



City Rescue Mission, Inc.
(A Not-for-Profit Organization)

Financial Statements
Years Ended September 30, 2018 and 2017

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(A Not-for-Profit Organization)

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City Rescue Mission, Inc.

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Independent Auditor's Report

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

We have audited the accompanying financial statements of City Rescue Mission, Inc., which comprise the statements of financial position as of September 30, 2018 and 2017, 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 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 statement.

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, 2018 and 2017, 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.

BDO USA, LLP

Certified Public Accountants
March 19, 2019

Financial Statements

City Rescue Mission, Inc.
Statements of Financial Position

<i>September 30,</i>	2018	2017
Assets		
Unrestricted cash	\$ 1,623,433	\$ 1,429,919
Restricted cash	89,244	88,127
Accounts receivable, net	7,551	674
Restricted contributions receivable, net	66,200	91,200
Other receivables, net	49,476	101,195
Inventory	45,672	64,509
Prepaid expenses and other assets	109,988	91,797
Property and equipment, net	2,866,633	2,870,022
Total Assets	\$ 4,858,197	\$ 4,737,443
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 236,367	\$ 316,794
Accrued liabilities	156,609	170,730
Deferred revenue	32,065	70,094
Total Liabilities	425,041	557,618
Net Assets		
Unrestricted	4,300,059	4,022,204
Temporarily restricted	133,097	157,621
Total Net Assets	4,433,156	4,179,825
Total Liabilities and Net Assets	\$ 4,858,197	\$ 4,737,443

See accompanying independent auditor's report and notes to financial statements.

City Rescue Mission, Inc.

Statement of Activities

<i>Year ended September 30, 2018</i>	Unrestricted	Temporarily Restricted	Total
Revenues, Gains and Other Support			
Contributions and grants	\$ 3,315,137	\$ 508,903	\$ 3,824,040
In-kind donations	1,195,614	-	1,195,614
Thrift store contributions and sales	398,869	-	398,869
Program service fees	113,542	-	113,542
Government grants	719,815	-	719,815
Homes of Hope	99,638	-	99,638
Other revenues	88,533	-	88,533
Gain on sale of fixed assets	56,923	-	56,923
Clothing closet revenue	12,463	-	12,463
Interest and dividend income	7,337	-	7,337
Total Revenues, Gains and Other Support	6,007,871	508,903	6,516,774
Net Assets Released from Restrictions	533,427	(533,427)	-
Expenses			
Program services	4,688,058	-	4,688,058
Public relations and fundraising	1,062,142	-	1,062,142
Management and general	513,243	-	513,243
Total Expenses	6,263,443	-	6,263,443
Change in Net Assets	277,855	(24,524)	253,331
Net Assets, beginning of year	4,022,204	157,621	4,179,825
Net Assets, end of year	\$ 4,300,059	\$ 133,097	\$ 4,433,156

See accompanying independent auditor's report and notes to financial statements.

City Rescue Mission, Inc.

Statement of Activities

<i>Year ended September 30, 2017</i>	Unrestricted	Temporarily Restricted	Total
Revenues, Gains and Other Support			
Contributions and grants	\$ 3,100,784	\$ 302,613	\$ 3,403,397
In-kind donations	1,259,787	-	1,259,787
Thrift store contributions and sales	349,352	-	349,352
Program service fees	63,210	-	63,210
Government grants	189,891	-	189,891
Other revenues	123,196	-	123,196
Gain on sale of fixed assets	630,853	-	630,853
Clothing closet revenue	15,093	-	15,093
Interest and dividend income	28,652	-	28,652
Total Revenues, Gains and Other Support	5,760,818	302,613	6,063,431
Net Assets Released from Restrictions	456,638	(456,638)	-
Expenses			
Program services	4,168,337	-	4,168,337
Public relations and fundraising	1,122,491	-	1,122,491
Management and general	535,822	-	535,822
Total Expenses	5,826,650	-	5,826,650
Change in Net Assets	390,806	(154,025)	236,781
Net Assets, beginning of year	3,631,398	311,646	3,943,044
Net Assets, end of year	\$ 4,022,204	\$ 157,621	\$ 4,179,825

See accompanying independent auditor's report and notes to financial statements.

City Rescue Mission, Inc.

Statement of Functional Expenses

Year Ended September 30, 2018	Program Services										Public Relations and Fundraising	Management and General	Total
	Emergency Services	LifeBuilders Men	LifeBuilders Women	Workforce Development	Retail Services	Clothing Closet	Medical, Dental and Other Services	State Grant Crossroads	Homes of Hope	Total Program Services			
Salaries and Related Expenses													
Salaries	\$ 212,427	\$ 342,998	\$ 251,548	\$ 82,199	\$ 206,891	\$ -	\$ 84,109	\$ 454,047	\$ 24,751	\$ 1,658,970	\$ 226,261	\$ 167,000	\$ 2,052,231
Employee benefits and worker's comp insurance	53,342	64,024	40,686	18,747	46,665	-	3,650	64,639	4,922	296,675	28,813	38,794	364,282
Payroll taxes	16,580	25,946	21,475	6,133	15,594	-	6,313	34,766	\$ 1,845	128,652	16,889	12,411	157,952
Total Salaries and Related Expenses	282,349	432,968	313,709	107,079	269,150	-	94,072	553,452	31,518	2,084,297	271,963	218,205	2,574,465
Expenses													
Bank charges	476	445	254	183	2,662	1	130	20	-	4,171	183	28,890	33,244
Building Rent	-	-	-	-	69,195	-	-	-	-	69,195	-	-	69,195
Community events	-	-	-	-	-	-	-	-	-	-	64,015	-	64,015
Computer services and maintenance	569	718	971	3,363	2,322	-	314	445	-	8,702	21,829	12,142	42,673
Conventions and seminars	-	336	-	-	-	-	-	3,796	-	4,132	4,812	4,155	13,099
Cost of thrift store	-	-	-	-	13,923	-	-	-	-	13,923	-	-	13,923
Depreciation	72,285	101,372	9,872	10,948	60,117	-	1,715	64,991	-	321,300	-	36,062	357,362
Direct aid	444,884	390,163	87,507	21,646	26	15,597	122,568	123,703	-	1,206,094	1,692	23,700	1,231,486
Dues and subscriptions	1,977	489	489	-	489	-	31	-	-	3,475	2,653	10,879	17,007
Equipment rentals	8,905	24,154	4,164	5,256	7,565	-	2,291	9,936	-	62,271	2,104	14,197	78,572
Food and supplies	42,788	45,794	14,908	1,299	1,096	-	9,437	27,852	-	143,174	203	930	144,307
Insurance	19,536	80,894	47,147	17,733	16,205	-	1,790	23,485	-	206,790	3,021	19,638	229,449
Interest	-	-	-	-	-	-	-	-	-	-	-	854	854
Miscellaneous	162	2,575	324	1,352	31	-	12,171	735	-	17,350	771	3,226	21,347
Office supplies	40	3,342	571	395	2,930	-	593	1,307	-	9,178	8,798	15,931	33,907
Printing, postage and advertising	3,787	4,525	2,579	1,703	4,586	-	-	-	-	17,180	608,927	59,111	685,218
Professional fees	34	284	145	-	1,717	-	-	1,202	-	3,382	52,298	31,666	87,346
Repairs and maintenance	22,120	67,450	14,653	14,699	13,622	-	1,529	42,396	19,147	195,616	1,885	13,636	211,137
Telephone and utilities	49,706	76,212	24,073	2,742	18,651	-	16,398	39,587	22,028	249,397	14,691	17,356	281,444
Vehicle expense	7,185	31,582	4,794	-	12,245	-	-	12,625	-	68,431	2,297	2,665	73,393
Total Expenses	\$ 956,803	\$ 1,263,303	\$ 526,160	\$ 188,398	\$ 496,532	\$ 15,598	\$ 263,039	\$ 905,532	\$ 72,693	\$ 4,688,058	\$ 1,062,142	\$ 513,243	\$ 6,263,443

See accompanying independent auditor's report and notes to financial statements.

City Rescue Mission, Inc.
Statement of Functional Expenses

<i>Year Ended September 30, 2017</i>	Program Services							Medical, Dental and Other Services	State Grant Crossroads	Total Program Services	Public Relations and Fundraising	Management and General	Total
	Emergency Services	LifeBuilders Men	LifeBuilders Women	Workforce Development	Retail Services	Clothing Closet							
Salaries and Related Expenses													
Salaries	\$ 171,341	\$ 341,836	\$ 335,419	\$ 82,868	\$ 185,972	\$ -	\$ 81,575	\$ 119,479	\$ 1,318,490	\$ 248,100	\$ 137,641	\$ 1,704,231	
Employee benefits and worker's comp insurance	47,487	73,387	59,304	11,112	42,974	-	2,742	8,750	245,756	34,644	18,599	298,999	
Payroll taxes	12,912	25,539	24,998	6,271	13,965	-	6,245	8,884	98,814	20,549	10,469	129,832	
Total Salaries and Related Expenses	231,740	440,762	419,721	100,251	242,911	-	90,562	137,113	1,663,060	303,293	166,709	2,133,062	
Expenses													
Bank charges	215	492	460	187	2,342	1	129	66	3,892	147	24,606	28,645	
Building rent	-	-	-	-	52,788	-	-	-	52,788	-	-	52,788	
Community events	-	-	-	-	-	-	-	-	-	91,720	-	91,720	
Computer services and maintenance	-	3,267	3,043	1,403	3,025	-	466	2,398	13,602	21,779	11,909	47,290	
Conventions and seminars	1,256	148	367	-	218	-	-	-	1,989	1,959	1,122	5,070	
Cost of thrift store	-	-	-	-	42,163	-	-	-	42,163	-	-	42,163	
Depreciation	83,851	93,844	41,483	10,948	25,487	-	1,714	2,922	260,249	-	35,651	295,900	
Direct aid	337,753	504,730	145,807	23,839	709	13,477	131,716	51,629	1,209,660	14,313	40,798	1,264,771	
Dues and subscriptions	1,052	112	34	-	-	-	62	-	1,260	1,750	2,730	5,740	
Equipment rentals	6,322	20,972	4,227	6,822	35,178	-	2,305	2,611	78,437	1,603	18,012	98,052	
Food and supplies	22,492	45,223	13,293	1,881	962	-	11,679	5,351	100,881	447	19	101,347	
Insurance	27,396	81,794	43,406	24,629	26,450	-	1,910	9,239	214,824	3,675	8,155	226,654	
Interest	-	-	-	-	-	-	-	-	-	-	876	876	
Miscellaneous	94	1,859	318	1,197	894	-	220	127	4,709	126	4,188	9,023	
Office supplies	670	2,959	809	1,041	3,273	101	607	733	10,193	10,466	9,840	30,499	
Printing, postage and advertising	2,250	1,923	2,700	1,550	-	-	-	-	8,423	595,272	81,963	685,658	
Professional fees	-	743	672	-	2,654	-	-	1,170	5,239	58,866	98,635	162,740	
Repairs and maintenance	17,132	90,289	36,043	12,303	6,650	255	1,550	9,595	173,817	1,541	13,927	189,285	
Telephone and utilities	36,159	89,069	42,738	19,997	29,651	-	15,993	17,867	251,474	13,658	13,523	278,655	
Vehicle expense	3,475	39,917	8,734	38	12,618	-	-	6,895	71,677	1,876	3,159	76,712	
Total Expenses	\$ 771,857	\$ 1,418,103	\$ 763,855	\$ 206,086	\$ 487,973	\$ 13,834	\$ 258,913	\$ 247,716	\$ 4,168,337	\$ 1,122,491	\$ 535,822	\$ 5,826,650	

See accompanying independent auditor's report and notes to financial statements.

City Rescue Mission, Inc.

Statements of Cash Flows

<i>Year ended September 30,</i>	2018	2017
Operating Activities		
Change in net assets	\$ 253,331	\$ 236,781
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	357,362	295,900
Loss (gain) on disposal of property and equipment	3,077	(700,947)
Contributions restricted for long-term purposes	(351,256)	(240,680)
Net changes in:		
Accounts receivable, net	(6,877)	5,179
Contributions receivable, net	25,000	(46,000)
Other receivables, net	51,719	(62,528)
Inventory	18,837	(10,998)
Prepaid expenses and other assets	(18,191)	(2,896)
Accounts payable	(80,427)	197,126
Accrued liabilities	(14,121)	14,386
Deferred revenue	21,971	-
Deferred gain on sale-leaseback	(60,000)	70,094
Net cash provided by (used in) operating activities	200,425	(244,583)
Investing Activities		
Purchase of property and equipment	(357,050)	(606,594)
Proceeds from sale of assets	-	917,282
Net cash (used in) provided by investing activities	(357,050)	310,688
Financing Activities		
Proceeds from contributions restricted for long-term purpose	351,256	240,680
Net cash provided by in financing activities	351,256	240,680
Net Increase in Cash	194,631	306,785
Cash, beginning of year	1,518,046	1,211,261
Cash, end of year	\$ 1,712,677	\$ 1,518,046
Reconciliation to the Statements of Financial Position		
Cash - unrestricted	\$ 1,623,433	\$ 1,429,919
Cash - temporarily restricted	89,244	88,127
	\$ 1,712,677	\$ 1,518,046
Supplemental Disclosure		
Cash paid for interest	\$ 854	\$ 876

See accompanying independent auditor's report and notes to financial statements.

City Rescue Mission, Inc.

Notes to Financial Statements

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 a continuum of care beginning with emergency services (hot meals, clean clothing and safe shelter) to the homeless and needy in Jacksonville and the surrounding Northeast Florida communities. For those needing addiction recovery, 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 Workforce Development Program. Beginning in fiscal year 2018, the Organization began the Homes of Hope program offering low cost transitional housing to graduates of Lifebuilders and other similar programs. The Organization is 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.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting, which is in conformity with accounting principles generally accepted in the United States of America ("US GAAP").

Use of Estimates

The preparation of financial statements in conformity with US GAAP 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.

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 on the accompanying statements of financial position and statements of activities:

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.

City Rescue Mission, Inc.

Notes to Financial Statements

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, 2018 and 2017.

Unrestricted Cash and Restricted Cash

Unrestricted cash consists of deposits on hand at financial institutions and is available for all operations of the Organization.

Restricted cash consists of deposits on hand at financial institutions which are subject to donor-imposed restrictions that limits the use of the cash for specific programs and purposes.

Accounts Receivable

Accounts receivables are presented at net realizable value and arise from property rented to transitional housing occupants and from the sale of clothing to overseas entities. Management evaluates accounts receivable and includes, in the allowance for doubtful accounts, an estimate of amounts considered to be uncollectible. Uncollectible amounts are charged against the allowance account when management determines that the possibility of collection is remote. The allowance for doubtful accounts on accounts receivable amounted to \$0 and \$5,044 at September 30, 2018 and 2017, respectively. Interest is not charged against past-due amounts.

Restricted Contributions Receivable

Restricted contributions receivable are presented at net realizable value and are all due within one year from the date of the pledge. Restricted contributions have donor-imposed restrictions that limit the contribution to specific programs or purposes. Management evaluates restricted contributions receivable and includes, in the allowance for doubtful accounts, an estimate of amounts considered to be uncollectible. Uncollectible amounts are charged against the allowance account when management determines that the possibility of collection is remote. The allowance for doubtful accounts on restricted contributions receivable amounted to \$63,500 and \$47,500 at September 30, 2018 and 2017, respectively. Interest is not charged against past-due amounts.

Other Receivables

Other receivables are presented at net realizable value and primarily consists of grants awarded by state and local government agencies that are collectible within one year from the date of the award. Management evaluates other receivables and includes, in the allowance for doubtful accounts, an estimate of amounts considered to be uncollectible. Uncollectability typically occurs when legislative actions limit the amount of the award or the timing of payment. Uncollectible amounts are charged against the allowance account when management determines that the possibility of collection is remote. The allowance for doubtful accounts on other receivables amounted to \$24,547 and \$0 at September 30, 2018 and 2017, respectively. Interest is not charged against past-due amounts.

Inventory

As of September 30, 2017, inventory is presented at the lower of cost or market.

City Rescue Mission, Inc.

Notes to Financial Statements

In July 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update (“ASU”) No. 2015-11 *Inventory (Topic 330): Simplifying the Measurement of Inventory*. This guidance requires an entity to measure inventory at the lower of cost or net realizable value. Net realizable value is defined as the estimated selling price in the ordinary course of business less reasonably predictable costs of completion, disposal and transportation. This amendment supersedes prior authoritative guidance that required inventory measurement at the lower of cost or market. The amendment is effective for fiscal years beginning after December 15, 2016 and interim periods beginning after December 15, 2017. A reporting entity should apply the update prospectively. The Company adopted the amendment as of October 1, 2017 and the adoption did not have a material effect on the Company’s financial statements.

Therefore, as of September 30, 2018, inventory is stated as the lower of cost or net realizable value and cost is determined using a weighted average methodology. The Organization’s inventory consists of thrift store items for resale, donated dental equipment and inventory to support the Organization’s programs.

Management periodically evaluates inventory for possible impairment, with any adjustments recognized as a loss in the statement of activities for the current period. Such losses may be due to damage, physical deterioration, obsolescence, changes in price levels, or other causes. Management has determined that an inventory reserve was not necessary for the periods ended September 30, 2018 and 2017, and there were no write-offs during those years.

Property and Equipment

Property and equipment purchased by the Organization is stated at cost and property and equipment donated to the Organization is stated at the fair value measured at the donation date. Gifts of long-lived assets received with stipulations are reported as restricted 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.

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:

	Years
Buildings and improvements	5 - 40
Equipment and furnishings	3 - 10
Vehicles	5 - 10

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, 2018 and 2017.

City Rescue Mission, Inc.

Notes to Financial Statements

Contributions and Grants

Contributions and grants are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any restrictions imposed by the donor or granting party. 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.

In-Kind Donations

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 \$220,112 and \$231,174 were recorded as in-kind donations on the statement of activities for the years ended September 30, 2018 and 2017, respectively. The related expenses were included in 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 that fail within 24 hours of purchase and those returns are limited to exchange or in-store credit only.

Homes of Hope Rental Income

Beginning in fiscal year 2017, as part of the Organization's overall mission, it began providing housing options for participants in its programs. Rent is recognized based on contractual rates that are agreed upon between participants and the Organization and is collected on a monthly basis. Rental income recognized under the Homes of Hope program was \$99,638 and \$8,685 (included in program fees) for the years ended September 30, 2018 and 2017, respectively.

City Rescue Mission, Inc.

Notes to Financial Statements

Property and equipment used in the Homes of Hope program held for leasing consisted of the following at:

<i>September 30,</i>	2018	2017
Buildings and improvements	\$ 712,269	\$ 683,982
Land	45,262	45,262
Furniture and equipment	27,563	27,563
	785,094	756,807
Less: accumulated depreciation	(388,803)	(336,924)
Total	\$ 396,291	\$ 419,883

Income Taxes

The Organization is a 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, 2018 and 2017, 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, 2018, 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 2015. As of and for the years ended September 30, 2018 and 2017, 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, 2018 and 2017, the Organization mailed newsletters that included requests for contributions, as well as management and general components. The costs of conducting these activities included a total of \$50,383 and \$42,823, respectively, of joint costs, which are not specifically attributable to particular components of the activities. The costs of each

City Rescue Mission, Inc.
Notes to Financial Statements

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.

Joint costs were allocated as follows:

<i>Year ended September 30,</i>	2018	2017
Management and General	\$ 38,326	\$ 35,879
Fundraising	12,057	6,944
Total	\$ 50,383	\$ 42,823

Accounting Pronouncements Issued but Not Yet Adopted or Currently in Effect

Revenue from Contracts with Customers (Topic 606)

In May 2014, the FASB issued ASU no. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This guidance provides a five-step process to determine when and how revenue is recognized. The core principle of the guidance is that an entity should recognize revenue upon transfer of promised goods or services to customers in an amount that reflects the expected consideration to be received in exchange for those goods or services. This update will also result in enhanced disclosures about revenue, providing guidance for transactions that were not previously addressed comprehensively, and improving guidance for multiple-element arrangements. This update is effective for fiscal years beginning after December 15, 2018 and interim periods within annual reporting periods beginning after December 15, 2019. Early adoption is permitted for fiscal years beginning after December 15, 2016, including interim periods within that year, or fiscal years beginning after December 15, 2016, and interim periods within annual reporting periods beginning one year after the annual period in which the entity first applies the new standard. The Company is currently evaluating the impact on its financial statements of adopting this guidance.

Leases (Topic 842)

In February 2016, the FASB issued ASU No. 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. The guidance makes targeted changes to lessor accounting, including the treatment of initial direct leasing costs, which no longer considers fixed internal leasing salaries as capitalizable costs. The guidance is effective for fiscal years beginning after December 15, 2019. The Company is currently evaluating the impact on its financial statements of adopting this guidance.

Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities

In August 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements for Not-for-Profit Entities*. ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include; (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of

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expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for the organization's financial statements for fiscal years beginning after December 15, 2017, which would be the year ended September 30, 2019. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for periods prior to adoption. The Company is currently evaluating the impact on its financial statements of adopting this guidance.

Reclassifications

Certain items have been reclassified in the 2017 financial statements to conform to the 2018 presentation.

Subsequent Events

The Organization has evaluated events and transactions occurring subsequent to September 30, 2018 and through March 19, 2019, which is the date the financial statements were available to be issued. No material events have come to the attention of management that require recognition or disclosure in the financial statements.

3. Property and Equipment

Property and equipment consisted of the following at:

<i>September 30,</i>	2018	2017
Land	\$ 301,156	\$ 301,156
Buildings and improvements	5,379,118	5,064,033
Equipment and furnishings	783,499	758,792
Vehicles	289,903	309,878
	<u>6,753,676</u>	<u>6,433,859</u>
Less: Accumulated depreciation	<u>(3,887,043)</u>	<u>(3,563,837)</u>
	<u>\$ 2,866,633</u>	<u>\$ 2,870,022</u>

4. 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% until the prime rate changes from 3.25%, at which point the line will bear interest at an annual rate of prime plus 0.5%. At September 30, 2018 and 2017, the applicable interest rate was 5.75%. The Organization had no outstanding balance on the line at September 30, 2018 and 2017.

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5. Leases

The Organization leases various office equipment under non-cancelable operating leases that expire at dates between 2019 and 2024. The lease expense related to these agreements was \$12,057 and \$10,500 for the years ended September 30, 2018 and 2017, respectively.

The Organization also leases a property that facilitates the operations of its thrift store. The two-year lease agreement for this property expires in December 2018 and the Organization intends to reevaluate the renewal terms of the agreement at that time. Total rent expense associated with this agreement was \$69,195 and \$52,788 for the years ended September 30, 2018 and 2017, respectively.

At September 30, 2018, the future minimum lease payments under all non-cancellable operating lease agreements are as follows:

For the year ending September 30,

2019	\$	24,992
2020		8,400
2021		8,400
2022		8,400
2023		8,400
Thereafter		700
	\$	59,292

6. Temporarily Restricted Net Assets

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

<i>September 30,</i>	2018	2017
Property acquisition and building renovations	\$ 62,417	\$ 80,124
LifeBuilders	54,280	54,080
New Day & Workforce Development	8,312	11,871
Direct Aid	3,441	7,281
Program services materials	2,647	2,647
Equipment	2,000	1,618
Total temporarily restricted net assets	\$ 133,097	\$ 157,621

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

<i>September 30,</i>	2018	2017
Purpose restriction accomplished		
Property acquisition and building renovations	\$ 368,983	\$ 396,820
Food and shelter	110,084	49,750
New Day & Workforce Development	33,559	-
Clothing Closet	13,597	10,068
LifeBuilders	4,600	-
Equipment	1,598	-
Direct aid	1,006	-
Total restrictions released	\$ 533,427	\$ 456,638

7. Retirement Plan

The Organization sponsors 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% of a participant contributions up to 4% of their annual deferral, after a year of service. The Organization’s matching contributions for 2018 and 2017 were \$3,129 and \$3,645, respectively.

8. Concentrations

Concentrations of Credit Risk

The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (“FDIC”) up to certain limits. At September 30, 2018 and 2017, the Company had \$1,087,987 and \$893,356 in excess of FDIC-insured limits. The Company has not experienced any losses in such accounts.

Restricted Contributions Receivable & Other Receivables

At September 30, 2018, there were three restricted contributions and other receivables that each accounted for 42, 16 and 12% of the total net restricted contributions and other receivables balance.

At September 30, 2017, there were two restricted contributions and other receivables that each accounted for 35 and 28% of the total net restricted contributions and other receivables balance.

Accounts Payable

At September 30, 2018, there were accounts payable to a single vendor that accounted for 26% of the total accounts payable balance.

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9. Sale-Leaseback Transaction

During the year ended September 30, 2017, the Organization sold land and buildings which housed its Thrift Store generating proceeds of \$925,000. In connection with the disposition, the Organization entered into a two year operating lease, with options to renew for a more than minor, but less than significant portion of the property. The sale-leaseback transaction was accounted for in accordance with FASB ASC Topic 840, Accounting for Leases, wherein a portion of the resulting gain is deferred. The deferred gain on sale amounted to approximately \$120,000 when the transaction was executed. For the years ended September 30, 2018 and 2017, the Organization recognized deferred gain of \$60,000 and \$50,000, respectively. The remaining amount of deferred gain will be recognized during the year ended September 30, 2019.