

CITY RESCUE MISSION, INC.
(A NOT-FOR-PROFIT ORGANIZATION)

FINANCIAL REPORT

YEARS ENDED SEPTEMBER 30, 2013 AND 2012

CITY RESCUE MISSION, INC.

TABLE OF CONTENTS

Report of independent certified public accountants	1
Financial statements:	
Statements of financial position	3
Statements of activities	4
Statements of functional expenses	5
Statements of cash flows	6
Notes to financial statements	7

LBA Certified Public Accountants, PA

Report of Independent Certified Public Accountants

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

We have audited the accompanying statements of financial position of City Rescue Mission, Inc., (the Organization), (a not-for-profit organization) as of September 30, 2013 and 2012, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of City Rescue Mission, Inc. as of September 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

LBA Certified Public Accountants, P.A.

March 7, 2014

CITY RESCUE MISSION, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2013 AND 2012

	2013	2012
Assets:		
Cash	\$ 32,492	\$ 350,359
Restricted cash	308,998	144,922
Accounts receivable, net	21,405	20,786
Contributions receivable, net	110,448	85,000
Other receivables	2,243	2,496
Charitable remainder trusts (See Note 13)	241,051	312,359
Inventory	36,312	52,039
Prepaid expenses	101,969	91,072
Investments	360,592	360,433
Property and equipment, net	2,935,635	3,160,977
Other assets	8,250	8,250
Total assets	\$ 4,159,395	\$ 4,588,693
Liabilities and net assets:		
Liabilities:		
Accounts payable	\$ 178,599	\$ 169,591
Accrued liabilities	198,836	210,037
Notes payable	140,000	140,000
Capital lease	11,592	19,747
Total liabilities	529,027	539,375
Net assets:		
Unrestricted	3,052,590	3,530,418
Temporarily restricted	577,778	518,900
Total net assets	3,630,368	4,049,318
Total liabilities and net assets	\$ 4,159,395	\$ 4,588,693

See accompanying notes to financial statements.

CITY RESCUE MISSION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2013

	Unrestricted	Temporarily Restricted	Total
Revenues, gains and other support:			
Contributions and grants	\$ 3,066,994	\$ 312,481	\$ 3,379,475
In-kind donations	1,019,964	-	1,019,964
Thrift store contributions and sales	748,089	-	748,089
Auto center contributions and sales	6,353	-	6,353
Program service fees	117,596	-	117,596
Other revenues	27,091	-	27,091
Loss on disposal of fixed assets	(33,777)	-	(33,777)
Change in value of beneficial interest in charitable remainder trusts	-	(71,308)	(71,308)
Interest and dividend income	19,392	-	19,392
Total revenues, gains and other support	4,971,702	241,173	5,212,875
 Net assets released from restrictions	 182,295	 (182,295)	 -
 Expenses:			
Program services	3,852,632	-	3,852,632
Public relations and fundraising	1,315,227	-	1,315,227
Management and general	454,854	-	454,854
Cost of sales	9,112	-	9,112
Total expenses	5,631,825	-	5,631,825
 Change in net assets	 (477,828)	 58,878	 (418,950)
Net assets, beginning of year	3,530,418	518,900	4,049,318
Net assets, end of year	\$ 3,052,590	\$ 577,778	\$ 3,630,368

CITY RESCUE MISSION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, gains and other support:			
Contributions and grants	\$ 2,936,300	\$ 448,217	\$ 3,384,517
In-kind donations	1,013,208	-	1,013,208
Thrift store contributions and sales	818,061	-	818,061
Auto center contributions and sales	35,274	-	35,274
Program service fees	95,488	-	95,488
Other revenues	9,481	-	9,481
Gain on sale of fixed assets	6,880	-	6,880
Change in value of beneficial interest in charitable remainder trusts	-	(8,504)	(8,504)
Interest and dividend income	32,572	-	32,572
Total revenues, gains and other support	<u>4,947,264</u>	<u>439,713</u>	<u>5,386,977</u>
Net assets released from restrictions	<u>467,715</u>	<u>(467,715)</u>	<u>-</u>
Expenses:			
Program services	3,761,356	-	3,761,356
Public relations and fundraising	1,177,092	-	1,177,092
Management and general	314,389	-	314,389
Cost of sales	8,911	-	8,911
Total expenses	<u>5,261,748</u>	<u>-</u>	<u>5,261,748</u>
Change in net assets	153,231	(28,002)	125,229
Net assets, beginning of year	<u>3,377,187</u>	<u>546,902</u>	<u>3,924,089</u>
Net assets, end of year	<u>\$ 3,530,418</u>	<u>\$ 518,900</u>	<u>\$ 4,049,318</u>

See accompanying notes to financial statements.

CITY RESCUE MISSION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2013

	Program Services										
	Retail Services	Men's Services	Women's Services	Food Services	New Day	Clothing Closet	Medical, Dental and Other Services	Total Program Services	Public Relations and Fundraising	Management and General	Total
Salaries and related expenses:											
Salaries	\$ 234,739	\$ 462,195	\$ 297,072	\$ 78,620	\$ 87,007	\$ -	\$ 68,457	\$ 1,228,090	\$ 228,246	\$ 224,333	\$ 1,680,669
Employee benefits and worker's comp insurance	47,072	67,557	39,291	16,703	6,502	-	7,177	184,302	22,767	27,932	235,001
Payroll taxes	18,937	33,284	19,901	6,463	7,632	-	4,919	91,136	16,345	14,539	122,020
Total salaries and related expenses	300,748	563,036	356,264	101,786	101,141	-	80,553	1,503,528	267,358	266,804	2,037,690
Bank charges	9,711	648	217	135	60	28	26	10,825	14,703	2,717	28,245
Community events	-	-	-	-	-	-	-	-	27,902	-	27,902
Computer services and maintenance	5,455	2,677	1,808	616	761	-	1,176	12,493	30,829	43,137	86,459
Conventions and seminars	100	3,405	5,504	100	100	-	100	9,309	2,398	1,433	13,140
Depreciation	52,395	149,952	35,035	-	445	-	1,728	239,555	-	28,546	268,101
Direct aid	29,376	50,018	2,671	804,690	24,609	32,282	177,777	1,121,423	-	-	1,121,423
Dues and subscriptions	-	2,802	1,154	-	-	-	586	4,542	3,161	4,262	11,965
Equipment rentals	4,132	20,776	1,702	13,777	-	-	72	40,459	8,376	6,818	55,653
Food and supplies	1,435	15,989	11,259	91,839	1,468	-	27,210	149,200	1,733	2,406	153,339
Insurance	51,335	77,760	29,537	3,056	2,706	-	-	164,394	3,071	5,032	172,497
Interest	-	-	-	-	-	-	-	-	-	5,768	5,768
Miscellaneous	901	2,115	1,028	224	4,705	-	(2,525)	6,448	2,978	2,502	11,928
Office supplies	4,726	3,723	1,309	664	2,422	164	320	13,328	11,660	5,180	30,168
Printing, postage and advertising	11,413	1,404	381	-	374	226	-	13,798	854,628	1,743	870,169
Professional fees	3,392	8,566	5,600	2,754	-	-	2,634	22,946	60,557	44,216	127,719
Repairs & maintenance	22,296	97,325	27,853	22,284	16,551	15	651	186,975	8,544	18,515	214,034
Telephone and utilities	58,720	105,582	41,772	42,398	28,185	-	8,941	285,598	14,536	14,675	314,809
Vehicle expense	12,037	42,810	7,109	3,849	2,006	-	-	67,811	2,793	1,100	71,704
Total expenses	\$ 568,172	\$ 1,148,588	\$ 530,203	\$ 1,088,172	\$ 185,533	\$ 32,715	\$ 299,249	\$ 3,852,632	\$ 1,315,227	\$ 454,854	\$ 5,622,713

CITY RESCUE MISSION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2012

	Program Services						Total Program Services	Public Relations and Fundraising	Management and General	Total	
	Retail Services	Men's Services	Women's Services	Food Services	New Day	Clothing Closet					Medical, Dental and Other Services
Salaries and related expenses:											
Salaries	\$ 266,925	\$ 430,303	\$ 251,678	\$ 79,467	\$ 103,421	\$ -	\$ 66,222	\$ 1,198,016	\$ 239,084	\$ 126,032	\$ 1,563,132
Employee benefits and worker's comp insurance	51,088	55,884	37,529	6,885	4,673	-	2,864	158,923	24,392	23,518	206,833
Payroll taxes	18,751	30,490	20,652	7,124	9,148	-	5,253	91,418	16,635	9,236	117,289
Total salaries and related expenses	336,764	516,677	309,859	93,476	117,242	-	74,339	1,448,357	280,111	158,786	1,887,254
Bank charges	13,403	631	389	255	47	45	29	14,799	16,597	845	32,241
Community events	-	-	-	-	-	-	-	-	23,635	-	23,635
Computer services and maintenance	304	600	160	189	-	-	-	1,253	10,362	5,201	16,816
Conventions and seminars	-	2,109	-	220	1,467	-	-	3,796	2,255	2,780	8,831
Depreciation	55,079	156,220	26,041	-	445	-	1,913	239,698	-	30,486	270,184
Direct aid	33,262	24,023	3,336	790,470	4,415	30,540	192,668	1,078,714	99	3,560	1,082,373
Dues and subscriptions	-	7,437	-	-	-	-	152	7,589	4,972	6,139	18,700
Equipment rentals	4,984	30,318	165	7,339	-	-	-	42,806	8,304	4,498	55,608
Food and supplies	337	21,185	37,267	83,116	2,581	-	11,236	155,722	1,063	1,418	158,203
Insurance	58,446	67,430	23,314	3,195	-	-	-	152,385	2,905	8,318	163,608
Interest	-	-	-	-	-	-	-	-	-	9,077	9,077
Miscellaneous	424	2,956	1,045	154	4,426	-	(3,141)	5,864	2,927	7,771	16,562
Office supplies	4,642	4,917	1,933	1,253	1,721	125	172	14,763	10,755	6,073	31,591
Printing, postage and advertising	7,941	1,119	341	188	-	133	-	9,722	749,704	505	759,931
Professional fees	1,398	13,905	977	592	35	-	213	17,120	42,648	42,015	101,783
Repairs & maintenance	18,197	110,528	39,156	24,592	19,744	23	2,369	214,609	4,373	12,768	231,750
Telephone and utilities	54,155	130,869	37,341	24,855	813	-	22,702	270,735	13,484	13,599	297,818
Vehicle expense	24,175	40,324	5,465	8,783	4,520	-	157	83,424	2,898	550	86,872
Total expenses	\$ 613,511	\$ 1,131,248	\$ 486,789	\$ 1,038,677	\$ 157,456	\$ 30,866	\$ 302,809	\$ 3,761,356	\$ 1,177,092	\$ 314,389	\$ 5,252,837

See accompanying notes to financial statements.

CITY RESCUE MISSION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	2013	2012
Cash flows from operating activities:		
Change in net assets	\$ (418,950)	\$ 125,229
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	268,101	270,184
Loss (gain) on disposal of fixed assets	33,777	(6,880)
Bad debt expense	-	13,887
Contributions restricted for long-term purposes	(185,793)	(261,726)
Net changes in:		
Accounts receivable, net	(619)	(22,600)
Contributions receivable, net	(25,448)	70,000
Other receivables	253	(291)
Charitable remainder trusts	71,308	8,504
Inventory	15,727	(1,776)
Prepaid expenses	(10,897)	(20,226)
Accounts payable	9,008	55,604
Accrued liabilities	(11,201)	(16,104)
Net cash (used) provided by operating activities	(254,734)	213,805
Cash flows from investing activities:		
Purchase of equipment	(76,536)	(235,881)
Proceeds from disposal of assets	-	14,762
Purchases of investments	(159)	(134)
Net cash used by investing activities	(76,695)	(221,253)
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term purpose	185,793	261,726
Principal payments on capital lease	(8,155)	(6,285)
Net cash provided by financing activities	177,638	255,441
Net (decrease) increase in cash	(153,791)	247,993
Cash, beginning of year	495,281	247,288
Cash, end of year	\$ 341,490	\$ 495,281
Cash - unrestricted	\$ 32,492	\$ 350,359
Cash - temporarily restricted	308,998	144,922
	\$ 341,490	\$ 495,281
Supplemental disclosure:		
Cash paid for interest	\$ 5,768	\$ 9,077

See accompanying notes to financial statements.

CITY RESCUE MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2013 AND 2012

1. Nature of Organization

City Rescue Mission, Inc. (the Organization), a not-for-profit organization, exists to transform the lives of the homeless, serving them through the love and compassion of Jesus Christ since 1946. The Organization provides emergency services (food, clothing and shelter) to the homeless and needy in Jacksonville and the surrounding Northeast Florida communities. Those entering the long-term spiritual recovery program (LifeBuilders) are offered counseling and job training/placement services as well as on-site medical, dental and chiropractic care, educational opportunities and community events. The Organization is privately funded and supported by individuals, churches, organizations, sponsorships, grants and businesses. The Organization also operates a thrift store which sells donated items to the general public. The Organization also operated an auto center program which sold donated vehicles to the general public until April of 2012. The auto center program is continuing to sell scrap items on hand, but is no longer accepting new donations.

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. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the presentation of the financial statements.

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 and liabilities 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.

Financial Statement Presentation

Authoritative guidance requires the Organization to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. 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.

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.

CITY RESCUE MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2013 AND 2012

2. Summary of Significant Accounting Policies (Continued)

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. The Organization had no permanently restricted net assets at September 30, 2013 and 2012.

Restricted Cash

Restricted cash is limited, based on donor restrictions, for use on programs and purchases of long-term assets as noted in Note 10.

Inventory

The Organization's inventory at September 30, 2013 and 2012 consisted of thrift store items for resale and donated dental equipment. 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.

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.

Investments

Investments are reported at their fair values in the statement of financial position. See Note 4 for fair value measurements. Investment income is included in unrestricted revenue and support unless such earnings are subject to donor-imposed stipulations or law.

Property and Equipment

Property and equipment, which includes amounts recorded under capital leases, is stated at cost if purchased or if donated, at the estimated fair value at the date of donation. 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.

The Organization's current policy is to capitalize all assets acquired in excess of \$1,000 and having an estimated useful life of greater than one year. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets. Equipment under capital leases is depreciated over the lives of the respective leases or the estimated useful lives of the assets, whichever is shorter. 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

CITY RESCUE MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2013 AND 2012

2. Summary of Significant Accounting Policies (Continued)

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 \$1,320 at September 30, 2013 and 2012. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

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. No amounts have been reflected in the financial statements for their contributed services since the contribution of services did not create or enhance non-financial assets or require specialized skills.

Donated professional medical, dental and other services 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 \$76,297 and \$84,316 were recorded in in-kind donations on the statement of activities for the years ended September 30, 2013 and 2012, respectively.

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 prior years' experience and management's analysis of specific promises made. Uncollectible amounts are charged against the allowance account when management determines the possibility of collection is remote. The allowance for doubtful accounts was \$0 at September 30, 2013 and 2012.

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.

CITY RESCUE MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2013 AND 2012

2. Summary of Significant Accounting Policies (Continued)

The Organization evaluates its tax positions for any uncertainties based on the technical merits of the position 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, 2013 and 2012, 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. At September 30, 2013, 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 2010. As of and for the years ended September 30, 2013 and 2012, 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.

Subsequent Events

The Organization has evaluated the events that have occurred subsequent to year end through the date of the report of independent certified public accountants, the date the financial statements were available to be issued.

Reclassifications

Certain 2012 amounts have been reclassified to conform to the 2013 presentation.

3. Split-Interest Agreement

The Organization is the remainder beneficiary of two charitable remainder trusts with the same income beneficiary. The income beneficiary is to receive a fixed annuity each year. Upon the death of this beneficiary, the remaining principal is to be distributed to the Organization. The charitable remainder trusts have been recognized in the statement of financial position at the present value of the expected future cash flow payments discounted at a rate of 5 percent. Changes in the value of the trust have been reported in the statement of activities as changes in temporarily restricted net assets. The Organization is not the trustee for these split-interest agreements and it does not have any control over the related trust assets.

4. Fair Value Measurements

Authoritative guidance provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The

CITY RESCUE MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2013 AND 2012

4. Fair Value Measurements (Continued)

hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under authoritative guidance are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2 Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

There have been no changes in the methodology used at September 30, 2013 and 2012. Following is a description of the valuation methodology used for assets measured at fair value:

Mutual funds: Valued at the net asset value of the units reported on the active market on which the individual securities are traded.

Charitable Remainder Trusts: Valued by calculating the present value of the discounted cash flow analysis, using published life expectancy tables and a 5 percent discount rate.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value at September 30, 2013:

	Level 1	Level 2	Level 3	Total
Mutual fund - money market	\$ 360,592	\$ -	\$ -	\$ 360,592
Charitable remainder trusts	-	-	241,051	241,051
Total fair value	<u>\$ 360,592</u>	<u>\$ -</u>	<u>\$ 241,051</u>	<u>\$ 601,643</u>

CITY RESCUE MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2013 AND 2012

4. Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value at September 30, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual fund - money market	\$ 360,433	\$ -	\$ -	\$ 360,433
Charitable remainder trust	-	-	312,359	312,359
Total fair value	<u>\$ 360,433</u>	<u>\$ -</u>	<u>\$ 312,359</u>	<u>\$ 672,792</u>

Level 3 Gains and Losses

The table below sets forth a summary of changes in the fair value of the Organization's level 3 assets for the year ended September 30:

	<u>2013</u>	<u>2012</u>
Balance, beginning of the year	\$ 312,359	\$ 320,863
Disbursements	(56,115)	(147,040)
Change in net present value	<u>(15,193)</u>	<u>138,536</u>
Balance, end of year	<u>\$ 241,051</u>	<u>\$ 312,359</u>

There were no transfers between Level 1, Level 2 or Level 3 investments during the years ended September 30, 2013 and 2012.

5. Property and Equipment

Property and equipment consisted of the following at September 30:

	<u>2013</u>	<u>2012</u>
Land	\$ 437,774	\$ 437,774
Buildings and improvements	5,563,611	5,530,558
Equipment and furnishings	831,963	814,178
Vehicles	197,542	197,542
Construction in progress	-	35,695
	<u>7,030,890</u>	<u>7,015,747</u>
Less: Accumulated depreciation	<u>(4,095,255)</u>	<u>(3,854,770)</u>
	<u>\$ 2,935,635</u>	<u>\$ 3,160,977</u>

6. Land Held for Investment

Several parcels of land are held for investment and are carried at their current county assessed tax value, as part of other assets in the statement of financial position. The value of these parcels was \$3,380 at September 30, 2013 and 2012.

CITY RESCUE MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2013 AND 2012

7. 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 require the Organization to continue to use the property for the stated purpose or the Organization will be in default and the loan will be due in full. The carrying amount of this loan is included in notes payable on the statement of financial position. The loan will be forgiven in 2016.

8. Line of Credit

The Organization has a \$300,000 line of credit collateralized by one of the Organization's buildings. The line of credit bears interest at prime plus 0.5 percent (3.75 percent at September 30, 2013 and 2012). The Organization had no balance on the line at September 30, 2013 and 2012.

9. Leases

The Organization leases certain equipment under a capital lease agreement expiring in 2015. The net book value of this equipment totaled \$9,346 and \$16,822 at September 30, 2013 and 2012, respectively. Depreciation expense for the equipment under the capital leases was \$7,477 for each of the years ended September 30, 2013 and 2012.

The Organization leases various office equipment under non-cancelable operating leases expiring in 2014. Total rent expense on operating leases for each of the years ended September 30, 2013 and 2012 was \$11,787 and \$10,439, respectively.

At September 30, 2013, the future minimum lease payments under these leases having initial or remaining terms in excess of one year are as follows:

	Operating Leases	Capital Lease
2014	\$ 5,220	\$ 12,415
2015	-	1,035
Total minimum lease payments	\$ 5,220	13,450
Less: amount representing interest		(1,858)
Present value of minimum lease payments		\$ 11,592

The Organization leases a warehouse to two unrelated parties. The lease agreements expired May 2013 and continued on a month-to-month basis. The lease revenue, as reported in other income on the statement of activities, for the years ended September 30, 2013 and 2012 was \$14,653 and \$4,200, respectively. As of September 30, 2013 and 2012, there were no minimum lease agreements with these parties.

CITY RESCUE MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2013 AND 2012

10. Temporarily Restricted Net Assets

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

	2013	2012
Time restrictions	\$ 266,499	\$ 312,359
Property acquisition and building renovations	184,518	85,310
Program services	60,984	54,179
Equipment	35,381	36,939
Program services materials	17,149	11,995
Direct aid	8,247	13,118
New Day and Workforce Development	5,000	5,000
Total temporarily restricted net assets	\$ 577,778	\$ 518,900

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

	2013	2012
Purpose restriction accomplished:		
Equipment	\$ 57,305	\$ 4,195
Food and shelter	42,748	62,816
Other building renovation	30,837	48,201
New Day and Workforce Development	20,000	23,996
Program services	17,720	110,527
Clothing closet	13,685	13,767
New Life Inn	-	204,213
Total restrictions released	\$ 182,295	\$ 467,715

11. 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 1 percent of their annual salary, after a year of service. The Organization's matching contributions for 2013 and 2012 were \$3,300 and \$3,067, respectively.

12. 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.

CITY RESCUE MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2013 AND 2012

12. Concentrations (Continued)

Contributions Receivable

The Organization had contributions receivable from two individuals which constituted approximately 77 percent and 23 percent of net contributions receivable at September 30, 2013. The Organization had a contribution receivable from one individual which constituted 100 percent of net contributions receivable at September 30, 2012.

13. Subsequent Event

The income beneficiary of the two charitable remainder trusts noted in Note 3 passed away in January 2014. The remaining funds held in the trust, valued at \$547,829 as of January 31, 2014, were released to the Organization.