

**WASHINGTON CITY MISSION, INC.**

**FINANCIAL STATEMENTS**

**December 31, 2007**

## CONTENTS

	<u>Page</u>
Independent Auditors' Report	2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-11

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Washington City Mission, Inc.

We have audited the accompanying statement of financial position of Washington City Mission, Inc. (a nonprofit organization) as of June 30, 2007, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Washington City Mission, Inc.'s management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Washington City Mission, Inc. as of June 30, 2007, 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.

*Taggart, Mitchell & Associates*

October 8, 2007

**WASHINGTON CITY MISSION, INC**  
**STATEMENT OF FINANCIAL POSITION**  
**Year Ended June 30, 2007**

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**ASSETS**

Cash and cash equivalents	\$ 431,015
Accounts receivable	10,109
Prepaid expenses	18,428
Inventory	46,684
Land, building and equipment, net of accumulated depreciation of \$793,527	<u>1,029,638</u>
<b>Total assets</b>	<b>\$ <u>1,535,874</u></b>

**LIABILITIES AND NET ASSETS**

Accounts Payable	\$ 33,680
Resident holding account	8,812
Payroll and withholdings payable	25,264
Accrued expenses	25,075
Long-term debt	<u>50,592</u>
<b>Total liabilities</b>	<b>143,423</b>

**Net assets**

Unrestricted	1,250,902
Temporarily restricted	<u>141,549</u>
<b>Total net assets</b>	<b><u>1,392,451</u></b>
<b>Total liabilities and net assets</b>	<b>\$ <u>1,535,874</u></b>

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

**WASHINGTON CITY MISSION, INC**  
**STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2007

<b>Unrestricted net assets</b>	
<b>Support, revenues, and gains</b>	
Contributions	\$ 1,107,491 ✓
Business operations	714,400 ✓
United Way allocation	57,917 ✓
Assets released from restriction	60,672 ✓
In-kind contributions	396,230 ✓
Special projects (net)	96,330 ✓
Program fees	41,431 ✓
Grants	26,150 ✓
Investment income	5,350 ✓
Miscellaneous	5,432 °
<b>Total unrestricted revenues, gains, and other support</b>	<u>2,511,403</u>
<b>Expenses</b>	
<b>Program services</b>	
Mission operations	1,227,366
Business operations	767,256
<b>Total program services</b>	<u>1,994,622</u>
<b>Supporting services</b>	
Management and general administration	135,830
Fund-raising	275,521
<b>Total supporting services</b>	<u>411,351</u>
<b>Total expenses</b>	<u>2,405,973</u>
Loss on disposal of assets	<u>5,250</u>
<b>Total expenses and loss on disposal of assets</b>	<u>2,411,223</u>
Increase in unrestricted net assets (includes contributed goods of \$46,684 moved to inventory)	100,180
<b>Temporarily restricted net assets</b>	
Contributions	137,861 ✓
Grants	1,000
Investment income	4,236
Assets released from restriction	<u>(60,672) ✓</u>
Increase in temporarily restricted net assets	<u>82,425</u>
<b>Increase in net assets</b>	182,605
<b>Beginning total net assets</b>	1,209,846
<b>Ending total net assets</b>	<u>\$ 1,392,451</u>

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

**WASHINGTON CITY MISSION, INC**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
 Fiscal Year Ended June 30, 2007

	PROGRAM SERVICES			SUPPORTING SERVICES			Total Expenses
	Mission Operations	Business Operations	Total	Management and General	Fund Raising	Total	
<b>Personnel expense</b>							
Salaries	\$ 456,086	\$ 327,692	\$ 783,778	\$ 30,508	\$ 99,419	\$ 129,927	\$ 913,705
In-Kind volunteer services	10,410	0	10,410	0	0	0	10,410
Employee benefits	89,091	64,292	153,383	13,072	7,659	20,731	174,114
Payroll taxes and workmen's compensation	46,063	51,523	97,586	1,869	7,984	9,853	107,439
<b>Total salaries and related benefits</b>	<u>601,650</u>	<u>443,507</u>	<u>1,045,157</u>	<u>45,449</u>	<u>115,062</u>	<u>160,511</u>	<u>1,205,668</u>
<b>Operating expenses</b>							
Supplies and program expense	424,602	24,710	449,312	4,217	2,387	6,604	455,916
Occupancy	123,746	179,133	302,879	9,389	548	9,937	312,816
Vehicle expense	21,776	84,739	106,515	0	0	0	106,515
Communications	4,209	12,716	16,925	6,899	138,403	145,302	162,227
Professional services	1,220	0	1,220	54,826	15,865	70,691	71,911
Conferences and training	255	0	255	140	351	491	746
Miscellaneous	4,537	9,528	14,065	5,955	1,492	7,447	21,512
<b>Total operating expenses</b>	<u>580,345</u>	<u>310,826</u>	<u>891,171</u>	<u>81,426</u>	<u>159,046</u>	<u>240,472</u>	<u>1,131,643</u>
<b>Total expenses before interest &amp; depreciation</b>	<u>1,181,995</u>	<u>754,333</u>	<u>1,936,328</u>	<u>126,875</u>	<u>274,108</u>	<u>400,983</u>	<u>2,337,311</u>
Interest	1,826	0	1,826	1,510	0	1,510	3,336
Depreciation	43,545	12,923	56,468	7,445	1,413	8,858	65,326
<b>Total expenses</b>	<u>\$ 1,227,366</u>	<u>\$ 767,256</u>	<u>\$ 1,994,622</u>	<u>\$ 135,830</u>	<u>\$ 275,521</u>	<u>\$ 411,351</u>	<u>\$ 2,405,973</u>

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

**WASHINGTON CITY MISSION, INC**  
**STATEMENT OF CASH FLOWS**  
Year Ended June 30, 2007

**Cash flows from operating activities:**

Change in net assets	\$	182,605
Noncash items included in change in net assets:		
Depreciation		65,326
Disposal of fixed assets		5,250
Change in donated inventory		(46,684)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Increase in accounts receivable		(5,309)
Increase in prepaid expenses		(2,102)
Increase in accounts payable		23,184
Decrease in resident holding account		(1,584)
Increase in payroll and withholdings payable		4,401
Increase in accrued expenses		2,876
		45,358
<b>Net cash used by operating activities</b>		227,963

**Cash flows from investing activities:**

Purchases of fixed assets		(79,977)
<b>Net cash used by investing activities</b>		(79,977)

**Cash flows from financing activities:**

Principal payments on long-term debt		(7,892)
<b>Net cash used in financing activities</b>		(7,892)

<b>Net increase in cash</b>		140,094
<b>Cash at beginning of year</b>		290,921
<b>Cash at end of year</b>	\$	431,015

**Additional disclosures:**

Cash paid for interest	\$	3,336
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The accompanying notes are an integral part of these financial statements.

**WASHINGTON CITY MISSION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

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## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Nature of Activities**

Washington City Mission, Inc. is a nonprofit Christian Organization tax exempt under Section 501(c) (3) of the Internal Revenue Code, and was classified by the IRS as other than a private foundation and is exempt from federal and state income taxes. This corporation was established in 1943 for the purpose of serving Christ in Washington County and the surrounding area; providing lodging for men, women and children, feeding the hungry, clothing the needy, providing rehabilitation services and spiritual guidance and to restore the homeless to independent living. Its main source of support is contributions from individuals and businesses in the surrounding community. These contributions are given in two primary forms: (1) cash, and (2) merchandise which is either sold for cash in the Hidden Treasures stores or to use clothing brokers if not sold in the stores or kept for use in the program.

The donated items for the Hidden Treasures stores are not recorded on the books at any value. The revenue is recorded when the items are sold because of the difficulty in valuation due to the nature of the donations as well as their ultimate disposal.

The financial statements of Washington City Mission, Inc. have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

### **Revenue Recognition**

Contributions to Washington City Mission, Inc. with no donor-imposed restrictions are recorded as unrestricted support. Contributions with donor-imposed restrictions are recorded as either temporarily restricted or permanently restricted support based on the nature of the restriction. Temporary restrictions arise from purpose-specific program restrictions and/or time restrictions. Upon the lapse of such restrictions, temporarily restricted support is reclassified to unrestricted support and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted revenues. Contributions that are restricted in perpetuity by the donor are recorded as permanently restricted support.

### **Accounts Receivable**

The organization considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

### **Inventory**

Donated goods are recorded at estimated fair value. The fair value of inventory on hand in the stores is estimated using the subsequent sales method. That inventory method uses the annual sales volume average for a 4 week period to estimate inventory at December 31 to be \$46,684.

**WASHINGTON CITY MISSION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2007

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Plant Assets and Depreciation**

The Organization capitalizes assets in excess of \$500. Plant assets are valued at historical cost. Donated assets are capitalized at fair value. Depreciation of buildings and equipment is provided over the estimated useful lives of the respective assets on the straight-line basis. When an asset is retired or disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is expensed as incurred. Significant renewals and betterments are capitalized in the same manner as purchased fixed assets as noted above.

**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 disclosure 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.

**Cash and Cash Equivalents**

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

**2. CONCENTRATIONS AND RISK**

The total cash held by the Organization at June 30, 2007, includes \$274,374 in monies that are not covered by insurance provided by the federal government. The Organization has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk with respect to the cash balances.

**3. LAND, BUILDINGS, EQUIPMENT, AND DEPRECIATION**

Depreciation of buildings and equipment is provided on a straight-line basis over the estimated useful lives of the assets. At June 30, 2007, the costs of such assets were as follows:

Land and land improvements	\$ 118,845
Buildings	1,281,393
Equipment and vehicles	380,908
Leasehold improvements	16,961
Property acquisition	<u>25,058</u>
	1,823,165
Less accumulated depreciation	<u>793,527</u>
	<u><b>\$ 1,029,638</b></u>

**WASHINGTON CITY MISSION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

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**4. LONG-TERM DEBT**

A Summary of long-term debt follows:

8% mortgage payable to a bank in monthly installments of \$589 (including principal and interest), maturing in November 2012, collateralized by real estate	\$ 32,008
4.5% unsecured assessment payable to City of Washington for sidewalk improvements, payable in annual installments of \$1,919.41 (including principal and interest), maturing September, 2019.	18,584
	<u><b>\$ 50,592</b></u>

Long-term debt maturing in the next five years consists of:

2008	\$ 8,601
2009	7,124
2010	7,459
2011	7,819
2012	8,209
Thereafter	<u>11,380</u>
<b>Total</b>	<u><b>\$ 50,592</b></u>

**5. FUNDRAISING**

Of the support, revenues, and gains of the Organization, the following were from fundraising activities:

Contributions	\$ 1,107,491
United Way allocation	57,917
Special events (net)	96,279
In-kind contributions	204,472
Grants	<u>26,150</u>
<b>Total support from Fundraising efforts</b>	<u><b>\$1,492,309</b></u>

**WASHINGTON CITY MISSION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2007

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**6. RESTRICTED FUNDS**

Restricted funds are held in bank accounts established specifically for that purpose. Temporarily restricted funds at June 30<sup>th</sup> are held for the following purposes:

Avis Arbor Women's Shelter	\$ 40,587
Food pantry	\$ 1,325
Memorial	45,028
Children	11,917
Chaplain's fund	1,342
Medical room expansion	7,923
Avis Arbor medical care	3,702
Trucks	<u>29,725</u>
<b>Total temporarily restricted net assets</b>	<b><u>\$ 141,549</u></b>

**7. IN-KIND MATERIALS AND SERVICES**

The following is a summary of in-kind contributions which are recorded as revenue and related expenses or capital assets in the financial statements:

Mission Operations	
Supplies and program expense	
Medical services – Doctors and nurses	\$ 10,410
Food, clothing and furniture donated	<u>385,820</u>
Total	<u>\$396,230</u>

In addition a substantial number of volunteers have donated significant amounts of time in the organization's program services and in its fundraising campaigns. The value of these services has not been reflected in the accompanying financial statements inasmuch as no objective basis is available to measure the value of such services, although volunteers provided over 17,700 hours of services in the business activities, programs, development and administrative areas of the operations and management estimates that the fair value of these services for the year approximated \$330,000.

**8. COMPENSATED BALANCES**

Employees of the Organization are entitled to paid vacations and sick days depending on length of service. The amount of future absences that have been accrued at June 30, 2007 is \$22,818.

**WASHINGTON CITY MISSION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2007

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**9. FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing the various programs and other activities have been summarized on the functional basis in the statements of activities and functional expenses. Certain costs have been allocated accordingly among the programs and supporting services benefited.

**10. OPERATING LEASES**

The Waynesburg and Washington stores are rented on a month to month basis with no obligation for future payments. The Donora store is under a 2 year lease requiring \$7,560 annually and effective September 1, 2005. The Canonsburg store is under a 3 year and 3 month lease requiring \$36,000 annually and became effective October 1, 2003.

**11. RETIREMENT PLAN**

The Organization has a 403(B) retirement plan which provides that all full time employees may elect to participate and make contributions to the plan through salary reductions. The Organization makes no contributions to the plan.

**12. CHANGE IN ACCOUNTING PRINCIPLE**

During the year ended June 30, 2007, the Organization changed its accounting policy for donated goods inventory held for sale in its stores to provide for a better matching of revenue and expenses. Under the new method, donated goods in inventory are accounted for using the subsequent sales method and are charged to Program Services at the end of the year.

The total amount of inventory capitalized at June 30, 2007 was \$46,684 and Program Services-Mission Operations was reduced by the same amount, providing for an increase in Unrestricted Net Assets of that amount.

**13. SPECIAL PROJECTS**

The Organization holds several special project events throughout the year for the purposes of raising funds as well as providing public awareness of the Organization's mission. The projects revenues and expenses are as follows:

	<u>Revenue</u>	<u>Expenses</u>	<u>Net</u>
Sweet Sunday-Dessert			
Tasting Extravaganza	\$ 92,188	\$ 9,647	\$ 82,541
Golf Outing	8,307	1,490	6,817
Motorcycle Rally	1,120	39	1,081
Heart of Hope	1,102	0	1,102
Souper Bowl	4,789	0	4,789
	<u>\$ 107,506</u>	<u>\$11,176</u>	<u>\$96,330</u>