

REDWOOD GOSPEL MISSION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

SEPTEMBER 30, 2019

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements:	
Statement of Financial Position	3 - 4
Statement of Activities	5
Statement of Functional Expense	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 14

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
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, 2019, 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, 2019, 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, 2018, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 19, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Goranson and Associates, Inc.

March 5, 2020
Santa Rosa, CA

REDWOOD GOSPEL MISSION, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2019
(with summarized comparative totals for September 30, 2018)

ASSETS	<u>2019</u>	<u>2018</u>
Current assets:		
Cash and cash equivalents	\$ 595,756	\$ 692,635
Accounts receivable	6,775	1,630
Inventory-Thrift Store and Reg and Recycling	104,142	139,789
Prepaid expenses	40,286	34,303
Total current assets	<u>746,959</u>	<u>868,357</u>
Fixed assets:		
Land	1,358,862	1,358,862
Buildings and improvements	3,806,157	3,934,173
Furniture and fixtures	129,321	144,625
Equipment	69,596	84,582
Vehicles	303,957	221,891
Less accumulated depreciation	<u>(1,193,029)</u>	<u>(1,355,115)</u>
Net fixed assets	<u>4,474,864</u>	<u>4,389,018</u>
Other assets		
Cash restricted	378,650	1,078
Deposits	17,809	7,614
Loan fees, net of \$6,640 accumulated amortization	383	2,709
Total other assets	<u>396,842</u>	<u>11,401</u>
Total assets	<u>\$ 5,618,665</u>	<u>\$ 5,268,776</u>

The accompanying notes are an integral part of these financial statements

REDWOOD GOSPEL MISSION, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2019
(with summarized comparative totals for September 30, 2018)

LIABILITIES AND NET ASSETS		
	2019	2018
Current liabilities:		
Accounts payable	\$ 36,049	\$ 62,466
Accrued expenses	178,729	173,693
Current portion of notes payable	78,485	74,047
Total current liabilities	293,263	310,206
 Long term liabilities:		
Notes payable, less current portion	2,820,311	2,902,750
Total liabilities	3,113,574	3,212,956
 Net assets:		
Without donor restriction	2,126,441	1,660,478
With donor restriction	378,650	395,342
Total net assets	2,505,091	2,055,820
Total liabilities and net assets	\$ 5,618,665	\$ 5,268,776

The accompanying notes are an integral part of these financial statements

REDWOOD GOSPEL MISSION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019
(with summarized comparative totals for the year ended September 30, 2018)

	Without donor restriction	With donor restriction	2019 Total	2018 Total
REVENUE AND SUPPORT:				
General donations	\$ 2,519,785	\$ 274,769	\$ 2,794,554	\$ 2,852,545
Non-cash donations	2,973,924	-	2,973,924	2,630,476
Sales, net cost of goods sold \$1,308,378	166,889	-	166,889	96,444
Special events, less cost of \$23,460	95,398	-	95,398	179,349
Investment income	4,262	-	4,262	(271)
Other income	77,142	-	77,142	5,800
Net assets released from restriction	291,461	(291,461)	-	-
Total revenue and support	<u>6,128,861</u>	<u>(16,692)</u>	<u>6,112,169</u>	<u>5,764,343</u>
EXPENSES:				
Program expenses	4,695,373		4,695,373	4,210,608
Management and general	287,758		287,758	275,340
Fundraising	679,767	-	679,767	665,637
Total expenses	<u>5,662,898</u>	<u>-</u>	<u>5,662,898</u>	<u>5,151,585</u>
CHANGE IN NET ASSETS	465,963	(16,692)	449,271	612,758
NET ASSETS, BEGINNING	<u>1,660,478</u>	<u>395,342</u>	<u>2,055,820</u>	<u>1,443,062</u>
NET ASSETS, ENDING	<u>\$ 2,126,441</u>	<u>\$ 378,650</u>	<u>\$ 2,505,091</u>	<u>\$ 2,055,820</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, 2019
(with summarized comparative totals for the year ended September 30, 2018)

	Program	Management and General	Fundraising	2019 Total	2018 Total
Salaries and wages	\$ 1,472,483	\$ 159,928	\$ 252,892	\$ 1,885,303	\$ 1,811,272
Payroll taxes	106,406	10,736	17,608	134,750	139,035
Employee benefits	154,293	8,217	9,401	171,911	184,337
Food expense	1,691,853	414	192	1,692,459	1,197,413
Program expense	301,493	-	528	302,021	315,967
Auto expense	106,088	-	-	106,088	125,798
Occupancy	217,419	206	-	217,625	239,734
Interest expense	121,434	40,412	-	161,846	165,977
Equipment expenses	82,297	16,827	11,357	110,481	161,755
Promotional expense	80,140	-	43,292	123,432	109,248
Professional fees	913	21,000	112,160	134,073	118,467
Meetings and travel	18,813	2,848	6,049	27,710	22,623
Supplies	65,420	2,900	1,226	69,546	100,713
Information technology	39,718	5,047	58,186	102,951	91,365
Postage and printing	2,656	109	144,355	147,120	113,510
Depreciation	152,078	127	138	152,343	141,142
Taxes, licenses and fees	25,515	1,472	21,187	48,174	43,868
Other operating expenses	56,354	17,515	1,196	75,065	69,361
Total expenses	<u>\$ 4,695,373</u>	<u>\$ 287,758</u>	<u>\$ 679,767</u>	<u>\$ 5,662,898</u>	<u>\$ 5,151,585</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, 2019
(with summarized comparative totals for the year ended September 30, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 449,271	\$ 612,758
Adjustments to reconcile change in net assets to cash from operations		
Depreciation and amortization	152,671	142,349
(Increase) decrease in:		
Accounts receivable	(5,145)	2,365
Inventory	35,647	(46,913)
Prepaid expenses	(5,983)	(7,466)
Deposits	(10,195)	(800)
Increase (decrease) in:		
Accounts payable	(26,417)	19,845
Accrued expenses	5,036	31,181
Total cash provided by operations	594,885	753,319
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Acquisition) disposal of property and equipment	(236,191)	(290,745)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Changes in restricted cash	(377,572)	47
Net payments on borrowings	(78,001)	(71,625)
Total cash used by financing activities	(455,573)	(71,578)
NET CHANGE IN CASH	(96,879)	390,996
CASH, beginning of year	692,635	301,639
CASH, end of year	\$ 595,756	\$ 692,635
Supplemental information:		
Cash paid for interest	\$ 161,846	\$ 165,977

The accompanying notes are an integral part of these financial statements

REDWOOD GOSPEL MISSION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 ORGANIZATION

Redwood Gospel Mission (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, 2019

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, 2019, the balance over the FDIC limit is \$434,395.

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, 2019

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:

	<u>Years</u>
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, 2019

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, 2019 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, 2019

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, 2018, from which the summarized information was derived.

NOTE 3 LIQUIDITY

The following reflects the Mission's financial assets as of September 30, 2019 that are available for operations:

Financial assets at year end		
Cash and cash equivalents	\$	974,406
Accounts receivables		6,775
Total financial assets		981,181
Less those unavailable for general expenditures within one year due to:		
Donor restricted funds (by time or purpose)		(378,650)
Financial assets available to meet cash needs for general expenditures within one year	\$	602,531

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, 2019 is \$2,484,910.

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, 2019 is \$413,886.

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, 2019

NOTE 4 NOTES PAYABLE, continued

Total outstanding notes payable at September 30, 2019 are \$2,898,796.

Future principal payments are as follows at September 30:

2020	\$	78,485
2021		83,189
2022		87,882
2023		92,839
2024		98,076
Thereafter		<u>2,458,325</u>
Total	\$	<u><u>2,898,796</u></u>

NOTE 5 NET ASSETS WITH DONOR RESTRICTIONS

The Mission has donor restricted cash as follows at September 30, 2019:

Fire relief	\$	26,446
Kitchen remodel		328,096
Donor directed projects		13,030
Rose house		<u>11,078</u>
Total	\$	<u><u>378,650</u></u>

NOTE 6 IN-KIND DONATIONS

The Mission received \$2,908,341 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, 2019.

REDWOOD GOSPEL MISSION
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2019

NOTE 7 OPERATING LEASE COMMITMENTS

The Mission has one operating lease as seen below:

<u>Item</u>	<u>Ending date</u>	<u>Monthly payment</u>	<u>Amount paid</u>	<u>Remaining</u>
Copy machine	2/1/2020	\$ 446	\$ 21,408	\$ 1,784

Future principal payments are as follows at September 30:

2020	\$ 1,784
------	----------

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 \$26,768 for the year ended September 30, 2019.

NOTE 9 CHANGE IN ACCOUNTING PRINCIPLE

The financial statements have been changed to adopt ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. ASU 2018-08 includes specific criteria to consider when determining whether a contract or agreement should be accounted for as a contribution or as an exchange transaction. It also provides a framework for determining whether a contribution is conditional or unconditional which will impact the timing of revenue recognition. This change has been applied to both the current year and the prior year summarized information.

NOTE 10 SUBSEQUENT EVENTS

The Mission has evaluated subsequent events through March 5, 2020, the date the financial statements were available to be issued. After yearend, the Mission received a bequest that consists of a property located in Healdsburg, California in which the Mission can sell and the funds will create an permanently restricted endowment. Once formed, the endowment can be used by the Mission annually in which the Mission utilizes the annual investment income for programs and operations.