

REDWOOD GOSPEL MISSION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

SEPTEMBER 30, 2018

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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, 2018, 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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Redwood Gospel Mission's financial statements for the year ended September 30, 2017, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 1, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Goranson and Associates, Inc.

February 19, 2019

Santa Rosa, CA

REDWOOD GOSPEL MISSION, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2018
(with summarized comparative totals for September 30, 2017)

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 692,635	\$ 301,639
Accounts receivable	1,630	3,995
Inventory-Thrift Store and Reg and Recycling	139,789	92,876
Prepaid expenses	34,303	26,837
Total current assets	<u>868,357</u>	<u>425,347</u>
Fixed assets:		
Land	1,358,862	1,358,862
Buildings and improvements	3,934,173	3,667,636
Furniture and fixtures	144,625	193,320
Equipment	84,582	93,782
Vehicles	221,891	203,473
Less accumulated depreciation	<u>(1,355,115)</u>	<u>(1,277,658)</u>
Net fixed assets	<u>4,389,018</u>	<u>4,239,415</u>
Other assets		
Cash restricted for capital acquisition	1,078	1,125
Deposits	7,614	6,814
Loan fees, net of \$4,314 accumulated amortization	2,709	3,916
Total other assets	<u>11,401</u>	<u>11,855</u>
Total assets	<u>\$ 5,268,776</u>	<u>\$ 4,676,617</u>

The accompanying notes are an integral part of these financial statements

REDWOOD GOSPEL MISSION, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2018
(with summarized comparative totals for September 30, 2017)

LIABILITIES AND NET ASSETS		
	2018	2017
Current liabilities:		
Accounts payable	\$ 62,466	\$ 42,621
Accrued expenses	173,693	142,512
Current portion of notes payable	74,047	71,625
Total current liabilities	310,206	256,758
Long term liabilities:		
Notes payable, less current portion	2,902,750	2,976,797
Total liabilities	3,212,956	3,233,555
Net assets:		
Without donor restriction	1,660,478	1,441,937
With donor restriction	395,342	1,125
Total net assets	2,055,820	1,443,062
Total liabilities and net assets	\$ 5,268,776	\$ 4,676,617

The accompanying notes are an integral part of these financial statements

REDWOOD GOSPEL MISSION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018
(with summarized comparative totals for the year ended September 30, 2017)

	Without donor restriction	With donor restriction	2018 Total	2017 Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
REVENUE AND SUPPORT:				
General donations	\$ 1,976,656	\$ 875,889	\$ 2,852,545	\$ 2,137,616
Non-cash donations	2,630,476		2,630,476	2,251,991
Sales, net cost of goods sold \$1,362,768	96,444		96,444	160,685
Special events, less cost of \$30,926	179,349		179,349	130,333
Investment income	(271)		(271)	763
Other income	5,800		5,800	16,105
Net assets released from restriction	481,672	(481,672)	-	-
Total revenue and support	<u>5,370,126</u>	<u>394,217</u>	<u>5,764,343</u>	<u>4,697,493</u>
 EXPENSES:				
Program expenses	4,210,608		4,210,608	3,660,374
Management and general	275,340		275,340	262,129
Fundraising	665,637	-	665,637	538,630
Total expenses	<u>5,151,585</u>	<u>-</u>	<u>5,151,585</u>	<u>4,461,133</u>
 CHANGE IN NET ASSETS	 218,541	 394,217	 612,758	 236,360
 NET ASSETS, BEGINNING	 <u>1,441,937</u>	 <u>1,125</u>	 <u>1,443,062</u>	 <u>1,206,702</u>
 NET ASSETS, ENDING	 <u>\$ 1,660,478</u>	 <u>\$ 395,342</u>	 <u>\$ 2,055,820</u>	 <u>\$ 1,443,062</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, 2018
(with summarized comparative totals for the year ended September 30, 2017)

	Program	Management and General	Fundraising	2018 Total	2017 Total
Salaries and wages	\$ 1,377,668	\$ 160,143	\$ 273,461	\$ 1,811,272	\$ 1,676,543
Payroll taxes	106,684	12,187	20,164	139,035	123,391
Employee benefits	156,658	10,366	17,313	184,337	115,781
Food expense	1,197,016	377	20	1,197,413	1,148,637
Program expense	311,095	1,854	3,018	315,967	53,897
Auto expense	124,815	920	63	125,798	117,745
Occupancy	238,727	1,007	-	239,734	211,511
Interest expense	124,413	41,564	-	165,977	212,837
Equipment expenses	135,081	13,080	13,594	161,755	111,277
Promotional expense	53,322	-	55,926	109,248	131,343
Professional fees	1,500	18,000	98,967	118,467	85,706
Meetings and travel	12,776	5,182	4,665	22,623	34,338
Supplies	96,551	2,879	1,283	100,713	67,961
Information technology	42,950	6,199	42,216	91,365	62,836
Postage and printing	2,305	8	111,197	113,510	116,898
Depreciation	139,009	1,995	138	141,142	131,445
Taxes, licenses and fees	22,901	(1,320)	22,287	43,868	46,621
Other operating expenses	67,137	899	1,325	69,361	12,366
Total expenses	<u>\$ 4,210,608</u>	<u>\$ 275,340</u>	<u>\$ 665,637</u>	<u>\$ 5,151,585</u>	<u>\$ 4,461,133</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, 2018
(with summarized comparative totals for the year ended September 30, 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 612,758	\$ 236,360
Adjustments to reconcile change in net assets to cash from operations		
Depreciation and amortization	142,349	130,239
(Increase) decrease in:		
Accounts receivable	2,365	(1,616)
Inventory	(46,913)	(11,895)
Prepaid expenses	(7,466)	(13,317)
Deposits	(800)	12,791
Increase (decrease) in:		
Accounts payable	19,845	(22,681)
Accrued expenses	31,181	2,176
Total cash provided by operations	753,319	332,057
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Acquisition) disposal of property and equipment	(290,745)	(244,087)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Changes in restricted cash	47	83,621
Net payments on borrowings	(71,625)	(251,650)
Total cash used by financing activities	(71,578)	(168,029)
NET CHANGE IN CASH	390,996	(80,059)
CASH, beginning of year	301,639	381,698
CASH, end of year	\$ 692,635	\$ 301,639
Supplemental information:		
Cash paid for interest	\$ 165,977	\$ 212,837

The accompanying notes are an integral part of these financial statements

REDWOOD GOSPEL MISSION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

The Mission maintains cash balances at local financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times during the year, the Mission held cash and cash equivalent balances in excess of federally insured limits. At September 30, 2018, the balance over the FDIC limit is \$422,913.

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

REDWOOD GOSPEL MISSION
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

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, 2018

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, 2018 revealed no tax positions that would have a material impact on the financial statements. The Mission does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

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

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

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

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

REDWOOD GOSPEL MISSION
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

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, 2017, from which the summarized information was derived.

NOTE 3 LIQUIDITY

The following reflects the Mission’s financial assets as of September 30, 2018 that are available for operations

Financial assets at year end	
Cash and cash equivalents	\$ 692,635
Accounts receivables	1,630
Total financial assets	<u> 694,265</u>
Less those unavailable for general expenditures within one year due to:	
Donor restricted funds (by time or purpose)	<u> (395,342)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u> \$ 298,923</u></u>

NOTE 4 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, 2018 is \$2,551,734.

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, 2018 is \$425,063.

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

REDWOOD GOSPEL MISSION
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

NOTE 4 NOTES PAYABLE, continued

Total outstanding notes payable at September 30, 2018 are \$2,976,797.

Future principal payments are as follows at September 30:

2019	\$	74,047
2020		82,636
2021		89,962
2022		82,636
2023		88,962
Thereafter		<u>2,558,554</u>
Total	\$	<u><u>2,976,797</u></u>

NOTE 5 NET ASSETS WITH TEMPORARY DONOR RESTRICTIONS

The Mission has donor restricted cash as follows at September 30, 2018:

Fire relief	\$	242,466
Kitchen remodel		120,000
Donor directed projects		31,798
Rose house		<u>1,078</u>
Total	\$	<u><u>395,342</u></u>

NOTE 6 IN-KIND DONATIONS

The Mission received \$2,360,476 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, 2018.

REDWOOD GOSPEL MISSION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 7 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	\$ 16,056	\$ 7,136
Neopost	10/20/2017	119	8,094	-
Total		<u>\$ 565</u>	<u>\$ 24,150</u>	<u>\$ 7,136</u>

Future principal payments are as follows at September 30:

2019	\$ 5,352
2020	1,784
Total	<u>\$ 7,136</u>

NOTE 8 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 \$22,756 for the year ended September 30, 2018.

NOTE 9 CHANGE IN ACCOUNTING PRINCIPLE

Redwood Gospel Mission has adopted ASU 2016-14 effecting a change in the presentation of the financial statement, using new terminology and including additional footnote disclosures.

NOTE 10 SUBSEQUENT EVENTS

The Mission has evaluated subsequent events through February 19, 2019, the date the financial statements were available to be issued and determined that there were no events occurring subsequent to September 30, 2018 that would have a material impact on the Mission's results of operations or financial position.