

**EVERETT GOSPEL MISSION, INC.**  
**INDEPENDENT AUDITORS' REPORT**  
**AND**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

# EVERETT GOSPEL MISSION, INC.

YEAR ENDED JUNE 30, 2017

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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, 2017, 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.

**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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 30, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Finney, Neill & Company, P.S.*

February 1, 2018  
Seattle, Washington

**EVERETT GOSPEL MISSION, INC.**  
Statement of Financial Position  
June 30, 2017  
(With Comparative Totals for June 30, 2016)

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 811,900	637,129
Employee receivables	2,696	6,435
Grants and contracts receivable	88,325	59,911
Pledge receivable	-	222
Inventory	66,106	61,500
Prepaid expenses	43,654	56,747
Total Current Assets	1,012,681	821,944
<b>Property and Equipment</b>		
Land	586,482	586,482
Buildings and improvements	5,005,996	5,002,806
Furniture and equipment	782,467	699,366
	6,374,945	6,288,654
Less accumulated depreciation	(2,890,603)	(2,691,845)
Property and Equipment, net	3,484,342	3,596,809
Construction in progress	66,561	15,240
Other assets - interest in trust	34,935	34,007
Total Assets	\$ 4,598,519	4,468,000
<u>LIABILITIES AND NET ASSETS</u>		
<b>Current Liabilities</b>		
Accounts payable	\$ 65,149	66,926
Accrued liabilities	141,012	122,679
Capital lease obligations - current portion	-	10,094
Long-term debt - current portion	29,381	29,268
Total Current Liabilities	235,542	228,967
<b>Long-Term Liabilities</b>		
Long-term debt, net of current portion and loan fees	1,126,909	1,155,648
Total Long-Term Liabilities	1,126,909	1,155,648
Total Liabilities	1,362,451	1,384,615
<b>Net Assets</b>		
Unrestricted	2,267,819	2,295,371
Temporarily restricted	933,314	754,007
Permanently restricted	34,935	34,007
Total Net Assets	3,236,068	3,083,385
	\$ 4,598,519	4,468,000

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

**EVERETT GOSPEL MISSION, INC.**  
Statement of Activities  
Year Ended June 30, 2017  
(With Comparative Totals for the Year Ended June 30, 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017	2016
<b>Support and Revenues</b>					
Contributions	\$ 2,646,129	-	-	2,646,129	2,525,766
In-kind donations	1,446,513	-	-	1,446,513	1,494,935
Government grants	258,532	64,825	-	323,357	309,864
Campaign contributions	-	213,500	-	213,500	110,222
Bed donations	74,122	-	-	74,122	77,403
Rental income	96,225	-	-	96,225	70,807
Special events, net of benefit to donors of \$24,338 and \$0	42,061	-	-	42,061	500
Change in value of split-interest agreement	-	-	928	928	(724)
Investment income	3,460	-	-	3,460	3,245
Miscellaneous income	12,759	-	-	12,759	10,468
Gain (loss) on sales of assets	500	-	-	500	-
Net assets released from restrictions	99,018	(99,018)	-	-	-
Total Revenue	<u>4,679,319</u>	<u>179,307</u>	<u>928</u>	<u>4,859,554</u>	<u>4,602,486</u>
<b>Expenses</b>					
Program services	3,669,287	-	-	3,669,287	3,584,486
Management and general	377,587	-	-	377,587	390,276
Fundraising	659,997	-	-	659,997	598,191
Total Expenses	<u>4,706,871</u>	<u>-</u>	<u>-</u>	<u>4,706,871</u>	<u>4,572,953</u>
Change in Net Assets	(27,552)	179,307	928	152,683	29,533
Net Assets, beginning of year	<u>2,295,371</u>	<u>754,007</u>	<u>34,007</u>	<u>3,083,385</u>	<u>3,053,852</u>
Net Assets, end of year	<u>\$ 2,267,819</u>	<u>933,314</u>	<u>34,935</u>	<u>3,236,068</u>	<u>3,083,385</u>

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

**EVERETT GOSPEL MISSION, INC.**

## Statement of Functional Expenses

Year Ended June 30, 2017

(With Comparative Totals for the Year Ended June 30, 2016)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2017 Totals</u>	<u>2016 Totals</u>
Auto expenses	\$ 30,532	841	1,911	33,284	29,884
Bank charges	-	5,686	23,822	29,508	25,088
Emergency and medical aid	12,808	-	-	12,808	21,277
Employee wages, taxes and benefits	803,418	225,919	189,945	1,219,282	1,160,569
Equipment expense	47,043	5,177	2,636	54,856	17,786
Food (purchased and in-kind)	912,031	268	-	912,299	1,016,104
Fundraising fees and expenses	-	-	228,080	228,080	217,327
Housing and essential needs	203,555	-	-	203,555	194,894
Insurance	28,136	-	-	28,136	34,009
Interest	39,681	12,318	-	51,999	57,243
Licenses and fees	2,227	390	-	2,617	3,633
Meetings	5,877	1,157	253	7,287	1,593
Men's program direct costs	19,874	-	-	19,874	14,119
Miscellaneous	1,733	2,896	249	4,878	15,443
Office expense	5,995	3,877	358	10,230	15,945
Personal items (in-kind)	588,956	-	-	588,956	523,070
Postage and shipping	5,588	2,146	33,239	40,973	46,072
Printing	14,328	-	123,333	137,661	142,042
Professional (purchased and in-kind)	111,187	39,651	49,459	200,297	144,392
Public relations	99,801	1,246	5,157	106,204	119,263
Rent	2,100	-	-	2,100	-
Repairs and maintenance	154,973	3,844	-	158,817	146,405
Subscriptions and dues	-	5,198	-	5,198	10,511
Supplies	151,212	7,330	327	158,869	157,509
Telephone	54,170	9,459	-	63,629	48,727
Training	(2,200)	778	879	(543)	15,294
Utilities	193,679	6,807	349	200,835	172,648
Women's program direct costs	26,423	-	-	26,423	15,671
Total expenses before depreciation	3,513,127	334,988	659,997	4,508,112	4,366,518
Depreciation	156,160	42,599	-	198,759	206,435
Total expenses	<u>\$ 3,669,287</u>	<u>377,587</u>	<u>659,997</u>	<u>4,706,871</u>	<u>4,572,953</u>

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

**EVERETT GOSPEL MISSION, INC.**  
Statement of Cash Flows  
Year Ended June 30, 2017  
(With Comparative Totals for the Year Ended June 30, 2016)

	2017	2016
Cash Flows from Operating Activities		
Change in net assets	\$ 152,683	29,533
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	199,400	207,381
Write-off of loan fees	-	7,953
Change in value of split-interest agreement	(928)	724
Changes in operating assets and liabilities		
Grants receivable	(28,414)	3,449
Accounts receivable	-	5,931
Pledge receivable	222	(222)
Prepaid expenses	13,093	(46,543)
Inventory	(4,606)	(3,735)
Accounts payable	(1,777)	11,464
Accrued liabilities	18,333	(15,183)
Net cash provided (used) by operating activities	348,006	200,752
Cash Flows from Investing Activities		
Advances to employees, net of repayments	3,739	(4,573)
Purchases of property and equipment	(137,612)	(69,095)
Net cash provided (used) in investing activities	(133,873)	(73,668)
Cash Flows from Financing Activities		
Payment of loan fees	-	(6,422)
Principal payments on capital leases	(10,094)	(22,305)
Principal payments on long-term debt	(29,268)	(37,530)
Net cash provided (used) in financing activities	(39,362)	(66,257)
Net increase (decrease) in cash	174,771	60,827
Cash and cash equivalents at beginning of year	637,129	576,302
Cash and cash equivalents at end of year	\$ 811,900	637,129
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid for interest	\$ 51,357	56,297

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



# EVERETT GOSPEL MISSION, INC.

Notes to Financial Statement

Year Ended June 30, 2017

(With comparative totals for year ended June 30, 2016)

## 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 \$933,314 and \$754,007 at June 30, 2017 and 2016, 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, 2017 and 2016 consisted of a charitable perpetual trust split-interest agreement. Assets held in the trust designated for the Organization totaled \$34,935 and \$34,007 at June 30, 2017 and 2016, 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  
Year Ended June 30, 2017  
(With comparative totals for year ended June 30, 2016)

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, 2016, 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, 2017 and 2016, 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:

**EVERETT GOSPEL MISSION, INC.**  
Notes to Financial Statement, continued  
Year Ended June 30, 2017  
(With comparative totals for year ended June 30, 2016)

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES, continued

Property and equipment, continued

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

Expenditures greater than \$2,500 are capitalized. Costs of repairs and maintenance and items less than \$500 are expensed when incurred. Depreciation expense was \$198,759 and \$206,435 for the years ended June 30, 2017 and 2016, 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, 2017 and 2016 was \$642 and \$946, 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 \$829,304 and \$939,131, respectively, for the years ended June 30, 2017 and 2016.

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 \$593,562 and \$526,804, respectively, for the years ended June 30, 2017 and 2016

The Organization also received donated services for garbage collection and professional services totaling \$23,647 and \$29,000, respectively, in the years ended June 30, 2017 and 2016.

**EVERETT GOSPEL MISSION, INC.**  
Notes to Financial Statement, continued  
Year Ended June 30, 2017  
(With comparative totals for year ended June 30, 2016)

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>2017</u>	<u>2016</u>
Donated food	\$ 39,551	39,550
Donated personal and household items	<u>26,555</u>	<u>21,950</u>
Amount included in the financial statements as inventory	<u>\$ 66,106</u>	<u>61,500</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, 2017 and 2016.

Everett Gospel Mission, Inc. recognizes income tax related interest in interest expense and penalties in operating expenses. During the years ended June 30, 2017 and 2016, 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, 2017 and 2016.

**EVERETT GOSPEL MISSION, INC.**  
Notes to Financial Statement, continued  
Year Ended June 30, 2017  
(With comparative totals for year ended June 30, 2016)

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 \$34,935 and \$34,007 for the years ended June 30, 2017 and 2016, 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, 2017. The line is unsecured. There were no advances outstanding as of June 30, 2017. The Organization is subject to financial covenants beginning with the fiscal year ending June 30, 2017.

The Organization has a revolving line of credit agreement with JPMorgan Chase Bank, NA in the amount of \$100,000. The agreement carried a variable interest rate of 2.25% over the prime rate (XX% and XX% at June 30, 2017 and 2016. The line is secured by the Women’s Mission property. There were no advances outstanding as of June 30, 2017 and 2016.

NOTE 4 – NOTES PAYABLE

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

	2017	2016
Mortgage payable to Banner Bank, payable at \$6,467 per month, including interest of 2.50% over an independent index and maturing on June 21, 2026. Interest rate at June 30, 2017 and 2016 was 4.14%. Secured by deed of trust on and assignment of rents from the Women's Mission and Harrison House property.	\$ 1,162,070	1,191,338
Total long-term debt principal	1,162,070	1,191,338
Less current portion	(29,381)	(29,268)
Less unamortized loan fees	(5,780)	(6,422)
Total long term debt, net of current portion and loan fees	\$ 1,126,909	1,155,648

Maturities of long-term debt are as follows for the years ending June 30:

2018	\$ 29,381
2019	30,639
2020	31,824
2021	33,311
2022	34,737
Thereafter	1,002,178
	\$ 1,162,070

*These notes are an integral part of these financial statements.*

**EVERETT GOSPEL MISSION, INC.**  
Notes to Financial Statement, continued  
Year Ended June 30, 2017  
(With comparative totals for year ended June 30, 2016)

**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</u> <u>June 30, 2016</u>	<u>Current Year</u> <u>Revenues/</u> <u>Contributions</u>	<u>Less</u> <u>Restrictions</u> <u>Satisfied</u>	<u>Balance</u> <u>June 30, 2017</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	<u>29,633</u>	<u>-</u>	<u>-</u>	<u>29,633</u>
Subtotal grants	650,642	-	-	650,642
<u>Grants Receivable</u>				
HENS	54,428	64,140	(54,428)	64,140
Mobile dental van grant	1,500	-	(1,500)	-
Child nutrition grant	<u>1,349</u>	<u>685</u>	<u>(1,349)</u>	<u>685</u>
Subtotal grants receivable	57,277	64,825	(57,277)	64,825
<u>Capital Campaign</u>				
Campaign donations received	45,866	213,500	(41,519)	217,847
Campaign pledges	<u>222</u>	<u>-</u>	<u>(222)</u>	<u>-</u>
Subtotal campaign	<u>46,088</u>	<u>213,500</u>	<u>(41,741)</u>	<u>217,847</u>
Total temporarily restricted net assets	<u>\$ 754,007</u>	<u>278,325</u>	<u>(99,018)</u>	<u>933,314</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  
Year Ended June 30, 2017  
(With comparative totals for year ended June 30, 2016)

**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, 2017 and 2016 were \$35,923 and \$35,553, respectively.

**NOTE 7 – LEASE COMMITMENTS**

**Operating Leases**

The Organization leases a mail machine under an operating lease that expired in 2017. Under the terms of this lease, the Organization is obligated to pay a monthly rental fee of \$169 plus tax. The Organization recognized \$1,185 and \$2,793 in lease expense under the agreement in the years ended June 30, 2017 and 2016, 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. The leases expired in the year ended June 30, 2017. Leased assets totaling \$94,233 at June 30, 2017 and 2016 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, 2017 and 2016, respectively. All lease obligations were for 60 months with minimum monthly payments ranging from \$178 to \$913 plus tax. There are no minimum payments due under the capital lease obligations as of June 30, 2017.

**NOTE 8 – RELATED PARTY TRANSACTIONS**

During the years ended June 30, 2017 and 2016, respectively, the Organization received \$24,395 and \$9,650 in contributions from members of the Board of Directors.

**NOTE 9 – ECONOMIC CONCENTRATIONS AND CONTINGENCIES**

One donor supplied 31% and 19% of the Organization's in-kind food during the years ended June 30, 2017 and 2016, respectively.

**NOTE 10 – CONDITIONAL PROMISE TO GIVE**

In fiscal year 2017, the Organization received a three-year grant which included a conditional promise to give from the donor. The Organization is required to raise certain matching funds as a condition of this promise to give. \$66,000 is available under the conditional promise to give if matching funds are raised.

**EVERETT GOSPEL MISSION, INC.**  
Notes to Financial Statement, continued  
Year Ended June 30, 2017  
(With comparative totals for year ended June 30, 2016)

NOTE 11 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 1, 2018, which is the date the financial statements were available to be issued.

In August 2017, the Organization entered into a 5 year copier lease. Future payments under this lease are as follows for the years ending June 30:

2018	\$	5,371
2019		6,445
2020		6,445
2021		6,445
2022		6,445
Thereafter		<u>1,074</u>
	\$	<u><u>32,225</u></u>