

***REDWOOD GOSPEL MISSION, INC***

***FINANCIAL STATEMENTS***

***SEPTEMBER 30, 2016 AND 2015***

***(WITH INDEPENDENT AUDITORS' REPORTS)***

# **REDWOOD GOSPEL MISSION, INC.**

## **Table of Contents**

**September 30, 2016 and 2015**

### **CONTENTS**

	<b>Page</b>
<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1 - 2</b>
<b>FINANCIAL STATEMENTS</b>	
<b>Statements of Financial Position</b>	<b>3</b>
<b>Statement of Activities with Summarized         Comparative Information</b>	<b>4</b>
<b>Statements of Functional Expenses</b>	<b>5 - 6</b>
<b>Statements of Cash Flows</b>	<b>7</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>8 - 16</b>

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

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

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# *Davis & Company*

CERTIFIED PUBLIC ACCOUNTANTS

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Redwood Gospel Mission, Inc. as of September 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

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

*Davis & Company*

Davis & Company

Santa Rosa, California

April 1, 2017

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**REDWOOD GOSPEL MISSION, INC.**

**Statements of Financial Position**

**September 30, 2016 and 2015**

	<b>ASSETS</b>		<b>September 30,</b>	
	<b>2016</b>	<b>2015</b>		
<b>CURRENT ASSETS</b>				
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		
	<b>TOTAL CURRENT ASSETS</b>	<b>478,578</b>		<b>146,908</b>
<b>LONG-TERM ASSETS</b>				
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		
	<b>TOTAL LONG-TERM ASSETS</b>	<b>4,233,834</b>		<b>4,868,421</b>
	<b>TOTAL ASSETS</b>	<b>\$ 4,712,412</b>		<b>\$ 5,015,329</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
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		
	<b>TOTAL CURRENT LIABILITIES</b>	<b>285,926</b>		<b>353,714</b>
<b>LONG-TERM LIABILITIES</b>				
Mortgages Payable - Net of Current Portion	3,219,784	3,807,016		
Note Payable - Net of Current Portion	-	16,805		
	<b>TOTAL LONG-TERM LIABILITIES</b>	<b>3,219,784</b>		<b>3,823,821</b>
	<b>TOTAL LIABILITIES</b>	<b>3,505,710</b>		<b>4,177,535</b>
<b>NET ASSETS</b>				
Unrestricted	1,121,956	749,961		
Temporarily Restricted	84,746	87,833		
	<b>TOTAL NET ASSETS</b>	<b>1,206,702</b>		<b>837,794</b>
	<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,712,412</b>		<b>\$ 5,015,329</b>

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>Temporarily</u>			<u>Total</u>	
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>		
<b>Monetary Transactions</b>					
<b>REVENUES AND OTHER SUPPORT</b>					
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	<u>45,988</u>	<u>(45,988)</u>	<u>-</u>	<u>-</u>	
<b>TOTAL REVENUES AND SUPPORT, MONETARY</b>	<b>3,805,286</b>	<b>(3,087)</b>	<b>3,802,199</b>	<b>3,234,497</b>	
<b>EXPENSES</b>					
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	
<b>TOTAL EXPENSES, MONETARY</b>	<b>3,445,197</b>	<b>-</b>	<b>3,445,197</b>	<b>3,255,950</b>	
<b>CHANGE IN NET ASSETS, MONETARY</b>	<b>360,089</b>	<b>(3,087)</b>	<b>357,002</b>	<b>(21,453)</b>	
<b>In-Kind Transactions</b>					
<b>REVENUES AND OTHER SUPPORT</b>					
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	
<b>TOTAL REVENUES AND SUPPORT, IN-KIND</b>	<b>2,121,582</b>	<b>-</b>	<b>2,121,582</b>	<b>2,018,093</b>	
<b>EXPENSES</b>					
Program Services	2,109,676	-	2,109,676	2,000,548	
<b>CHANGE IN NET ASSETS, IN-KIND</b>	<b>11,906</b>	<b>-</b>	<b>11,906</b>	<b>17,545</b>	
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>371,995</b>	<b>(3,087)</b>	<b>368,908</b>	<b>(3,908)</b>	
<b>NET ASSETS BEGINNING OF YEAR</b>	<b>749,961</b>	<b>87,833</b>	<b>837,794</b>	<b>841,702</b>	
<b>NET ASSETS END OF YEAR</b>	<b>\$ 1,121,956</b>	<b>\$ 84,746</b>	<b>\$ 1,206,702</b>	<b>\$ 837,794</b>	

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		Total all Functions	
	Men's Ministries	Women's Ministries	Mobile Ministries	Outreach Ministries	Coffee Ministries	Thrift Store	Program Services	General & Admin	Fundraising	Supporting	Total	9/30/2016					
<b>Operating Expenses - Monetary</b>																	
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	19,709							
Repair of Donated Vehicles	-	-	-	-	8,860	205	205	-	-	-						131,424	
Cost of Sales-Coffee Program	-	-	-	37	-	-	8,860	-	-	-						205	
Program Expenses	36,373	10,608	-	17,248	-	-	47,018	600	-	600						8,860	
Special Events	-	-	-	368	-	-	17,248	-	5,328	5,328						47,618	
Dues & Subscriptions	3,465	743	450	-	1,197	6,223	3,281	417	3,698	3,698						22,576	
Equipment Purchases	1,807	1,803	794	616	835	2,361	8,216	23	352	352						9,921	
Equipment Rental	-	52	-	1,356	11,930	-	13,338	6,609	4,361	10,970						8,591	
Employee Benefits	33,787	30,985	9,532	11,983	668	40,700	127,655	15,021	24,702	39,723						24,308	
Food Expenses	5,946	3,108	354	16,612	-	211	26,231	341	9,605	9,605						167,378	
Insurance	9,080	6,242	-	389	-	8,754	24,505	2,790	367	3,157						36,177	
Interest, Penalties & Bank Charges	21,509	13,949	192	339	-	186,401	222,390	71,500	1,630	73,130						27,662	
Consulting	3,680	-	-	-	-	-	3,680	-	9,750	9,750						295,520	
Publication Design	-	-	-	-	-	-	-	-	50,150	50,150						13,430	
Operational Supplies	27,210	14,229	844	8,712	1,943	9,540	62,478	1,437	72	72						50,150	
Legal & Accounting	-	-	-	-	-	-	-	15,475	-	-						63,987	
Merchant Fees	-	-	-	-	152	11,235	11,387	-	11,706	11,706						15,475	
Office & Computer Expense	1,816	754	392	-	163	338	3,463	9,863	493	10,356						23,093	
Rent	600	28,800	1,235	-	-	-	30,635	-	3,623	3,623						13,819	
Roberts Road Expenses	87,339	-	-	-	-	-	87,339	-	-	-						34,258	
Housing & Allowances	-	-	-	-	17,550	-	17,550	8,775	8,775	8,775						87,339	
Retirement-Employer Contribution	8,460	734	-	3,770	-	-	14,795	2,173	3,906	6,079						35,100	
Workers Compensation	21,188	22,362	6,940	613	3,542	10,199	64,844	640	731	731						20,874	
Promotional Expense	275	-	1,275	10,000	-	61,239	72,789	595	49,104	49,104						66,215	
Printing & Postage	333	89	-	-	27	65	514	-	137,337	137,337						122,488	
Repairs & Maintenance	53,801	10,578	100	5,192	458	13,815	83,944	5,556	14,153	19,709						137,851	
Salaries	259,631	282,298	86,192	136,306	31,007	337,704	1,173,138	97,864	170,415	268,279						103,653	
Taxes & Licenses	4,757	-	-	1,205	-	368	6,330	375	-	-						144,417	
Payroll Service Expenses	41	63	-	27	-	108	239	4,570	27	4,597						6,705	
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	6,569	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	
<b>TOTAL EXPENSES-MONETARY</b>	<b>\$ 739,095</b>	<b>\$ 525,769</b>	<b>\$ 131,908</b>	<b>\$ 246,216</b>	<b>\$ 71,764</b>	<b>\$ 90,879</b>	<b>\$ 2,621,631</b>	<b>\$ 287,047</b>	<b>\$ 536,519</b>	<b>\$ 823,566</b>	<b>\$ 3,445,197</b>						
<b>Operating Expenses - In-Kind</b>																	
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	
<b>TOTAL EXPENSES - IN-KIND</b>	<b>\$ 792,169</b>	<b>\$ 292,994</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,024,513</b>	<b>\$ 1,024,513</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>						
<b>Total Expenses</b>	<b>\$ 1,531,264</b>	<b>\$ 818,763</b>	<b>\$ 131,908</b>	<b>\$ 246,216</b>	<b>\$ 71,764</b>	<b>\$ 1,931,392</b>	<b>\$ 4,731,307</b>	<b>\$ 287,047</b>	<b>\$ 536,519</b>	<b>\$ 823,566</b>	<b>\$ 5,554,873</b>						
Percent of Total of all Functions	27.57%	14.74%	2.37%	4.43%	1.29%	34.77%	85.17%	5.17%	9.66%	9.66%	14.83%						
Total all Functions																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	Program Services	General & Admin	Fundraising	Supporting	Total	9/30/15				
<b>Operating Expenses - Monetary</b>																
Auto	\$ 31,917	\$ 18,784	\$ 2,685	\$ 10	\$ 8,407	\$ 34,428	\$ 87,824	\$ 3,943	\$ 2,417	\$ 6,360	\$ 94,184					
Depreciation and Amortization	22,794	16,225	-	-	-	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	-	-	-	-	30,550				
Special Events	100	-	-	25,893	-	-	25,993	-	-	-	-	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	44,827	49,346	118	26,457	-	47,951	168,499	10,085	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	-	28,860	-	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					
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	4,985	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	25,510	-	-	5,877	28,960	141,575	4,602	-	4,602	146,177					
<b>TOTAL EXPENSES-MONETARY</b>	<b>\$ 668,944</b>	<b>\$ 636,376</b>	<b>\$ 61,759</b>	<b>\$ 242,081</b>	<b>\$ 40,672</b>	<b>\$ 881,189</b>	<b>\$ 2,531,531</b>	<b>\$ 244,808</b>	<b>\$ 479,611</b>	<b>\$ 724,419</b>	<b>\$ 3,255,950</b>					
<b>Operating Expenses - In-Kind</b>																
Cost of Donated Food Disbursed	\$ 697,464	\$ 257,966	\$ -	\$ -	\$ -	\$ -	\$ 955,430	\$ -	\$ -	\$ -	\$ 955,430					
Cost of Sales-Thrift, Rag, Vehicles and Equipment Rental	<u>\$ 637,464</u>	<u>\$ 257,966</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,045,118</u>	<u>\$ 1,045,118</u>	<u>\$ 2,009,548</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,045,118</u>				
<b>TOTAL EXPENSES - IN-KIND</b>	<b>\$ 1,366,408</b>	<b>\$ 894,842</b>	<b>\$ 61,769</b>	<b>\$ 242,081</b>	<b>\$ 40,672</b>	<b>\$ 1,926,307</b>	<b>\$ 4,532,079</b>	<b>\$ 244,808</b>	<b>\$ 479,611</b>	<b>\$ 724,419</b>	<b>\$ 5,256,498</b>					
<b>Total Expenses</b>																
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

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
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	<u>16,734</u>	<u>7,275</u>
Net Cash Provided By Operating Activities	<u>359,103</u>	<u>54,029</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sale of Investments	648,845	9,471
Purchase of fixed Assets	(81,594)	(110,611)
Proceeds from Sales of Fixed Assets	<u>8,912</u>	<u>400</u>
Net Cash (Used in) Investing Activities	<u>576,163</u>	<u>(100,740)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
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	<u>(17,085)</u>	<u>(1,395)</u>
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>\$ 466,444</u>	<u>\$ 105,484</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>1,076</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>Less Reserve</u>		
	<u>Totals</u>	<u>for</u>	<u>Net Book</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	5,442	-	5,442
	<u>\$ 5,259,003</u>	<u>\$ 1,132,230</u>	<u>\$ 4,126,773</u>

Depreciation expenses for the year ended September 30, 2016: \$ 130,891

<u>By Category</u>	<u>2015</u>		
	<u>Less Reserve</u>		
	<u>Totals</u>	<u>for</u>	<u>Net Book</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	8,456	-	8,456
	<u>\$ 5,830,055</u>	<u>\$ 1,170,927</u>	<u>\$ 4,659,128</u>

Depreciation expenses for the year ended September 30, 2016: \$ 123,526

# 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 <sup>st</sup> Community Bank	7.75%	2,664,907
c. 1 <sup>st</sup> 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 <sup>st</sup> Community Bank	5.5%	\$ 16,520

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

#### Long-term Debt Maturities Over Next 5 Years:

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

# REDWOOD GOSPEL MISSION, INC.

## Notes to Financial Statements

September 30, 2016

### **(10) Net Assets**

#### Unrestricted Net Assets

	<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>
<b>Total Undesignated Net Assets</b>	<b>\$ 1,121,956</b>	<b>\$ 749,961</b>

#### Temporarily Restricted Net Assets

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

### **(11) Operating Leases**

	<u>Ending Date</u>	<u>Monthly</u>			
		<u>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><b>\$ 565</b></u>	<u><b>\$ 10,590</b></u>	<u><b>\$ 26,609</b></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><b>\$ 26,609</b></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 defied 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.