



GOSPEL-RESCUE MISSION OF GRANTS PASS

FINANCIAL STATEMENTS

For the year ended December 31, 2016

with Independent Auditor's Report

**GOSPEL-RESCUE MISSION OF GRANTS PASS
FINANCIAL STATEMENTS
For the year ended December 31, 2016**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Gospel-Rescue Mission of Grants Pass
PO Box 190
Grants Pass, OR 97528

We have audited the accompanying financial statements of Gospel-Rescue Mission of Grants Pass (a nonprofit organization) which comprise the statement of financial position as of December 31, 2016, 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.

Opinion

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

Cramer & Associates
Medford, Oregon
November 13, 2017

GOSPEL-RESCUE MISSION OF GRANTS PASS
STATEMENT OF FINANCIAL POSITION
December 31, 2016

ASSETS

CURRENT ASSETS

| | | |
|--|----|----------------|
| Cash - unrestricted | \$ | 810,673 |
| Cash - temporarily restricted (see note 5) | | <u>255,000</u> |

| | | |
|------------|--|-----------|
| Total cash | | 1,065,673 |
|------------|--|-----------|

| | | |
|------------------------|--|---------------|
| Accounts receivable | | 119 |
| Thrift store inventory | | <u>50,000</u> |

| | | |
|----------------------|--|--------------|
| Total current assets | | \$ 1,115,792 |
|----------------------|--|--------------|

PROPERTY AND EQUIPMENT

| | | |
|---|--|------------------|
| Property and equip., net of accum. depreciation - unrestricted | | 3,385,140 |
| Property and equip., net of accum. depreciation - temporarily restricted (see note 5) | | <u>1,490,600</u> |

| | | |
|------------------------------|--|------------------|
| Total property and equipment | | <u>4,875,740</u> |
|------------------------------|--|------------------|

| | | |
|--------------|--|---------------------|
| Total assets | | <u>\$ 5,991,532</u> |
|--------------|--|---------------------|

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

| | | |
|-----------------------------------|----|---------------|
| Accounts payable | \$ | 5,209 |
| Accrued vacation payable | | 11,373 |
| Current portion of long-term debt | | <u>20,004</u> |

| | | |
|---------------------------|--|-----------|
| Total current liabilities | | \$ 36,586 |
|---------------------------|--|-----------|

LONG-TERM LIABILITIES

| | | |
|--|--|----------------|
| Long-term debt, net of current portion | | <u>378,112</u> |
|--|--|----------------|

| | | |
|--|--|----------------|
| LONG-TERM DEBT, net of current portion | | <u>378,112</u> |
|--|--|----------------|

| | | |
|-------------------|--|---------|
| Total liabilities | | 414,698 |
|-------------------|--|---------|

NET ASSETS

| | | |
|------------------------|--|------------------|
| Unrestricted | | 3,831,834 |
| Temporarily restricted | | <u>1,745,000</u> |

| | | |
|------------------|--|------------------|
| Total net assets | | <u>5,576,834</u> |
|------------------|--|------------------|

| | | |
|----------------------------------|--|---------------------|
| Total liabilities and net assets | | <u>\$ 5,991,532</u> |
|----------------------------------|--|---------------------|

GOSPEL-RESCUE MISSION OF GRANTS PASS
STATEMENT OF ACTIVITIES
For the year ended December 31, 2016

| | | |
|---|----|-------------------------|
| UNRESTRICTED NET ASSETS | | |
| Public support and revenue: | | |
| Contributions | \$ | 524,811 |
| Thrift store and resale income | | 569,212 |
| Resident income | | 26,494 |
| Interest | | 67 |
| Other | | 9,608 |
| | | <u>1,130,192</u> |
| Net assets released from restrictions | | <u>34,589</u> |
| Total public support and revenue | \$ | 1,164,781 |
| Expenses: | | |
| Program services: | | |
| Shelters | | 1,046,845 |
| Support services: | | |
| Fundraising | | 37,581 |
| Management and general | | 107,693 |
| | | <u>145,274</u> |
| Total support services | | 145,274 |
| Total expenses | | <u>1,192,119</u> |
| INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS | | (27,338) |
| TEMPORARILY RESTRICTED NET ASSETS | | |
| Net assets released from restrictions | | <u>(34,589)</u> |
| INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS | | <u>(34,589)</u> |
| INCREASE (DECREASE) IN NET ASSETS | | (61,927) |
| NET ASSETS AT BEGINNING OF YEAR | | <u>5,638,761</u> |
| NET ASSETS AT END OF YEAR | \$ | <u><u>5,576,834</u></u> |

**GOSPEL-RESCUE MISSION OF GRANTS PASS
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2016**

| | PROGRAM SERVICES | | SUPPORT SERVICES | | |
|--|------------------------|------------------|------------------------|------------------------|---------------------|
| | Total Program Services | Fundraising | Management and general | Total support services | Total |
| OPERATING EXPENSES: | | | | | |
| Salaries and wages | \$ 340,644 | \$ - | \$ 35,277 | \$ 35,277 | \$ 375,921 |
| Payroll tax and expenses | 40,865 | - | 3,757 | 3,757 | 44,622 |
| | <u>381,509</u> | <u>-</u> | <u>39,034</u> | <u>39,034</u> | <u>420,543</u> |
| Program operations | 446,583 | - | 6,229 | 6,229 | 452,812 |
| Occupancy | 77,430 | - | 4,115 | 4,115 | 81,545 |
| Office expense | 6,996 | - | 18,946 | 18,946 | 25,942 |
| Travel / training | 1,856 | - | 970 | 970 | 2,826 |
| Insurance expense | 136 | - | 23,484 | 23,484 | 23,620 |
| Advertising / Outreach | - | 37,581 | - | 37,581 | 37,581 |
| Professional services | 6,143 | - | 14,467 | 14,467 | 20,610 |
| Dues / licenses | 1,562 | - | 448 | 448 | 2,010 |
| | <u>540,706</u> | <u>37,581</u> | <u>68,659</u> | <u>106,240</u> | <u>646,946</u> |
| Total operating expenses before other expenses | 922,215 | 37,581 | 107,693 | 145,274 | 1,067,489 |
| OTHER EXPENSES: | | | | | |
| Depreciation | 124,630 | - | - | - | 124,630 |
| TOTAL EXPENSES | <u>\$ 1,046,845</u> | <u>\$ 37,581</u> | <u>\$ 107,693</u> | <u>\$ 145,274</u> | <u>\$ 1,192,119</u> |

See independent auditor's report and accompanying notes to the financial statements.

GOSPEL-RESCUE MISSION OF GRANTS PASS
STATEMENT OF CASH FLOWS
For the year ended December 31, 2016

| | | |
|---|----|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Excess / (deficit) of revenue over expense | \$ | (61,927) |
| Adjustments to reconcile excess of revenue over expense to net cash provided by operating activities: | | |
| Depreciation | | 124,630 |
| (Increase) decrease in: | | |
| Accounts receivable | | 1,402 |
| Increase (decrease) in: | | |
| Accounts payable | | 2,849 |
| Accrued expenses | | 5,652 |
| | | <u>5,652</u> |
| Net cash provided / (used) by operating activities | | <u>\$ 72,606</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Construction in progress | | (13,880) |
| Purchases of property and equipment | | (13,562) |
| | | <u>(13,562)</u> |
| Net cash provided / (used) by investing activities | | <u>(27,442)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayment of long-term debt | | (57,167) |
| | | <u>(57,167)</u> |
| Net cash provided / (used) by financing activities | | <u>(57,167)</u> |
| NET INCREASE / (DECREASE) IN CASH | | (12,003) |
| CASH, beginning of year | | <u>1,077,676</u> |
| CASH, end of year | | <u><u>\$ 1,065,673</u></u> |

GOSPEL-RESCUE MISSION OF GRANTS PASS
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2016

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Gospel-Rescue Mission of Grants Pass (GRM) is an Oregon religious nonprofit corporation registered in 1983 for the purpose of providing temporary housing for the homeless in the Grants Pass area. Residents are also provided with counseling services to help them obtain permanent housing, employment, financial assistance, and help with substance abuse problems. GRM operates women's, men's and family shelters which provide food, clothing, counseling and a GED program to the temporarily homeless; and salvage sales and a thrift store (the Second Chance Store) which also include work rehabilitation programs. GRM's principal sources of revenue are substantially generated from donations and sales of donated items from the thrift store and recycling center.

Basis of Accounting

The financial statements of GRM have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and accordingly reflect all significant receivables, payables, and other liabilities, and recognizes revenues when earned and expenses when incurred.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) No. 958. Under ASC 958, GRM is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets include resources that are not temporarily or permanently restricted by the donor and are available for operations of GRM without limitation. Unrestricted net assets also include resources restricted by donor-imposed criteria for which the restrictions are met within the same time period as the funds are received. Unrestricted net assets which have been designated for specific uses by the Board of Directors will also be identified.

Temporarily restricted net assets include those resources restricted by donor / grantor-imposed criteria and which either expire with the passage of time (generally by usage of the funds for the designated purpose) or by actions of GRM.

Permanently restricted net assets include contributions subject to donor-imposed or other legal restrictions with requirements that the principal be invested in perpetuity and only the income is expended for designated purposes.

GRM did not have any net assets classified as permanently restricted as of December 31, 2016.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, GRM considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents. The carrying values of cash and cash equivalents approximate fair value.

GOSPEL-RESCUE MISSION OF GRANTS PASS
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2016

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory

GRM receives contributions of significant amounts of food for use at the shelters, recorded as in-kind contributions and expenses. Due to the perishable nature and the difficulty of estimating and valuing any significant amount of food at any given time, the organization does not carry food inventory on the books.

GRM also receives contributions of clothing, household, recyclables, and other goods for resale. A substantial amount of the contributions have no market value and create a disposal cost. Contributions that do have a market value are not determinable until sold, therefore contributions of clothing and household goods are not recognized until resale, and recorded as in-kind contributions and expenses at that time.

Estimated values of inventories held at the thrift store at December 31, 2016 are stated at net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Cost is determined using the first in, first out method.

Property and Equipment

Purchased property and equipment over \$5,000 is capitalized at cost. Donations of property and equipment over \$5,000 are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. 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 contributions. Absent donor stipulations regarding how long those donated assets must be maintained, GRM reports expirations of donor restrictions when the donated or acquired assets are placed in service. GRM reclassifies temporarily restricted net assets to unrestricted net assets at that time. For financial reporting purposes the costs of property and equipment are depreciated over the estimated useful lives of the assets ranging from five to fifty years using primarily the straight-line method.

Contributions

Donations of assets are recorded as support revenue at their estimated fair value at the date of donation. Assets whose estimated fair value cannot be reasonably determined are not recorded. Recorded donations (including cash and securities) are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. 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 contributions. Absent donor stipulations regarding how long those donated assets must be maintained, GRM reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. GRM reclassifies temporarily restricted net assets at that time.

Donated services are recognized as contributions in accordance with ASC 958, if the services (a) create or enhance non-financial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by GRM. Volunteers may provide various services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria under ASC 958 are not met, or the valuation of such services cannot be reasonably determined.

GOSPEL-RESCUE MISSION OF GRANTS PASS
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2016

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical methods.

Program services include expenses directly related to the exempt purpose of GRM, and include activities from the following: 1) Women's, Men's and Family Shelters, 2) salvage sales and the Second Chance Store; and 3) From the Heart, which is a joint venture with United Community Action Network (UCAN) to provide medicines to the needy.

Fund-raising activities provide the structure necessary to encourage and secure private financial support from individuals, foundations, and corporations.

Management and General activities include the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of GRM's program strategy; secure proper administrative functioning of the Board of Directors; and manage the financial and budgetary responsibilities of the organization.

Tax-Exempt Status

GRM is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and received their latest determination letter from the IRS in June 1995 which extended their original status from January 1983. However, income from certain activities not directly related to the Chapter's tax-exempt purpose is subject to taxation as unrelated business income. GRM qualifies for the charitable contribution deduction and has also been classified as an organization that is not a private foundation under Section 509(a) because it is an organization described in Section 170(b)(1)(A)(vi).

GRM's Federal Form 990, Return of Organization Exempt from Income Tax, is subject to examination by the IRS, generally for three years after filing.

GRM has been classified and registered as a religious domestic non-profit with the Oregon Secretary of State Corporate Division. As such, they have no annual state reporting filing requirement other than renewal of their registration with the Secretary of State.

Date of Management's Review

Management has evaluated subsequent events through November 13, 2017, the date on which the financial statements were available to be issued.

**GOSPEL-RESCUE MISSION OF GRANTS PASS
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2016**

NOTE 2—PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2016:

| | <u>12/31/2015</u> | <u>additions</u> | <u>deletions</u> | <u>12/31/2016</u> |
|--------------------------------|---------------------|-------------------|------------------|---------------------|
| Land | \$ 196,294 | \$ - | \$ - | \$ 196,294 |
| Machinery and equipment | 78,670 | 13,562 | - | 92,232 |
| Vehicles | 47,450 | - | - | 47,450 |
| Buildings and improvements | <u>5,935,627</u> | <u>13,880</u> | <u>-</u> | <u>5,949,507</u> |
| | 6,258,041 | <u>\$ 27,442</u> | <u>\$ -</u> | 6,285,483 |
| Less: accumulated depreciation | <u>1,285,113</u> | <u>\$ 124,630</u> | <u>\$ -</u> | <u>1,409,743</u> |
| Net book value | <u>\$ 4,972,928</u> | | | <u>\$ 4,875,740</u> |

Depreciation expense for the year ended December 31, 2016 was \$124,630.

NOTE 3—DEBT

Long-term debt consisted of the following at December 31, 2016:

| | |
|--|-------------------|
| Mortgage payable to Evergreen Fedral Bank. \$1,667 due monthly (zero interest note) until maturity in 2031. The note is secured by a real property trust deed. | 398,116 |
| Less: current portion | <u>(20,004)</u> |
| | <u>\$ 378,112</u> |

Principal payments on long-term debt for each of the next five years and in total will be:

| | | |
|-------------------------|------------|-------------------|
| Year ended December 31: | 2017 | \$ 20,004 |
| | 2018 | 20,004 |
| | 2019 | 20,004 |
| | 2020 | 20,004 |
| | 2021 | 20,004 |
| | thereafter | <u>298,096</u> |
| | | <u>\$ 398,116</u> |

NOTE 4—RELATED PARTY TRANSACTIONS

Gospel Rescue Mission of Grants Pass Foundation (the Foundation) was created in 1999 to raise money to support GRM. The Foundation has a separate and independent board, although cross membership does occur. During the year ended December 31, 2016, GRM received \$7,200 from the Foundation.

GOSPEL-RESCUE MISSION OF GRANTS PASS
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2016

NOTE 5—TEMPORARILY RESTRICTED NET ASSETS

GRM receives funds from contributions, grants and contracts with donor stipulations as outlined in Note 1, above. At December 31, 2016, GRM held the following net balances as temporarily restricted:

| | | |
|---|-------------------|---------------------|
| Grant balances: | | |
| Allcare | 75,000 | |
| River Valley Community Church | 180,000 | |
| | <u> </u> | |
| Total grant balances | | \$ 255,000 |
| Construction funds: | | |
| Fikso women's shelter | 554,000 | |
| Wagner Hall men's shelter | 936,600 | |
| | <u> </u> | |
| Total construction funds: | | <u>1,490,600</u> |
| Total temporarily restricted net assets | | <u>\$ 1,745,600</u> |

GRM received two grants from the Federal Home Loan Bank of Seattle. One grant was for construction of the Fikso Women's Shelter and the other was for the construction of Wagner Hall. Both grants require GRM to enter into Affordable Housing Program Regulatory Agreements. The Regulatory Agreements set forth operating restrictions on the facilities and require income restrictions on the tenants. Compliance with both grants is secured by Trust Deeds on the properties. The full balance of both grants is included as temporarily restricted net assets until the compliance period expires.

NOTE 6—CONCENTRATIONS

Concentration of contributions

In the normal course of operations, GRM receives grant funds, certain contracts, and donations from various agencies, private foundations, and individuals. A significant portion of their funding was obtained from these contributions and grants. All grant programs are subject to the administrative directives, rules and regulations, and audits of federal, state and local regulatory agencies, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Such administrative directives, rules and regulations are subject to changes which may occur with little notice or could make GRM susceptible to inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change or an audit. GRM believes any liability for reimbursement which may arise as the result of these changes, or costs related to potential changes, audits, or otherwise are not material to this financial statement presentation. GRM is also subject to the whim of individual contributors for both monetary funds and donations to the shelters and thrift and recycle programs. A significant decline in these contributions would be detrimental to the organization and it is unlikely that additional funding sources could be acquired to rapidly replace lost revenues. Management believes the level of contributions to be adequate based on historical reference and feels no threat to the immediate future of the organization's operations.