significant Accounting Policies, *continued*

Cash and Cash Equivalents, *continued*

As of September 30, 2021, the Mission held cash and cash equivalents due to donor restrictions placed on the assets. Such restricted cash and cash equivalents are reported as non-current assets on the Statement of Financial Position.

At various times during the year ended September 30, 2021, the Mission had deposit amounts with a financial institution in excess of the \$250,000 Federal Deposit Insurance Corporation ("FDIC") insurance limit. It had approximately \$1,589,000 on deposit in excess of the FDIC insured amount at September 30, 2021.

Accounts Receivable

Accounts receivable are monies due from various agencies for services performed. The Mission uses the allowance method to reserve for uncollectable accounts. Management periodically evaluates the allowance. As of September 30, 2021, Management believes all accounts receivable balance were collectable.

Investments

Investments, which include equity securities, fixed income securities, government securities and certificates of deposit (CDs) are carried at fair value. Donated investments are recorded at their fair value at the date of donation. Unrealized gains and losses are included in the Statement of Activities and Changes in Net Assets.

Realized and unrealized gains and losses are reflected as an increase or decrease in the unrestricted class of net assets, unless donors place restrictions on the manner of use of such gains and losses. Investment earnings restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met in the reporting period in which the earnings are recognized.

Fair Value Measurements

The Mission's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by accounting standards for fair value measurements. Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Redwood Gospel Mission

Notes to Financial Statements

For the Year Ended September 30, 2021

Note 2. Summary of Significant Accounting Policies, *continued*

Fair Value Measurements, *continued*

- Level 1:* Valuation based on quoted market prices in active markets for identical assets or liabilities that the Mission has the ability to access.
- Level 2:* Valuation based on pricing inputs that are other than quoted prices in active markets which are either directly or indirectly observable.
- Level 3:* Valuation derived from other valuation methodologies, including pricing models, discounted cash flow models, and similar techniques.

The categorization of an investment within the hierarchy is based on the pricing transparency of the investment and does not necessarily correspond to the Mission's perceived risk of that investment.

At September 30, 2021, all of the Mission's investments were considered to be Level 1 investments.

Inventory

Inventory consists primarily of donated thrift store items. The Mission uses the average of past 12 months selling price of one month worth of inventory, calculated from the actual sales records, to determine the value of the year-end inventory. Management has determined that there is approximately 30 days of inventory on hand for sale at any given time.

Property and Equipment

Property and equipment are stated at cost. It is the Mission's policy to capitalize all expenditures for property and equipment costing \$5,000 or more in the Statement of Financial Position. Depreciation is computed using the straight line method over the lesser of the estimated useful lives of the assets or the capital lease period. The lives usually range from 5 to 40 years. Ongoing repair and maintenance expenses are recognized as current period expenses on the Statement of Activities and Changes in Net Assets.

Donated property and equipment are recorded at fair value at the date of donation. In the absence of donor stipulations, all contributions of property and equipment are recorded as unrestricted support and depreciated over the assets' estimated useful lives. Contributions of personal property are recorded at fair value which is both measurable and objective. Long-lived 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. Unless otherwise stated by the donor, the Mission releases restrictions when the donated or acquired assets are placed in service.

Redwood Gospel Mission

Notes to Financial Statements

For the Year Ended September 30, 2021

Note 2. Summary of Significant Accounting Policies, *continued*

Revenue Recognition

Revenues and expenses from the Mission's various New Life program fees and other services are recognized as they are earned or incurred. The Mission's retail revenue is recognized upon the sale of donated inventory. Special event revenue and expenses are recognized in the year that the event occurs. Rental income is recognized in the period earned per the lease agreement.

Grants that are not considered exchange transactions are recognized in the period received. Conditional grants and contributions, with a barrier and right of return, are not recognized until the conditions on which they depend are substantially met or explicitly waived by the donor. For the year ended September 30, 2021, the total of \$50,998 payroll tax credits received through various COVID-19 pandemic relief measures was reported as grant revenue on the Statement of Activities and Changes to Net Assets.

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Mission reports gifts and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Contributions whose donor-imposed restrictions are fulfilled or expire within the same reporting period are reported as contributions without donor restrictions in the Statement of Activities and Changes in Net Assets.

The Mission receives substantial amounts of donated materials and equipment consisting primarily from the items donated for the Thrift Store and food donated for various programs. The donated inventory is recognized as contribution revenue at the price sold. The food donations are reflected as contributions in the accompanying statements at their estimated fair value at date of receipt. During the year ended September 30, 2021, the Mission received \$3,546,328 of in-kind donations.

Contributions of donated services are recognized at fair value in the year received if they meet all three of the following criteria: 1) services create or enhance non-financial assets or that require specialized skills, 2) services are provided by individuals possessing those skills, and 3) services would typically need to be purchased if not provided by donation. A substantial number of volunteers have contributed to the Mission's program services and fundraising campaigns during the year; however, these donated services are not reflected in the financial statements since they do not require specialized services.

Redwood Gospel Mission

Notes to Financial Statements

For the Year Ended September 30, 2021

Note 2. Summary of Significant Accounting Policies, *continued*

Functional Expense Allocation

Expenses that are specifically identifiable are charged directly to the appropriate functional category. All other expenses are charged based on a reasonable allocation based upon detailed estimates and assumptions made by management which consider employee time spent on various functions, and square footage of occupied space. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide the overall support and direction of the Mission.

Income Taxes

As determined by the Internal Revenue Service, the Mission is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code and generally is not subject to state or federal income taxes. Additionally, the Internal Revenue Service has determined the Mission is not a "private foundation" under Section 509(a)(2). However, the Mission is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption, commonly referred to as unrelated business income.

Income tax provision has been calculated for the year ended September 30, 2021 for the storage space rental in the Mission's office building to an adjacent business, which is considered unrelated business income and therefore taxable under the Internal Revenue Code and the California Revenue and Taxation Code see (Note 10).

The Mission determines whether its tax positions are "more-likely-than-not" to be sustained upon examination by the applicable taxing authority based on the technical merits of the positions. As of September 30, 2021, the Mission has reviewed its tax positions and has concluded no reserve for uncertain tax positions is required. The Mission's exempt Mission information returns are subject to review through three years after the date of filing for federal and four years after the date of filing for California.

Redwood Gospel Mission

Notes to Financial Statements

For the Year Ended September 30, 2021

Note 2. Summary of Significant Accounting Policies, *continued*

Endowment Funds

The Mission is subject to the State of California's enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). The board of directors has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Mission classifies as net assets with permanent restrictions (a) the original value of gifts donated to the endowment; (b) the original value of subsequent gifts to the endowment, and (c) additions to the endowment in accordance with donor directions. The remaining portion of donor-restricted endowment funds are also classified and reported as net assets with donor restrictions until those amounts are appropriated for expenditure by the Mission in a manner consistent with the standard of prudence prescribed by UPMIFA.

Spending policy – In accordance with UPMIFA, the Mission considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund;
- 2) The purposes of the Mission and the endowment funds; General economic conditions;
- 3) The possible effects of inflation and deflation;
- 4) The expected total return from income and the appreciation of investments; and
- 5) The investment policies of the Mission.

Distributions from the Endowment are to be made in accordance with the spending provisions of the Investment Policy Statement. Distributions are intended for the Mission's general operations and programs, including repairs to facilities and for equipment purchases, but not for capital improvements to real property. Spending from endowed funds is subject to the Mission's Endowment Spending Rate which will be determined annually by the Board based on RGM's budget needs and current capital market conditions. Spending may range from 0–4% of the 12-quarter moving average of each investment account subject to the Endowment Spending Rate. No distributions were approved by the Board for the year ended September 30, 2021.

Investment policy – The endowment funds are invested according to the Mission's investment policy, which is designed to preserve principal while earning returns relative to the overall market consistent with a prudent level of risk. Investment securities are exposed to interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, and such changes could materially affect the fair value of the investment balance.

Redwood Gospel Mission

Notes to Financial Statements

For the Year Ended September 30, 2021

Note 2. Summary of Significant Accounting Policies, *continued*

Endowment Funds, *continued*

Funds with deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Mission to retain as a fund of perpetual duration. Net unrealized losses on permanently restricted endowment funds are classified as a reduction to unrestricted net assets until such time as the fair value equals or exceeds book value.

Pronouncements Effective in the Future

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (“ASU”) No. 2020-07, *Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for Profit Entities for Contributed Nonfinancial Assets* (“ASU 2020-07”), to increase transparency and comparability among organizations by requiring contributed nonfinancial assets to be presented as a separate line item in the statement of activities, and additional disclosures. The adoption of ASU 2020-07 is effective for the Mission beginning October 1, 2021. The Mission is currently evaluating the impact of the provisions of ASU 2020-07 on the financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* (“ASU 2016-02”), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The adoption of ASU 2016-02 is effective for the Mission beginning October 1, 2022. The Mission is currently evaluating the impact of the provisions of ASU 2016-02 on the financial statements.

Note 3. Liquidity and Availability of Financial Assets

The following reflects the Mission’s financial assets, reduced by amounts not available for general use within one year from September 30, 2021 because of contractual or donor-imposed restrictions or internal designations:

Cash and cash equivalents	\$ 2,349,737
Accounts receivable	<u>7,073</u>
Total financial assets, at year end	2,356,810
Less those unavailable for general expenditures within one year, due to:	
Net assets with donor restrictions	<u>(523,995)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,832,815</u></u>

Redwood Gospel Mission

Notes to Financial Statements

For the Year Ended September 30, 2021

Note 3. Liquidity and Availability of Financial Assets, *continued*

As part of the Mission's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. It is Mission's liquidity policy to maintain cash on hand available to cover 90 days of operating expenses.

Note 4. Investments

Investments stated at fair value, as of September 30, 2021 include:

	Cost	Fair Market Value
Treasury securities	\$ 777,415	\$ 770,633
Corporate bonds	899,258	905,471
Equity funds	2,554,775	2,525,915
	<u>\$ 4,231,448</u>	<u>\$ 4,202,019</u>

Investment returns are comprised of the following for the year ended September 30, 2021:

Dividends and interest	\$ 16,515
Net unrealized gains	<u>(2,227)</u>
	14,288
Investment management fees	<u>(7,055)</u>
	<u>\$ 7,233</u>

The dividends and interest income reported above included \$5,406 of interest earned on the Mission's cash balances.

Redwood Gospel Mission

Notes to Financial Statements

For the Year Ended September 30, 2021

Note 5. Property and Equipment

Property and improvements consist of the following at September 30, 2021:

Buildings	\$ 3,099,403
Improvements	768,062
Furniture and equipment	197,504
Vehicle	<u>444,037</u>
	4,509,006
Accumulated depreciation	<u>(1,549,683)</u>
Net depreciable assets	2,959,323
Land	<u>1,358,862</u>
	<u>\$ 4,318,185</u>

Property and vehicles are pledged as collateral for notes payable (see Note 7). Depreciation expense was \$192,241 for year ended September 30, 2021.

Note 6. Accounts Payable and Accrued Expenses

Accounts Payable and accrued expenses consist of the following as of September 30, 2021:

Accounts payable	\$52,970
Accrued payroll	90,709
Accrued vacation	171,941
Other accrued expenses	<u>10,330</u>
	<u>\$ 325,950</u>

Redwood Gospel Mission

Notes to Financial Statements

For the Year Ended September 30, 2021

Note 7. Long-term Debt

The Mission has a mortgage loan with a bank requiring monthly principal and interest payments in the amount of \$21,167. The loan has a fixed interest rate of 3.75% and will mature on October 1, 2035. At September 30, 2021, the outstanding principal balance on the loan was \$1,745,065. The note payable is secured by all Mission's real property and assets.

Future minimum payment requirement is the following as of September 30:

	Principal	Loan Origination Fees	Net Future Maturities	Interest	Total
2022	\$ 190,034	\$ (725)	\$ 189,309	\$ 63,974	\$ 253,283
2023	198,329	(725)	197,604	55,679	253,283
2024	205,868	(725)	205,143	48,140	253,283
2025	213,968	(725)	213,243	40,040	253,283
2026	222,246	(725)	221,521	31,762	253,283
Thereafter	714,620	(2,901)	711,719	42,392	754,111
	<u>\$ 1,745,065</u>	<u>\$ (6,526)</u>	<u>\$ 1,738,539</u>	<u>\$ 281,987</u>	<u>\$ 2,020,526</u>

Loan origination fees are amortized using the straight-line method over the term of the note payable. Amortization of the loan origination fees is included in interest expenses on the Statement of Activities and Changes in Net Assets.

Note 8. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for specific purposes or until specific events occur. As of September 30, 2021, net assets with donor restrictions consist of the following:

Ubaldo Tambellini endowment fund	\$ 4,218,129
Capital improvement fund	<u>507,885</u>
	<u>\$ 4,726,014</u>

Net assets with donor restrictions are included on the Statement of Financial Position at September 30, 2021 as follows:

Investments	\$ 4,202,019
Cash and cash equivalents	<u>523,995</u>
	<u>\$ 4,726,014</u>

Redwood Gospel Mission

Notes to Financial Statements

For the Year Ended September 30, 2021

Note 8. Net Assets with Donor Restrictions, *continued*

Net assets are released from restrictions when expenses are incurred or specific events occur. Net assets released from restrictions amounted to \$42,896 for the year ended September 30, 2021.

Note 9. Ubaldo Tambellini Endowment Fund

During fiscal year ended September 30, 2020, the Mission received title to a property located in Healdsburg, California through a bequest and endowment agreement that established the Ubaldo Tambellini Endowment Fund to generate ongoing endowment income to support the programs and operations of the Mission. The initial value of the fund in the amount of \$5,100,000 was established based on donor value at date of contribution. The property was sold (Note 12) during the year ended September 30, 2021.

The activity of the Ubaldo Tambellini endowment funds as of September 30, 2021 are presented as follows:

Balance at October 1, 2020	\$ 5,047,513
Property impairment loss	(600,000)
Real estate sale commission and fees	(170,294)
Property maintenance and repairs	(60,148)
Interest and dividends, net of fees	3,284
Unrealized loss	<u>(2,226)</u>
Balance at September 30, 2021	<u>\$ 4,218,129</u>

Note 10. Unrelated Business Income

The Mission generates unrelated business income from renting a portion of its debt financed office building as a warehouse space to an appliance store. The unrelated business activities incurred during the year ended September 30, 2021 are summarized as the following:

Rent revenue	\$ 24,050
Less:	
Occupancy expenses	2,498
Depreciation	4,240
Mortgage interest	<u>3,599</u>
Net income from unrelated business	<u>\$ 13,713</u>

Redwood Gospel Mission

Notes to Financial Statements

For the Year Ended September 30, 2021

Note 11. Retirement Plan

The Mission operates a SIMPLE defined contribution retirement plan for the benefit of its employees. The Mission matches employee contributions up to three percent of payroll and it is current on its matching contributions. The retirement contribution totaled \$25,866 for the year ended September 30, 2021.

Note 12. Related Party Transaction

During the year ended September 30, 2021, the Mission placed the property in the Tambellini Endowment (Note 9) on the market for a listing price of \$4,499,999. The Mission accepted the highest offer in the amount of \$4,500,000, which was from a board member of the Mission. The offer amount was considered consistent with market conditions at the time of sale and factoring in prior offers and buyer activity during a six-month period marketing the property.

Note 13. Contingencies

On March 11, 2020, The World Health Mission declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide.

Although not directly impacted through September 30, 2021, operations and business results of the Mission could be materially adversely affected in the future, including a reduction in grant and contribution revenues, or an impact to the timing of cash flows. Further, some significant estimates, such as the fair value of investments may be materially adversely impacted by national, state and local events necessary to contain the coronavirus. Throughout the pandemic, the Mission has implemented safety measures to protect employees and will continue to review them as needed.

It is at least reasonably possible that this matter will negatively impact the Mission. However, the financial impact and duration cannot be reasonably estimated at this time.

Note 14. Beginning Net Asset Balance Restatement

During the preparation of the Mission's financial statements as of and for the year ended September 30, 2021, a classification error was discovered related to the balances for net assets without donor restrictions and net assets with donor restrictions as of September 30, 2020. A prior period adjustment was recorded to correct this classification error. As a result, the beginning balance for net assets without donor restrictions was restated from \$2,317,835 to \$2,370,322, and the beginning balance for net assets with donor restrictions was restated from \$5,450,781 to \$5,398,294.

Redwood Gospel Mission

Notes to Financial Statements

For the Year Ended September 30, 2021

Note 15. Subsequent Events

The Mission evaluated subsequent events from October 1, 2021 through March 15, 2022 the date which the financial statements were available to be issued, and determined there are no material subsequent events that required recognition or additional disclosure in these financial statements.