

REDWOOD GOSPEL MISSION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

SEPTEMBER 30, 2017

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Redwood Gospel Mission (a nonprofit corporation), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



Goranson and Associates, Inc.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Redwood Gospel Mission as of September 30, 2017, 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

Another firm has previously audited the Redwood Gospel Mission financial statements for the year ended September 30, 2016 and expressed an unmodified audit opinion on those audited financial statements in their report dated April 1, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Goranson and Associates, Inc.

May 11, 2018

Santa Rosa, California

REDWOOD GOSPEL MISSION, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2017
(with summarized comparative totals for September 30, 2016)

	ASSETS	
	2017	2016
Current assets:		
Cash and cash equivalents	\$ 301,639	\$ 381,698
Accounts receivable	3,995	2,379
Inventory-Thrift Store and Reg and Recycling	92,876	80,981
Prepaid expenses	26,837	13,520
Total current assets	425,347	478,578
Fixed assets:		
Land	1,358,862	1,358,862
Buildings and improvements	3,667,636	3,505,798
Furniture and fixtures	193,320	152,108
Equipment	93,782	89,679
Vehicles	203,473	147,114
Construction in progress	-	5,442
Less accumulated depreciation	(1,277,658)	(1,132,230)
Net fixed assets	4,239,415	4,126,773
Other assets		
Cash restricted for capital acquisition	1,125	84,746
Deposits	6,814	19,605
Loan fees, net of \$3,107 accumulated amortization	3,916	2,710
Total other assets	11,855	50,000
Total assets	\$ 4,676,617	\$ 4,712,412

The accompanying notes are an integral part of these financial statements

REDWOOD GOSPEL MISSION, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2017

(with summarized comparative totals for September 30, 2016)

	2017	2016
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 42,621	\$ 65,302
Accrued expenses	142,512	140,336
Current portion of notes payable	71,625	80,288
Total current liabilities	256,758	285,926
Long term liabilities:		
Notes payable, less current portion	2,976,797	3,219,784
Total liabilities	3,233,555	3,505,710
Net assets:		
Unrestricted	1,441,937	1,121,956
Temporarily restricted	1,125	84,746
Total net assets	1,443,062	1,206,702
Total liabilities and net assets	\$ 4,676,617	\$ 4,712,412

The accompanying notes are an integral part of these financial statements

REDWOOD GOSPEL MISSION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(with summarized comparative totals for the year ended September 30, 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
REVENUE AND SUPPORT:				
General donations	\$ 2,137,616		\$ 2,137,616	\$ 2,472,698
Non-cash donations	2,251,991		2,251,991	2,132,054
Sales, net cost of goods sold \$1,138,983	160,685		160,685	13,832
Special events, less cost of \$29,534	130,333		130,333	13,661
Investment income	763		763	40,771
Net gain (loss) on disposal of assets	-		-	158,786
Other income	16,105		16,105	-
Net assets released from restriction	83,621	\$ (83,621)	-	-
Total revenue and support	<u>4,781,114</u>	<u>(83,621)</u>	<u>4,697,493</u>	<u>4,831,802</u>
EXPENSES:				
Program expenses	3,660,374		3,660,374	3,639,328
Management and general	262,129		262,129	287,047
Fundraising	538,630	-	538,630	536,519
Total expenses	<u>4,461,133</u>	<u>-</u>	<u>4,461,133</u>	<u>4,462,894</u>
CHANGE IN NET ASSETS	319,981	(83,621)	236,360	368,908
NET ASSETS, BEGINNING	<u>1,121,956</u>	<u>84,746</u>	<u>1,206,702</u>	<u>837,794</u>
NET ASSETS, ENDING	<u>\$ 1,441,937</u>	<u>\$ 1,125</u>	<u>\$ 1,443,062</u>	<u>\$ 1,206,702</u>

The accompanying notes are an integral part of these financial statements

REDWOOD GOSPEL MISSION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(with summarized comparative totals for the year ended September 30, 2016)

	Program	Management and General	Fundraising	2017 Total	2016 Total
Salaries and wages	\$ 1,320,010	\$ 124,359	\$ 232,174	\$ 1,676,543	\$ 1,441,417
Payroll taxes	98,350	8,269	16,772	123,391	105,757
Employee benefits	101,957	7,389	6,435	115,781	254,467
Food expense	1,143,722	198	4,717	1,148,637	1,121,340
Program expense	53,897	-	-	53,897	101,748
Auto expense	116,525	1,071	149	117,745	86,217
Occupancy	207,627	714	3,170	211,511	252,081
Interest expense	159,467	53,370	-	212,837	295,518
Equipment expenses	86,267	13,921	11,089	111,277	32,899
Promotional expense	91,802	-	39,541	131,343	122,488
Professional fees	1,920	24,275	59,511	85,706	167,378
Meetings and travel	25,386	4,495	4,457	34,338	18,288
Supplies	61,093	3,386	3,482	67,961	63,987
Information technology	31,528	8,831	22,477	62,836	54,866
Postage and printing	2,669	31	114,198	116,898	137,851
Depreciation	127,869	1,995	1,581	131,445	131,424
Taxes, licenses and fees	24,503	3,369	18,749	46,621	33,372
Other operating expenses	5,782	6,456	128	12,366	41,796
Total expenses	<u>\$ 3,660,374</u>	<u>\$ 262,129</u>	<u>\$ 538,630</u>	<u>\$ 4,461,133</u>	<u>\$ 4,462,894</u>

The accompanying notes are an integral part of these financial statements

REDWOOD GOSPEL MISSION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(with summarized comparative totals for the year ended September 30, 2016)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 236,360	\$ 368,908
Adjustments to reconcile change in net assets to cash from operations		
Depreciation and amortization	130,239	127,537
(Increase) decrease in:		
Accounts receivable	(1,616)	(2,379)
Inventory	(11,895)	(152)
Prepaid expenses	(13,317)	34,908
Deposits	12,791	95,134
Increase (decrease) in:		
Accounts payable	(22,681)	(71,352)
Accrued expenses	2,176	16,734
Total cash provided by operations	332,057	569,338
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition (disposal) of property and equipment	(244,087)	408,829
CASH FLOWS FROM FINANCING ACTIVITIES:		
Changes in restricted cash	83,621	3,087
Net payments on borrowings	(251,650)	(617,207)
Total cash used by financing activities	(168,029)	(614,120)
NET CHANGE IN CASH	(80,059)	364,047
CASH, beginning of year	381,698	17,651
CASH, end of year	\$ 301,639	\$ 381,698
Supplemental information:		
Cash paid for interest	\$ 212,837	\$ 295,518

The accompanying notes are an integral part of these financial statements

REDWOOD GOSPEL MISSION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 ORGANIZATION

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

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

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

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

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

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

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

REDWOOD GOSPEL MISSION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The Mission reports information regarding its financial position and activities on an accrual basis according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions. These also may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted Net Assets – Net assets that are subject to donor-imposed stipulations that may be fulfilled by actions of the Mission to meet the stipulations or that become unrestricted at the date specified by the donor.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be retained and invested permanently by the Mission to use all or part of the investment return on these net assets for specified or unspecified purposes.

Net assets released from restriction – Temporarily restricted net assets are “released” to unrestricted net assets when the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed.

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

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

The Mission maintains cash balances at local financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times during the year, the Mission held cash and cash equivalent balances in excess of federally insured limits. At September 30, 2017, the balance over the FDIC limit is \$68,395.

Accounts receivable – Accounts receivable are monies due from county agencies for services performed the prior month. Management has created an allowance based on historical collectability after county reconciliation of the cost settlement reports.

REDWOOD GOSPEL MISSION
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Inventory – The Mission uses the past year's average selling price of one month's worth of inventory, calculated from actual sales records, to determine the value of inventory at year end. Management has determined that there is approximately 30 days' worth of inventory on hand for sale at any given time. Inventory consists of thrift store items as well as coffee supplies

Fixed Assets – Land, buildings, improvements, vehicles and equipment additions over \$5,000 are stated at cost at date of acquisition, or fair value at date of donation in the case of gifts. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets with no salvage value. Estimated useful lives of assets are as follows:

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

Replacements, maintenance and repairs which do not extend the life of the asset are expensed in the current period. No time restrictions have been implied on the contributions of long-lived assets.

Contributions – Contributions are reported as increases in unrestricted net assets unless the use of those assets is limited by donor-imposed restrictions. Contributions received and investment gains and income, for which the restriction is satisfied in the same reporting period, are classed to unrestricted net assets. No time restrictions have been implied on contributions of cash restricted to purchasing long-lived assets. The Mission does not receive advance notice of contributions and thus does not record contribution revenue until money or items are received.

The Mission receives substantial amounts of donated food for use in its programs. The donated food is valued by either the wholesale prices provided by the donors, or by using a formula based on food industry data to adjust donors' retail prices to wholesale prices.

Unpaid volunteers have made significant contributions of their time to the Mission's programs, however, because the services do not require specialized skills, the value of donated volunteer time has not been recorded in these financial statements in accordance with GAAP.

REDWOOD GOSPEL MISSION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

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

The Mission's evaluation on September 30, 2017 revealed no tax positions that would have a material impact on the financial statements. The Mission does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

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

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

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

REDWOOD GOSPEL MISSION
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Summarized Financial Information – The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Mission financial statements for the year ended September 30, 2016, from which the summarized information was derived.

NOTE 3 NOTES PAYABLE

The Mission has a note payable with a bank as a first mortgage. The loan was refinanced April 2017 and matures April 2027. The interest rate is 5.5 percent. The balance at September 30, 2017 is \$2,611,782.

The Mission has a second note payable with the same bank. The loan was refinanced April 2017 and matures April 2027. The interest rate is 5.5 percent. The balance at September 30, 2017 is \$435,109.

The notes payable above are secured by the Mission building, the Rose shelter, the administration office and the Thrift store.

The Mission has a note payable for operating funds secured with a Penske truck. The interest rate is 5.5 percent and the loan matures August 2018. The balance at September 30, 2017 is \$1,530.

Total outstanding notes payable at September 30, 2017 are \$3,048,421.

Future principal payments are as follows at September 30:

2018	\$ 71,625
2019	74,047
2020	78,225
2021	82,636
2022	89,962
Thereafter	2,651,926
Total	<u>\$ 3,048,421</u>

REDWOOD GOSPEL MISSION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 4 TEMPORARILY RESTRICTED NET ASSETS

The Mission has temporarily restricted net assets of \$1,125 at September 30, 2017. The cash is restricted for the Rose house.

NOTE 5 IN-KIND DONATIONS

The Mission received \$2,251,991 of in-kind donations that consist of food for the program kitchen, vehicles, thrift store inventory, and other items for the year ended September 30, 2017.

NOTE 6 OPERATING LEASE COMMITMENTS

The Mission has two operating leases as seen below:

Item	Ending date	Monthly payment	Amount paid	Remaining
Copy machine	2/1/2020	\$ 446	\$ 10,704	\$ 12,934
Neopost	10/20/2017	119	6,666	119
Total		<u>\$ 565</u>	<u>\$ 17,370</u>	<u>\$ 13,053</u>

Future principal payments are as follows at September 30:

2018	\$ 5,471
2019	5,352
2020	2,230
Total	<u>\$ 13,053</u>

NOTE 7 RETIREMENT PLAN

The Mission operates a SIMPLE defined contribution retirement plan for the benefit of its employees. The Mission matches employee contributions up to 3 percent of payroll and it is current on its matching contributions. The retirement contribution totaled \$21,377 for the year ended September 30, 2017.

REDWOOD GOSPEL MISSION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 8 SUBSEQUENT EVENTS

The Mission has evaluated subsequent events through May 11, 2018, the date the financial statements were available to be issued and determined that there were no events occurring subsequent to September 30, 2017 that would have a material impact on the Mission's results of operations or financial position.