



MIAMI RESCUE MISSION, INC.  
AND SUBSIDIARY

Consolidated Financial Statements  
With Independent Auditors' Report

June 30, 2016 and 2015

# MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Miami Rescue Mission, Inc. and Subsidiary  
Miami, Florida

We have audited the accompanying consolidated financial statements of Miami Rescue Mission, Inc. and Subsidiary (collectively referred to as the Organization), which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to consolidated financial statements.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Board of Directors  
Miami Rescue Mission, Inc. and Subsidiary  
Miami, Florida

*Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Miami Rescue Mission, Inc. and Subsidiary as of June 30, 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.

*Capin Crouse LLP*

Atlanta, Georgia  
September 15, 2016

# MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

## Consolidated Statements of Financial Position

	June 30,	
	2016	2015
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 15,617,056	\$ 3,383,003
Investment	-	251,631
Inventory	386,515	337,108
Grants receivable	1,116,860	513,952
Other assets	404,386	769,102
Property and equipment, at cost–net	16,435,815	10,466,086
<b>Total Assets</b>	<b>\$ 33,960,632</b>	<b>\$ 15,720,882</b>
<b>LIABILITIES AND NET ASSETS:</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 95,152	\$ 88,576
Accrued payroll and payroll taxes	371,754	307,600
Agency funds	114,461	84,458
Refundable grant	1,000,000	1,000,000
	1,581,367	1,480,634
<b>Net assets:</b>		
<b>Unrestricted:</b>		
Undesignated	15,742,565	3,546,412
Net investment in property and equipment	16,435,815	10,466,086
	32,178,380	14,012,498
Temporarily restricted	175,885	202,750
Permanently restricted	25,000	25,000
	32,379,265	14,240,248
<b>Total Liabilities and Net Assets</b>	<b>\$ 33,960,632</b>	<b>\$ 15,720,882</b>

See notes to consolidated financial statements

# MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

## Consolidated Statement of Activities

Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>OPERATING SUPPORT AND REVENUE:</b>				
Support:				
Contributions	\$ 4,566,140	\$ 167,303	\$ -	\$ 4,733,443
Gifts-in-kind	12,209,687	-	-	12,209,687
	16,775,827	167,303	-	16,943,130
Revenue:				
Sales of donated items	1,172,599	-	-	1,172,599
Program income	219,659	-	-	219,659
Government grants	3,892,726	-	-	3,892,726
Other income	324,775	-	-	324,775
	5,609,759	-	-	5,609,759
Operating Support and Revenue	22,385,586	167,303	-	22,552,889
<b>RECLASSIFICATIONS:</b>				
Net assets released for satisfaction of purpose restrictions	194,168	(194,168)	-	-
<b>EXPENSES:</b>				
Program services:				
Miami-Dade	9,423,421	-	-	9,423,421
Broward	11,651,859	-	-	11,651,859
Industrial, warehouse, and stores	1,188,770	-	-	1,188,770
	22,264,050	-	-	22,264,050

(continued)

See notes to consolidated financial statements

# MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

## Consolidated Statement of Activities

(continued)

Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
EXPENSES, continued:				
Supporting activities:				
Management and general	1,096,291	-	-	1,096,291
Fundraising	2,341,469	-	-	2,341,469
	3,437,760	-	-	3,437,760
Operating Expenses	25,701,810	-	-	25,701,810
Change in Net Assets From Operations	(3,122,056)	(26,865)	-	(3,148,921)
NONOPERATING ACTIVITIES:				
Gain on sale of property and equipment	21,287,938	-	-	21,287,938
Change in Net Assets	18,165,882	(26,865)	-	18,139,017
Net Assets, Beginning of Year	14,012,498	202,750	25,000	14,240,248
Net Assets, End of Year	\$ 32,178,380	\$ 175,885	\$ 25,000	\$ 32,379,265

See notes to consolidated financial statements

# MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

## Consolidated Statement of Activities

Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>OPERATING SUPPORT AND REVENUE:</b>				
Support:				
Contributions	\$ 5,088,144	\$ 182,095	\$ -	\$ 5,270,239
Gifts-in-kind	12,019,662	-	-	12,019,662
	17,107,806	182,095	-	17,289,901
Revenue:				
Sales of donated items	1,073,201	-	-	1,073,201
Program income	201,352	-	-	201,352
Government grants	5,517,418	-	-	5,517,418
Other income	324,207	-	-	324,207
	7,116,178	-	-	7,116,178
Operating Support and Revenue	24,223,984	182,095	-	24,406,079
<b>RECLASSIFICATIONS:</b>				
Net assets released for satisfaction of purpose restrictions	206,881	(206,881)	-	-
<b>EXPENSES:</b>				
Program services:				
Miami-Dade	8,338,135	-	-	8,338,135
Broward	11,748,245	-	-	11,748,245
Industrial, warehouse, and stores	1,101,318	-	-	1,101,318
	21,187,698	-	-	21,187,698

(continued)

See notes to consolidated financial statements



# MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

## Consolidated Statement of Activities

(continued)

Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
EXPENSES, continued:				
Supporting activities:				
Management and general	666,584	-	-	666,584
Fundraising	2,597,793	-	-	2,597,793
	3,264,377	-	-	3,264,377
Operating Expenses	24,452,075	-	-	24,452,075
Change in Net Assets From Operations	(21,210)	(24,786)	-	(45,996)
Net Assets, Beginning of Year	14,033,708	227,536	25,000	14,286,244
Net Assets, End of Year	\$ 14,012,498	\$ 202,750	\$ 25,000	\$ 14,240,248

See notes to consolidated financial statements

## MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

### Consolidated Statement of Functional Expenses

Year Ended June 30, 2016

	Program Services			Supporting Activities				
	Miami-Dade	Broward	Industrial, Warehouse, and Stores	Total Program Services	Management and General	Fundraising	Total Supporting Activities	Total
Specific aid to individuals, contract payment, grants to other agencies	\$ 2,737,614	\$ 2,081,234	\$ 85,269	\$ 4,904,117	\$ 251,500	\$ -	\$ 251,500	\$ 5,155,617
People—salaries, public relations, tax, benefit, insurance, and professional services	1,849,493	3,232,538	698,129	5,780,160	594,672	746,265	1,340,937	7,121,097
Supplies	3,364,895	2,047,770	14,573	5,427,238	59,021	11,419	70,440	5,497,678
Communication—telephone, mailing, and trucking	38,480	59,326	15,819	113,625	8,002	1,091,716	1,099,718	1,213,343
Occupancy, equipment rental, and maintenance	791,639	3,729,023	101,563	4,622,225	46,996	12,243	59,239	4,681,464
All other expenses	641,300	501,968	273,417	1,416,685	136,100	479,826	615,926	2,032,611
<b>Total Operating Expenses</b>	<b>\$ 9,423,421</b>	<b>\$ 11,651,859</b>	<b>\$ 1,188,770</b>	<b>\$ 22,264,050</b>	<b>\$ 1,096,291</b>	<b>\$ 2,341,469</b>	<b>\$ 3,437,760</b>	<b>\$ 25,701,810</b>

See notes to consolidated financial statements

## MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

### Consolidated Statement of Functional Expenses

Year Ended June 30, 2015

	Program Services			Supporting Activities				
	Miami-Dade	Broward	Industrial, Warehouse, and Stores	Total Program Services	Management and General	Fundraising	Total Supporting Activities	Total
Specific aid to individuals, contract payment, grants to other agencies	\$ 2,203,994	\$ 2,070,379	\$ 79,551	\$ 4,353,924	\$ 50,000	\$ -	\$ 50,000	\$ 4,403,924
People—salaries, public relations, tax, benefit, insurance, and professional services	1,694,367	3,153,571	648,887	5,496,825	427,324	638,182	1,065,506	6,562,331
Supplies	3,095,109	2,256,998	12,620	5,364,727	17,000	1,687	18,687	5,383,414
Communication—telephone, mailing, and trucking	31,538	50,187	9,753	91,478	6,253	1,616,989	1,623,242	1,714,720
Occupancy, equipment rental, and maintenance	745,508	3,745,497	90,154	4,581,159	56,666	10,214	66,880	4,648,039
All other expenses	567,619	471,613	260,353	1,299,585	109,341	330,721	440,062	1,739,647
<b>Total Operating Expenses</b>	<b>\$ 8,338,135</b>	<b>\$ 11,748,245</b>	<b>\$ 1,101,318</b>	<b>\$ 21,187,698</b>	<b>\$ 666,584</b>	<b>\$ 2,597,793</b>	<b>\$ 3,264,377</b>	<b>\$ 24,452,075</b>

See notes to consolidated financial statements

# MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

## Consolidated Statements of Cash Flows

	Year Ended June 30,	
	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 18,139,017	\$ (45,996)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	584,233	487,418
(Gain) loss on sales of property and equipment	(21,287,938)	6,400
Changes in:		
Inventory	(49,407)	(8,745)
Grants receivable	(602,908)	253,873
Other assets	364,716	(255,026)
Accounts payable	6,576	48,861
Accrued payroll and payroll taxes	64,154	31,851
Agency funds	30,003	20,163
Net Cash Provided (Used) by Operating Activities	(2,751,554)	538,799
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(6,998,994)	(358,530)
Proceeds from sales of property and equipment	21,732,970	-
Purchase of investment	-	(251,631)
Proceeds from maturity of investment	251,631	251,380
Net Cash Provided (Used) by Investing Activities	14,985,607	(358,781)
Net Change in Cash and Cash Equivalents	12,234,053	180,018
Cash and Cash Equivalents, Beginning of Year	3,383,003	3,202,985
Cash and Cash Equivalents, End of Year	\$ 15,617,056	\$ 3,383,003

See notes to consolidated financial statements

# MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2016 and 2015

1. NATURE OF ORGANIZATION:

Miami Rescue Mission, Inc. (MRM) was organized in 1976, as a Florida nonprofit corporation which is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (Code) and comparable state law. Contributions to MRM are deductible from income taxes within the limitations prescribed by the Code. MRM is not a private foundation under Section 509(a)(2) of the Code. MRM is a charitable, interdenominational, evangelical, Christian agency providing spiritual, physical, and social services to the poor and needy, including homeless men, women, and children. Its purposes are fulfilled through several centers in Miami–Dade and Broward counties.

History: founded in 1922, MRM is one of the oldest and largest providers of vital services to the homeless and needy in the south Florida community. Until 1993, the primary geographical focus for its services and ministry was Miami–Dade County. Broward County was looking for solutions to their homeless problem and looked to MRM for assistance. This was the beginning of the Broward Outreach Center (BOC). BOC was launched, providing basic temporal relief to homeless individuals in the south Broward community through leased and owned property. A permanent Hollywood facility (the Hollywood Center) was completed in 1997, providing the first emergency shelter and comprehensive recovery program for the homeless in the southern portion of the county. The Hollywood Center is owned by MRM. The Hollywood Center provides 90 beds for males including 39 transitional spaces for graduates to prepare for external housing. In the northern portion of the county, Broward County constructed a 200–bed facility in Pompano Beach. Due to the success of the Hollywood Center, MRM was chosen to operate the programs and facility. The Pompano Beach facility held its grand opening in September 2002. Broward County owns this facility (see Note 2). Over the years, it has been expanded to include 239 beds to those in need. This includes men, women, and children.

The Hollywood Center for Women and Children was opened in August of 2004, and is located adjacent to the initial Hollywood Center. It is owned by MRM and is designed to provide services for 45 women (either single or with children). Programs include parenting skills development, computer literacy, education, job placement, budgeting, and assistance with housing.

In Miami–Dade County, there are two residential centers, the Center for Men and the Center for Women and Children. A nonresidential Miami Community Activity Center provides a preventative program for ‘at risk’ children and youth.

The Center for Men provides 245 beds for programs, which include emergency services, long–term care, and transitional housing. Approximately 190 men per day are involved in an 8 – 14 month intensive program of education, counseling, discipleship training, career preparedness, and job entry called the Regeneration Program. There is also a program for Hispanics that are challenged by the English language called Vida Cambiadas (changed lives). On average, an additional 250 to 350 men per day are provided with a shower, change of clothes, and dinner. An annex to the Center for Men was opened recently and provides for an additional 78 beds for men in the residential program.

# MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2016 and 2015

1. NATURE OF ORGANIZATION, continued:

The Center for Women and Children is a 50-bed facility that serves homeless women and single mothers with small children. A comprehensive program is designed to equip the women to become successful, contributing members of society through classes in anger management, computer education, work skills training, and biblical principles. Those with children are instructed toward becoming loving, supportive mothers to their children through coping and parenting skills. Various volunteers provide special classes in financial management and other practical personal skills including social skills and dressing for the work place.

In November 2001, the Miami Community Activity Center (CAC) was opened to provide preventative programs for adjoining neighborhood children and youth. The goal is to prepare children to become successful in life and to prevent the next generation of homeless. A private school, CARE Elementary School (CARE), occupies the building and provides educational classes. CARE is a separate, not-for-profit organization and operates the school for kindergarten through fourth grade. Out of school programs are provided to 120 children and summer camp is offered to 150 children. The CAC serves between 350 and 400 different children each year in these programs. MRM is supporting the CARE initiative to serve the poor and needy in the amount of \$157,000 (see Notes 2, 4, and 13). In addition to the facilities provided by MRM, MRM also supplies a bussing program for the more than 100 CARE students.

The Miami Jeffrey A. Tew Education Center houses the Innovative Computer Learning and Career Development departments which are utilized by all Miami residents. This was started in 1997 and has the capacity to help people learn to read (or improve their reading levels) and obtain their high school diploma. Reading, writing, and arithmetic are the subjects of focus. Along with the educational component, students also learn vital computer skills and common office applications.

MRM operates a thrift store named the Bargain Barn. There are two stores that provide merchandise for sale such as clothing, appliances, furniture, bric-a-brac, etc. Donated items are picked up by their fleet of trucks. Many donated items are put into direct use by the various centers (furniture, paint, clothing, and appliances); the remaining items are sold to help fund various programs. The Bargain Barn also accepts donated cars and other motor vehicles. Those that are not used in the ministry are auctioned off on the first Saturday of the month and provide revenue for various programs. The Bargain Barn is also a place to help train residents for future employment.

The centers in Miami, Hollywood, and Pompano hold special events throughout the year to care for the homeless and needy as well as a tool to engage the homeless into their residential programs. These include the Great Thanksgiving Banquet (nearly 2,500 served for Thanksgiving), Thanksgiving in April (nearly 2,000 served), Bombastic Birthday Party, and many other activities for men, women, and children. Volunteers provide many wonderful and valuable services from serving meals, doing special drives, becoming mentors or tutors, dress for success, personal makeovers, special work days to improve the facilities, and so much more.

# MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2016 and 2015

1. NATURE OF ORGANIZATION, continued:

The MRM administration office, Center for Women and Children, and thrift store owned and occupied property in the area known as Wynwood. These properties were sold and closed in March of 2016. This decision was based upon the tremendous value of the properties. The purpose was to expand our services to the homeless and needy. MRM purchased two new properties during the year ended June 30, 2016: a new 30,000 square foot administration office and central food warehouse located in Miami Airport district of Hialeah, Florida will serve as an excellent central office. The expanded food warehouse will allow a larger volume of food to be accepted and distributed; and a new 24,000 square foot thrift store and warehouse was purchased in central Miami, Florida. The expanded facilities will give greater visibility for our clothing, furniture and automobile sales. The two new facilities will allow for expanded programs to reach the homeless and needy.

MRM has three radio programs: Mission Possible: The Good News Program, launched in August of 2009. It is an hour long program on Sunday mornings from 8 AM to 9 AM on WIOD 610. This is a large station that reaches from Palm Beach to Monroe County. This program highlights what is good in the community and includes interviews with other non-profit agencies, businesses, individuals, or organizations, that are doing good things. The program also highlights their residents (personal testimonies), their staff, and special events at their centers; Life-Changers was started in September 2009. This is a weekly half hour program. The format is similar to Mission Possible but geared for the faith community; and Vidas Cambiadas is the Spanish version of Life-Changers and airs weekly on an all-Spanish radio station. These radio programs have been well received by listeners, have raised awareness of homelessness, and have brought new donors to MRM (individuals, companies, places of worship, etc.).

During 2009, MRM began its external transitional housing program. This program is designed to provide their graduates the next step in integrating fully into society. MRM now owns nine properties (five in Broward County, four in Miami-Dade County). Graduates for this program are selected based on merit and need. They pay fees for living in the units and this is another stream of revenue for MRM programs. MRM has concentrated on purchasing distressed properties and utilizing their staff and clients to renovate them. MRM desires to increase the number of units and seeks additional funding from present donors or other resources.

More than 10,000 people provided over 90,000 hours of volunteering this past year. These included individuals, schools, organizations, and places of worship. The combined centers serve nearly 1,300 men, women, and children each day. Last year, MRM/BOC provided over 975,000 meals, 375,000 nights of safe shelter, over 180 clients successfully completed our long-term educational program, over 7,000 hours of counseling, and helped nearly 800 men and women entering the job market and find housing.

MRM acquired a building adjacent to the Miami Center for Men in March 2011. This building is used to provide an additional 78 transitional beds for men in the residential program. Part of the building is utilized for offices and meeting areas. The three million dollar renovation project was funded in part by a one million dollar refundable grant (see Note 9) from the Federal Home Loan Bank Affordable Housing Program of Atlanta.

# MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2016 and 2015

1. NATURE OF ORGANIZATION, continued:

Miami Mission Association, Inc. (MMA) is a Florida nonprofit corporation. MRM assumed the operation of MMA's women's and children's center beginning on July 1, 1993. MMA is exempt from income taxes under Section 501(c)(3) of the Code and comparable state laws. MMA is also classified as a publicly supported organization, which is not a private foundation under section 509(a)(2) of the Code. Contributions to MMA are deductible for income tax purposes.

Both MRM and MMA receive the majority of their support from Florida individuals, corporations, churches, foundations, civic organizations, thrift store sales of donated items, and governmental grants. The ministry is not affiliated with any church denomination but seeks to represent the church in its mandated service to the poor among us.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted (GAAP) in the United States. The significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader.

### USE OF ESTIMATES

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the balances and financial activities of MRM and MMA (collectively referred to as the Organization). All significant intercompany transactions and balances have been eliminated from the consolidated financial statements.

### RECLASSIFICATIONS

Certain items have been reclassified in the prior year consolidated statements to be consistent with the current year presentation.

### CASH AND CASH EQUIVALENTS

For purposes of the consolidated statements of cash flows, the Organization considers cash on hand, bank checking accounts, money markets, and certificates of deposit with original maturities of three months or less to be cash and cash equivalents. The Organization maintains its cash and cash equivalents in bank deposit accounts, which at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash and cash equivalents.



# MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2016 and 2015

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### INVESTMENT

Investment consists of a certificate of deposit recorded at cost. Investment income, which consists of interest and dividends, is included with other income in the accompanying consolidated statements of activities.

#### INVENTORY

Inventory is valued and reported at estimated fair market value. There is no reserve for obsolescence recorded at June 30, 2016 and 2015, as all inventory is considered sellable at market value.

#### GRANTS RECEIVABLE

Grants receivable consist primarily of BOC project costs incurred but not yet reimbursed.

#### PROPERTY AND EQUIPMENT, AT COST–NET

Items capitalized as property and equipment are stated at cost, or if donated, at estimated fair value on the date of receipt. The cost of maintenance and repairs is expensed as incurred; significant renewals and betterments are capitalized. Items purchased with governmental funds greater than \$750 are capitalized and depreciated over their estimated useful lives. All other nongovernmental purchases of property and equipment greater than \$1,000 are capitalized and depreciated over their estimated useful lives. Depreciation is provided over the estimated useful lives of the assets on a straight–line basis. Generally, these lives are as follows:

Buildings and improvements	15 – 31.5 years
Vehicles and equipment	4 – 5 years

#### CLASSES OF NET ASSETS

The consolidated financial statements report amounts by class of net assets:

*Unrestricted* net assets are currently available for operations under the direction of the board, designated by the board for a specific use, or invested in property and equipment.

*Temporarily restricted* net assets are contributed with donor stipulations for specific operating purposes or programs, with time restrictions, for the acquisition of property and equipment, or not currently available for use until commitments regarding their use have been fulfilled.

*Permanently restricted* net assets are those which are contributed with donor restrictions requiring that they be held in perpetuity with the investment income earned to be used to fund scholarships. Assets funding these agreements are included as part of cash and cash equivalents. The disclosures required by the *Reporting Endowment Funds* topic of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) have not been included in the consolidated financial statements due to immateriality.

# MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2016 and 2015

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### OPERATING SUPPORT AND REVENUE, RECLASSIFICATIONS, AND EXPENSES

Revenue is reported when earned and support when contributions are made, which may be when cash is received or unconditionally promised or when ownership of donated assets is transferred to the Organization. Bequests are reported as support at the time the Organization has an established right to the bequest and proceeds are measurable. Grants are reported when services are rendered and billed to the appropriate agency.

Gifts-in-kind consists primarily of donated food, clothing, and general merchandise used in the Organization's operations. Sales of donated items consist primarily of vehicle and thrift store sales.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated net assets. When a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service.

Expenses, including advertising costs of \$182,783 and \$174,975 for the years ended June 30, 2016 and 2015, respectively, are recorded when incurred in accordance with the accrual basis of accounting. Gifts-in-kind expenses are reported in the accompanying consolidated statements of functional expenses, primarily as supplies and other services, as well as specific assistance to individuals. The costs of providing the various program services and supporting activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities that benefited from those expenditures. The Organization incurred no joint costs. All costs associated with publications are charged directly to fundraising.

#### GIFTS-IN-KIND AND DONATED SERVICES

The ministries of the Organization could not be fully achieved without the dedicated efforts of many volunteers. Churches, synagogues, businesses, clubs, youth groups, students, and individuals give of their time and talents to help the homeless. They serve meals, conduct chapel services, tutor children, teach classes, and help maintain the facilities. The reporting of these contributed services is regulated by three different, often conflicting standards. None of these donated services are reported as revenue and expenses on the IRS form 990.

# MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2016 and 2015

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### GIFTS-IN-KIND AND DONATED SERVICES, continued

However, in accordance with GAAP, donated services are reported as contributions if the services (a) create or enhance non-financial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Donated services meeting the criteria for recognition in the accompanying consolidated statements of activities totaled \$239,020 and \$245,392 for the years ended June 30, 2016 and 2015, respectively.

All the client services facilities are owned by the Organization except the Pompano Beach facility (see Note 1). The Pompano Beach facility was built and is owned by Broward County and leased to the Organization for \$1 a year. The Organization reports the value of below market rentals on facilities as gifts-in-kind support. For both years ended June 30, 2016 and 2015, \$1,170,840 has been reported as part of gifts-in-kind support for the Pompano Beach Facility. This lease agreement can be canceled with a sixty day notice.

#### RENT GIFTED TO OTHER ENTITIES

The Organization allows the use of its Hollywood Center to an independent third party (see Note 1) recognized at the fair value of the gifted rent. The third party is under no control or obligation to the Organization. For the years ended June 30, 2016 and 2015, the fair value of the gifted rent totaled \$1,920,000 for both years ended and is included in gifts-in-kind support in the accompanying consolidated statements of activities.

The Organization allows the use of its facilities to CARE Elementary School (see Note 13) recognized at the fair value of the gifted rent. The school is under no control or obligation to the Organization. For the years ended June 30, 2016 and 2015, the fair value of the gifted rent was \$138,000 and \$115,000, respectively, and is included in gifts-in-kind support in the accompanying consolidated statements of activities.

#### UNCERTAIN TAX POSITIONS

The financial statement effects of a tax position taken or expected to be taken are recognized in the consolidated financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the consolidated statements of activities. For the years ended June 30, 2016 and 2015, the Organization had no uncertain tax positions that qualify for recognition or disclosure in the consolidated financial statements.

The Organization files information tax returns in the U.S. and various states. The Organization is generally no longer subject to U.S. federal and state tax examinations by tax authorities for years before 2013.

# MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2016 and 2015

3. INVENTORY:

Inventory consists of the following:

	June 30,	
	2016	2015
Inventory at estimated fair market value:		
Donated vehicles	\$ 3,738	\$ 2,900
Thrift store donated goods	117,866	159,235
Donated food	264,911	174,973
	\$ 386,515	\$ 337,108

4. OTHER ASSETS:

Other assets consist of:

	June 30,	
	2016	2015
Prepaid insurance	\$ 164,830	\$ 83,578
Advances to CARE Elementary School (see Notes 1, 2, and 13)	157,000	157,000
Refundable deposits	43,058	39,650
Property held for sale	18,790	18,790
Utility and postage deposits	9,757	6,925
Other	8,159	2,787
Donated note receivable	2,792	7,434
Advances to health clinics (see Note 13)	-	452,938
	\$ 404,386	\$ 769,102

As of June 30, 2016 and 2015, the Organization has not determined any allowance for uncollectible accounts for advances made to CARE Elementary School, as the Organization has worked with the third party on a repayment plan.

As of June 30, 2016, the Organization granted the advances made to the health clinics. As such, the amounts are included with program services expenses in the accompanying consolidated statements of activities. For the year ended June 30, 2015, the Organization did not determine any allowance for uncollectible accounts for advances made to the health clinics, as the Organization had worked with this third party on a tentative repayment plan.

# MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2016 and 2015

5. PROPERTY AND EQUIPMENT, AT COST-NET:

Property and equipment, at cost-net consists of:

	June 30,	
	2016	2015
Land	\$ 4,198,063	\$ 1,768,315
Buildings and improvements	17,347,101	14,316,095
Vehicles and equipment	2,275,878	2,051,484
	<u>23,821,042</u>	<u>18,135,894</u>
Less accumulated depreciation	(7,416,227)	(7,700,808)
Construction in progress	31,000	31,000
	<u>31,000</u>	<u>31,000</u>
Net investment in property and equipment	<u>\$ 16,435,815</u>	<u>\$ 10,466,086</u>

6. BANK LINES OF CREDIT:

The Organization has a \$250,000 revolving working capital line of credit that is due on demand, subject to renewal in November 2015, and bears interest at the prime rate (3.25% at June 30, 2015). Borrowings under this line of credit are collateralized by a certificate of deposit held at the financial institution. For the years ended June 30, 2016 and 2015, there were no outstanding borrowings under this line of credit.

Effective February 2014, the Organization has a \$100,000 revolving working capital line of credit that is due on demand, subject to renewal in February 2016, and bears interest at the prime rate (3.25% at June 30, 2015). Borrowings under this line of credit are collateralized by a certificate of deposit held at the financial institution. For the years ended June 30, 2016 and 2015, there were no outstanding borrowings under this line of credit.

As of June 30, 2016, both bank lines of credit expired and were not renewed.

# MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2016 and 2015

7. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS:

Temporarily and permanently restricted net assets consist of the following:

	June 30,	
	2016	2015
Temporarily restricted net assets:		
Pompano center	\$ 89,656	\$ 89,657
Carole Brook grant for chapel furniture	18,845	18,845
Thatcher Foundation facility project	270	7,010
Spanish language program	16,266	20,570
Reading room	8,451	8,451
John Stella education fund	38,005	36,273
Miami men alumni	1,342	1,342
Batchelor Foundation	1,791	19,343
Veterans funding for veterans	1,259	1,259
	\$ 175,885	\$ 202,750
Permanently restricted net assets:		
Learning Center scholarship fund	\$ 25,000	\$ 25,000

8. SALES OF DONATED ITEMS:

Sales of donated items are as follows:

	Year Ended June 30,	
	2016	2015
Vehicles	\$ 58,654	\$ 24,815
General merchandise	1,113,945	1,048,386
	\$ 1,172,599	\$ 1,073,201

9. COMMITMENTS AND CONTINGENCIES:

**OPERATING LEASES**

The Organization has several operating lease agreements, primarily for certain office equipment. These leases have various expiration dates through 2016. Rental expense was \$102,224 and \$111,018 for the years ended June 30, 2016 and 2015, respectively.

# MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2016 and 2015

9. COMMITMENTS AND CONTINGENCIES, continued:

### CONTINGENT LIABILITIES

The City of Miami, Florida authorized a \$298,299 loan to the Organization for the acquisition of land and construction of new buildings. The loan is noninterest bearing and secured by a mortgage. So long as the Organization continues to provide a last resort facility, payments on this loan will be waived.

Approximately \$900,000 of the buildings reported in Note 5 were funded with Community Development Block Grant (CDBG) federal awards, to assist with the construction costs of the BOC. Buildings acquired with CDBG funds, and no longer needed for the originally authorized purpose, are subject to certain federal restrictions and requirements should these buildings ever be disposed of by the Organization.

Refundable grant relates to a grant received from the Federal Home Loan Bank Affordable Housing Program of Atlanta (FHLB) in the amount of \$1,000,000 during the fiscal year ended June 30, 2014, to assist with the purchase and/or rehabilitation of 78 multifamily rental units in the Miami, Florida area. Construction was completed during the fiscal year ended June 30, 2014. Per the agreement between the Organization and the FHLB, if the Organization were to sell the property within fifteen years of receiving the grant money, the Organization would be required to return the grant to the FHLB. Therefore, the Organization has deferred recognizing the grant as revenue until the fifteen year period has lapsed.

### CONSULTING, COMMUNICATIONS AND DEVELOPMENT SERVICES

Effective December 1, 2013, the Organization entered into a consulting, communications, and development services agreement (the Agreement). Per the Agreement, a third party will provide consulting, marketing, and direct-mail services on behalf of the Organization. For the services provided under this Agreement, the Organization agrees to pay the third party a retainer fee of \$3,000 per month. Either party may terminate the Agreement by giving the other party written notice thereof at least sixty days prior to the effective date of termination.

10. CONCENTRATIONS:

During the year ended June 30, 2015, one donor contributed 8% of total contributions. There was no donor concentration for the year ended June 30, 2016.

11. RETIREMENT PLANS:

MRM has established a 403(b) retirement plan (the Plan). MRM contributes to the Plan on behalf of all full-time employees participating through elective salary reductions. MRM matches employee contributions equal to 3% of elective deferrals, up to 100% of eligible pay. Employees are eligible for the Plan if they are at least 18 years old and have completed 90 days of service. Participants become fully vested after five years of services. For the years ended June 30, 2016 and 2015, employer contributions to the Plan totaled \$43,320 and \$41,715, respectively.

# MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2016 and 2015

11. RETIREMENT PLANS, continued:

MRM has established a qualified 457(b) deferred compensation plan (the 457 Plan) for the benefit of the president and those employees listed as a director. The 457 Plan allows eligible employees to contribute to the 457 Plan and to direct the investment of their funds into professionally managed investment funds. MRM matches one dollar for every dollar contributed by the employee based on length of service, matching up to 4% of wages for one to three years of service; matching up to 6% of wages between three and five years of service; and matching up to 8% of wages for more than five years of service. For the years ended June 30, 2016 and 2015, employer contributions to the 457 Plan totaled \$44,060 and \$35,646, respectively.

12. GOVERNMENT GRANTS:

Government grants consist of:

Title of Grant	Grant or Contract Number	Year Ended June 30,	
		2016	2015
Nonfederal funds:			
Miami Dade county		\$ 87,840	\$ 82,125
Community in School		-	3,775
Homeless trust emergency shelter		507,664	405,234
Broward County HIP–Homeless Assistance Center–3 year grant–South HAC		1,217,315	1,784,115
Broward County HIP–Homeless Assistance Center–3 year grant–North HAC		2,053,889	3,214,818
Federal funds:			
United States Department of Homeland Security:			
FEMA Phase 32 & 33			
Pass thru United Way of Miami Dade County		26,018	27,351
Total government grants		\$ 3,892,726	\$ 5,517,418

Broward County, Florida Grants Management–Research and Development Division entered into two grants with the BOC. The grant agreements require that all monies received from the county shall be included in the consolidated financial statements by explicit disclosure, as presented above.



# MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2016 and 2015

13. RELATED PARTY TRANSACTIONS:

The Organization advanced money to Miami Rescue Mission Clinic, Inc. (MRMC) (see Note 4) to assist in launching various health clinics in the Miami, Florida area, whose mission is to provide primary healthcare to the community's homeless. Certain board members of MRMC are on the board of the Organization. For the year ended June 30, 2015, advances to MRMC totaled \$452,938. For the year ended June 30, 2016, there were no amounts advanced to MRMC. In addition, amounts previously advanced to MRMC were forgiven and granted to MRMC by the Organization during the year ended June 30, 2016.

The Organization has advanced money to CARE Elementary School, Inc. (CARE) (see Notes 1, 2, and 4) to assist in launching a school whose mission is to provide quality education with a nurturing Christian environment for under served youth in the greater Overtown community in Miami, Florida. Certain board members of CARE are on the board of the Organization. For both years ended June 30, 2016 and 2015, advances to CARE totaled \$157,000.

For the year ended June 30, 2016, the Organization provided a one time donation in the amount of \$100,000 to both MRMC and CARE.

14. SUBSEQUENT EVENTS:

During April 2016, MRM entered into a purchase agreement in the amount of \$2,215,000 for certain real property. The settlement date of the purchase agreement was August 29, 2016.

Subsequent events have been evaluated through the report date, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.