

Canvasback Missions, Inc.
(An Oregon Nonprofit Corporation)
Financial Statements
For the Years Ended
December 31, 2016 and 2015

Canvasback Missions, Inc.

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JAMES M. McVEIGH & ASSOCIATES, INC.

A PROFESSIONAL ACCOUNTANCY CORPORATION

Independent Auditor's Report

To the Board of Directors of Canvasback Missions, Inc.

We have audited the accompanying financial statements of Canvasback Missions (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Canvasback Missions as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

James M. McVeigh
Certified Public Accountant

James M. McVeigh & Associates, Inc.
A Professional Accountancy Corporation
Benicia, California September 8, 2017

Canvasback Missions Inc.
Statement of Financial Position
As of December 31,

Assets

		<u>2016</u>		<u>2015</u>
Current Assets:				
Cash and Cash Equivalents	\$	20,286	\$	76,202
Cash Restricted		73,556		52,996
Auction Inventory/In Kind		<u>25,819</u>		<u>21,419</u>
Total Current Assets	\$	<u>119,661</u>	\$	<u>150,617</u>
Property and Equipment (at cost)				
Furniture, Land and Equipment		153,787		140,292
Less: Accumulated Depreciation		<u>(109,431)</u>		<u>(104,599)</u>
Net Property and Equipment	\$	44,356	\$	35,693
Investments:				
Gift/Unitrust Annuities (Note 7)	\$	129,256	\$	158,769
Other Investments		<u>18,721</u>		<u>55,428</u>
Total Investments	\$	<u>147,977</u>	\$	<u>214,197</u>
Total Assets	\$	<u><u>311,994</u></u>	\$	<u><u>400,507</u></u>

See Accompanying Independent Auditor's Report and Notes to Financial Statements

Canvasback Missions Inc.
Statement of Financial Position
As of December 31,

Liabilities and Net Assets

	<u>2016</u>	<u>2015</u>
Current Liabilities:		
Accounts Payable	\$ 1,798	6,830
Accrued Liabilities	<u>719</u>	<u>9,618</u>
Total Current Liabilities	\$ 2,517	\$ 16,448
Long Term Liabilities:		
Total Long Term Liabilities	\$ <u>0</u>	\$ <u>0</u>
Total Liabilities	\$ <u>2,517</u>	\$ <u>16,448</u>
Net Assets:		
Unrestricted	\$ 126,993	\$ 211,765
Temporarily Restricted	182,484	172,294
Permanently Restricted	<u>0</u>	<u>0</u>
Total Net Assets	\$ <u>309,477</u>	\$ <u>384,059</u>
Total Liabilities and Net Assets	\$ <u><u>311,994</u></u>	\$ <u><u>400,507</u></u>

See Accompanying Independent Auditor's Report and Notes to Financial Statements

Canvasback Missions Inc.
Statement of Activities
For the Years Ended

	<u>Unrestricted</u>	<u>Temporarily</u> <u>Restricted</u>	<u>TOTAL</u>	<u>Unrestricted</u>	<u>Temporarily</u> <u>Restricted</u>	<u>TOTAL</u>
	<u>12/31/2016</u>	<u>12/31/2016</u>	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2015</u>	<u>12/31/2015</u>
Donations Direct	\$ 361,101	\$ -	\$ 361,101	\$ 427,853	\$ -	\$ 427,853
In Kind Donations	993,598	-	993,598	750,144	-	750,144
Interest/Dividends Income	238	-	238	237	-	237
Grants	-	376,541	376,541	-	367,490	367,490
Uni - Trust Income	-	4,042	4,042	-	8,195	8,195
Diabetes Wellness Meals Program	152,333	(9,726)	152,333	161,358	-	161,358
Gain (Loss) on Sale of Assets (Note 7)	5,194	-	(4,532)	(23,044)	-	(23,044)
Other Income (Loss)	-	-	-	(8,932)	-	(8,932)
Total Support, Revenues & Reclassifications	<u>\$ 1,512,464</u>	<u>\$ 370,857</u>	<u>\$ 1,883,321</u>	<u>\$ 1,307,616</u>	<u>\$ 375,685</u>	<u>\$ 1,683,301</u>
Program Services:						
Uni - Trust/Gift Annuity Interest	\$ -	\$ 4,798	\$ 4,798	\$ -	\$ 8,909	\$ 8,909
Medical Supplies	1,019,502	-	1,019,502	773,166	-	773,166
Travel/Lodging	237,387	-	237,387	249,811	-	249,811
Promotion	15,208	-	15,208	4,204	-	4,204
Salaries	168,352	-	168,352	175,085	-	175,085
Depreciation & Amortization	4,832	-	4,832	5,442	-	5,442
Payroll & Miscellaneous Taxes	19,270	-	19,270	15,189	-	15,189
Diabetes Program	-	319,896	319,896	-	318,846	318,846
Miscellaneous	5,727	8,942	14,669	8,946	-	8,946
Total Program Services	<u>\$ 1,470,278</u>	<u>\$ 333,636</u>	<u>\$ 1,803,914</u>	<u>\$ 1,231,843</u>	<u>\$ 327,755</u>	<u>\$ 1,559,598</u>
Administrative Services:						
Legal & Professional Fees	\$ 5,560	\$ -	\$ 5,560	\$ 3,404	\$ -	\$ 3,404
Administrative Expense	90,179	-	90,179	98,202	-	98,202
Conventions & Travel	8,809	-	8,809	6,018	-	6,018
Administrative Salaries	29,886	-	29,886	30,547	-	30,547
Total Admin. - Misc	<u>\$ 134,434</u>	<u>\$ -</u>	<u>\$ 134,434</u>	<u>\$ 138,171</u>	<u>\$ -</u>	<u>\$ 138,171</u>
Total Program & Admin. Exp.	<u>1,604,712</u>	<u>333,636</u>	<u>1,938,348</u>	<u>1,370,014</u>	<u>327,755</u>	<u>1,697,769</u>
Change in Net Assets	<u>\$ (92,248)</u>	<u>\$ 37,221</u>	<u>(55,027)</u>	<u>\$ (62,398)</u>	<u>\$ 47,930</u>	<u>\$ (14,468)</u>
Net Assets Released from Restrictions	\$ 46,947	\$ (46,947)	\$ -	\$ 80,225	\$ (80,225)	\$ -
Adjustment - Note 7	-	(19,555)	(19,555)	-	-	-
Net Assets as of beginning of year	<u>172,294</u>	<u>211,765</u>	<u>384,059</u>	<u>154,467</u>	<u>244,060</u>	<u>398,527</u>
Net Assets as of end of year	<u><u>\$ 126,993</u></u>	<u><u>\$ 182,484</u></u>	<u><u>\$ 309,477</u></u>	<u><u>\$ 172,294</u></u>	<u><u>\$ 211,765</u></u>	<u><u>\$ 384,059</u></u>

The accompanying notes are an integral part of these financial statements

Canvasback Missions Inc.
Statement of Functional Expenses
Years Ended December 31, 2016 & 2015

	2016				2015			
	Program Services		Supporting Services		Program Services		Supporting Services	
	Diabetes Wellness Pgm.	Grant Expenses	Management and General	Total	Diabetes Wellness Pgm.	Grant Expenses	Management and General	Total
Compensation and Related Expenses								
Compensation								
Full-time	\$ 168,352	\$ 91,210	\$	\$ 259,562	\$ 175,086	\$ 83,055	\$	\$ 258,141
Non-employee	29,886	7,961		37,847		3,441		3,441
Payroll taxes	14,921	9,066	-	23,987	15,189	8,725	-	23,914
Employee benefits	-	-	-	-				
Medical Supplies	1,019,502			1,019,502	773,165			773,165
Travel/Lodging	248,142	30,747		278,889	255,179	22,545		277,724
Depreciation/Amortization	4,832			4,832	5,442			5,442
Taxes & Licenses	4,349			4,349	15,189		2,259	17,448
Demonstration Kitchen		125,041		125,041		135,622		135,622
Equipment & Repairs	12,918	1,979	1,195	16,092	17,224	12,122		29,346
Conventions	2,591			2,591	750			750
Meetings/Dues	6,552			6,552	14,983			14,983
Program Expense	8,943	8,256		17,199	8,282			8,282
Occupancy			15,975	15,975			13,410	13,410
Printing	7,850			7,850	6,520			6,520
Postage	4,725			4,725	6,934			6,934
Interest- Unitrust	4,798			4,798	8,909			8,909
Promotion	15,208	541		15,749	4,204	794		4,998
Supplies								
Kitchen		10,873		10,873		9,394		9,394
Building		1,986		1,986		7,602		7,602
Garden		4,583		4,583		3,601		3,601
Office - Majuro		25,380		25,380		26,764		26,764
Office - Benicia		2,273	27,611	29,884		2,284	31,736	34,020
Insurance			160	160	1,810			1,810
Professional Fees	5,560		1,223	6,783	3,404			3,404
Bank Fees	9,390			9,390	10,317			10,317
Other	3,769			3,769		2,896		11,827
	<u>\$ 1,572,288</u>	<u>\$ 319,896</u>	<u>\$ 46,164</u>	<u>\$ 1,938,348</u>	<u>\$ 1,322,587</u>	<u>\$ 318,845</u>	<u>\$ 56,336</u>	<u>\$ 1,697,768</u>

See accompanying notes

Canvasback Missions Inc.
Statement of Cash Flows
As of December 31

	<u>2016</u>	<u>2015</u>
Operating Activities		
Change in Net Assets	\$ (55,027)	\$ (14,468)
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,832	5,442
In Kind Donations Received	(993,598)	(750,144)
In Kind Donations - Used	1,019,388	745,593
Disposition of Assets	0	2,897
(Increase) Decrease in:		
In Kind Assets	(4,400)	(12,468)
(Gain)Loss of Sale of Assets	4,532	0
Other Loss	0	10,636
Increase (Decrease) in:		
Current Assets - (non-cash)	0	(500)
Current Liabilities (decrease)	<u>(13,932)</u>	<u>6,889</u>
Net cash provided by operating activities	\$ <u>(38,205)</u>	<u>(6,123)</u>
Cash Flows from Investing Activities:		
Acquisition Property & Equipment	(13,495)	(4,191)
(Increase) Decrease in Long Term Investment	<u>16,344</u>	<u>25,438</u>
Net cash provided by (used by) investing activities	\$ 2,849	\$ 21,247
Cash Flows from Financing Activities:		
Funding (decrease) from Long-Term Debt (Net)	<u>0</u>	\$ <u>0</u>
Net cash provided by (used by) financing activities	\$ <u>0</u>	\$ <u>0</u>
Net increase in cash and cash equivalents	\$ (35,356)	\$ 15,124
Cash and Cash Equivalents as of Beginning of Year	129,198	114,074
Cash and Cash Equivalents as of End of Year	<u>\$ 93,842</u>	<u>\$ 129,198</u>

See Accompanying Independent Auditor's Report and Notes to Financial Statements

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Canvasback Missions, Inc.
Notes to Financial Statements
December 31, 2016 and 2015

Note 1 - Organization

Canvasback Missions, Inc. was organized as a nonprofit corporation on August 5, 1982 in the state of Oregon. Its primary activities are to provide medical and dental treatment; training in medical procedures and equipment; diabetes and diet awareness programs; youth ministries and diet education endeavors, primarily in the Republic of the Marshall Islands. The organization is supported by public donations and receives grants to fund this program. Its headquarters is located in Benicia, California. It is exempt from Federal and State taxation under the provisions of Section 501(C)(3) of the Internal Revenue Code.

Note 2 – Summary of Significant Accounting Policies – Basis of Accounting

The significant accounting policies of the organization are to prepare its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles; consequently, revenues are recognized when earned and expenses are recognized when the obligation is incurred. For external financial statement reporting purposes the organization follows generally accepted accounting principles which require presentation of unrestricted, temporarily restricted and permanently restricted net assets and the change in net assets in total and within these three classes of net assets. The organization has no permanently restricted net assets. Temporarily restricted net assets include those assets which are restricted for a specific purpose for a period of time or until the expenditures of the program are fully expensed. See Notes 6 and 7 for Temporarily Restricted Assets.

Cash and Cash Equivalents

For purposes of the Statement of Financial Position and the Statement of Cash Flows, the organization considers all short-term investment (money market and savings) to be cash.

Other Investments

The organization invests in mutual funds with a balance of \$14,718 and income producing funds to supplement income and as a reserve for operating expenses. The funds are unrestricted.

Note 3 - Contributions

All contributions, whether In Kind or cash, are recognized in income. Fair market values are determined using valuation publications and guidelines established by the organization and using U.S. Treasury Regulations established for estimating value of donations under IRC Section 501c(3). For in kind donations of medical supplies valuations used are based on Medicare cost guidelines.

The organization reports gifts of land and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

Note 4 – 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.

Note 5 – Concentration of Credit Risk

Financial instruments which potentially subject the organization to concentrations of credit risk consist principally of cash and investments. The investments are not insured by FDIC and are subject to market fluctuations.

Note 6 - Land, Property and Equipment

Canvasback Missions, Inc. follows the practice of capitalizing, at cost, all expenditures for fixed assets, when appropriate. Land, property and equipment are stated at their original cost, plus the cost of capital improvements made on the assets, less accumulated depreciation. Buildings and improvements are depreciated over a 25 to 40 year period using the straight-line method. Depreciation on other assets is also computed using a combination of straight-line and accelerated methods, based on their estimated useful lives, land improvements (10-15 years), vehicles and equipment (5-7 years).

Property and Equipment (at cost)	<u>2016</u>	<u>2015</u>
Bldg., Furniture, Equip. & Land	\$ 153,787	\$ 140,292
Less Accumulated Depreciation	<u>(109,431)</u>	<u>(104,599)</u>
Net Property, Equipment and Land	<u>\$ 44,356</u>	<u>\$ 35,693</u>

Note 7 – Gift Trust/Unitrust Annuities

The organization has established unitrust annuity plans whereby the donors contribute assets to the organization in exchange for lifetime fixed percentage payments. The unitrust funds may vary due to market trends of the underlying investments. In addition, the organization has gift annuities based on the difference between the amounts provided for the gift annuity and the liability for future payments determined by use of conservative uniform gift annuity rates. The unitrust funds may vary due to market trends of the underlying investments. The unitrust and annuities with Canvasback Missions acting as trustee, consist of Marketable Investments and Equity Securities as follows are all recorded their fair values:

	Unitrust/ Annuities			Investments	
	2016	2015		2016	2015
Fair Market Value	\$ 125,621	\$ 125,875	Fair Market Value	\$ 18,721	\$ 56,726
Cost	<u>(135,347)</u>	<u>(135,517)</u>	Cost	<u>(14,718)</u>	<u>6,660</u>
Unrealized Gain (loss)	<u>\$ (9,726)</u>	<u>\$ (9,642)</u>	Unrealized Gain	<u>\$ 4,003</u>	<u>\$ (1,298)</u>

Gift Annuities established with outside trustee:

Canvasback is the beneficiary of these remainder gift annuities established with outside trustees. The present value as determined by trustees for benefit of the organization. The remainder gift trust expired in 2016 as the contract reverted back to grantor, reducing the allocation of the gift annuities by \$19,555 for 2016 from \$23,190 to \$3,635 at year end.

Western Adventist & Pacific Union Conference	Value 12/31/16	P.V. to Annuitant	Deferred Income
2016	\$ 12,500	\$ 3,635	\$ 0
2015	\$ 37,500	\$(23,190)	\$ 736
Total reduction		\$ 19,555	

See Accompanying Independent Auditor's Report

Note 8 – Grants/Restricted Income

Canvasback has continued the Diabetes Wellness Program with funding from the Marshall Islands thru the Ministry of Health. The annual program is based on reimbursement of costs incurred by Canvasback Missions for qualifying diabetes treatment. The criteria for reimbursement used for value of medical supplies and services rendered are based on rates established by Medicare and used as criteria for reimbursement. In addition, grants are issued to fund certain projects and hospitals in the Marshall Islands.

Grants and Reimbursed Expenditures	<u>2016</u>	<u>2015</u>
Federated State of Micronesia	\$ 0	\$ 30,000
Republic of Palau	65,200	57,890
RMI Ministry of Health	119,621	138,500
Ebeye Special Needs	45,502	41,100
Miscellaneous	21,218	0
RMI Diabetes Wellness Program	<u>125,000</u>	<u>100,000</u>
Total Grants	\$ <u>376,541</u>	\$ <u>367,490</u>

Note 9 – Canvasback Wellness (RMI) Inc.

Canvasback Wellness (RMI) Inc. is a separate organization in the Marshall Islands independent of Canvasback Missions, Inc., to attract local grants for projects that enhance the Diabetes Wellness Program, such as the buildings on the islands where the Wellness Programs are conducted. Grants are only awarded to local organizations in the Marshall Islands.

Note 10 - Income Tax

Canvasback Missions is a not-for-profit organization that is exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code and therefore has made no provision for income taxes in the accompanying financial statements. There was no unrelated business income for 2016 and 2015.

Note 11 – Subsequent Events

Subsequent events have been evaluated through September 8, 2017, the date of the financial statements, and no contingent liabilities exist.

See Accompanying Independent Auditor's Report

**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

Board of Directors
Canvasback Missions, Inc.
Benicia, CA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Canvasback Missions, Inc., which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 28, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Casa Nova Mobile Home Park, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Canvasback Missions, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Canvasback Missions, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Canvasback Missions, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Casa Nova Mobile Home Park, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Canvasback Missions, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

JAMES M McVEIGH & ASSOCIATES, INC.
Certified Public Accountant

Benicia, CA
September 28, 2016