# Redwood Gospel Mission

**(a California Not-for-Profit Corporation)**

**Financial Statements**
**For the Years Ended September 30, 2025 and 2024**

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 statements of financial position as of September 30, 2025 and 2024, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audits 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 audits. 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 available to be 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 Burkel & Millar, LLP

Santa Rosa, California
March 18, 2026

# Redwood Gospel Mission

**Statements of Financial Position**
**As of September 30, 2025 and 2024**

| | 2025 | 2024 |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash and cash equivalents | $ 610,064 | $ 88,637 |
| Accounts receivable | 19,558 | 15,474 |
| Thrift store inventory | 227,560 | 157,793 |
| Prepaid expenses | 51,379 | 46,139 |
| Total current assets | 908,561 | 308,043 |
| **Restricted cash and cash equivalents** | 37,869 | 73,633 |
| **Investments** | 4,909,964 | 4,595,341 |
| **Property and equipment**, net | 15,810,484 | 6,104,715 |
| **Operating lease right-of-use asset**, net | 948,494 | 141,730 |
| **Deposits** | 28,100 | 50,418 |
| **Total assets** | $ 22,643,472 | $ 11,273,880 |
| **Liabilities and net assets** | | |
| **Current liabilities** | | |
| Accounts payable | $ 71,127 | $ 137,539 |
| Accrued expenses | 355,917 | 285,191 |
| Current maturities of operating lease liabilities | 233,428 | 27,505 |
| Total current liabilities | 660,472 | 450,235 |
| **Operating lease liabilities**, net of current maturities | 798,985 | 119,908 |
| Total liabilities | 1,459,457 | 570,143 |
| **Net assets** | | |
| Without donor restrictions | 16,236,182 | 6,034,763 |
| With donor restrictions | 4,947,833 | 4,668,974 |
| Total net assets | 21,184,015 | 10,703,737 |
| **Total liabilities and net assets** | $ 22,643,472 | $ 11,273,880 |

# Redwood Gospel Mission

**Statement of Activities and Changes in Net Assets**
**For the Year Ended September 30, 2025**

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **Support and revenue** | | | |
| Contributions of financial assets | $ 13,624,750 | $ - | $ 13,624,750 |
| Contributions of nonfinancial assets - food | 1,658,165 | - | 1,658,165 |
| Contributions of nonfinancial assets - other | 2,765,375 | - | 2,765,375 |
| Net thrift store proceeds to program | 399,841 | - | 399,841 |
| Employee retention credits | 369,984 | - | 369,984 |
| Grant income | 15,000 | - | 15,000 |
| Events income | 150,823 | - | 150,823 |
| Rental income | 14,174 | - | 14,174 |
| Investment income, net | 75 | 499,520 | 499,595 |
| Net assets released from restrictions | 220,661 | (220,661) | - |
| Total support and revenue | 19,218,848 | 278,859 | 19,497,707 |
| **Expenses** | | | |
| Program services | 7,742,476 | - | 7,742,476 |
| Management and general | 372,727 | - | 372,727 |
| Fundraising | 902,226 | - | 902,226 |
| Total expenses | 9,017,429 | - | 9,017,429 |
| **Changes in net assets** | 10,201,419 | 278,859 | 10,480,278 |
| **Net assets, beginning of year** | 6,034,763 | 4,668,974 | 10,703,737 |
| **Net assets, end of year** | $ 16,236,182 | $ 4,947,833 | $ 21,184,015 |

*See accompanying Notes to Financial Statements*

# Redwood Gospel Mission

**Statement of Activities and Changes in Net Assets**
**For the Year Ended September 30, 2024**

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **Support and revenue** | | | |
| Contributions of financial assets | $ 3,172,382 | $ - | $ 3,172,382 |
| Contributions of nonfinancial assets - food | 1,988,662 | - | 1,988,662 |
| Contributions of nonfinancial assets - other | 1,907,895 | - | 1,907,895 |
| Net thrift store proceeds to program | 293,369 | - | 293,369 |
| Grant income | 30,000 | - | 30,000 |
| Events income | 89,972 | - | 89,972 |
| Rental income | 10,025 | - | 10,025 |
| Investment income, net | 25,389 | 792,012 | 817,401 |
| Net assets released from restrictions | 732,037 | (732,037) | - |
| Total support and revenue | 8,249,731 | 59,975 | 8,309,706 |
| **Expenses** | | | |
| Program services | 6,687,883 | - | 6,687,883 |
| Management and general | 360,990 | - | 360,990 |
| Fundraising | 786,718 | - | 786,718 |
| Total expenses | 7,835,591 | - | 7,835,591 |
| **Changes in net assets** | 414,140 | 59,975 | 474,115 |
| **Net assets, beginning of year** | 5,620,623 | 4,608,999 | 10,229,622 |
| **Net assets, end of year** | $ 6,034,763 | $ 4,668,974 | $ 10,703,737 |

*See accompanying Notes to Financial Statements*

# Redwood Gospel Mission

**Statement of Functional Expenses**
**For the Year Ended September 30, 2025**

| | Program Services | Management and General | Fundraising | Total |
|---|---|---|---|---|
| Salaries and wages | $ 3,129,795 | $ 226,146 | $ 190,602 | $ 3,546,543 |
| Employee benefits | 363,502 | 23,979 | 17,850 | 405,331 |
| Payroll taxes | 226,226 | 15,697 | 13,097 | 255,020 |
| Total personnel costs | 3,719,523 | 265,822 | 221,549 | 4,206,894 |
| Food expense | 1,787,135 | 85 | - | 1,787,220 |
| Depreciation and amortization | 799,183 | - | - | 799,183 |
| Occupancy | 365,967 | - | - | 365,967 |
| Professional fees | 58,474 | 40,450 | 178,655 | 277,579 |
| Postage and printing | 10,042 | 577 | 256,536 | 267,155 |
| Information technology | 143,662 | 19,390 | 37,168 | 200,220 |
| Promotional expense | 29,739 | - | 131,572 | 161,311 |
| Insurance | 141,271 | 6,874 | - | 148,145 |
| Auto expense | 138,563 | - | - | 138,563 |
| Supplies | 131,381 | 2,708 | 253 | 134,342 |
| Repairs and maintenance | 123,650 | - | 235 | 123,885 |
| Merchant fees | 48,572 | 20,487 | 28,420 | 97,479 |
| Equipment | 69,472 | 1,668 | 1,661 | 72,801 |
| Taxes, licenses and fees | 48,880 | 271 | 60 | 49,211 |
| Interest expense | 48,689 | - | - | 48,689 |
| Meetings and travel | 29,368 | 4,865 | 6,087 | 40,320 |
| Special events | 34 | - | 37,922 | 37,956 |
| Program expense | 31,133 | - | - | 31,133 |
| Other operating expenses | 11,317 | 206 | 1,779 | 13,302 |
| Dues and subscriptions | 137 | 8,614 | 304 | 9,055 |
| Employee development | 6,284 | 710 | 25 | 7,019 |
| **Total expenses** | $ 7,742,476 | $ 372,727 | $ 902,226 | $ 9,017,429 |

# Redwood Gospel Mission

**Statement of Functional Expenses**
**For the Year Ended September 30, 2024**

| | Program Services | Management and General | Fundraising | Total |
|---|---|---|---|---|
| Salaries and wages | $ 2,781,804 | $ 221,197 | $ 217,191 | $ 3,220,192 |
| Employee benefits | 344,298 | 26,688 | 20,666 | 391,652 |
| Payroll taxes | 194,627 | 15,359 | 14,863 | 224,849 |
| Total personnel costs | 3,320,729 | 263,244 | 252,720 | 3,836,693 |
| Food expense | 2,070,710 | 220 | - | 2,070,930 |
| Depreciation and amortization | 304,990 | - | - | 304,990 |
| Postage and printing | 5,735 | 130 | 252,822 | 258,687 |
| Occupancy | 245,828 | - | 3,010 | 248,838 |
| Information technology | 116,794 | 18,289 | 34,719 | 169,802 |
| Professional fees | 16,100 | 33,004 | 94,827 | 143,931 |
| Auto expense | 119,062 | - | - | 119,062 |
| Promotional expense | 20,565 | - | 90,878 | 111,443 |
| Supplies | 106,527 | 3,271 | 92 | 109,890 |
| Insurance | 96,194 | 8,348 | - | 104,542 |
| Merchant fees | 33,684 | 16,961 | 27,117 | 77,762 |
| Equipment | 65,808 | 3,793 | 1,384 | 70,985 |
| Repairs and maintenance | 66,643 | 242 | - | 66,885 |
| Taxes, licenses and fees | 30,353 | 688 | 50 | 31,091 |
| Program expense | 26,466 | - | - | 26,466 |
| Special events | 33 | - | 24,266 | 24,299 |
| Meetings and travel | 15,832 | 3,231 | 2,780 | 21,843 |
| Other operating expenses | 7,431 | 409 | 1,676 | 9,516 |
| Dues and subscriptions | 827 | 8,024 | - | 8,851 |
| Interest expense | 6,624 | - | - | 6,624 |
| Loss on disposal of assets | 6,336 | - | - | 6,336 |
| Employee development | 4,612 | 1,136 | 377 | 6,125 |
| **Total expenses** | $ 6,687,883 | $ 360,990 | $ 786,718 | $ 7,835,591 |

# Redwood Gospel Mission

**Statements of Cash Flows**
**For the Years Ended September 30, 2025 and 2024**

| | 2025 | 2024 |
|---|---|---|
| | *Increase (decrease) in cash and cash equivalents* | |
| **Cash flows from operating activities** | | |
| Increase in net assets | $ 10,480,278 | $ 474,115 |
| Adjustments to reconcile increases in net assets to cash provided by operating activities: | | |
| Depreciation and amortization | 799,183 | 304,990 |
| Realized and unrealized net investment gains | (418,460) | (717,128) |
| Stock donations | (28,090) | (17,386) |
| Loss on disposal of vehicles and equipment | - | 6,336 |
| (Increase) decrease in operating assets: | | |
| Accounts receivable | (4,084) | (10,624) |
| Inventory | (69,767) | 3,310 |
| Prepaid expenses | (5,240) | 2,211 |
| Increase (decrease) in operating liabilities | | |
| Accounts payable and accrued expenses | 4,314 | 81,019 |
| Operating lease liabilities | (138,435) | (41,194) |
| Net cash provided by operating activities | 10,619,699 | 85,649 |
| **Cash flows from investing activities** | | |
| Purchases of marketable securities | (39,994) | (169,690) |
| Proceeds from sale of marketable securities | 171,921 | 208,004 |
| Acquisition of property and equipment, net | (10,265,963) | (1,609,152) |
| Net cash used in investing activities | (10,134,036) | (1,570,838) |
| **Net increase (decrease) in cash and cash equivalents** | 485,663 | (1,485,189) |
| **Cash and cash equivalents, beginning of year** | 162,270 | 1,647,459 |
| **Cash and cash equivalents, end of year** | $ 647,933 | $ 162,270 |
| Unrestricted cash and cash equivalents | $ 610,064 | $ 88,637 |
| Restricted cash and cash equivalents | 37,869 | 73,633 |
| **Total cash and cash equivalents** | $ 647,933 | $ 162,270 |
| **Noncash investing activities** | | |
| Acquisition of operating lease right-of-use asset with operating lease liability | $ 1,045,753 | $ 149,189 |

**Note 1. Nature of Activities**

Redwood Gospel Missions, Inc. (the "Mission" or "RGM") is a California nonprofit religious corporation. The Mission is dedicated to helping the "least, last and lost" of several North California Counties, offering food, shelter, showers, laundry and drug or alcohol recovery services 365 days a year.

The Mission operates a 24-hour Santa Rosa shelter facility for men and another overnight Santa Rosa shelter facility for women. In addition, the newly acquired facility at 2447 Summerfield Road serves women in recovery who also may have children. These facilities offer clean beds, showers, hot meal(s), and loving Christian influence for individuals with no resources. Guests may arrive by coming off the streets, from the county jail or by another referral source. Once through a crisis period, 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 two Thrift stores which sell clothing, household goods & furniture to the general public. The proceeds from the stores serve to support the Mission's programs.

**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:

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

Basis of Presentation*, continued*

*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 Statements 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 the functional allocation of expenses. The use of management's estimates primarily relate to the valuation of the year end thrift store inventory, estimated credit losses of accounts receivable, depreciable lives of property, equipment and improvements, and the allocation of certain indirect expenses by their functional categories. 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.

As of September 30, 2025 and 2024, 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 Statements of Financial Position.

At various times during the years ended September 30, 2025 and 2024, the Mission had deposit amounts with a financial institution in excess of the $250,000 Federal Deposit Insurance Corporation ("FDIC") insurance limit. The Mission had approximately $275,000 in excess of the FDIC insured amount for the year ended September 30, 2025. The Mission had no deposits in excess of the FDIC insured amount for the year ended September 30, 2024.

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

Accounts Receivable

Accounts receivable are monies due from various agencies for services performed. The Mission maintains allowances for expected credit losses for estimated losses resulting from the inability of its customers to make required payments. Management periodically evaluates the allowance. For the years ended September 30, 2025 and 2024, Management believes all accounts receivable balances were collectable.

Employee Advances

The Mission makes short-term advances to employees to assist with various personal expenses. Employees borrowing is repaid within the year with payments automatically made to the Mission from their paychecks. As of September 30, 2025 and 2024, employee advances included in accounts receivable totaled $1,089 and $6,716, respectively.

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 Statements 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:

*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 the investments within the hierarchy is based on the pricing transparency of the investment and does not necessarily correspond to the Mission's perceived risk of those investments.

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

Fair Value Measurements*, continued*

For the years ended September 30, 2025 and 2024, 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 Statements of Financial Position. Depreciation is computed using the straight-line method over the lessor 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 Statements 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.

Leases

Transactions give rise to leases when the Mission receives substantially all of the economic benefits from, and has the ability to direct the use of specified property and equipment. The Mission has lessee activity that is classified as an operating lease. The operating lease is included in operating lease right-of-use assets, operating lease liabilities, current portion, and operating lease liabilities, non-current portion on the Statements of Financial Position.

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

Leases*, continued*

An operating lease right-of-use asset represents the right to use an underlying asset for the lease term and an operating lease liability represents obligations to make lease payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized at the commencement date of the lease based on the present value of lease payments over the lease term. When discount rates implicit in the lease cannot be readily determined, the Mission uses their applicable incremental borrowing rate, or a risk free rate, at lease commencement to perform lease classification tests and to measure the lease liability and right-of-use asset. Lease expense for operating leases is recognized on a straight-line basis over the lease term. Certain optional renewal periods would not be included in the determination of the lease liability and right-of-use asset if management determined it was not reasonably certain that the lease would be extended or if the payments were not determinable.

The Mission has elected not to recognize right-of-use assets and lease liabilities for leases of terms less than 12 months.

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.

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 Statements 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 years ended September 30, 2025 and 2024, the Mission received contributed nonfinancial assets valued at $4,423,540 and $3,896,557, respectively.

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

Revenue Recognition, *continued*

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.

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.

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, 2025 and 2024, the Mission has reviewed its tax positions and has concluded no reserve for uncertain tax positions is required. The Mission's exempt 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.

**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;
3) General economic conditions;
4) The possible effects of inflation and deflation;
5) The expected total return from income and the appreciation of investments; and
6) 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. The Board approved a distribution of $171,921 and $165,343 for the years ended September 30, 2025 and 2024, respectively.

*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 rates, 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.

*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. The Mission follows UPMIFA requirements and the Investment Policy Statement when considering distributions during a period when the endowment fund is below the original gift value. The endowment fund did not incur any such deficiencies during the years ended September 30, 2025, and 2024.

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

Accounting Pronouncement Adopted

In May 2025, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2025-05, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*. The ASU is effective for fiscal years beginning after December 15, 2025; however, the Mission has elected to early adopt the guidance in the current fiscal year, as permitted. The ASU allows entities to assume that current market conditions as of the balance sheet date will remain consistent over the contractual life of the asset and permits consideration of collection activity occurring after the balance sheet date when estimating expected credit losses. The Mission adopted the ASU using a prospective transition method. As a result of adoption, the Mission updated its accounting policies related to the measurement of credit losses. The adoption of ASU 2025-05 did not have a material impact on the Mission's financial position, results of operations, or cash flows.

Reclassification

Certain reclassifications have been made to the prior year's financial statements to conform to the current year's presentation. The reclassifications had no effect on previously reported results of operations or net asset balances.

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

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

| | 2025 | 2024 |
|---|---|---|
| Cash and cash equivalents | $ 647,933 | $ 162,270 |
| Accounts receivable | 19,558 | 15,474 |
| Investments | 4,909,964 | 4,595,341 |
| Total financial assets, at year end | 5,577,455 | 4,773,085 |
| Less those unavailable for general expenditures within one year, due to: | | |
| Donor restrictions | (4,947,833) | (4,668,974) |
| Financial assets available to meet cash needs for general expenditures within one year | $ 629,622 | $ 104,111 |

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 the Mission's liquidity goal to maintain cash on hand available to cover 90 days of operating expenses.

## Note 4. Investments

Investments stated at fair value include the following as of September 30:

| | 2025 | | 2024 | |
|---|---|---|---|---|
| | Cost | Fair Market Value | Cost | Fair Market Value |
| Treasury securities | $ 1,016,398 | $ 1,025,662 | $ 873,246 | $ 820,356 |
| Corporate bonds | 798,500 | 803,823 | 794,371 | 788,171 |
| Equity funds | 2,385,839 | 3,080,479 | 2,612,548 | 2,986,814 |
| | $ 4,200,737 | $ 4,909,964 | $ 4,280,165 | $ 4,595,341 |

Investment returns are comprised of the following for the years ended September 30:

| | 2025 | 2024 |
|---|---|---|
| Dividends and interest | $ 104,412 | $ 121,978 |
| Net realized and unrealized gains | 418,460 | 717,128 |
| | 522,872 | 839,106 |
| Investment management fees | (23,277) | (21,705) |
| | $ 499,595 | $ 817,401 |

The dividends and interest income reported above included $75 and $25,389 of interest earned on the Mission's cash balances for the years ended September 30, 2025 and 2024, respectively.

## Note 5. Property and Equipment

Property and improvements consist of the following as of September 30:

| | 2025 | 2024 |
|---|---|---|
| Buildings | $ 10,742,836 | $ 3,099,403 |
| Improvements | 2,291,269 | 1,384,352 |
| Vehicles | 1,075,755 | 1,039,931 |
| Furniture and equipment | 474,304 | 111,183 |
| Leasehold improvements | 53,523 | - |
| | 14,637,687 | 5,634,869 |
| Accumulated depreciation | (2,652,133) | (2,091,940) |
| Net depreciable assets | 11,985,554 | 3,542,929 |
| Land | 3,715,429 | 1,358,862 |
| Construction in progress | 109,501 | 1,202,924 |
| | $ 15,810,484 | $ 6,104,715 |

Depreciation expense was $560,194 and $297,531 for the years ended September 30, 2025 and 2024, respectively.

## Note 6. Accrued Expenses

Accrued expenses consist of the following as of September 30:

| | 2025 | 2024 |
|---|---|---|
| Accrued payroll | $ 99,041 | $ 69,208 |
| Accrued vacation | 232,873 | 208,523 |
| Other accrued expenses | 24,003 | 7,460 |
| | $ 355,917 | $ 285,191 |

## Note 7. Operating Leases

The Mission entered into a long-term operating lease agreement with an unrelated third-party in July 2024 to lease a building in Ukiah for their New Life Program. The lease calls for monthly base rent in the amount of $2,800 with an annual base rent adjustment of $50 starting January 2025. The lease expires on June 30, 2029.

In October 2024, the Mission entered into a long-term operating lease agreement with an unrelated third-party to lease a building in Rohnert Park for a second thrift store. The lease calls for monthly base rent in the amount of $19,488 starting January 2025 with an annual base rent adjustment of 3%. The lease expires on September 30, 2029.

**Note 7. Operating Leases**, *continued*

The Mission used borrowing rates available to it as of the date of lease commencement between 4.03% and 4.44% as the discount rates for calculating the operating lease liabilities and operating right-of-use assets.

The Mission also holds various month-to-month leases for their Santa Rosa main building parking area and other buildings for their New Life Program. These month-to-month leases are not included in the operating lease liability and operating right-of-use asset calculation.

The Mission's lease assets and lease liabilities as of September 30 consist of the following:

| | 2025 | 2024 |
|---|---|---|
| Assets: | | |
| Operating lease right-of-use assets: | | |
| Ukiah building | $ 111,892 | $ 141,730 |
| Rohnert Park building | 836,602 | - |
| Total operating lease right-of-use assets | $ 948,494 | $ 141,730 |
| Liabilities: | | |
| Current liabilities | | |
| Operating lease liabilities, current maturities: | | |
| Ukiah building | $ 29,326 | $ 27,505 |
| Rohnert Park building | 204,102 | - |
| | 233,428 | 233,428 |
| Non-current liabilities | | |
| Operating liabilities: | | |
| Ukiah building | 90,582 | 119,908 |
| | 708,403 | - |
| Total lease liabilities | $ 1,032,413 | $ 147,413 |

Total lease costs incurred by lease type of payments during the years ended September 30 consist of the following:

| | 2025 | 2024 |
|---|---|---|
| Operating lease costs: | | |
| Rent expense | $ 100,499 | $ 50,769 |
| Amortization of lease assets | 238,989 | 7,459 |
| Interest on lease liabilities | 48,689 | 6,624 |
| | $ 338,177 | $ 64,852 |

Amortization expense of the lease asset is reported as part of depreciation and amortization expense. Cash paid for operating cash flows used for operating leases included in the measurement of lease liabilities for the years ended September 30, 2025 and 2024 was $209,442 and $8,400, respectively.

**Note 7. Operating Leases**, *continued*

At September 30, 2025 the undiscounted future lease payments over the lease terms for operating leases along with a reconciliation of the undiscounted cash flows to operating lease liabilities are as follows:

| | |
|---|---|
| 2026 | $ 275,526 |
| 2027 | 283,350 |
| 2028 | 291,390 |
| 2029 | 290,508 |
| | 1,140,774 |
| Less: present value discount | (108,361) |
| Lease liability | $ 1,032,413 |

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

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

| | 2025 | 2024 |
|---|---|---|
| Ubaldo Tambellini endowment fund | $ 4,947,833 | $ 4,620,234 |
| Capital improvement fund | - | 48,740 |
| | $ 4,947,833 | $ 4,668,974 |

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

| | 2025 | 2024 |
|---|---|---|
| Investments | $ 4,909,964 | $ 4,595,341 |
| Cash and cash equivalents | 37,869 | 73,633 |
| | $ 4,947,833 | $ 4,668,974 |

Net assets are released from restrictions when expenses are incurred or specific events occur. Net assets released from restrictions totaled $220,661 for the year ended September 30, 2025, with $48,740 donor restricted releases for program use and $171,921 of board approved spending disbursed from their endowment. Net assets released from restrictions totaled $732,037 for the year ended September 30, 2024, with $566,694 consisting of donor restriction releases for program use and $165,343 consisting of board approved fund release from their endowment.

## Note 9. Ubaldo Tambellini Endowment Fund

The activities of the Ubaldo Tambellini endowment funds for the years ended September 30, 2025 and 2024 are presented as follows:

| | |
|---|---|
| Balance at October 1, 2023 | $ 3,993,564 |
| Dividends and interest | 96,590 |
| Unrealized gain | 717,128 |
| Investment fees | (21,705) |
| Board approved distribution | (165,343) |
| Balance at September 30, 2024 | 4,620,234 |
| Dividends and interest | 104,337 |
| Unrealized gain | 418,460 |
| Investment fees | (23,277) |
| Board approved distribution | (171,921) |
| Balance at September 30, 2025 | $ 4,947,833 |

## Note 10. 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 $42,103 and $30,319 for the years ended September 30, 2025 and 2024, respectively.

## Note 11. Contributions of Nonfinancial Assets

Contributions of nonfinancial assets recognized in the Statements of Activities and Changes in Net Assets as of September 30, 2025 included:

| Category | Revenue Recognized | Utilization in Programs or Activities | Donor Restrictions | Valuation Techniques |
|---|---|---|---|---|
| Food | $ 1,658,165 | All programs | None | Retail value |
| Clothing & accessories | 1,042,240 | Thrift store | None | Selling price |
| Household items | 981,434 | Thrift store | None | Selling price |
| Furniture | 459,264 | Thrift store | None | Selling price |
| Electronics & equipment | 227,516 | Thrift store | None | Selling price |
| Arts & hobbies | 47,021 | Thrift store | None | Selling price |
| Vehicles | 7,900 | All programs | None | Proceeds from sale |
| | $ 4,423,540 | | | |

## Note 11. Contributions of Nonfinancial Assets, *continued*

Contributions of nonfinancial assets recognized in the Statements of Activities and Changes in Net Assets as of September 30, 2024 included:

| Category | Revenue Recognized | Utilization in Programs or Activities | Donor Restrictions | Valuation Techniques |
|---|---|---|---|---|
| Food | $ 1,988,662 | All programs | None | Retail value |
| Household items | 688,223 | Thrift store | None | Selling price |
| Clothing & accessories | 605,166 | Thrift store | None | Selling price |
| Furniture | 401,430 | Thrift store | None | Selling price |
| Electronics & equipment | 169,834 | Thrift store | None | Selling price |
| Arts & hobbies | 28,867 | Thrift store | None | Selling price |
| Vehicles | 14,375 | All programs | None | Proceeds from sale |
| | $ 3,896,557 | | | |

## Note 12. Revenue Concentration

During the year ended September 30, 2025, the Mission received an anonymous one-time contribution of $10M from a private donor for the purchase of the facility at 2447 Summerfield Road discussed in Note 1. The contribution accounted for 51% of the Mission's total revenues.

During the year ended September 30, 2024, the Mission did not receive revenues from a single source exceeding 10% of the total revenues.

## Note 13. Subsequent Events

The Mission evaluated subsequent events from October 1, 2025 through March 18, 2026, the date which the financial statements were available to be issued, and determined that there are no material subsequent events that required recognition or additional disclosure in these financial statements.