



MIAMI RESCUE MISSION, INC.
AND SUBSIDIARY

Consolidated Financial Statements
With Independent Auditors' Report

June 30, 2017 and 2016

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, 2017 and 2016, 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, 2017 and 2016, 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

Lawrenceville, Georgia
September 8, 2017

MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

Consolidated Statements of Financial Position

| | June 30, | |
|--|----------------------|----------------------|
| | 2017 | 2016 |
| ASSETS: | | |
| Cash and cash equivalents | \$ 11,679,599 | \$ 15,617,056 |
| Inventory | 289,124 | 386,515 |
| Grants receivable | 611,321 | 1,116,860 |
| Other assets | 295,389 | 404,386 |
| Property and equipment, at cost-net | 18,643,553 | 16,435,815 |
| Total Assets | \$ 31,518,986 | \$ 33,960,632 |
| LIABILITIES AND NET ASSETS: | | |
| Liabilities: | | |
| Accounts payable | \$ 45,818 | \$ 95,152 |
| Accrued payroll and payroll taxes | 385,134 | 371,754 |
| Agency funds | 93,815 | 114,461 |
| Refundable grant | 1,000,000 | 1,000,000 |
| | 1,524,767 | 1,581,367 |
| Net assets: | | |
| Unrestricted: | | |
| Undesignated | 11,147,389 | 15,742,565 |
| Net investment in property and equipment | 18,643,553 | 16,435,815 |
| | 29,790,942 | 32,178,380 |
| Temporarily restricted | 178,277 | 175,885 |
| Permanently restricted | 25,000 | 25,000 |
| | 29,994,219 | 32,379,265 |
| Total Liabilities and Net Assets | \$ 31,518,986 | \$ 33,960,632 |

See notes to consolidated financial statements

MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

Consolidated Statement of Activities

Year Ended June 30, 2017

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|--------------|---------------------------|---------------------------|--------------|
| OPERATING SUPPORT AND REVENUE: | | | | |
| Support: | | | | |
| Contributions | \$ 4,306,586 | \$ 166,700 | \$ - | \$ 4,473,286 |
| Gifts-in-kind | 12,999,186 | - | - | 12,999,186 |
| | 17,305,772 | 166,700 | - | 17,472,472 |
| Revenue: | | | | |
| Sales of donated items | 1,056,656 | - | - | 1,056,656 |
| Program income | 267,601 | - | - | 267,601 |
| Government grants | 5,353,030 | - | - | 5,353,030 |
| Other income | 331,167 | - | - | 331,167 |
| | 7,008,454 | - | - | 7,008,454 |
| Operating Support and Revenue | 24,314,226 | 166,700 | - | 24,480,926 |
| RECLASSIFICATIONS: | | | | |
| Net assets released for satisfaction of purpose restrictions | 164,308 | (164,308) | - | - |
| EXPENSES: | | | | |
| Program services: | | | | |
| Miami-Dade | 9,630,059 | - | - | 9,630,059 |
| Broward | 12,586,816 | - | - | 12,586,816 |
| Industrial, warehouse, and stores | 1,523,708 | - | - | 1,523,708 |
| | 23,740,583 | - | - | 23,740,583 |

(continued)

See notes to consolidated financial statements

MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

Consolidated Statement of Activities

(continued)

Year Ended June 30, 2017

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|--|---------------|---------------------------|---------------------------|---------------|
| EXPENSES, continued: | | | | |
| Supporting activities: | | | | |
| Management and general | 947,168 | - | - | 947,168 |
| Fundraising | 2,178,221 | - | - | 2,178,221 |
| | 3,125,389 | - | - | 3,125,389 |
| Operating Expenses | 26,865,972 | - | - | 26,865,972 |
| Change in Net Assets From Operations | (2,387,438) | 2,392 | - | (2,385,046) |
| NONOPERATING ACTIVITIES: | | | | |
| Gain on sale of property and equipment | - | - | - | - |
| Change in Net Assets | (2,387,438) | 2,392 | - | (2,385,046) |
| Net Assets, Beginning of Year | 32,178,380 | 175,885 | 25,000 | 32,379,265 |
| Net Assets, End of Year | \$ 29,790,942 | \$ 178,277 | \$ 25,000 | \$ 29,994,219 |

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 |
|---|--------------|---------------------------|---------------------------|--------------|
| OPERATING SUPPORT AND REVENUE: | | | | |
| 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 |
| RECLASSIFICATIONS: | | | | |
| Net assets released for satisfaction of purpose restrictions | 194,168 | (194,168) | - | - |
| EXPENSES: | | | | |
| 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 Functional Expenses

Year Ended June 30, 2017

| | 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 | \$ 2,515,559 | \$ 2,451,373 | \$ 69,367 | \$ 5,036,299 | \$ 1,500 | \$ - | \$ 1,500 | \$ 5,037,799 |
| People—salaries, public relations, tax, benefit, insurance, and professional services | 2,013,780 | 3,366,278 | 845,820 | 6,225,878 | 555,535 | 880,830 | 1,436,365 | 7,662,243 |
| Supplies | 3,334,610 | 2,317,502 | 19,248 | 5,671,360 | 10,376 | 142,236 | 152,612 | 5,823,972 |
| Communication—telephone, mailing, and trucking | 37,211 | 62,201 | 4,151 | 103,563 | 12,869 | 721,410 | 734,279 | 837,842 |
| Occupancy, equipment rental, and maintenance | 891,006 | 3,870,274 | 200,168 | 4,961,448 | 109,707 | 12,980 | 122,687 | 5,084,135 |
| All other expenses | 837,893 | 519,188 | 384,954 | 1,742,035 | 257,181 | 420,765 | 677,946 | 2,419,981 |
| Total Operating Expenses | <u>\$ 9,630,059</u> | <u>\$ 12,586,816</u> | <u>\$ 1,523,708</u> | <u>\$ 23,740,583</u> | <u>\$ 947,168</u> | <u>\$ 2,178,221</u> | <u>\$ 3,125,389</u> | <u>\$ 26,865,972</u> |

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 | | | | Total |
|---|----------------------------|-----------------------------|---|------------------------------|------------------------------|----------------------------|-----------------------------------|-----------------------------|
| | Miami–Dade | Broward | Industrial, Warehouse, and Stores | Total Program Services | Management and General | Fundraising | Total Supporting Activities | |
| 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 |
| Total Operating Expenses | <u>\$ 9,423,421</u> | <u>\$ 11,651,859</u> | <u>\$ 1,188,770</u> | <u>\$ 22,264,050</u> | <u>\$ 1,096,291</u> | <u>\$ 2,341,469</u> | <u>\$ 3,437,760</u> | <u>\$ 25,701,810</u> |

See notes to consolidated financial statements

MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

| | Year Ended June 30, | |
|--|---------------------|---------------|
| | 2017 | 2016 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ (2,385,046) | \$ 18,139,017 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | |
| Depreciation | 700,919 | 584,233 |
| Gain on sales of property and equipment | - | (21,287,938) |
| Changes in: | | |
| Inventory | 97,391 | (49,407) |
| Grants receivable | 505,539 | (602,908) |
| Other assets | 108,997 | 364,716 |
| Accounts payable | (49,334) | 6,576 |
| Accrued payroll and payroll taxes | 13,380 | 64,154 |
| Agency funds | (20,646) | 30,003 |
| Net Cash Used by Operating Activities | (1,028,800) | (2,751,554) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of property and equipment | (2,908,657) | (6,998,994) |
| Proceeds from sales of property and equipment | - | 21,732,970 |
| Proceeds from maturity of investment | - | 251,631 |
| Net Cash Provided (Used) by Investing Activities | (2,908,657) | 14,985,607 |
| Net Change in Cash and Cash Equivalents | (3,937,457) | 12,234,053 |
| Cash and Cash Equivalents, Beginning of Year | 15,617,056 | 3,383,003 |
| Cash and Cash Equivalents, End of Year | \$ 11,679,599 | \$ 15,617,056 |

See notes to consolidated financial statements

MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

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, 2017 and 2016

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, occupies the building and provides educational classes. It is a separate non-profit and operates the school for kindergarten through 4th grade. Out of school programs are provided to 120 children and summer camp is offered to 150 children. The Community Activity Center serves between 350 and 400 different children each year in these programs. MRM is supporting the CARE Elementary School initiative to serve the poor and needy in the amount of \$150,000 beginning July 1, 2014 and another \$100,000 was given in June of 2016. In addition to the facilities provided, MRM supplies a bussing program for the more than 100 Care Elementary School 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.

In 2009, the first Health Clinic was opened to serve our residents and underserved populations. The Health Clinic is our partner, but is a separate non-profit organization. Presently, each Center has a health clinic and last year the clinic had over 9,000 patient visits. MRM made a gift of \$100,000 in June 2016 for appreciation of all that they do to serve our residents and the community.

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.

MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

1. NATURE OF ORGANIZATION, continued:

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.

The Broward Outreach Centers have a combined total of 350 beds. The Hollywood Center was opened in 1997 as the first comprehensive homeless center in Broward County. MRM owns the building located at 2056 Scott Street. In 2004, a separate Center for Women and Children was opened next to the original building. There are 40 beds for women, women with children, and families. The Pompano Center was opened in 2002. The mission does not own the building or property. That is owned by Broward County and our staff operates the facility as well as providing services to the homeless and needy.

The MRM administration office, Center for Women and Children, and Thrift Stores owned and occupied property in the area known as Wynwood. These properties were sold and closed in March 2016. This decision was based upon the tremendous value of the properties. The purpose was to expand our services to the homeless and needy. Miami Rescue Mission purchased three new properties in 2016. A new 30,000 square foot administration office and central food warehouse located in Miami Airport district of Hialeah will serve as an excellent central office. The expanded food warehouse will allow a larger volume of food to be accepted and distributed. A new 24,000 square foot thrift store and warehouse was purchased in central Miami. The expanded facilities will give greater visibility for our clothing, furniture, and automobile sales. Lastly a church with 4 acres of land was purchased in North Miami. This can be used as a retreat center and future development of permanent housing for our graduates. The three new facilities will allow for expanded programs to reach to 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.).

MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

1. NATURE OF ORGANIZATION, continued:

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 990,000 meals, 365,000 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 enter the job market and find housing.

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.

MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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.

INVENTORY

In July 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-11, *Simplifying the Measurement of Inventory* which amends the subsequent measurement of inventory that used first-in, first-out (FIFO) or average cost. An entity should measure inventory within the scope of this ASU at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The ASU is effective for the calendar years beginning after December 15, 2016, and interim periods within those fiscal years, with early application permitted. The Organization has elected to early adopt the updated disclosure.

Inventory is valued and reported at estimated net realizable value. There is no reserve for obsolescence recorded at June 30, 2017 and 2016, as all inventory is considered sellable at market value.

GRANTS RECEIVABLE

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

MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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.

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.

MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

OPERATING SUPPORT AND REVENUE, RECLASSIFICATIONS, AND EXPENSES, continued

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 \$285,402 and \$182,783 for the years ended June 30, 2017 and 2016, 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, 2017 and 2016

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 \$231,615 and \$239,020 for the years ended June 30, 2017 and 2016, 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, 2017 and 2016, \$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, 2017 and 2016, 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 12) 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, 2017 and 2016, the fair value of the gifted rent was \$138,000 for both years ended 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, 2017 and 2016, 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 2014.

MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

3. INVENTORY:

Inventory consists of the following:

| | June 30, | |
|---|-------------------|-------------------|
| | 2017 | 2016 |
| Inventory at estimated fair market value: | | |
| Donated vehicles | \$ 3,605 | \$ 3,738 |
| Thrift store donated goods | 146,236 | 117,866 |
| Donated food | 139,283 | 264,911 |
| | <u>\$ 289,124</u> | <u>\$ 386,515</u> |

4. OTHER ASSETS:

Other assets consist of:

| | June 30, | |
|---|-------------------|-------------------|
| | 2017 | 2016 |
| Prepaid insurance | \$ 216,485 | \$ 164,830 |
| Advances to CARE Elementary School (see Notes 1, 2, and 12) | - | 157,000 |
| Refundable deposits | 44,492 | 43,058 |
| Property held for sale | 18,790 | 18,790 |
| Utility and postage deposits | 7,438 | 9,757 |
| Other | 8,184 | 8,159 |
| Donated note receivable | - | 2,792 |
| | <u>\$ 295,389</u> | <u>\$ 404,386</u> |

MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

5. PROPERTY AND EQUIPMENT, AT COST–NET:

Property and equipment, at cost–net consists of:

| | June 30, | |
|--|----------------------|----------------------|
| | 2017 | 2016 |
| Land | \$ 4,915,739 | \$ 4,198,063 |
| Buildings and improvements | 19,090,026 | 17,347,101 |
| Vehicles and equipment | 2,665,356 | 2,275,878 |
| | <u>26,671,121</u> | <u>23,821,042</u> |
| Less accumulated depreciation | (8,058,568) | (7,416,227) |
| Construction in progress | 31,000 | 31,000 |
| | <u>31,000</u> | <u>31,000</u> |
| Net investment in property and equipment | <u>\$ 18,643,553</u> | <u>\$ 16,435,815</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, 2016). Borrowings under this line of credit are collateralized by a certificate of deposit held at the financial institution. For the years ended June 30, 2017 and 2016, 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, 2016). Borrowings under this line of credit are collateralized by a certificate of deposit held at the financial institution. For the years ended June 30, 2017 and 2016, there were no outstanding borrowings under this line of credit.

As of June 30, 2017, both bank lines of credit expired and were not renewed.

MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

7. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS:

Temporarily and permanently restricted net assets consist of the following:

| | June 30, | |
|---|------------|------------|
| | 2017 | 2016 |
| Temporarily restricted net assets: | | |
| Pompano center | \$ 89,656 | \$ 89,656 |
| Carole Brook grant for chapel furniture | 18,845 | 18,845 |
| Thatcher Foundation facility project | - | 270 |
| Spanish language program | 18,069 | 16,266 |
| Reading room | 8,451 | 8,451 |
| John Stella education fund | 39,405 | 38,005 |
| Miami men alumni | 1,342 | 1,342 |
| Batchelor Foundation | 1,250 | 1,791 |
| Veterans funding for veterans | 1,259 | 1,259 |
| | \$ 178,277 | \$ 175,885 |
| 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, | |
|---------------------|---------------------|--------------|
| | 2017 | 2016 |
| Vehicles | \$ 28,460 | \$ 58,654 |
| General merchandise | 1,028,196 | 1,113,945 |
| | \$ 1,056,656 | \$ 1,172,599 |

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 2017. Rental expense was \$132,834 and \$102,224 for the years ended June 30, 2017 and 2016, respectively.

MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

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 May 1, 2017, 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 \$15,000 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. 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, 2017 and 2016, employer contributions to the Plan totaled \$49,178 and \$43,320, respectively.

MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

10. 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, 2017 and 2016, employer contributions to the 457 Plan totaled \$48,681 and \$44,060, respectively.

11. GOVERNMENT GRANTS:

Government grants consist of:

| Title of Grant | Year Ended June 30, | |
|---|---------------------|--------------|
| | 2017 | 2016 |
| Nonfederal funds: | | |
| Miami Dade county | \$ 92,160 | \$ 87,840 |
| Homeless trust emergency shelter | 563,260 | 507,664 |
| Broward County HIP–Homeless Assistance Center–3 year grant–South HAC | 1,974,174 | 1,217,315 |
| Broward County HIP–Homeless Assistance Center–3 year grant–North HAC | 2,601,376 | 2,053,889 |
| Broward County HIP Challenge Grant | 81,080 | - |
| Broward County HIP–Low Demand Overflow Beds Program | 34,560 | - |
| Federal funds: | | |
| United States Department of Homeland Security: FEMA Phase 32 & 33 Pass thru United Way of Miami Dade County | 6,420 | 26,018 |
| Total government grants | \$ 5,353,030 | \$ 3,892,726 |

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, 2017 and 2016

12. RELATED PARTY TRANSACTIONS:

The Organization advanced money to Miami Rescue Mission Clinic, Inc. (MRMC) 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 years ended June 30, 2017 and 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 the years ended June 30, 2017 and 2016, advances to CARE totaled \$0 and \$157,000, respectively.

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.

13. SUBSEQUENT EVENTS:

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.