

EVERETT GOSPEL MISSION, INC.
INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015

EVERETT GOSPEL MISSION, INC.

YEARS ENDED JUNE 30, 2016 AND 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Everett Gospel Mission

We have audited the accompanying financial statements of Everett Gospel Mission, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements 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.

INDEPENDENT AUDITORS' REPORT, CONTINUED

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Everett Gospel Mission, Inc. as of June 30, 2016, 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 Everett Gospel Mission, Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 25, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 16 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.

Finney, Neill & Company, P.S.

December 30, 2016
Seattle, Washington

EVERETT GOSPEL MISSION, INC.

Statements of Financial Position

June 30, 2016 and 2015

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Current Assets		
Cash and cash equivalents	\$ 637,129	576,302
Employee receivables	6,435	1,862
Grants and contracts receivable	59,911	63,360
Pledge receivable	222	-
Accounts receivable, net	-	5,931
Inventory	61,500	57,765
Prepaid expenses	56,747	10,204
Total Current Assets	<u>821,944</u>	<u>715,424</u>
Property and Equipment		
Land	586,482	586,482
Buildings and improvements	5,002,806	4,992,222
Furniture and equipment	699,366	659,795
Construction in progress	15,240	-
	<u>6,303,894</u>	<u>6,238,499</u>
Less accumulated depreciation	<u>(2,691,845)</u>	<u>(2,485,410)</u>
Property and Equipment, net	3,612,049	3,753,089
Other assets - interest in trust	<u>34,007</u>	<u>34,731</u>
Total Assets	<u>\$ 4,468,000</u>	<u>4,503,244</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable	\$ 66,926	55,462
Accrued liabilities	122,679	137,862
Capital lease obligations - current portion	10,094	22,305
Long-term debt - current portion	29,268	46,488
Total Current Liabilities	<u>228,967</u>	<u>262,117</u>
Long-Term Liabilities		
Capital lease obligations, net of current portion	-	10,094
Long-term debt, net of current portion and loan fees	<u>1,155,648</u>	<u>1,177,181</u>
Total Long-Term Liabilities	<u>1,155,648</u>	<u>1,187,275</u>
Total Liabilities	<u>1,384,615</u>	<u>1,449,392</u>
Net Assets		
Unrestricted	2,295,371	2,305,118
Temporarily restricted	754,007	714,003
Permanently restricted	34,007	34,731
Total Net Assets	<u>3,083,385</u>	<u>3,053,852</u>
	<u>\$ 4,468,000</u>	<u>4,503,244</u>

The accompanying notes are an integral part of these financial statements.

EVERETT GOSPEL MISSION, INC.
Statements of Activities
Year Ended June 30, 2016
(With Comparative Totals for the Year Ended June 30, 2015)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016	2015
Support and Revenues					
Contributions	\$ 2,525,766	-	-	2,525,766	2,639,789
In-kind donations	1,494,935	-	-	1,494,935	1,355,162
Government grants	252,587	57,277	-	309,864	334,006
Campaign contributions	-	110,222	-	110,222	-
Bed donations	77,403	-	-	77,403	73,770
Rental income	70,807	-	-	70,807	78,174
Special events, net of benefit to donors of \$0 and \$22,044	500	-	-	500	29,985
Change in value of split-interest agreement	-	-	(724)	(724)	(1,159)
Investment income	3,245	-	-	3,245	2,248
Miscellaneous income	10,468	-	-	10,468	12,530
Gain (loss) on sales of assets	-	-	-	-	(500)
Net assets released from restrictions	127,495	(127,495)	-	-	-
Total Revenue	4,563,206	40,004	(724)	4,602,486	4,524,005
Expenses					
Program services	3,584,486	-	-	3,584,486	3,513,265
Management and general	390,276	-	-	390,276	344,826
Fundraising	598,191	-	-	598,191	504,597
Total Expenses	4,572,953	-	-	4,572,953	4,362,688
Change in Net Assets	(9,747)	40,004	(724)	29,533	161,317
Net Assets, beginning of year	2,305,118	714,003	34,731	3,053,852	2,892,535
Net Assets, end of year	\$ 2,295,371	754,007	34,007	3,083,385	3,053,852

The accompanying notes are an integral part of these financial statements.

EVERETT GOSPEL MISSION, INC.

Statements of Cash Flows

Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 29,533	161,317
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	207,381	202,516
Write-off of loan fees	7,953	-
Change in value of split-interest agreement	724	1,159
Changes in operating assets and liabilities		
Grants receivable	3,449	4,854
Accounts receivable	5,931	(1,909)
Pledge receivable	(222)	-
Prepaid expenses	(46,543)	15,683
Inventory	(3,735)	39,263
Accounts payable	11,464	(19,317)
Accrued liabilities	(15,183)	28,769
Net cash provided (used) by operating activities	200,752	432,335
Cash Flows from Investing Activities		
Advances to employees, net of repayments	(4,573)	(1,538)
Purchases of property and equipment	(69,095)	(46,079)
Net cash provided (used) in investing activities	(73,668)	(47,617)
Cash Flows from Financing Activities		
Payment of loan fees	(6,422)	-
Principal payments on capital leases	(22,305)	(15,973)
Principal payments on long-term debt	(37,530)	(43,483)
Net cash provided (used) in financing activities	(66,257)	(59,456)
Net increase (decrease) in cash	60,827	325,262
Cash and cash equivalents at beginning of year	576,302	251,040
Cash and cash equivalents at end of year	<u>\$ 637,129</u>	<u>576,302</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 56,297</u>	<u>59,609</u>

The accompanying notes are an integral part of these financial statements.

EVERETT GOSPEL MISSION, INC.

Notes to Financial Statement
Years Ended June 30, 2016 and 2015

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of the Organization

The Everett Gospel Mission, Inc. (the Organization) is a nonprofit corporation established in 1961 to meet the physical and spiritual needs of the homeless and hurting in the Everett community by spreading the Gospel through rescue mission work. The majority of its financial support comes from donations from individuals and local businesses.

Basis of presentation

The accompanying financial statements have been prepared in conformity with the disclosure and display requirements of the Presentation of Financial Statements for Not-for-Profit Entities Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The Organization's policy is to present donor funds that are restricted or endowed for specific purposes, but for the Organization's "variance power," as temporarily or permanently restricted. While the Organization retains authority to exercise "variance power" by which the Board may legally resolve to release donor restrictions, it has no current intention to do so. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- Unrestricted net assets are available without restriction for support of the Organization's operations.
- Temporarily restricted net assets are restricted by the donor to be used for certain purposes or future periods and consisted of \$754,007 and \$714,003 at June 30, 2016 and 2015, respectively.
- Permanently restricted net assets are sustaining funds given with the intent that the principal will be maintained intact in perpetuity, and the income may be used for current operations or specific purposes. The balance in permanently restricted net assets for the years ended June 30, 2016 and 2015 consisted of a charitable perpetual trust split-interest agreement. Assets held in the trust designated for the Organization totaled \$34,007 and \$34,731 at June 30, 2016 and 2015, respectively.

When restrictions on temporarily restricted net assets expire, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Resources with donor-imposed restrictions whose restrictions have been met within one reporting period are reported as unrestricted assets.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. 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 their uses are restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

EVERETT GOSPEL MISSION, INC.
Notes to Financial Statement, continued
Years Ended June 30, 2016 and 2015

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES, continued

Basis of accounting

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Comparative 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 Organization's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

Cash and cash equivalents

Cash and cash equivalents consist of general checking, demand deposits, savings accounts, and short-term investments with original maturities of three months or less. The Organization maintains its cash and cash equivalents in bank accounts that may exceed federally insured limits at times during the year. The Organization has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk.

Grants and contracts receivable

Grants and contracts receivable includes amounts owing from service agreements and government grants, and are stated at net realizable value and is unsecured. Management provides for uncollectible accounts receivables through a provision for bad debt expense and an adjustment to the allowance for doubtful accounts based on its assessment of the current status of individual accounts. As of June 30, 2016 and 2015, the balances are considered to be fully collectible.

Inventory

The Organization maintains an inventory of food and personal items which is stated at the lower of cost or market determined by the first-in, first-out method if purchased, or at its estimated fair value if donated.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and equipment

Property and equipment are stated at cost or, if donated, at market value at date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Building and improvements	7 - 40 years
Furniture and equipment	3 - 10 years

These notes are an integral part of these financial statements.

EVERETT GOSPEL MISSION, INC.
Notes to Financial Statement, continued
Years Ended June 30, 2016 and 2015

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES, continued

Property and equipment, continued

Expenditures greater than \$500 are capitalized. Costs of repairs and maintenance and items less than \$500 are expensed when incurred. Depreciation expense was \$206,435 and \$202,352 for the years ended June 30, 2016 and 2015, respectively.

Debt issuance costs

Amortizable fees and costs, such as loan and transaction fees, are stated at cost as a deduction from the principal balance of the loan and are amortized on the straight-line basis over periods from seven to thirty years. Amortization expense for the years ended June 30, 2016 and 2015 was \$1,045 and \$621, respectively and is included in interest expense.

Rental income

Rental income for transitional housing is recognized when received.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of unrestricted activities and of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services.

Restricted and unrestricted support

Contributed support is recorded when a promise to give is made or when ownership of donated assets is transferred. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted depending on the existence and/or nature of any donor restrictions.

Contributions received with donor stipulations that limit the use of the donated assets are reported as temporarily restricted. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted resources whose restrictions are met in the reporting period received are recorded as unrestricted.

Donated goods and services

Donated goods and services are recorded as in-kind contributions at their estimated fair values at the date of donation. In accordance with financial accounting standards, the financial statements reflect only those donated services requiring specific expertise that the Organization would otherwise need to purchase.

The majority of the food used to feed the clients of the Organization is donated in-kind and is recorded in the financial statements at its estimated fair value of \$939,131 and \$887,750, respectively, for the years ended June 30, 2016 and 2015.

The Organization also provides clients with clothing and toiletries that are donated in-kind and recorded in the financial statements at an estimated fair value of \$526,804 and \$439,307, respectively, for the years ended June 30, 2016 and 2015.

The Organization also received donated services for garbage collection and professional services totaling \$29,000 and \$28,105, respectively, in the years ended June 30, 2016 and 2015.

EVERETT GOSPEL MISSION, INC.
Notes to Financial Statement, continued
Years Ended June 30, 2016 and 2015

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES, continued

Donated goods and services, continued

Of the donated items, the estimated amounts of donations held in inventory at year end are as follows:

	<u>2016</u>	<u>2015</u>
Donated food	\$ 39,550	39,550
Donated personal and household items	<u>21,950</u>	<u>18,215</u>
Amount included in the financial statements as inventory	<u>\$ 61,500</u>	<u>57,765</u>

Federal income taxes

The Internal Revenue Service has recognized the Organization as exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

Everett Gospel Mission, Inc. accounts for tax positions in accordance with the Recognition and Initial Measurement Sections of the Income Taxes Topic of the Financial Accounting Standards Board Accounting Standards Codification. With few exceptions, Everett Gospel Mission, Inc. is subject to federal and state income tax examinations by tax authorities for the prior three years. Management has reviewed Everett Gospel Mission, Inc.'s tax positions and determined there were no uncertain tax positions as of June 30, 2016 and 2015.

Everett Gospel Mission, Inc. recognizes income tax related interest in interest expense and penalties in operating expenses. During the years ended June 30, 2016 and 2015, Everett Gospel Mission, Inc. recognized no income tax related interest or penalties.

Reclassifications

Certain balances in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. These reclassifications had no effect on the change in net assets.

Impairment of Long-Lived Assets

Everett Gospel Mission, Inc. reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount exceeds the fair value as determined from an appraisal, discounted cash flow analysis, or other valuation techniques. There were no impairment losses recognized for the years ended June 30, 2016 and 2015.

EVERETT GOSPEL MISSION, INC.
Notes to Financial Statement, continued
Years Ended June 30, 2016 and 2015

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES, continued

Change in Accounting

In 2016, Everett Gospel Mission, Inc. changed its method of accounting for debt issuance costs to adopt the provisions of ASU 2015-03, which require debt issuance costs to be reported as a deduction from the principal balance of the loan on the statement of financial position and amortized over the life of the loan. The amortization of these costs is included in interest expense.

This change resulted in the following restatement of the 2015 financial statements:

	<u>Loan Fees</u>	<u>Notes Payable</u>
June 30, 2015 balances as previously stated	\$ 5,199	1,182,380
Effect of change in accounting for debt issuance costs	<u>(5,199)</u>	<u>(5,199)</u>
Balances as restated	<u>\$ -</u>	<u>1,177,181</u>

The implementation of ASU 2015-03 had no effect on net assets or on any of the components of net assets reported as of June 30, 2015.

Date of Management's Review

Subsequent events have been evaluated through December 30, 2016, which is the date the financial statements were available to be issued.

NOTE 2 – OTHER ASSETS – INTEREST IN TRUST

A perpetual trust held by a local bank was established by a donor in 1992. The split-interest agreement designated the Organization as 10% income beneficiary establishing its right to receive the greater of 10% of the annual income, or 10% of 5% of the fair market value of the trust on an annual basis. Based on the fair market value of the trust, the present value of the future benefits expected to be received by the Organization was estimated to be \$34,007 and \$34,731 for the years ended June 30, 2016 and 2015, respectively.

NOTE 3 - LINE OF CREDIT

The Organization has a revolving line of credit agreement with a Banner Bank, NA in the amount of \$150,000. The agreement carried a variable interest rate of 4% at June 30, 2016. The line is unsecured. There were no advances outstanding as of June 30, 2016. The Organization is subject to financial covenants beginning with the fiscal year ending June 30, 2017.

The Organization had a revolving line of credit agreement with a JPMorgan Chase Bank, NA in the amount of \$100,000. The agreement carried a variable interest rate of 2.25% over the prime rate (3.25% at June 30, 2015). The line was secured by the Women's Mission property. There were no advances outstanding as of June 30, 2015.

EVERETT GOSPEL MISSION, INC.
Notes to Financial Statement, continued
Years Ended June 30, 2016 and 2015

NOTE 4 – NOTES PAYABLE

The Organization had the following notes payable as of June 30:

	2016	2015
Mortgage payable to JP Morgan Chase Bank, NA, payable at \$6,595 per month, including interest at 4.92% and maturing in September 2020. Secured by deed of trust on and assignment of rents from Women's Mission property. The organization is subject to financial covenants with which they were in compliance as of June 30, 2015.	\$ -	843,266
Mortgage payable to Housing Hope, payable at \$1,834 per month, including interest at 3.75% and maturing on February 1, 2024. Secured by deed of trust on and assignment of rents from the Harrison House property.	-	385,602
Mortgage payable to Banner Bank, payable at \$6,467 per month, including interest of 2.50% over and independent index and maturing on June 21, 2026. Interest rate at June 30, 2016 was 4.14%. Secured by deed of trust on and assignment of rents from the Women's Mission and Harrison House property.	<u>1,191,338</u>	<u>-</u>
Total long-term debt principal	1,191,338	1,228,868
Less current portion	(29,268)	(46,488)
Less unamortized loan fees	<u>(6,422)</u>	<u>(5,199)</u>
Total long term debt, net of current portion and loan fees	<u>\$ 1,155,648</u>	<u>1,177,181</u>
Maturities of long-term debt are as follows for the years ending June 30:		
2017	\$ 29,268	
2018	29,381	
2019	30,639	
2020	31,824	
2021	33,311	
Thereafter	<u>1,036,915</u>	
	<u>\$ 1,191,338</u>	

These notes are an integral part of these financial statements.

EVERETT GOSPEL MISSION, INC.
Notes to Financial Statement, continued
Years Ended June 30, 2016 and 2015

NOTE 5 – TEMPORARILY RESTRICTED FUNDS

Balances of and transactions affecting temporarily restricted funds were as follows:

<u>Grantor/Purpose/Secured by/Released in:</u>	<u>Balance June 30, 2015</u>	<u>Current Year Revenues/ Contributions</u>	<u>Less Restrictions Satisfied</u>	<u>Balance June 30, 2016</u>
Washington State/homeless shelter/ Men's Mission/2020	\$ 250,000	-	-	250,000
Snohomish County/homeless shelter/ Men's Mission/2020	165,000	-	-	165,000
Washington State/transitional housing/ Harrison House/2026	11,302	-	-	11,302
City of Everett/community housing improvement programs/Women's Mission/2036	52,844	-	-	52,844
City of Everett/affordable housing/ Men's Mission/2026	25,374	-	-	25,374
Snohomish County/non profit public facilities/ Men's Mission/2026	45,944	-	-	45,944
City of Everett/homeless shelter/ Men's Mission/2019	37,204	-	-	37,204
City of Everett/community housing improvement program/Men's Mission/2026	33,341	-	-	33,341
City of Everett/community housing improvement program/Women's Mission/2027	29,633	-	-	29,633
Subtotal grants	<u>650,642</u>	<u>-</u>	<u>-</u>	<u>650,642</u>
<u>Grants Receivable</u>				
HENS	9,529	54,428	(9,529)	54,428
Mobile dental van grant	2,200	1,500	(2,200)	1,500
Promises to give	40,000	-	(40,000)	-
CHG	4,043	-	(4,043)	-
O&M	4,482	-	(4,482)	-
Denture grant	2,400	-	(2,400)	-
Child nutrition grant	707	1,349	(707)	1,349
Subtotal grants receivable	<u>63,361</u>	<u>57,277</u>	<u>(63,361)</u>	<u>57,277</u>
<u>Capital Campaign</u>				
Campaign donations received	-	110,000	(64,134)	45,866
Campaign pledges	-	222	-	222
Subtotal campaign	<u>-</u>	<u>110,222</u>	<u>(64,134)</u>	<u>46,088</u>
Total temporarily restricted net assets	<u>\$ 714,003</u>	<u>167,499</u>	<u>(127,495)</u>	<u>754,007</u>

Several of the preceding grants have mortgages recorded by the State of Washington, Snohomish County, and the City of Everett, but are not required to be repaid provided that the housing remains available for the intended use in accordance with the agreements made for each grant. As long as these requirements are met and the mortgages have not otherwise become due and payable by reason of default under the mortgages or regulatory agreements, the mortgages shall be discharged on the maturity dates. It is unlikely that the mortgages will be repaid, and as such, they have been classified as equity on the Statement of Financial Position.

These notes are an integral part of these financial statements.

EVERETT GOSPEL MISSION, INC.
Notes to Financial Statement, continued
Years Ended June 30, 2016 and 2015

NOTE 6 – RETIREMENT PLAN

The Organization has adopted a 403(b) Plan that covers eligible employees. Personnel who have been employed for more than one year receive a contribution of 3% of their salary. In addition, employees also receive a 100% match of elective contributions up to 3% of their salary. Contributions made for the years ended June 30, 2016 and 2015 were \$35,553 and \$32,156, respectively.

NOTE 7 – LEASE COMMITMENTS

Operating Leases

The Organization leases a mail machine under an operating lease that expires in 2017. Under the terms of this lease, the Organization is obligated to pay a monthly rental fee of \$169 plus tax. Minimum future rental payments due under this lease is estimated at \$2,029 each year ending June 30, 2013, 2014 and 2015. The Organization recognized \$2,793 and \$4,333 in lease expense under the agreement in the years ended June 30, 2016 and 2015, respectively.

The Organization leases lockers under an operating lease with annual renewals that may be cancelled by either party subject to a 90 day written notice prior to the end of anyone year period. The monthly rental fee is \$146.

Capital Leases

The Organization entered into four leases during the fiscal year ending June 30, 2012 for office equipment. Leased assets totaling \$94,233 at June 30, 2016 and 2015 are included in furniture and equipment on the statement of financial position. Depreciation expense on the assets under capital leases was \$13,462 and \$13,462 for the years ended June 30, 2016 and 2015, respectively. All lease obligations are for 60 months with minimum monthly payments ranging from \$178 to \$913 plus tax. Future minimum payments under the capital lease obligations are as follows:

Year ending June 30:		
2017	\$	10,239
Less imputed interest at 5%		<u>(145)</u>
Net present value of minimum lease payments	\$	<u><u>10,094</u></u>

NOTE 8 – RELATED PARTY TRANSACTIONS

During the years ended June 30, 2016 and 2015, respectively, the Organization received \$9,650 and \$21,981 in contributions from members of the Board of Directors.

NOTE 9 – ECONOMIC CONCENTRATIONS AND CONTINGENCIES

One donor supplied 19% and 31% of the Organization's in-kind food during the years ended June 30, 2016 and 2015, respectively.

Supplementary Financial Information

EVERETT GOSPEL MISSION, INC.

Statement of Functional Expenses

Year Ended June 30, 2016

(With Comparative Totals for the Year Ended June 30, 2015)

	Program Services	Management and General	Fundraising	2016 Totals	2015 Totals
Auto expenses	\$ 28,689	961	234	29,884	42,317
Bank charges	-	5,747	19,341	25,088	21,168
Emergency and medical aid	21,277	-	-	21,277	26,647
Employee wages, taxes and benefits	804,247	224,396	131,926	1,160,569	1,219,770
Equipment expense	15,585	1,270	931	17,786	22,094
Food (purchased and in-kind)	1,016,104	-	-	1,016,104	1,004,193
Fundraising fees and expenses	-	-	217,327	217,327	199,121
Housing and essential needs	194,894	-	-	194,894	156,667
Insurance	31,266	2,743	-	34,009	33,318
Interest	43,965	13,278	-	57,243	60,297
Licenses and fees	3,555	78	-	3,633	3,807
Meetings	1,025	532	36	1,593	1,680
Men's program direct costs	14,119	-	-	14,119	15,973
Miscellaneous	6,905	8,326	212	15,443	4,889
Office expense	11,634	4,295	16	15,945	14,751
Personal items (in-kind)	523,070	-	-	523,070	439,879
Postage and shipping	3,966	1,137	40,969	46,072	52,738
Printing	26,558	25	115,459	142,042	127,141
Professional (purchased and in-kind)	59,729	21,723	62,940	144,392	92,719
Public relations	109,248	2,475	7,540	119,263	99,665
Repairs and maintenance	135,749	10,656	-	146,405	133,426
Subscriptions and dues	1,232	9,279	-	10,511	6,861
Supplies	150,319	7,180	10	157,509	127,856
Telephone	44,182	4,303	242	48,727	46,611
Training	7,985	6,329	980	15,294	25,885
Utilities	166,402	6,218	28	172,648	158,332
Women's program direct costs	15,671	-	-	15,671	22,531
Total expenses before depreciation	3,437,376	330,951	598,191	4,366,518	4,160,336
Depreciation	147,110	59,325	-	206,435	202,352
Total expenses	<u>\$ 3,584,486</u>	<u>390,276</u>	<u>598,191</u>	<u>4,572,953</u>	<u>4,362,688</u>

See independent auditors' report