

GOSPEL RESCUE MISSION, INC.



**FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORT**

**FOR THE YEAR ENDING
SEPTEMBER 30, 2018**



Clothier & Company CPA's P.C.

P.O. Box 1495 * Muskogee, Ok 74402
(918) 687-0189 FAX (918) 687-3594
cccpa@yahoo.com

Gospel Rescue Mission
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September 30, 2018

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918-687-0189 FAX 918-687-3594

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Gospel Rescue Mission, Inc.

We have audited the accompanying financial statements of Gospel Rescue Mission, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2018, and the related statement of activities 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, Inc., as of September 30, 2018, and the changes in 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 Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Budget to Actual Comparison on page 15 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Clothier & Company, CPA's, P.C.
May 31, 2019

Gospel Rescue Mission
STATEMENT OF FINANCIAL POSITION
September 30, 2018

ASSETS

Current Assets:

Cash and cash equivalents	\$ 89,532
Grant Receivable	150,000
Pledges Receivable, net	60,778
Other current assets	10
Total Current Assets	300,320

Fixed Assets:

Land and building	1,758,416
Furniture/fixtures/equipment	167,021
Vehicles	13,500
Total Property and Equipment	1,938,937
Loan application costs	35,000
Total Property/Equipment/Intangible	1,973,937
Less: Accumulated Depreciation/Amortization	(156,118)
Total Fixed Assets	1,817,819

Other Assets:

Pledges Receivable - Long-Term, net	86,509

Total Assets	\$ 2,204,648
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 23,098
Accrued payroll liabilities	7,759
Total Current Liabilities	30,857

Long Term Liabilities:

Notes Payable	0
Total Liabilities	30,857

Net Assets:

Restricted	0
Unrestricted	2,173,791
Total Net Assets	2,173,791

Total Liabilities and Net Assets	\$ 2,204,648
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See accompanying notes and independent auditor's report.

Gospel Rescue Mission
STATEMENT OF ACTIVITIES
September 30, 2018

SUPPORT AND REVENUE

Revenue:

Donations	\$ 646,022
Special events/fundraising	617,716
Miscellaneous	94,843
Interest income	174
Total Support	<u>1,358,755</u>

EXPENSES

Program services	446,821
General and administrative	76,807
Fundraising expense	88,422
Depreciation expense	32,598
Total Expenses	<u>644,648</u>

Changes in Net Assets	714,107
Net Assets, Beginning of Year	<u>1,459,684</u>
Net Asset, End of Year	<u><u>\$ 2,173,791</u></u>

See accompanying notes and independent auditor's report.

Gospel Rescue Mission
STATEMENT OF CASH FLOWS
September 30, 2018

Cash Flows From Operating Activities:	
Increase (Decrease) in Net Assets	\$ 714,107
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	32,598
(Increase)/Decrease in:	
Accounts receivable	(80,002)
Prepaid expense	2,130
Increase/(Decrease) in:	
Accounts payable	(156,534)
Accrued expenses	2,899
Net Cash Provided by Operating Activities	<u>515,198</u>
 Cash Flows From Investing Activities:	
Fixed asset additions	(1,057,081)
Sale of fixed assets	<u>0</u>
Net Cash Used by Investing Activities	<u>(1,057,081)</u>
 Cash Flows From Financing Activities:	
Proceeds from borrowings	0
Payments on borrowings	<u>0</u>
Net Cash Used by Financing Activities	<u>0</u>
 Net Increase/(Decrease) in Cash and Cash Equivalentents	 (541,883)
 Cash Balance, September 30, 2017	 <u>631,415</u>
 Cash Balance, September 30, 2018	 <u>\$ 89,532</u>
 Supplemental Disclosure of Cash Flow Information:	
Cash paid for interest expense	<u>\$ 3,275</u>

See accompanying notes and independent auditor's report.

Gospel Rescue Mission
STATEMENT OF FUNCTIONAL EXPENSES
September 30, 2018

	<u>Fundraising</u>	<u>Program</u>	<u>Admin.</u>	<u>Total</u>
Fundraising expenses	\$ 88,422	\$ 0	\$ 0	\$ 88,422
Assistance expenses	0	28,822	0	28,822
Bank fees & expenses	0	9,820	1,733	11,553
Interest expense/loan fees	0	4,779	843	5,622
Other program expenses	0	6,586	0	6,586
Staff benefits	0	4,273	754	5,027
Staff training	0	808	143	950
Food services	0	12,315	0	12,315
Supplies	0	12,628	2,229	14,857
Vehicle expense	0	2,600	459	3,059
Insurance	0	31,290	5,522	36,812
Administrative/other	0	0	8,747	8,747
Legal, audit, accounting	0	0	2,369	2,369
Maintenance and repairs	0	26,044	4,596	30,640
Staff salaries	0	239,263	42,223	281,486
Payroll tax expense	0	18,177	3,208	21,385
Telephone	0	16,374	2,890	19,264
Utilities	0	29,014	5,120	34,134
Depreciation expense	0	27,708	4,890	32,598
	<u>\$ 88,422</u>	<u>\$ 470,502</u>	<u>\$ 85,724</u>	<u>\$ 644,648</u>

See accompanying notes and independent auditor's report.

Gospel Rescue Mission, Inc.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ending September 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Gospel Rescue Mission, Inc. (the “Mission”) is incorporated under the laws of the State of Oklahoma. The Mission is organized and operated for charitable purposes in connection with providing food and shelter for indigent and needy persons and families.

Basis of Accounting

The accompanying financial statements of the Mission have been prepared on an accrual basis of accounting. Contributions and other revenues are recorded as received.

Cash

For the purpose of reporting cash flows, the Mission considers all highly liquid instruments with an original maturity of three months or less to be cash.

Pledges Receivable

The pledges receivable consist of donor promises to give. It is the Mission’s policy to charge off uncollectible pledges receivable when management determines the pledge will not be collected. All pledges receivable are considered collectible as of September 30, 2018.

A discount on pledges receivable expected to be received over several years are computed using risk-free interest rates applicable to the years in which the pledges are received. Amortization of the discount is included in donations revenue.

Fixed Assets

Property and equipment are capitalized at their historical cost and depreciated over their useful lives using the straight line method. Expenditures for maintenance and repairs are charged to expenses as incurred.

When assets are retired or otherwise disposed of, the assets and related allowances for depreciation are eliminated from the accounts.

Income Taxes

The Mission is a non-profit organization generally exempt from income taxes under Internal Revenue Code Section 501(c)(3).

The Organization’s Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2016, 2017, and 2018 are subject to examination by the IRS, generally for three years after they were filed.

Gospel Rescue Mission, Inc.

Donated Services

No amounts have been reflected in the financial statements for donated services. The Mission generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Mission.

Expense Allocation

All directly identifiable expenses are charged to program services. Expenses not identifiable to program services are allocated to general and administrative expenses, which have been allocated between personnel expenses and other expenses.

Unrestricted and Restricted Revenue

Contributions received are recorded as increases in unrestricted or restricted net assets, depending on the existence and/or nature of any donations.

NOTE 2 – CASH

At September 30, 2018, the cash balance was \$89,532, which included deposits of \$250, and is insured by the Federal Deposit Insurance Corporation.

NOTE 3 – GRANT RECEIVABLE

The Mission was awarded a grant from the City of Muskogee Foundation in the amount of \$450,000 payable over a three year period with the final payment expected to be received in August 2019. The grant receivable of \$150,000 is the amount expended on the Callahan property but not yet received during the grant term starting July 1, 2017 thru September 30, 2018.

NOTE 4 – PLEDGES RECEIVABLE

Pledges receivable are shown at present value using the U.S. Department Daily Treasury Yield Curve Rates. The Mission discounted pledges with established donors in the amount of \$153,000, due within two to three years as of September 30, 2018. The discount on the pledge was \$5,713 at year-end.

Pledges Receivable - Current	\$	64,000
Less: Discount to Net Present Value		(3,222)
Pledges Receivable, net	\$	<u>60,778</u>
Pledges Receivable - Long-Term	\$	89,000
Less: Discount to Net Present Value		(2,491)
Pledges Receivable - Long-Term, net	\$	<u>86,509</u>

NOTE 5 – FIXED ASSETS

The following is a summary of the property, plant, and equipment accounts at September 30, 2018:

	Balance 09/30/2017	Additions	Accumulated Depreciation	Balance 09/30/2018
Building, Land, & Improvements	\$813,641	\$944,775	(\$79,602)	\$1,678,814
Furniture, Fixtures, & Equipment	54,716	112,305	(57,767)	109,254
Vehicles	13,500	0	(13,500)	0
Loan Application Costs	35,000	0	(5,249)	29,751
Totals	<u>\$916,857</u>	<u>\$1,057,080</u>	<u>(\$156,118)</u>	<u>\$1,817,819</u>

The Mission completed renovation of the Callahan property in April 2018. The property is approximately 13,000 square feet of useable space on 4 acres. The property has housing for 50 men, 20 women, and 5 family units. There is a kitchen, dining hall, food pantry, intake office, handicap apartment, restrooms, separate lounge areas, and administrative offices in the main building. A free standing building is being used for a chapel that holds 200 people. Total capitalized costs since August 2014 included:

Building, Land, & Improvements	\$1,436,176
Furniture, Fixtures, & Equipment	105,988
Loan Application Costs	<u>35,000</u>
Totals	<u>\$1,577,164</u>

Current year depreciation and amortization was \$32,598.

NOTE 6 – FUNDRAISING

The following is a summary of the fundraising campaigns in 2018:

2018 Campaigns	Funds Received	Cost of Campaigns	Costs/ Donations
Easter 2018 Appeal	\$ 4,324	\$ 3,810	88.11%
Easter 2018 Followup	1,790	1,500	83.80%
Spring Appeal 2018	9,550	2,835	29.69%
Spring Acqusion 2018	12,595	3,025	103.41%
Fall Acqusion 2018	3,565	3,837	107.63%
	<u>\$ 31,824</u>	<u>\$ 25,007</u>	
	Donations Received	Funds Paid Out	Donations/ Funds Paid
Building Fund Campaign	<u>\$ 617,716</u>	<u>\$ 1,067,242</u>	567.44%

NOTE 7 – CONTINGENT LIABILITIES

In February 2018, the Mission received an Affordable Housing Program (AHP) loan in the amount of \$500,000 from the Federal Home Loan Bank. The terms of this loan requires the Mission to continue providing for people at or below 80% of the area median income level for the next 15 years. Failure to comply with the terms of the loans will result in a requirement to repay the proceeds received.

NOTE 8 – MANAGEMENT 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 those estimates.

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date on which the financial statements were available for issue and identified no significant events or transactions to disclose.

SUPPLEMENTAL INFORMATION

Gospel Rescue Mission
Budget to Actual Comparison
For the Year Ending September 30, 2018

	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
Revenue				
Contributions/Donations	\$376,861	\$376,861	\$646,022	(\$269,161)
Fundraising/Direct Mail	94,643	94,643	617,716	(523,073)
Investment Income	0	0	174	(174)
Misc. Income	0	0	94,843	(94,843)
Total Revenue	471,504	471,504	1,358,755	(887,251)
Expenses				
Food Services	25,000	25,000	12,315	12,685
Administration	11,000	11,000	11,116	(116)
Office Supplies	9,000	9,000	0	9,000
Building Maintenance	25,000	25,000	30,640	(5,640)
Vehicle Maintenance	9,000	9,000	3,059	5,941
Programming	35,800	35,800	6,586	29,214
Staff Salaries	315,372	315,372	302,871	12,501
Staff Benefits	20,000	20,000	5,027	14,973
Staff Training/Developmnt	5,000	5,000	950	4,050
Insurance	31,000	31,000	36,812	(5,812)
Fundraising	129,880	129,880	88,422	41,458
Telephone/Internet	9,000	9,000	19,264	(10,264)
Utilities	25,000	25,000	34,134	(9,134)
Assistance	29,000	29,000	28,822	178
Bank Fees & Interest	0	0	17,175	(17,175)
Supplies	0	0	14,857	(14,857)
Total Expenses	679,052	679,052	612,050	67,002
Income/(Loss)	(\$207,548)	(\$207,548)	746,705	(\$954,253)
Less: Depreciation/Amortization			<u>32,598</u>	
Income per Statement of Activities			<u>\$714,107</u>	

See accompanying notes and independent auditor's report.