

EASTERN OREGON MISSION

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

December 31, 2013

EASTERN OREGON MISSION

Contents

December 31, 2013

	<u>Page</u>
<u>INDEPENDENT ACCOUNTANTS' REVIEW REPORT</u>	2
<u>FINANCIAL STATEMENTS:</u>	
Statement of financial position	3
Statement of activities and changes in net assets	4
Statement of functional expenses	5
Statement of cash flows	6
Notes to financial statements	7-10

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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, 2013, 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
May 21, 2014

EASTERN OREGON MISSION

Statement of Financial Position

(Modified Cash Basis)

December 31, 2013

ASSETS:

Current assets:

Cash \$ 4,550

Noncurrent assets:

Capital assets:

Land 330,461

Buildings 1,414,657

Vehicles and equipment 144,604

Less: accumulated depreciation (284,870)

Total capital assets 1,604,852

Total assets \$ 1,609,402

LIABILITIES:

Current liabilities:

Current portion of notes payable \$ 45,877

Homeless shelter trust accounts 3,687

Total current liabilities 49,564

Noncurrent liabilities:

Notes payable, net of current portion 52,500

Total liabilities 102,064

NET ASSETS:

Unrestricted 1,507,338

Total liabilities and net assets \$ 1,609,402

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, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>REVENUES AND OTHER SUPPORT:</u>			
Grants and contributions	\$ 434,247	\$ 59,584	\$ 493,831
Special events	12,298	-	12,298
Thrift store sales	93,746	-	93,746
Rent income	8,400	-	8,400
Interest income	8	-	8
Net assets released from restriction	124,756	(124,756)	-
	<u>673,455</u>	<u>(65,172)</u>	<u>608,283</u>
<u>EXPENSES:</u>			
Program services	426,097	-	426,097
Management and general	81,160	-	81,160
Fundraising	12,827	-	12,827
	<u>520,084</u>	<u>-</u>	<u>520,084</u>
<u>CHANGE IN NET ASSETS</u>	153,371	(65,172)	88,199
<u>NET ASSETS, BEGINNING OF YEAR</u>	<u>1,353,967</u>	<u>65,172</u>	<u>1,419,139</u>
<u>NET ASSETS, END OF YEAR</u>	<u>\$ 1,507,338</u>	<u>\$ -</u>	<u>\$ 1,507,338</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, 2013

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries	\$ 183,665	\$ 4,950	\$ -	\$ 188,615
Payroll taxes and benefits	32,780	875	-	33,655
Special events	-	-	6,931	6,931
Contracted services	-	2,030	-	2,030
Public relations	-	-	5,896	5,896
Insurance	10,296	2,574	-	12,870
Interest	3,958	1,319	-	5,277
Office supplies	-	16,119	-	16,119
Training	-	15,009	-	15,009
Prescriptions and other assistance	30,581	-	-	30,581
Repairs and maintenance	2,114	528	-	2,642
Supplies	14,524	3,632	-	18,156
Telephone	5,481	1,370	-	6,851
Utilities	35,366	8,842	-	44,208
Vehicle expenses	29,414	7,354	-	36,768
Depreciation	36,385	12,129	-	48,514
Advertising	10,710	2,678	-	13,388
Rent	28,400	-	-	28,400
Other expenses	2,423	1,751	-	4,174
Total expenses	<u>\$ 426,097</u>	<u>\$ 81,160</u>	<u>\$ 12,827</u>	<u>\$ 520,084</u>

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

EASTERN OREGON MISSION

Statement of Cash Flows

Year Ended December 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from grants and contributions	\$ 493,831
Cash paid to suppliers and employees	(465,493)
Special event receipts	12,298
Thrift store sales	93,746
Rent income received	8,400
Interest income received	8
Interest paid	(5,277)
Net cash provided by operating activities	<u>137,513</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Acquisition of capital assets	(150,040)
Net cash used in investing activities	<u>(150,040)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Payments on loan principal	(48,911)
Net cash used in financing activities	<u>(48,911)</u>

NET DECREASE IN CASH

(61,438)

CASH, BEGINNING OF YEAR

65,988

CASH, END OF YEAR

\$ 4,550

RECONCILIATION OF CHANGE IN NET ASSETS

TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Change in net assets	\$ 88,199
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	48,514
Change in employee receivable	800
Net cash provided by operating activities	<u>\$ 137,513</u>

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

EASTERN OREGON MISSION

Notes to Financial Statements

December 31, 2013

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, 2013.

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.

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.

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.

EASTERN OREGON MISSION

Notes to Financial Statements
December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Homeless Shelter Trust Accounts:

Residents of the Martha's House homeless shelter remit 30% of their income earned while a resident to a trust account to be used to obtain housing at the end of the program. The Organization records this as a current liability.

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.

NOTE 3 – CAPITAL ASSETS:

Agape House

	Total
Land	\$ 230,461
Buildings	714,593
Vehicles and Equipment	126,732
Less: Accumulated Depreciation	<u>(252,413)</u>
	<u>819,373</u>

Martha's House

Land	100,000
Buildings	700,064
Less: Accumulated Depreciation	<u>(14,585)</u>
	<u>785,479</u>

Treasures on Main

Vehicles and Equipment	17,872
Less: Accumulated Depreciation	<u>(17,872)</u>

Total	<u><u>\$ 1,604,852</u></u>
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EASTERN OREGON MISSION

Notes to Financial Statements

December 31, 2013

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.	\$ 45,877	\$ 45,877
Note payable to Warren and Juanita Ross, due \$26,250 each January 1st until January 2015. By agreement, the 2014 and 2015 payments were delayed to 2015 and 2016. No interest is included. Imputed interest is not deemed material to the financial statements. Collateralized by land.	52,500	-
	<u>\$ 98,377</u>	<u>\$ 45,877</u>
Future maturities are as follows:		
	2014	\$ 45,877
	2015	26,250
	2016	26,250
		<u>\$ 98,377</u>

NOTE 5 – HOMELESS SHELTER TRUST ACCOUNTS:

Martha's House homeless shelter requires residents to deposit 30% of their wages earned while a resident into a trust account. Trust account deposits are used by residents to acquire permanent housing.

NOTE 6 – ECONOMIC DEPENDENCY:

The Organization depends on revenues from grants and contributions.

NOTE 7 – 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 be determined at this time. The Organization expects such amounts to be immaterial.

NOTE 8 – 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.

No net assets are restricted at December 31, 2013.

NOTE 9 – THRIFT STORE:

Thrift store revenues of \$93,746 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 \$24,986 to fund job training. Related expenses of \$124,274 are included in their respective functional expenses.

EASTERN OREGON MISSION

Notes to Financial Statements

December 31, 2013

NOTE 10 -- 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.

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, 2013.

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 11 -- LEASE:

The Organization entered into a non-cancellable operating lease in November 2013 to lease commercial real estate for Treasures Thrift Store. Rent is due \$2,500 monthly. First rent is due March 1, 2014. Final rent is due June 1, 2017. Non-cancellable payments are as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ 25,000
2015	30,000
2016	30,000
2017	15,000
	<u>\$ 100,000</u>

NOTE 12 -- SUBSEQUENT EVENTS:

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, 2013.