

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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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

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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><u>\$ 4,712,412</u></u>	<u><u>\$ 5,015,329</u></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><u>\$ 4,712,412</u></u>	<u><u>\$ 5,015,329</u></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	9/30/2016
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	-	-	-	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
Equipment 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	1,630	73,130	295,520
Consulting	3,680	-	-	-	-	-	3,680	-	9,750	9,750	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	-	-	-	-	-	-	-	15,475	-	15,475	15,475
Merchant Fees	-	-	-	-	152	11,235	11,387	-	11,706	11,706	23,093
Office & Computer Expense	1,816	754	392	-	163	338	3,463	9,863	493	10,356	13,819
Rent	600	28,800	1,235	-	-	-	30,635	-	3,623	3,623	34,258
Roberts Road Expenses	87,339	-	-	-	-	-	87,339	-	-	-	87,339
Housing & Allowances	-	-	-	17,550	-	-	17,550	8,775	8,775	17,550	35,100
Retirement-Employer Contribution	8,460	734	-	3,770	-	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	
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	33,249
Dues & Subscriptions	816	741	-	746	-	940	3,243	2,606	1,516	4,122	7,365
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	-	-	-	-	-	-	-	-	9,316	9,316	19,969
Office & Computer Supplies	1,947	2,199	52	268	-	274	4,740	2,514	1,013	3,527	8,267
Rent	-	28,800	-	2,005	-	-	30,805	-	-	-	30,805
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
Net Cash Provided By Operating Activities	<u>359,103</u>	<u>54,029</u>
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
Net Cash (Used In) Investing Activities	<u>576,163</u>	<u>(100,740)</u>
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)
Net Cash (Used In) Financing Activities	<u>(574,306)</u>	<u>74,798</u>
NET INCREASE IN CASH	360,960	28,087
CASH AT BEGINNING OF YEAR	<u>105,484</u>	<u>77,397</u>
CASH AT END OF YEAR - See Note 4	<u><u>\$ 466,444</u></u>	<u><u>\$ 105,484</u></u>

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

September 30, 2016

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.

Notes to Financial Statements

September 30, 2016

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

September 30, 2016

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

<u>By Category</u>	<u>2016</u>		
	<u>Totals</u>	<u>Less Reserve</u>	<u>Net Book</u>
		<u>for</u> <u>Depreciation</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>

<u>By Category</u>	<u>2015</u>		
	<u>Totals</u>	<u>Less Reserve</u>	<u>Net Book</u>
		<u>for</u> <u>Depreciation</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%	<u>442,783</u>
		<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	<u>2,363,001</u>
	<u>\$ 3,283,552</u>

(9) Note Payable

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

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	<u>\$ 16,520</u>
	<u>\$ 16,520</u>

REDWOOD GOSPEL MISSION, INC.

Notes to Financial Statements

September 30, 2016

(10) Net Assets

Unrestricted Net Assets

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

Temporarily Restricted Net Assets

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

(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	<u>119</u>	<u>5,238</u>	<u>2,973</u>
		<u>\$ 565</u>	<u>\$ 10,590</u>	<u>\$ 26,609</u>

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	<u>2,227</u>
	<u>\$ 26,609</u>

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.