

WASHINGTON CITY MISSION

FINANCIAL STATEMENTS

JUNE 30, 2010

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	2
<hr/> <hr/>	
FINANCIAL STATEMENTS	
<hr/> <hr/>	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Washington City Mission
Washington, Pennsylvania

We have audited the accompanying statement of financial position of the *Washington City Mission* (a nonprofit corporation) as of June 30, 2010 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Mission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 the *Washington City Mission* as of June 30, 2010, 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.

Houston Walker & Associates, LLC

December 3, 2010

**WASHINGTON CITY MISSION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010**

ASSETS

Cash and cash equivalents	\$ 554,902
Accounts receivable	16,606
Prepaid expenses	16,611
Bequest receivable	750
Inventory	91,398
Land, building, and equipment, net of depreciation of \$887,818	974,944
TOTAL ASSETS	\$ 1,655,211

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 78,325
Accrued expenses	54,388
Payroll and withholdings payable	40,371
Resident holding account	5,311
Long-term debt payable	29,376
Capital lease payable	14,740
TOTAL LIABILITIES	222,511

NET ASSETS

Unrestricted	1,182,992
Temporarily restricted	249,708
TOTAL NET ASSETS	1,432,700

TOTAL LIABILITIES AND NET ASSETS	\$ 1,655,211
---	---------------------

See accompanying notes to the financial statements

**WASHINGTON CITY MISSION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUES			
Contributions	\$ 1,405,614	\$ 122,419	\$ 1,528,033
Grants	25,216	136,340	161,556
Business operations	781,166	-	781,166
United Way allocation	81,552	-	81,552
In-kind contributions	182,999	-	182,999
Special projects (net)	110,382	-	110,382
Program fees	4,698	-	4,698
Miscellaneous income	6,898	-	6,898
Investment income	2,169	2,780	4,949
Net assets released from restriction	288,649	(288,649)	-
	<u>2,889,343</u>	<u>(27,110)</u>	<u>2,862,233</u>
EXPENSES:			
PROGRAM EXPENSES			
Mission operations	1,455,665	-	1,455,665
Business operations	820,432	-	820,432
	<u>2,276,097</u>	<u>-</u>	<u>2,276,097</u>
SUPPORTING SERVICES			
Management and general administration	339,242	-	339,242
Fundraising	353,080	-	353,080
	<u>692,322</u>	<u>-</u>	<u>692,322</u>
CHANGE IN NET ASSETS	(79,076)	(27,110)	(106,186)
NET ASSETS - BEGINNING OF YEAR	<u>1,262,068</u>	<u>276,818</u>	<u>1,538,886</u>
NET ASSETS - END OF YEAR	<u>\$ 1,182,992</u>	<u>\$ 249,708</u>	<u>\$ 1,432,700</u>

See accompanying notes to the financial statements

**WASHINGTON CITY MISSION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010**

	PROGRAM			SUPPORTING SERVICES			TOTAL
	Mission Operations	Business Operations	Total	Management and General	Fund Raising	Total	
PERSONAL EXPENSE							
Salaries	\$ 641,350	\$ 385,434	\$ 1,026,784	\$ 182,756	89,599	\$ 272,355	\$ 1,299,139
Casual labor	-	225	225	-	-	-	225
Employee benefits	135,565	24,031	159,596	62,740	12,020	74,760	234,356
Payroll taxes and insurance	84,917	84,612	169,529	25,129	7,367	32,496	202,025
TOTAL PERSONAL EXPENSE	861,832	494,302	1,356,134	270,625	108,986	379,611	1,735,745
OPERATING EXPENSES							
Facilities and equipment	94,758	167,729	262,487	7,622	480	8,102	270,589
In-kind donations	172,737	600	173,337	2,489	200	2,689	176,026
Professional services	39,174	11,937	51,111	33,970	64,994	98,964	150,075
Supplies	95,250	21,155	116,405	4,329	5,426	9,755	126,160
Vehicle expense	4,608	86,955	91,563	-	-	-	91,563
Postage	-	78	78	1,027	80,090	81,117	81,195
Advertising	47,196	4,587	51,783	-	24,617	24,617	76,400
Printing	-	-	-	-	57,008	57,008	57,008
Direct assistance	53,109	2,640	55,749	485	-	485	56,234
Insurance	32,261	-	32,261	1,941	-	1,941	34,202
Communications	2,632	10,614	13,246	2,765	-	2,765	16,011
Bank fees	-	7,366	7,366	103	2,311	2,414	9,780
Conferences and training	2,275	357	2,632	1,339	3,792	5,131	7,763
Miscellaneous	1,401	2,622	4,023	383	1,437	1,820	5,843
Dues and subscriptions	1,466	230	1,696	1,566	1,060	2,626	4,322
Travel	1,018	1,012	2,030	422	1,296	1,718	3,748
Interest	589	-	589	2,830	-	2,830	3,419
Depreciation	45,359	8,248	53,607	7,346	1,383	8,729	62,336
TOTAL OPERATING EXPENSE	593,833	326,130	919,963	68,617	244,094	312,711	1,232,674
TOTAL FUNCTIONAL EXPENSES	\$ 1,455,665	\$ 820,432	\$ 2,276,097	\$ 339,242	\$ 353,080	\$ 692,322	\$ 2,968,419

See accompanying notes to the financial statements

WASHINGTON CITY MISSION, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$(106,186)
Noncash items included in change in net assets:	
Depreciation and amortization	62,336
Change in donated inventory	(9,873)
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(1,810)
(Increase) decrease in bequest receivable	200,000
(Increase) decrease in prepaid expenses	5,752
(Increase) decrease in inventory	2,712
Increase (decrease) in accounts payable	34,125
Increase (decrease) in resident holding account	(1,623)
Increase (decrease) in payroll and withholdings payable	(2,710)
Increase (decrease) in accrued expenses	16,209
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>198,932</u>
CASH USED BY INVESTING ACTIVITIES	
Purchase of fixed assets	<u>(14,422)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal payments on long-term debt	(7,109)
Proceeds from capital lease, net payments	<u>(3,771)</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>(10,880)</u>
NET INCREASE IN CASH AND EQUIVALENTS	173,630
CASH AND EQUIVALENTS - BEGINNING OF YEAR	<u>381,272</u>
CASH AND EQUIVALENTS - END OF YEAR	<u><u>\$ 554,902</u></u>

See accompanying notes to the financial statements

WASHINGTON CITY MISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES - The *Washington City Mission* (Mission) is a nonprofit Christian corporation established in 1941 and incorporated 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; to restore the homeless to independent living. Its main source of support is contributions from individuals and businesses in the southwestern Pennsylvania 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 recycling brokers. A portion of merchandise contributions are given by the Mission to those in need.

BASIS OF PRESENTATION - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets, revenues, expenses, gains, and losses are classified based on the existence *or* absence of donor-imposed restrictions. Accordingly, net assets of the Mission and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets that are available for use, but expendable only for those purposes specified by the grantor.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Mission.

REVENUE RECOGNITION - The Mission follows FASB 958-605-45-4 and recognizes contributions received and promises to give at their fair value and reports them as increase in net assets immediately, even if the donor has restricted their use and the restriction will be met in a future period.

Contributions 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 statement 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.

INVENTORY - Inventory consists of donated goods and is recorded at estimated fair value. The fair value of inventory on hand in the stores is estimated using the subsequent sales method; this inventory method uses the annual sales volume average for a 4 week period to estimate inventory. At June 30, 2010 inventory was valued at \$91,398.

**WASHINGTON CITY MISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IN-KIND CONTRIBUTIONS AND EXPENSES - The Mission receives in-kind contributions which are recorded as revenue and related expense or capital asset in the financial statements. In-kind contributions are reported at their estimated fair value and consist mainly of food, clothing and furniture donated for use or sale and medical services provided by doctors and nurses. Total in-kind contributions for the year ended June 30, 2010, are as follows:

Medical services - doctors and nurses	\$ 7,985
Food, clothing, and furniture	<u>182,999</u>
	<u><u>\$ 190,984</u></u>

In addition, a substantial number of volunteers have donated significant amounts of time in the Mission's program services and fundraising campaigns. The value of these services have 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 13,200 hours of services in business activities, programs, development and administrative areas. Management estimates the fair value of these services to be approximately \$248,000.

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

INCOME TAXES - The Mission is tax exempt under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). The Mission is not considered to be a private foundation and is exempt from federal and state income taxes. However, the Internal Revenue Code may subject an organization to tax on *unrelated business taxable income*. It is management's opinion that they had no unrelated business taxable income activity during the year ended June 30, 2010.

PROPERTY, EQUIPMENT AND DEPRECIATION - Property and equipment are capitalized when the value is greater than \$500. Purchased assets are recorded at cost; donated assets are recorded at estimated fair value. Expenditures for additions and major improvements that significantly extend the useful life of an asset are capitalized. Maintenance and repairs which are not considered to extend the useful life are charged to expense when incurred. 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 the statement of activities. Depreciation is provided on the straight-line basis over the estimated useful life of the asset. Depreciation expense for the year ended June 30, 2010 was \$62,336.

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.

WASHINGTON CITY MISSION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ADVERTISING COSTS - Advertising costs of \$76,400 for the year ended June 30, 2010 are charged to expense as incurred.

CASH AND CASH EQUIVALENTS - For purposes of the statement of cash flows, the Mission considers all unrestricted cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

FUNCTIONAL ALLOCATION OF EXPENSES - The costs of providing the Mission's various programs and other activities have been summarized on a functional basis in the statement of activities and statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 2 - LAND, BUILDINGS, EQUIPMENT, AND DEPRECIATION

At June 30, 2010, assets consisted of the following:

Land and land improvements	\$ 118,845
Buildings	1,301,353
Equipment and vehicles	311,475
Furniture and fixtures	61,070
Leasehold improvements	16,961
Property acquisition	53,058
	1,862,762
Less accumulated depreciation	(887,818)
	\$ 974,944

NOTE 3 - PENSION PLAN

The Mission implemented a SIMPLE IRA plan effective August 2009. The Plan calls for employee matching contributions of one percent (1%) to three percent (3%). Matching contributions of \$2,824 were made to the plan for the year ended June 30, 2010.

NOTE 4 - EMPLOYEE VACATION AND SICK LEAVE ACCURALS

Employees of the Mission are entitled to paid vacations and sick days depending on length of service. The amount of future absences accrued at June 30, 2010 is \$48,596.

**WASHINGTON CITY MISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 5 - LONG TERM DEBT

Long-term debt consists of the following at June 30, 2010:

Mortgage payable to a bank in monthly installments of \$598, including interest at 7.02%, matures November 2012, collateralized by real estate.	\$ 15,425
Unsecured assessment payable to City of Washington for sidewalk improvements, payable in annual installments of \$1,919, including interest at 4.5%, matures September 2019.	13,951
	\$ 29,376

Future minimum debt payments are as follows:

Year ended June 30, 2010	\$ 7,591
2011	8,106
2012	3,770
2013	1,484
2014	1,540
2015 - 2019	6,885

NOTE 6 - CAPITAL LEASES

The Mission leases their telephone system under a noncancellable lease which expires in 2013. The lease requires monthly payments of \$416. Future minimum lease payments due under this lease are as follows:

Year ended June 30, 2011	\$ 4,993
2012	4,993
2013	4,993
2014	1,664
	16,643
Less accounts representing interest	(1,903)
	\$ 14,740

**WASHINGTON CITY MISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are funds which are restricted for use by the donor. The assets are reclassified when the specified use of the funds is fulfilled. Temporarily restricted net assets at June 30, 2010 consist of the following:

Avis Building	\$ 66,642
Avis Next Step	34,746
CET program	31,737
Memorial	27,160
Men's air conditioner	24,534
Back to school	20,000
Medical room equipment	15,948
Avis Arbor air conditioning	15,669
Children	6,814
Clinic prescriptions and diagnostic	3,075
Clinic expansion	1,301
Dorm renovations	1,000
Bibles	501
Resident vision and dental	309
Chaplain's fund	238
Kitchen renovations	34
	<u>\$ 249,708</u>

NOTE 8 - OPERATING LEASES

HOPE ENTERPRISES STORE LOCATIONS – The Mission rents its store facilities on a month-to-month basis. Total rent expense for the year ended June 30, 2010 was \$85,320.

VEHICLES - The Mission leases three (3) vehicles under an agreement which expires on August 15, 2012. The lease calls for forty-eight monthly payments of \$4,050. The cost for this lease was \$48,600 for the year ended June 30, 2010.

Future minimum lease payments under these operating agreements are as follows:

Year ending June 30, 2011	\$ 48,600
2012	48,600
2013	8,100

**WASHINGTON CITY MISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 9 - UNRESTRICTED PROGRAM REVENUES AND EXPENSES

The Mission holds several events throughout the year for the purpose of raising funds as well as providing public awareness of the organization's mission. Unrestricted program revenues and expenses consist of the following:

	<u>Revenues</u>	<u>Expenses</u>	<u>Net</u>
Sweet Sunday - Dessert Tasting Extravaganza	\$ 122,878	\$ 21,227	\$ 101,651
Golf Outing	14,711	7,420	7,291
Heart of Hope	3,046	-	3,046
Souper Bowl	4,156	-	4,156
Celebrate Success	2,508	8,270	(5,762)
	<u>\$ 147,299</u>	<u>\$ 36,917</u>	<u>\$ 110,382</u>

NOTE 10 - SUBSEQUENT EVENTS

In connection with the preparation of the financial statements, management has evaluated events subsequent to June 30, 2010 through the date of the financial statements, and concluded that no additional disclosures are required.

NOTE 11 - PRIOR PERIOD ADJUSTMENTS

Certain errors resulting in an overstatement of previously reported expenses were discovered during the current year. Accordingly, an adjustment of \$22,312 was made to increase prepaid expenses as of the beginning of the year. A corresponding entry was made to increase previously reported unrestricted net assets as of June 30, 2009.