

REDWOOD GOSPEL MISSION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

SEPTEMBER 30, 2020

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Redwood Gospel Mission (a nonprofit corporation), which comprise the statement of financial position as of September 30, 2020, and the related statements 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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Goranson and Associates, Inc.

717 College Avenue, First Floor, Santa Rosa, CA 95404 Phone: 707/542-1256 Fax 707/978-3090

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Redwood Gospel Mission as of September 30, 2020, 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 the Redwood Gospel Mission's financial statements for the year ended September 30, 2019, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 5, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Goranson and Associates, Inc.

February 17, 2021
Santa Rosa, CA

REDWOOD GOSPEL MISSION
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2020
(with summarized comparative totals for September 30, 2019)

	ASSETS				
	Without donor restriction	With donor restriction		2020	2019
	<u> </u>	temporary	permanent	<u> Total </u>	<u> Total </u>
Current assets:					
Cash and cash equivalents	\$ 881,352	\$ 42,896		\$ 924,248	\$ 595,756
Accounts receivable	2,690	-		2,690	6,775
Inventory-Thrift Store and Rag and Recycling	101,605	-		101,605	104,142
Prepaid expenses	26,100	-		26,100	40,286
Total current assets	<u>1,011,747</u>	<u>42,896</u>		<u>1,054,643</u>	<u>746,959</u>
Fixed assets:					
Land	1,358,862	-		1,358,862	1,358,862
Buildings and improvements	3,859,339	-		3,859,339	3,806,157
Furniture and fixtures	131,129	-		131,129	129,321
Equipment	66,375	-		66,375	69,596
Vehicles	444,037	-		444,037	303,957
Less accumulated depreciation	<u>(1,357,442)</u>	<u>-</u>		<u>(1,357,442)</u>	<u>(1,193,029)</u>
Net fixed assets	<u>4,502,300</u>	<u>-</u>		<u>4,502,300</u>	<u>4,474,864</u>
Other assets					
Ubaldo Tambellini Endowment property	-	-	\$ 5,100,000	5,100,000	-
Cash restricted	-	307,885	-	307,885	378,650
Deposits	-	-	-	-	17,809
Loan fees, net of \$7,022 accumulated amortization	7,251	-	-	7,251	383
Total other assets	<u>7,251</u>	<u>307,885</u>	<u>5,100,000</u>	<u>5,415,136</u>	<u>396,842</u>
Total assets	<u>\$ 5,521,298</u>	<u>\$ 350,781</u>	<u>\$ 5,100,000</u>	<u>\$ 10,972,079</u>	<u>\$ 5,618,665</u>

The accompanying notes are an integral part of these financial statements

REDWOOD GOSPEL MISSION
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2020
(with summarized comparative totals for September 30, 2019)

	LIABILITIES AND NET ASSETS			2020	2019
	<u>Without donor restriction</u>	<u>With donor restriction temporary</u>	<u>permanent</u>	<u>Total</u>	<u>Total</u>
Current liabilities:					
Accounts payable	\$ 39,815			\$ 39,815	\$ 36,049
Accrued expenses	263,648			263,648	178,729
Current portion of notes payable	133,758			133,758	78,485
Total current liabilities	<u>437,221</u>			<u>437,221</u>	<u>293,263</u>
Long term liabilities:					
Notes payable, less current portion	2,766,242			2,766,242	2,820,311
Total liabilities	<u>3,203,463</u>			<u>3,203,463</u>	<u>3,113,574</u>
Net assets:	<u>2,317,835</u>	\$ 350,781	\$ 5,100,000	<u>7,768,616</u>	<u>2,505,091</u>
Total liabilities and net assets	<u>\$ 5,521,298</u>	<u>\$ 350,781</u>	<u>\$ 5,100,000</u>	<u>\$ 10,972,079</u>	<u>\$ 5,618,665</u>

The accompanying notes are an integral part of these financial statements

REDWOOD GOSPEL MISSION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(with summarized comparative totals for the year ended September 30, 2019)

	Without donor restriction	With donor restriction		2020 Total	2019 Total
		temporary	permanent		
REVENUE AND SUPPORT:					
General donations	\$ 3,099,307	\$ 20,450		\$ 3,119,757	\$ 2,794,554
Non-cash donations	3,000,456	-	\$ 5,100,000	8,100,456	2,973,924
Sales, net cost of goods sold \$1,280,687	127,186	-	-	127,186	166,889
Special events, less cost of \$14,557	99,291	-	-	99,291	95,398
Investment income	5,059	-	-	5,059	4,262
Other income	(14,409)	-	-	(14,409)	77,142
Net assets released from restriction	48,319	(48,319)	-	-	-
Total revenue and support	<u>6,365,209</u>	<u>(27,869)</u>	<u>5,100,000</u>	<u>11,437,340</u>	<u>6,112,169</u>
EXPENSES:					
Program expenses	5,129,418			5,129,418	4,695,373
Management and general	347,781			347,781	287,758
Fundraising	696,617	-	-	696,617	679,767
Total expenses	<u>6,173,815</u>	<u>-</u>	<u>-</u>	<u>6,173,815</u>	<u>5,662,898</u>
CHANGE IN NET ASSETS	191,394	(27,869)	5,100,000	5,263,525	449,271
NET ASSETS, BEGINNING	<u>2,126,441</u>	<u>378,650</u>	<u>-</u>	<u>2,505,091</u>	<u>2,055,820</u>
NET ASSETS, ENDING	<u>\$ 2,317,835</u>	<u>\$ 350,781</u>	<u>\$ 5,100,000</u>	<u>\$ 7,768,616</u>	<u>\$ 2,505,091</u>

The accompanying notes are an integral part of these financial statements

REDWOOD GOSPEL MISSION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(with summarized comparative totals for the year ended September 30, 2019)

	Program	Management and General	Fundraising	2020 Total	2019 Total
Salaries and wages	\$ 1,655,733	\$ 175,253	\$ 219,945	\$ 2,050,932	\$ 1,885,303
Payroll taxes	123,297	12,703	15,802	151,802	134,750
Employee benefits	279,368	14,781	25,235	319,385	171,911
Food expense	1,701,201	112	272	1,701,585	1,692,459
Program expense	314,632	2,594	7,533	324,759	302,021
Auto expense	89,249	-	-	89,249	106,088
Occupancy	209,748	-	-	209,748	217,625
Interest expense	128,526	41,769	-	170,296	161,846
Equipment expenses	50,661	7,689	79	58,428	110,481
Promotional expense	37,483	-	58,576	96,059	123,432
Professional fees	10,955	36,969	119,431	167,355	134,073
Meetings and travel	11,392	2,078	1,735	15,205	27,710
Supplies	54,896	1,761	264	56,922	69,546
Information technology	72,213	11,094	66,383	149,690	102,951
Postage and printing	3,197	205	156,198	159,600	147,120
Depreciation	193,215	-	-	193,215	152,343
Taxes, licenses and fees	29,827	9,743	24,401	63,970	48,174
Other operating expenses	163,825	31,029	761	195,615	75,065
Total expenses	<u>\$ 5,129,418</u>	<u>\$ 347,781</u>	<u>\$ 696,617</u>	<u>\$ 6,173,815</u>	<u>\$ 5,662,898</u>

The accompanying notes are an integral part of these financial statements

REDWOOD GOSPEL MISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(with summarized comparative totals for the year ended September 30, 2019)

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 5,263,525	\$ 449,271
Adjustments to reconcile change in net assets to cash from operations		
Depreciation and amortization	193,215	152,671
(Increase) decrease in:		
Accounts receivable	4,085	(5,145)
Inventory	2,537	35,647
Prepaid expenses	14,186	(5,983)
Deposits	17,809	(10,195)
Increase (decrease) in:		
Accounts payable	3,766	(26,417)
Accrued expenses	84,919	5,036
Total cash provided by operations	<u>5,584,042</u>	<u>594,885</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Acquisition) disposal of property and equipment	<u>(5,327,519)</u>	<u>(236,191)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Changes in restricted cash	70,765	(377,572)
Net payments on borrowings	<u>1,204</u>	<u>(78,001)</u>
Total cash used by financing activities	<u>71,969</u>	<u>(455,573)</u>
NET CHANGE IN CASH	328,492	(96,879)
CASH, beginning of year	<u>595,756</u>	<u>692,635</u>
CASH, end of year	<u>\$ 924,248</u>	<u>\$ 595,756</u>
Supplemental information:		
Cash paid for interest	<u>\$ 170,296</u>	<u>\$ 161,846</u>

The accompanying notes are an integral part of these financial statements

REDWOOD GOSPEL MISSION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 ORGANIZATION

Redwood Gospel Mission (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
SEPTEMBER 30, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The Mission reports information regarding its financial position and activities on an accrual basis according to two classes of net assets: net assets without donor restriction and net assets with donor restriction

Net assets without donor restriction – Net assets that are not subject to donor-imposed restrictions. These also may be designated for specific purposes by action of the Board of Directors.

Net assets with donor restriction – Net assets that are subject to donor-imposed stipulations that may be fulfilled by actions of the Mission to meet the stipulations or that become net assets without donor restriction at the date specified by the donor.

Net assets released from donor restriction – Net assets with donor restriction are “released” to net assets without donor restriction when the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed.

Other Basis of Presentation Policies – Revenues or support are reported as increases in unrestricted net assets unless subject to donor-imposed restrictions. If temporary restrictions are fulfilled in the same time period the revenue or support is received, the Mission reports the revenue or support as unrestricted. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless restricted by explicit donor stipulation or by law.

Cash and Cash Equivalents – The Mission considers highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

The Mission maintains cash balances at local financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times during the year, the Mission held cash and cash equivalent balances in excess of federally insured limits. At September 30, 2020, the balance over the FDIC limit is \$657,397.

Accounts receivable – Accounts receivable are monies due for services performed the prior month. All receivables are expected to be collectible.

REDWOOD GOSPEL MISSION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Inventory – 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. Inventory consists of thrift store items as well as coffee supplies.

Fixed Assets – Land, buildings, improvements, vehicles and equipment additions over \$5,000 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:

	Years
Buildings	50
Property improvements	5 - 20
Furniture and fixtures	5 - 10
Equipment	3 - 10
Vehicles	5

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.

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.

REDWOOD GOSPEL MISSION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Income Taxes – The Mission is exempt from Federal and State Income taxes under Internal Revenue Code Section 501(c)(3) and California Franchise Tax Board Code Section 23701(d). Therefore, no provision for income taxes has been made in the accompanying financial statements. In addition, the Internal Revenue Service has determined the Mission is not a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code.

Management of the Mission considers the likelihood of changes by taxing authorities in its filed tax returns and recognizes a liability for or discloses potential significant changes if management believes it is more likely than not for a change to occur, including changes to the Mission status as a not-for-profit entity. Management believes the Mission met the requirements to maintain its tax-exempt status and has no income subject to unrelated business income tax; therefore, no provision for income taxes has been provided in these financial statements. The Mission tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

The Mission’s evaluation on September 30, 2020 revealed no tax positions that would have a material impact on the financial statements. The Mission does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Functional Allocation of Expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activity. Accordingly, certain costs have been allocated among the programs and supporting services.

Allocation Methodology – Costs that benefit more than one program are allocated on the basis of usage.

Reclassifications – Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations.

REDWOOD GOSPEL MISSION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Summarized 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Mission financial statements for the year ended September 30, 2019, from which the summarized information was derived.

NOTE 3 LIQUIDITY

The following reflects the Mission's financial assets as of September 30, 2020 that are available for operations:

Financial assets at year end		
Cash and cash equivalents	\$	924,248
Restricted cash		307,885
Accounts receivables		<u>2,690</u>
Total financial assets		1,234,823
Less those unavailable for general expenditures within one year due to:		
Donor restricted funds (by time or purpose)		<u>(350,781)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u><u>884,042</u></u>

NOTE 4 NOTES PAYABLE

The Mission has a note payable with a bank as a first mortgage. The loan was refinanced September 2020 and matures October 2035. The interest rate is 3.75 percent. The balance at September 30, 2020 is \$2,900,000.

The note payable above is secured by the administration office and the Thrift store.

REDWOOD GOSPEL MISSION
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2020

NOTE 4 NOTES PAYABLE, continued

Future principal payments are as follows at September 30:

2021		\$ 133,758
2022		151,467
2023		157,327
2024		163,161
2025		169,727
Thereafter		<u>2,124,560</u>
Total		<u><u>\$ 2,900,000</u></u>

NOTE 5 NET ASSETS WITH DONOR RESTRICTIONS

The Mission has donor restricted net assets as follows at September 30, 2020:

Restricted real estate:

Tambellini Estate		<u><u>\$ 5,100,000</u></u>
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Restricted cash:

Fire relief		\$ 42,896
Donor directed projects		307,654
Rose house		<u>231</u>
Total		<u><u>\$ 350,781</u></u>

Total net assets with donor restrictions		<u><u>\$ 5,450,781</u></u>
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NOTE 6 IN-KIND DONATIONS

The Mission received \$8,100,456 of in-kind donations that consist of real estate and food for the program kitchen, vehicles, thrift store inventory, and other items for the year ended September 30, 2020.

REDWOOD GOSPEL MISSION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 7 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 \$25,926 for the year ended September 30, 2020.

NOTE 8 UBALDO TAMBELLINI ENDOWMENT PROPERTY

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. The initial value of the Ubaldo Tambellini Endowment Fund was established based on donor value at date of contribution. After receiving title to the property, the Mission placed the property up for sale and plans to utilize the sales proceeds to create a pool of endowment fund assets. The permanently restricted endowment fund assets are to be used to generate ongoing endowment income to support the programs and operations of the Mission. During the fiscal year ended September 30, 2020, expenses of \$52,286 were incurred that will be released once the property is sold.

NOTE 9 SUBSEQUENT EVENTS

The Mission has evaluated subsequent events through February 17, 2020, the date the financial statements were available to be issued. In January 2020, COVID-19 emerged and has subsequently spread worldwide. The World Health Organization has declared COVID-19 a pandemic resulting in federal, state and local governments and private entities mandating various restrictions. This could have a material effect on the Mission's operations, financial position, and cash flows.

After year end, the Mission entered into a sales agreement for the Healdsburg, California property included in the Ubaldo Tambellini Endowment Fund. The property sale closed escrow on February 17, 2021. The sales price of \$4,500,000 was consistent with current market conditions as determined by real estate agents, appraisals, and market activity on the property.