

**EASTERN OREGON MISSION**

**Financial Statements and  
Independent Accountants' Review Report**

**December 31, 2012**

**EASTERN OREGON MISSION**

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**December 31, 2012**

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**INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

To the Board of Directors  
Eastern Oregon Mission  
Hermiston, Oregon

We have reviewed the accompanying statement of financial position - modified cash basis of Eastern Oregon Mission (a nonprofit organization) as of December 31, 2012, and the related statements of activities, functional expenses, and cash flows - modified cash basis for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financials statements in accordance with the modified cash basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modification that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the modified cash basis of accounting as described in Note 1.

*BARNETT AND MORO, P.C.*

Hermiston, Oregon  
February 5, 2013

**EASTERN OREGON MISSION**

**Statement of Financial Position**

**(Modified Cash Basis)**

**December 31, 2012**

**ASSETS:**

Current assets:	
Cash - unrestricted	\$ 816
Cash - restricted	65,172
Employee receivable	800
Total current assets	<u>66,788</u>
Noncurrent assets:	
Capital assets:	
Land	330,461
Buildings	701,527
Vehicles and equipment	144,604
Construction in progress	563,090
Less: accumulated depreciation	<u>(236,356)</u>
Total capital assets	<u>1,503,326</u>
Total assets	<u>\$ 1,570,114</u>

**LIABILITIES:**

Current liabilities:	
Current portion of notes payable	\$ 30,620
Noncurrent liabilities:	
Notes payable, net of current portion	120,355
Total liabilities	<u>150,975</u>

**NET ASSETS:**

Unrestricted	1,353,967
Temporarily restricted	65,172
Total net assets	<u>1,419,139</u>
Total liabilities and net assets	<u>\$ 1,570,114</u>

See accompanying independent accountants' review report  
and notes to financial statements.

**EASTERN OREGON MISSION**

**Statement of Activities and Changes  
in Net Assets  
(Modified Cash Basis)**

**Year Ended December 31, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b><u>REVENUES AND OTHER SUPPORT:</u></b>			
Grants and contributions	\$ 247,709	\$ 348,979	\$ 596,688
Special events	20,986	-	20,986
Thrift store sales	123,322	-	123,322
Rent income	11,795	-	11,795
Interest income	40	-	40
Net assets released from restriction	382,665	(382,665)	-
Total support and revenues	<u>786,517</u>	<u>(33,686)</u>	<u>752,831</u>
<b><u>EXPENSES:</u></b>			
Program services	370,882	-	370,882
Management and general	71,370	-	71,370
Fundraising	6,553	-	6,553
Total expenses	<u>448,805</u>	<u>-</u>	<u>448,805</u>
<b><u>CHANGE IN NET ASSETS</u></b>	337,712	(33,686)	304,026
<b><u>NET ASSETS, BEGINNING OF YEAR</u></b>	<u>1,016,255</u>	<u>98,858</u>	<u>1,115,113</u>
<b><u>NET ASSETS, END OF YEAR</u></b>	<u>\$ 1,353,967</u>	<u>\$ 65,172</u>	<u>\$ 1,419,139</u>

See accompanying independent accountants' review report  
and notes to financial statements.

**EASTERN OREGON MISSION**

**Statement of Functional Expenses**  
**(Modified Cash Basis)**

**Year Ended December 31, 2012**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries	\$ 171,375	\$ 6,600	\$ -	\$ 177,975
Payroll taxes and benefits	25,827	1,459	-	27,286
Special events	-	-	3,273	3,273
Contracted services	-	2,150	-	2,150
Public relations	-	-	3,280	3,280
Insurance	17,846	4,461	-	22,307
Interest	4,190	1,397	-	5,587
Office supplies	-	13,892	-	13,892
Prescriptions and other assistance	18,420	-	-	18,420
Repairs and maintenance	3,174	794	-	3,968
Supplies	7,555	1,889	-	9,444
Telephone	6,072	1,518	-	7,590
Utilities	25,558	6,389	-	31,947
Vehicle expenses	16,801	4,200	-	21,001
Depreciation	24,874	8,291	-	33,165
Advertising	15,190	3,798	-	18,988
Rent	34,000	-	-	34,000
Other expenses	-	14,532	-	14,532
	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>                  </u>
Total expenses	<u>\$ 370,882</u>	<u>\$ 71,370</u>	<u>\$ 6,553</u>	<u>\$ 448,805</u>

See accompanying independent accountants' review report  
and notes to financial statements.

**EASTERN OREGON MISSION**

**Statement of Cash Flows**

**Year Ended December 31, 2012**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash received from grants and contributions	\$ 579,838
Cash paid to suppliers and employees	(410,053)
Special event receipts	20,986
Thrift store sales	123,322
Rent income received	11,795
Interest income received	40
Interest paid	(5,587)
Net cash provided by operating activities	<u>320,341</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Acquisition of capital assets	(363,555)
Earnest money returned	1,000
Net cash used in investing activities	<u>(362,555)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Payments on loan principal	(3,931)
Net cash used in financing activities	<u>(3,931)</u>

**NET DECREASE IN CASH**

(46,145)

**CASH, BEGINNING OF YEAR**

112,133

**CASH, END OF YEAR**

\$ 65,988

**REPORTED ON THE STATEMENT OF FINANCIAL POSITION AS:**

Cash - unrestricted	\$ 816
Cash - restricted	65,172
	<u>\$ 65,988</u>

**RECONCILIATION OF CHANGE IN NET ASSETS**

**TO NET CASH PROVIDED BY OPERATING ACTIVITIES:**

Change in net assets	\$ 304,026
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	33,165
Donated land and vehicle used in operations	(16,850)
Net cash provided by operating activities	<u>\$ 320,341</u>

See accompanying independent accountants' review report  
and notes to financial statements.

## EASTERN OREGON MISSION

### Notes to Financial Statements

December 31, 2012

#### NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

##### Nature of Activities:

Eastern Oregon Mission (the Organization) is a nonprofit organization incorporated under the laws of the state of Oregon. The Organization has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. The Organization was formed to alleviate hunger and meet emergency needs in Northeastern Oregon by providing nutritional and other emergency assistance. The Organization serves the rural communities in Umatilla County and Northeastern Morrow County.

The Organization does business as: Agape House, Martha's House, and Treasures Thrift Store. Agape House provides emergency food, clothing, and other assistance to people in need within the areas the Organization serves. Martha's House provides educational programs and shelter for homeless families. Treasures Thrift Store operates a thrift store in conjunction with Blue Mountain Community College's Job Opportunities and Basic Skills (JOBS) program, an Oregon welfare-to-work program.

##### Basis of Accounting:

The accompanying financial statements have been prepared on the modified cash basis of accounting. Under the modified cash basis of accounting, revenues are recognized when received, and expenses are not recorded until the disbursement has been made. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP).

##### Basis of Presentation:

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization did not have any permanently restricted net assets as of December 31, 2012.

##### Contributions:

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence or nature of any donor restrictions.

##### Donated Services and Materials:

The Organization does not account for donated services and materials under the modified cash basis of accounting. The Organization receives significant amounts of donated food. It distributes this donated food to consumers in need within the Organization's service area and to other regional food banks.

The Organization records donated capital assets as revenue at estimated fair market value when received. The Organization received a donated modular building valued at \$15,000 and a donated vehicle valued at \$1,850 during the year ended December 31, 2012.

##### Property and Equipment:

Property and equipment are stated at cost. Depreciation is computed on the straight-line method over the estimated useful life of the asset. Assets costing \$1,000 or more are capitalized.



## EASTERN OREGON MISSION

### Notes to Financial Statements

December 31, 2012

#### NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

##### Inventory:

The Organization has an inventory of donated food, clothing, and thrift store items. Inventory is temporarily restricted for distribution to needy individuals or use in the Organization's thrift shop. The Organization does not account for inventory of donated materials under the modified cash basis of accounting.

##### Use of Estimates:

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

##### Advertising:

The Organization expenses advertising production costs and advertising communication costs as they are paid in accordance with the modified cash basis of accounting.

#### NOTE 2 -- RELATED PARTY TRANSACTIONS:

The Executive Director's wife is an employee of the Organization.

A Banner Bank Vice President is a member of the Board of Directors. The Organization has a loan from Banner Bank.

A member of the Board of Directors is employed by Simmons Insurance Group. The Organization purchases insurance from Simmons.

The Organization received a \$5,000 grant from Wal-Mart Foundation as well as donated items. A Wal-Mart manager serves on the Organization's Board of Directors.

#### NOTE 3 -- CAPITAL ASSETS:

##### Agape House

Land	\$ 330,461
Buildings	701,527
Vehicles and Equipment	126,732
Construction in Progress	563,090
Less: Accumulated Depreciation	(218,484)
	<u>1,503,326</u>

##### Treasures on Main

Vehicles and Equipment	17,872
Less: Accumulated Depreciation	(17,872)
	<u>-</u>
Total	<u>\$ 1,503,326</u>

**EASTERN OREGON MISSION**

**Notes to Financial Statements**

**December 31, 2012**

**NOTE 4 -- LIABILITIES:**

	<u>Total</u>	<u>Current Portion</u>
Loan payable to Banner Bank, due \$787 monthly including interest at 7.25%. Balance due in April 2014. Collateralized by building.	\$ 72,225	\$ 4,370
Note payable to Warren and Juanita Ross, due \$26,250 each January 1st until January 2015. No interest is included. Imputed interest is not deemed material to the financial statements. Collateralized by land.	78,750	26,250
	<u>\$ 150,975</u>	<u>\$ 30,620</u>
Future maturities are as follows:	2013	\$ 30,620
	2014	94,105
	2015	26,250
		<u>\$ 150,975</u>

**NOTE 5 -- ECONOMIC DEPENDENCY:**

The Organization depends on revenues from grants and contributions.

**NOTE 6 -- CONTINGENCIES:**

Amounts received from grantors are subject to audit and adjustment by the grantor. The amount of expenses which may be disallowed by the grantor, if any, have not been determined at this time. The Organization expects such amounts to be immaterial.

**NOTE 7 -- RESTRICTED NET ASSETS:**

Grant proceeds restricted to a specific purpose are reported as temporarily restricted revenues. These items are released from restriction when the Grantor's specific purpose is accomplished.

\$65,172 is restricted for capital construction.

**NOTE 8 -- THRIFT STORE:**

Thrift store revenues of \$123,322 are reported on the Statement of Activities and Changes in Net Assets. Grants and contributions reported on the Statement of Activities and Changes in Net Assets include \$11,903 to fund job training. Related expenses of \$135,135 are included in their respective functional expenses.

**NOTE 9 -- INCOME TAX STATUS:**

The Organization has been classified as an other-than private foundation and is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. The Organization is subject to a tax on income from any unrelated business.

**EASTERN OREGON MISSION**

**Notes to Financial Statements**

**December 31, 2012**

**NOTE 9 -- INCOME TAX STATUS (Continued):**

Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Organization has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2012.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for years prior to 2009.

The Organization's policy is to classify income tax related interest and penalties in interest expense and other expenses, respectively.

**NOTE 10 -- SUBSEQUENT EVENTS:**

The Organization is building a homeless shelter in the City of Hermiston in two phases. The first phase will include a two story building with the first story available for occupancy. The second phase will make the second story available for occupancy. Phase one is expected to cost \$700,000 and phase two is expected to cost \$200,000. The Organization has spent \$663,000 on this project as of December 31, 2012. Phase one is expected to be completed in 2013.

The Organization expects to receive a \$180,000 bequest in 2013. The bequest is expected to be allocated equally between the Organization's food bank and homeless shelter operations.

The Organization is negotiating a contract with the State of Oregon to provide shelter to homeless families. The Organization expects this contract will provide \$30,000 annually.

The Organization has evaluated subsequent events through the date of this report, which is the date the report was available to be issued. The Organization has disclosed all subsequent events that would materially effect the financial statements at December 31, 2012.