



**CITY RESCUE MISSION, INC.**  
(A Not-for-Profit Organization)

Financial Statements

Years Ended September 30, 2016 and 2015

# CITY RESCUE MISSION, INC.

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## **Independent Auditor's Report**

The Board of Directors of  
City Rescue Mission, Inc.  
Jacksonville, Florida

We have audited the accompanying financial statements of City Rescue Mission, Inc., (the Organization), (a not-for-profit organization) which comprise the statements of financial position as of September 30, 2016, and the related statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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



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

**Other Matter – Prior Period Financial Statements**

The 2015 financial statements of City Rescue Mission, Inc. were audited by LBA Certified Public Accountants, P.A. (“LBA”), whose partners and professional staff joined BDO USA, LLP as of November 16, 2016, shortly after which LBA ceased operations. LBA's report dated January 15, 2016 expressed an unmodified opinion on those statements.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of City Rescue Mission, Inc. as of September 30, 2016, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*BDO USA, LLP*

Jacksonville, Florida  
January 31, 2017

**CITY RESCUE MISSION, INC.**  
 Statements of Financial Position  
 September 30, 2016 and 2015

	<b>2016</b>	<b>2015</b>
<b>Assets:</b>		
Cash	\$ 944,795	\$ 1,006,280
Restricted cash	266,466	261,397
Accounts receivable, net	5,853	18,148
Restricted contributions receivable, net	45,200	51,000
Other receivables	38,667	45,365
Inventory	53,511	35,908
Prepaid expenses	79,948	94,151
Property and equipment, net	2,775,663	2,671,279
Other assets	8,953	8,250
Total assets	<b>\$ 4,219,056</b>	<b>\$ 4,191,778</b>
<b>Liabilities and net assets:</b>		
Liabilities:		
Accounts payable	\$ 119,668	\$ 114,939
Accrued liabilities	156,344	200,103
Notes payable	-	140,000
Total liabilities	<b>276,012</b>	<b>455,042</b>
Net assets:		
Unrestricted	3,631,398	3,406,259
Temporarily restricted	311,646	330,477
Total net assets	<b>3,943,044</b>	<b>3,736,736</b>
Total liabilities and net assets	<b>\$ 4,219,056</b>	<b>\$ 4,191,778</b>

*See accompanying notes to financial statements.*

**CITY RESCUE MISSION, INC.**  
Statement of Activities  
Year Ended September 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues, gains and other support:</b>			
Contributions and grants	\$ 3,189,837	\$ 536,822	\$ 3,726,659
In-kind donations	1,605,577	-	1,605,577
Thrift store contributions and sales	505,305	-	505,305
Program service fees	80,991	-	80,991
Other revenues	71,394	-	71,394
Loss on sale of fixed assets	(44,087)	-	(44,087)
Interest and dividend income	17,133	-	17,133
Total revenues, gains and other support	<u>5,426,150</u>	<u>536,822</u>	<u>5,962,972</u>
Net assets released from restrictions	<u>555,653</u>	<u>(555,653)</u>	<u>-</u>
<b>Expenses:</b>			
Program services	4,136,343	-	4,136,343
Public relations and fundraising	1,111,556	-	1,111,556
Management and general	507,056	-	507,056
Cost of sales	1,709	-	1,709
Total expenses	<u>5,756,664</u>	<u>-</u>	<u>5,756,664</u>
Change in net assets	225,139	(18,831)	206,308
Net assets, beginning of year	<u>3,406,259</u>	<u>330,477</u>	<u>3,736,736</u>
Net assets, end of year	<u>\$ 3,631,398</u>	<u>\$ 311,646</u>	<u>\$ 3,943,044</u>

**CITY RESCUE MISSION, INC.**  
Statement of Activities  
Year Ended September 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues, gains and other support:</b>			
Contributions and grants	\$ 3,186,103	\$ 431,714	\$ 3,617,817
In-kind donations	1,203,070	-	1,203,070
Thrift store contributions and sales	611,207	-	611,207
Program service fees	76,580	-	76,580
Other revenues	57,054	-	57,054
Interest and dividend income	18,196	-	18,196
Total revenues, gains and other support	<u>5,152,210</u>	<u>431,714</u>	<u>5,583,924</u>
Net assets released from restrictions	<u>247,687</u>	<u>(247,687)</u>	<u>-</u>
<b>Expenses:</b>			
Program services	3,794,685	-	3,794,685
Public relations and fundraising	1,110,110	-	1,110,110
Management and general	510,321	-	510,321
Cost of sales	3,763	-	3,763
Total expenses	<u>5,418,879</u>	<u>-</u>	<u>5,418,879</u>
Change in net assets	(18,982)	184,027	165,045
Net assets, beginning of year	<u>3,425,241</u>	<u>146,450</u>	<u>3,571,691</u>
Net assets, end of year	<u>\$ 3,406,259</u>	<u>\$ 330,477</u>	<u>\$ 3,736,736</u>

*See accompanying notes to financial statements.*

**CITY RESCUE MISSION, INC.**  
**Statement of Functional Expenses**  
**Year Ended September 30, 2016**

	Program Services							Total Program Services	Public Relations and Fundraising	Management and General	Total
	Emergency Services	LifeBuilders Men	LifeBuilders Women	New Day	Retail Services	Clothing Closet	Medical, Dental and Other Services				
Salaries and related expenses:											
Salaries	\$ 267,853	\$ 316,248	\$ 229,245	\$ 101,625	\$ 188,385	\$ -	\$ 72,305	\$ 1,175,661	\$ 218,398	\$ 123,125	\$ 1,517,184
Employee benefits and worker's comp insurance	66,704	58,615	40,470	21,319	37,533	-	4,935	229,576	36,926	22,249	288,751
Payroll taxes	20,794	25,326	17,853	7,741	14,754	-	5,941	92,409	17,049	10,749	120,207
Total salaries and related expenses	355,351	400,189	287,568	130,685	240,672	-	83,181	1,497,646	272,373	156,123	1,926,142
Bank charges	457	468	245	216	4,811	1	130	6,328	147	23,749	30,224
Community events	-	-	-	-	-	-	-	-	68,769	-	68,769
Computer services and maintenance	1,689	2,429	1,280	783	3,181	-	453	9,815	13,516	23,950	47,281
Conventions and seminars	(2)	147	147	147	-	-	-	439	693	1,926	3,058
Depreciation	134,349	69,754	6,209	3,410	44,787	-	1,493	260,002	-	34,107	294,109
Direct aid	508,801	422,271	62,050	237,727	12,029	92,474	157,543	1,492,895	6,422	45,122	1,544,439
Dues and subscriptions	2,044	469	426	637	-	-	-	3,576	1,871	5,722	11,169
Equipment rentals	7,374	14,923	2,876	6,015	9,128	-	1,865	42,181	1,748	14,109	58,038
Food and supplies	28,527	32,952	8,842	16,817	2,270	-	8,590	97,998	-	1,298	99,296
Insurance	10,248	90,668	38,265	4,180	54,344	-	-	197,705	3,567	7,700	208,972
Interest	-	-	-	-	-	-	-	-	-	905	905
Miscellaneous	394	2,920	661	762	261	-	390	5,388	1,227	13,504	20,119
Office supplies	1,115	1,643	887	1,812	6,064	1,114	489	13,124	5,716	9,204	28,044
Printing, postage and advertising	1,616	5,662	5,057	1,616	-	29	-	13,980	658,592	104,242	776,814
Professional fees	-	-	-	-	370	-	-	370	57,563	34,835	92,768
Repairs and maintenance	30,837	73,318	12,791	10,362	16,824	-	1,505	145,637	2,622	13,862	162,121
Telephone and utilities	74,832	89,463	20,810	25,620	68,456	-	16,939	296,120	14,804	15,996	326,920
Vehicle expense	1,606	26,515	5,663	6,778	12,577	-	-	53,139	1,926	702	55,767
<b>Total expenses</b>	<b>\$ 1,159,238</b>	<b>\$ 1,233,791</b>	<b>\$ 453,777</b>	<b>\$ 447,567</b>	<b>\$ 475,774</b>	<b>\$ 93,618</b>	<b>\$ 272,578</b>	<b>\$ 4,136,343</b>	<b>\$ 1,111,556</b>	<b>\$ 507,056</b>	<b>\$ 5,754,955</b>



**CITY RESCUE MISSION, INC.**  
**Statement of Functional Expenses**  
**Year Ended September 30, 2015**

	Program Services										
	Emergency Services	LifeBuilders Men	LifeBuilders Women	New Day	Retail Services	Clothing Closet	Medical, Dental and Other Services	Total Program Services	Public Relations and Fundraising	Management and General	Total
Salaries and related expenses:											
Salaries	\$ 247,418	\$ 309,057	\$ 237,482	\$ 80,404	\$ 225,854	\$ -	\$ 74,522	\$ 1,174,737	\$ 204,070	\$ 166,080	\$ 1,544,887
Employee benefits and worker's comp insurance	52,531	68,416	50,189	11,574	55,220	-	5,324	243,254	35,607	16,171	295,032
Payroll taxes	18,604	23,615	17,675	6,201	17,435	-	5,566	89,096	15,561	21,335	125,992
Total salaries and related expenses	318,553	401,088	305,346	98,179	298,509	-	85,412	1,507,087	255,238	203,586	1,965,911
Bank charges	452	548	302	200	9,272	-	136	10,910	163	17,933	29,006
Community events	-	-	-	-	-	-	-	-	39,452	-	39,452
Computer services and maintenance	1,111	2,768	1,168	4,960	2,573	-	213	12,793	16,964	45,607	75,364
Conventions and seminars	97	93	88	-	-	-	-	278	1,543	2,118	3,939
Depreciation	135,266	59,978	8,070	1,592	44,085	-	2,643	251,634	-	36,045	287,679
Direct aid	204,477	402,973	362,912	51,456	15,858	37,870	133,659	1,209,205	2,903	49,700	1,261,808
Dues and subscriptions	1,629	(172)	274	-	-	-	62	1,793	1,779	7,819	11,391
Equipment rentals	5,251	13,859	5,774	4,074	1,285	454	1,696	32,393	720	13,002	46,115
Food and supplies	18,592	39,533	35,939	1,332	1,498	-	7,597	104,491	94	156	104,741
Insurance	4,135	87,976	36,390	3,611	55,391	-	-	187,503	3,371	7,484	198,358
Interest	-	-	-	-	-	-	-	-	-	1,797	1,797
Miscellaneous	319	1,463	441	1,384	551	-	-	4,158	2,934	21,407	28,499
Office supplies	2,117	1,321	1,018	2,377	5,799	518	419	13,569	7,016	7,139	27,724
Printing, postage and advertising	135	7,654	2,477	1,239	50	10	1,118	12,683	697,962	42,130	752,775
Professional fees	-	994	201	1,130	529	-	-	2,854	62,051	31,082	95,987
Repairs and maintenance	24,498	86,795	17,438	12,384	5,202	-	1,352	147,669	2,190	10,203	160,062
Telephone and utilities	35,151	83,251	41,023	18,623	54,262	-	10,683	242,993	11,993	12,320	267,306
Vehicle expense	2,101	26,146	5,311	9,579	9,535	-	-	52,672	3,737	793	57,202
<b>Total expenses</b>	<b>\$ 753,884</b>	<b>\$ 1,216,268</b>	<b>\$ 824,172</b>	<b>\$ 212,120</b>	<b>\$ 504,399</b>	<b>\$ 38,852</b>	<b>\$ 244,990</b>	<b>\$ 3,794,685</b>	<b>\$ 1,110,110</b>	<b>\$ 510,321</b>	<b>\$ 5,415,116</b>

See accompanying notes to financial statements.

**CITY RESCUE MISSION, INC.**  
 Statements of Cash Flows  
 Years Ended September 30, 2016 and 2015

	2016	2015
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 206,308	\$ 165,045
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	294,109	287,679
Loss on disposal of property and equipment	44,087	-
Bad debt expense	8,500	17,000
City of Jacksonville loan forgiveness	(140,000)	-
Contributions restricted for long-term purposes	(358,100)	(343,206)
Net changes in:		
Accounts receivable, net	12,295	(1,661)
Contributions receivable	(2,700)	3,250
Other receivables	6,698	(38,880)
Inventory	(17,603)	13,069
Prepaid expenses	14,203	(37,443)
Other assets	(703)	-
Accounts payable	4,729	(117,578)
Accrued liabilities	(43,759)	7,173
Net cash changes in operating activities	28,064	(45,552)
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(442,580)	(147,286)
Net cash changes in investing activities	(442,580)	(147,286)
<b>Cash flows from financing activities:</b>		
Proceeds from contributions restricted for long-term purpose	358,100	343,206
Principal payments on capital lease	-	(1,034)
Net cash changes in financing activities	358,100	342,172
Net change in cash	(56,416)	149,334
Cash, beginning of year	1,267,677	1,118,343
Cash, end of year	\$ 1,211,261	\$ 1,267,677
Cash - unrestricted	\$ 944,795	\$ 1,006,280
Cash - temporarily restricted	266,466	261,397
	\$ 1,211,261	\$ 1,267,677
<b>Supplemental disclosure:</b>		
Cash paid for interest	\$ 905	\$ 1,797

*See accompanying notes to financial statements.*

**CITY RESCUE MISSION, INC.**  
Notes to Financial Statements  
Years Ended September 30, 2016 and 2015

**1. Nature of Organization**

City Rescue Mission, Inc. (the Organization), a not-for-profit organization founded in 1946, exists to transform the lives of the homeless and needy, serving them through the love and compassion of Jesus Christ. The Organization provides emergency services (hot meals, clean clothing and safe shelter) to the homeless and needy in Jacksonville and the surrounding Northeast Florida communities. The Organization also provides a long term residential, biblically based recovery program (LifeBuilders). Individuals entering LifeBuilders are offered biblical instruction, counseling including relapse prevention and computer literacy classes as well as on-site medical, dental and chiropractic care. In addition to LifeBuilders, the Organization provides job training/placement services and educational opportunities through its NewDay Program. The Organization is privately funded and supported by individuals, churches, organizations, sponsorships, grants, businesses and community events. The Organization also operates a thrift store which sells donated items to the general public.

**2. Summary of Significant Accounting Policies**

This summary of significant accounting policies of the Organization is presented to assist in understanding the financial statements. The financial statements and accompanying notes are representations of the Organization's management.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, gains and losses at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting. Revenues are recognized when they become measurable and available and expenses are generally recognized when the related liability is incurred.

Net Assets

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Accordingly, net assets and changes therein are classified as follows:

*Unrestricted Net Assets* - Net assets from operations that are not subject to donor-imposed stipulations of time and/or purpose.

*Temporarily Restricted Net Assets* - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

*Permanently Restricted Net Assets* - Net assets subject to donor-imposed stipulations that must be maintained permanently by the Organization. The Organization had no permanently restricted net assets at September 30, 2016 and 2015.

**CITY RESCUE MISSION, INC.**  
Notes to Financial Statements  
Years Ended September 30, 2016 and 2015

**2. Summary of Significant Accounting Policies (Continued)**

Cash and Restricted Cash

Cash is unrestricted and available for all operations of the Organization.

Restricted cash is limited, based on donor restrictions, for use on programs and purchases of long-term assets as presented in Note 8.

Accounts Receivable

Management evaluates total accounts receivable and includes in the allowance for doubtful accounts an estimate of losses to be sustained. Uncollectible amounts are charged against the allowance account when management determines the possibility of collection is remote. The allowance for doubtful accounts was \$5,044 and \$0 at September 30, 2016 and 2015, respectively. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. The Organization does not charge interest on past due amounts.

Contributions Receivable

Contributions receivable are all due within one year. The Organization uses the allowance method to determine uncollectible promises to give. The allowance is based on management's estimate of the amounts that will not be collected based on the age and creditworthiness of the outstanding balances. Uncollectible amounts are charged against the allowance account when management determines the possibility of collection is remote. The allowance for doubtful accounts was \$47,500 and \$34,000 at September 30, 2016 and 2015, respectively.

Inventory

The Organization's inventory at September 30, 2016 and 2015 consisted of thrift store items for resale, donated dental equipment, and program inventory. Thrift store inventory is carried at the lower of average cost or market, as determined by the average cost method. Donated dental inventory is valued at fair value for new inventory, while used inventory is valued at 40 percent of the estimated cost. Program inventory is valued at fair value for new inventory.

The Organization performs a periodic assessment to determine the existence of obsolete, slow moving and non-saleable inventory and records necessary provisions to reduce such inventory to net realizable value.

Property and Equipment

Property and equipment is stated at historical cost if purchased or at the estimated fair value if donated at the date of donation. Gifts of long-lived assets received without stipulations about how long the donated asset are reported as restricted support using a time restriction that expires over the useful life of the donated assets. Maintenance and repairs are charged to expense as incurred. When items of property and equipment are sold or otherwise disposed of, the asset and related accumulated depreciation accounts are eliminated, and any gain or loss is included in the statement of activities as a change in unrestricted net assets.

**CITY RESCUE MISSION, INC.**  
Notes to Financial Statements  
Years Ended September 30, 2016 and 2015

**2. Summary of Significant Accounting Policies (Continued)**

The Organization's current policy is to capitalize all purchased or donated assets valued in excess of \$1,000 with estimated useful lives of greater than one year. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets. Asset lives for financial statement reporting of depreciation are:

Buildings and improvements	5 – 40 years
Equipment and furnishings	5 – 10 years
Vehicles	5 – 10 years

The Organization reviews the carrying value of long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability of long-lived assets is measured by comparing the carrying amount of the assets or asset group to the undiscounted cash flows that the assets or asset group is expected to generate. If the undiscounted cash flows of such assets are less than the carrying amount, the impairment to be recognized is measured by the amount by which the carrying amount, if any, exceeds its fair value. No impairments were deemed to exist at September 30, 2016 and 2015.

Contributions

Contributions are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, 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 statement of activities as net assets released from restrictions.

Contributed Materials and Services

Donated materials, services and facilities are recorded as contributions at their estimated fair values at the date of donation. Contributions of services are recognized in the financial statements if the services enhance or create non-financial assets or require specialized skills that are provided by individuals possessing those skills.

A substantial number of volunteers have donated significant amounts of their time to the Organization. Based on authoritative guidance, the financial statements reflect amounts for those volunteers whose services create or enhance non-financial assets or require specialized skills. Donated professional, medical, dental and other services which required specialized skills have been recorded in the financial statements based on actual hours worked multiplied by an estimated rate per hour based on standard rates of services provided. Donated professional services of \$266,259 and \$160,152 were recorded in in-kind donations on the statement of activities for the years ended September 30, 2016 and 2015, respectively. The expenses were recorded as professional fees on the statement of functional expenses.

Thrift Store Sales

The Organization operates a Thrift Store which sells donated items to the general public. Thrift Store sales are recognized as revenue at the point-of-sale. Sales are net of returns and exclude sales tax. The Thrift Store does not allow customers to return merchandise except for electronics

**CITY RESCUE MISSION, INC.**  
Notes to Financial Statements  
Years Ended September 30, 2016 and 2015

**2. Summary of Significant Accounting Policies (Continued)**

that fail within 24 hours of purchase and those returns are limited to exchange or in-store credit only. Through the Thrift Store, the Organization provides clothing, furniture and other household items at no charge to those screened and referred by other cooperating social service agencies. The Organization valued the merchandise provided through this program at \$12,029 and \$15,858 for the years ended September 30, 2016 and 2015, respectively.

Income Taxes

The Organization is a private not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code and Chapter 220.13 of the Florida Statutes, respectively.

The Organization evaluates its tax positions for any uncertainties based on the technical merits of the positions taken. The Organization recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be upheld on examination by taxing authorities. The Organization has analyzed the tax positions taken and has concluded that as of September 30, 2016 and 2015, there were no uncertain tax positions taken, or expected to be taken, that would require recognition of a liability or disclosure in the financial statements.

Management is required to analyze all open tax years, as defined by the Statute of Limitations, for all major jurisdictions, including federal and certain state taxing authorities. With few exceptions, at September 30, 2016, the Organization is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by taxing authorities for years before 2013. As of and for the years ended September 30, 2016 and 2015, the Organization did not have a liability for any unrecognized taxes. The Organization has no examinations in progress and is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax liabilities will significantly change in the next twelve months.

Functional Expenses

The Organization allocates its expenses on a functional basis among its various programs and activities. Expenses that can be identified with a specific program are allocated directly according to their natural expenditure classification. Other expenses that are common to several activities are allocated based on estimates of benefit to each function.

Allocation of Joint Costs

During the year ended September 30, 2016 and 2015, the Organization mailed newsletters that included requests for contributions, as well as program and management and general components. The costs of conducting these activities included a total of \$49,774 and \$51,854, respectively, of joint costs, which are not specifically attributable to particular components of the activities. The costs of each newsletter were allocated based on the percentage of content related to the joint cost activities multiplied by the total cost of the newsletter including postage costs.

**CITY RESCUE MISSION, INC.**  
Notes to Financial Statements  
Years Ended September 30, 2016 and 2015

**2. Summary of Significant Accounting Policies (Continued)**

Joint costs were allocated as follows:

	2016	2015
Management and General	\$ 32,809	\$ 25,467
Fundraising	12,699	21,989
Program: LifeBuilders - Men	4,266	4,398
Total	\$ 49,774	\$ 51,854

Financial Accounting Standards Board Amendments

In August of 2016, The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. These amendments will have an impact on the Organization's financial statement presentation. These amendments are effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Management is evaluating the impact of this ASU on the Organization's financial reporting.

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. This guidance amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheet. It also makes targeted changes to lessor accounting, including a change to the treatment of initial direct leasing costs, which no longer considers fixed internal leasing salaries as capitalizable costs. The standard is effective fiscal years beginning after December 15, 2019. The Organization is currently evaluating the alternative methods of adoption and the impact that it will have on its financial statements and related disclosures.

**3. Property and Equipment**

Property and equipment consisted of the following at September 30:

	2016	2015
Land	\$ 301,156	\$ 297,818
Buildings and improvements	5,979,860	5,691,284
Equipment and furnishings	728,206	690,253
Vehicles	219,526	174,212
	7,228,748	6,853,567
Less: Accumulated depreciation	(4,453,085)	(4,182,288)
	\$ 2,775,663	\$ 2,671,279

**4. Land Held for Investment**

Several parcels of land are held for investment and are carried at cost, as part of other assets in the statement of financial position. The value of these parcels was \$3,380 at September 30, 2016 and 2015, and is included in other assets on the Statements of Financial Position.

**CITY RESCUE MISSION, INC.**  
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**5. Forgivable Loan**

In 2001, the Organization received a \$140,000 forgivable loan from the Duval County Housing Finance Authority, through the SHIP program, to build and maintain single family homes for formerly homeless individuals or families. The terms of the loan required the Organization to continue to use the property for the stated purpose or the Organization will be in default and the loan would be due in full. The loan was forgiven in 2016.

**6. Line of Credit**

The Organization has a \$300,000 line of credit collateralized by one of the Organization's buildings, which expires in March 2019. The line of credit bears interest at an annual rate of 5 percent until the prime rate changes from 3.25 percent, at which point the line will bear interest at an annual rate of prime plus 0.5 percent. The Organization had no balance on the line at September 30, 2016 and 2015.

**7. Leases**

The Organization leases various office equipment under non-cancelable operating leases expiring in 2019. Total rent expense on operating leases for each of the years ended September 30, 2016 and 2015 was \$9,666 and \$13,833, respectively.

At September 30, 2016, the future minimum lease payments under these leases having initial or remaining terms in excess of one year are as follows:

2017		\$ 10,150
2018		10,657
2019		<u>5,595</u>
Total minimum lease payments		<u>\$ 26,402</u>

**8. Temporarily Restricted Net Assets**

Temporarily restricted net assets were available for the following purposes at September 30:

	<u>2016</u>	<u>2015</u>
Property acquisition and building renovations	\$ 236,154	\$ 211,824
LifeBuilders	54,080	54,080
New Day and Workforce Development	11,871	6,871
Direct Aid	5,276	5,457
Program services materials	2,647	11,738
Equipment	1,618	14,930
Salaries	-	<u>25,577</u>
Total temporarily restricted net assets	<u>\$ 311,646</u>	<u>\$ 330,477</u>



**CITY RESCUE MISSION, INC.**  
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**8. Temporarily Restricted Net Assets (Continued)**

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors during the year as follows:

	2016	2015
Purpose restriction accomplished:		
Other building renovation	\$ 278,880	\$ 129,802
Equipment	73,332	22,085
Food and shelter	65,493	33,000
LifeBuilders	47,870	-
New Day and Workforce Development	31,700	3,128
Salaries and other	29,577	1,200
Clothing Closet	14,921	14,064
Program services materials	9,304	44,408
Direct aid	4,576	-
Total restrictions released	\$ 555,653	\$ 247,687

**9. Retirement Plan**

The Organization established a 401(k) plan that provides for employee contributions with a percentage matched by the Organization. All employees are eligible to participate after 90 days of service. The Organization matches 25 percent of the employee's contributions, up to 4 percent of their annual salary, after a year of service. The Organization's matching contributions for 2016 and 2015 were \$3,701 and \$1,827, respectively.

**10. Concentrations**

Concentrations of Credit Risk

The Organization places its temporary cash investments with FDIC insured financial institutions. At times, the account balances may exceed the FDIC insured limits. The Organization does not believe it is exposed to any significant credit risk with respect to cash.

Contributions Receivable

The Organization had a contribution receivable from one individual which constituted 92 percent of net contributions receivable at September 30, 2016. The Organization had a contribution receivable from one individual which constituted 100 percent of net contributions receivable at September 30, 2015.

**11. Subsequent Events**

The Organization has evaluated the events that have occurred subsequent to year end through the date of the independent auditor's report, January 31, 2017, the date the financial statements were available to be issued.

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**11. Subsequent Events** (Continued)

In December 2016, the Organization sold property housing its Thrift Store activities for \$925,000, and entered into a two year agreement to lease back a portion of the property to continue those activities. The property had a net book value of approximately \$166,000 at the time of the sale, the gain on sale will be recorded by the Organization in accordance with ASC 840-40 *Sales-Leaseback Transactions*. The lease commitment is for two years at a monthly rent of \$5,279.