

WASHINGTON CITY MISSION, INC.

FINANCIAL STATEMENTS

Year Ended June 30, 2008

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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, 2008 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, 2008, 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 9, 2008

WASHINGTON CITY MISSION, INC
STATEMENT OF FINANCIAL POSITION
Year Ended June 30, 2008

ASSETS

Cash and cash equivalents	\$ 436,416
Accounts receivable	10,751
Prepaid expenses	10,275
Inventory	54,098
Land, building and equipment, net of accumulated depreciation of \$837,407	<u>1,062,009</u>
Total assets	\$ <u>1,573,549</u>

LIABILITIES AND NET ASSETS

Accounts Payable	\$ 22,452
Resident holding account	10,656
Payroll and withholdings payable	32,951
Accrued expenses	27,349
Long-term debt	<u>43,605</u>
Total liabilities	137,013

Net assets

Unrestricted	1,302,710
Temporarily restricted	<u>133,826</u>
Total net assets	<u>1,436,536</u>
Total liabilities and net assets	\$ <u>1,573,549</u>

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

WASHINGTON CITY MISSION, INC
STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

Unrestricted net assets	
Support, revenues, and gains	
Contributions	\$ 1,171,221 /
Business operations	851,979
United Way allocation	64,475
Assets released from restriction	120,313 ✓
In-kind contributions	188,636 ✓
Special projects (net)	89,345
Program fees	17,989
Grants	97,511
Investment income	4,417
Gain on sale of assets	1,400
Miscellaneous	6,905
Total unrestricted revenues, gains, and other support	<u>2,614,191</u>
Expenses	
Program services	
Mission operations	1,129,921
Business operations	876,647
Total program services	<u>2,006,568</u>
Supporting services	
Management and general administration	165,590
Fund-raising	390,225
Total supporting services	<u>555,815</u>
Total expenses	<u>2,562,383</u>
Increase in unrestricted net assets (includes contributed goods of \$7,414 moved to inventory)	51,808
Temporarily restricted net assets	
Contributions	41,389 /
Grants	65,911
Investment income	5,290
Assets released from restriction	<u>(120,313) ✓</u>
Increase in temporarily restricted net assets	<u>(7,723)</u>
Increase in net assets	44,085
Beginning total net assets	<u>1,392,451</u>
Ending total net assets	<u>\$ <u>1,436,536</u></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, 2008

	PROGRAM SERVICES			SUPPORTING SERVICES			Total Expenses
	Mission Operations	Business Operations	Total	Management and General	Fund Raising	Total	
Personnel expense							
Salaries	\$ 485,346	\$ 403,318	\$ 888,664	\$ 51,016	\$ 154,751	\$ 205,767	\$ 1,094,431
In-Kind volunteer services	17,320	0	17,320	0	0	0	17,320
Employee benefits	81,169	63,105	144,274	22,560	16,492	39,052	183,326
Payroll taxes and workmen's compensation	50,170	68,812	118,982	3,539	12,870	16,409	135,391
Total salaries and related benefits	634,005	535,235	1,169,240	77,115	184,113	261,228	1,430,468
Operating expenses							
Supplies and program expense	268,600	34,528	303,128	3,803	3,787	7,590	310,718
Occupancy	127,846	187,148	314,994	14,743	1,064	15,807	330,801
Vehicle expense	18,724	56,666	75,390	0	0	0	75,390
Communications	22,878	22,356	45,234	5,465	177,174	182,639	227,873
Professional services	3,533	11,944	15,477	38,802	13,609	52,411	67,888
Conferences and training	2,627	1,180	3,807	0	3,273	3,273	7,080
Miscellaneous	5,764	13,147	18,911	16,955	5,841	22,796	41,707
Total operating expenses	449,972	326,969	776,941	79,768	204,748	284,516	1,061,457
Total expenses before interest & depreciation	1,083,977	862,204	1,946,181	156,883	388,861	545,744	2,491,925
Interest	1,404	0	1,404	1,974	0	1,974	3,378
Depreciation	44,540	14,443	58,983	6,733	1,364	8,097	67,080
Total expenses	\$ 1,129,921	\$ 876,647	\$ 2,006,568	\$ 165,590	\$ 390,225	\$ 555,815	\$ 2,562,383

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

WASHINGTON CITY MISSION, INC
STATEMENT OF CASH FLOWS
Year Ended June 30, 2008

Cash flows from operating activities:

Change in net assets	\$	44,085
Noncash items included in change in net assets:		
Depreciation		67,080
Disposal of fixed assets		(1,400)
Change in donated inventory		(7,414)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Increase in accounts receivable		(642)
Decrease in prepaid expenses		8,153
Decrease in accounts payable		(11,228)
Increase in resident holding account		1,844
Increase in payroll and withholdings payable		7,687
Increase in accrued expenses		2,274
		66,354
Net cash used by operating activities		110,439

Cash flows from investing activities:

Sale of fixed assets		1,400
Purchases of fixed assets		(99,451)
Net cash used by investing activities		(98,051)

Cash flows from financing activities:

Principal payments on long-term debt		(6,987)
Net cash used in financing activities		(6,987)

Net increase in cash		5,401
Cash at beginning of year		431,015
Cash at end of year	\$	436,416

Additional disclosures:		
Cash paid for interest	\$	3,378

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

WASHINGTON CITY MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

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 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 with a portion given by the Mission to those in need.

Donated inventory is established according to GAAP policy and 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 June 30 to be \$54,098.

WASHINGTON CITY MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

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, 2008, includes \$268,079 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, 2008, the costs of such assets were as follows:

Land and land improvements	\$ 118,845
Buildings	1,284,104
Equipment and vehicles	426,448
Leasehold improvements	16,961
Property acquisition	<u>53,058</u>
	1,899,416
Less accumulated depreciation	<u>837,407</u>
	<u><u>\$ 1,062,009</u></u>

WASHINGTON CITY MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

4. LONG-TERM DEBT

A Summary of long-term debt follows:

6.25% mortgage payable to a bank in monthly installments of \$589 (including principal and interest), maturing in November 2012, collateralized by real estate. This rate will adjust to 7.02% on October 1, 2008. The monthly installment will be \$598 (including principal and interest). \$ 27,236

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. 16,369

\$ 43,605

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

2009	\$	7,129
2010		7,109
2011		7,591
2012		8,106
2013		3,770
Thereafter		<u>9,900</u>
Total		<u>\$ 43,605</u>

5. FUNDRAISING

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

Contributions	\$ 1,171,221
United Way allocation	64,475
Special events (net)	89,345
In-kind contributions	188,636
Grants	<u>97,511</u>
Total support from Fundraising efforts	<u>\$1,611,188</u>

WASHINGTON CITY MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

6. RESTRICTED FUNDS

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

Avis Arbor Women's Shelter	\$ 40,576
Food pantry	2,275
Memorial	64,271
Children	12,379
Chaplain's fund	1,373
Resident vision and dental	2,678
Clinic expansion	1,234
Avis Arbor medical care	3,890
Medical room equipment	<u>5,150</u>
Total temporarily restricted net assets	<u>\$133,826</u>

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	\$ 17,320
Food, clothing and furniture donated	<u>163,902</u>
Total	<u>\$181,222</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 17,600 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 \$332,000.

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, 2008 is \$24,986.

WASHINGTON CITY MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

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

All of the stores are rented on a month to month basis with no obligation for future payments.

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. 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	\$ 88,080	\$16,049	\$72,031
Golf Outing	15,185	6,507	8,678
Heart of Hope	2,115	0	2,115
Souper Bowl	6,521	0	6,521
	<u>\$ 111,901</u>	<u>\$22,556</u>	<u>\$89,345</u>