



**MIAMI RESCUE MISSION, INC.
AND SUBSIDIARY**

Consolidated Financial Statements
With Independent Auditors' Report

June 30, 2015 and 2014

MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Miami Rescue Mission, Inc. and Subsidiary (collectively referred to as the Organization), which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Atlanta, Georgia
September 23, 2015

MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

Consolidated Statements of Financial Position

	June 30,	
	2015	2014
ASSETS:		
Cash and cash equivalents	\$ 3,383,003	\$ 3,202,985
Investment	251,631	251,380
Inventory	337,108	328,363
Grants receivable	513,952	767,825
Other assets	769,102	514,076
Property and equipment, at cost–net	10,466,086	10,601,374
Total Assets	\$ 15,720,882	\$ 15,666,003
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 88,576	\$ 39,715
Accrued payroll and payroll taxes	307,600	275,749
Agency funds	84,458	64,295
Refundable grant	1,000,000	1,000,000
Total liabilities	1,480,634	1,379,759
Net assets:		
Unrestricted:		
Undesignated	3,546,412	3,432,334
Net investment in property and equipment	10,466,086	10,601,374
	14,012,498	14,033,708
Temporarily restricted	202,750	227,536
Permanently restricted	25,000	25,000
Total net assets	14,240,248	14,286,244
Total Liabilities and Net Assets	\$ 15,720,882	\$ 15,666,003

See notes to consolidated financial statements

MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

Consolidated Statement of Activities

Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE:				
Support:				
Contributions	\$ 5,030,738	\$ 182,095	\$ -	\$ 5,212,833
Bequests	57,406	-	-	57,406
Gifts-in-kind	12,019,662	-	-	12,019,662
	<u>17,107,806</u>	<u>182,095</u>	<u>-</u>	<u>17,289,901</u>
Revenue:				
Sales of donated items	1,073,201	-	-	1,073,201
Program income	201,352	-	-	201,352
Government grants	5,517,418	-	-	5,517,418
Investment income	5,301	-	-	5,301
Other income	318,906	-	-	318,906
	<u>7,116,178</u>	<u>-</u>	<u>-</u>	<u>7,116,178</u>
Total Support and Revenue	<u>24,223,984</u>	<u>182,095</u>	<u>-</u>	<u>24,406,079</u>
RECLASSIFICATIONS:				
Net assets released for satisfaction of purpose restrictions	206,881	(206,881)	-	-
EXPENSES:				
Program services:				
Miami-Dade	8,338,135	-	-	8,338,135
Broward	11,748,245	-	-	11,748,245
Industrial, warehouse, and stores	1,101,318	-	-	1,101,318
	<u>21,187,698</u>	<u>-</u>	<u>-</u>	<u>21,187,698</u>
Supporting activities:				
Management and general	666,584	-	-	666,584
Fundraising	2,597,793	-	-	2,597,793
	<u>3,264,377</u>	<u>-</u>	<u>-</u>	<u>3,264,377</u>
Total Expenses	<u>24,452,075</u>	<u>-</u>	<u>-</u>	<u>24,452,075</u>
Change in Net Assets	(21,210)	(24,786)	-	(45,996)
Net Assets, Beginning of Year	14,033,708	227,536	25,000	14,286,244
Net Assets, End of Year	<u>\$ 14,012,498</u>	<u>\$ 202,750</u>	<u>\$ 25,000</u>	<u>\$ 14,240,248</u>

See notes to consolidated financial statements

MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

Consolidated Statement of Activities

Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE:				
Support:				
Contributions	\$ 5,064,382	\$ 184,330	\$ -	\$ 5,248,712
Bequests	1,120,603	-	-	1,120,603
Gifts-in-kind	12,371,567	-	-	12,371,567
	18,556,552	184,330	-	18,740,882
Revenue:				
Sales of donated items	1,093,565	-	-	1,093,565
Program income	129,240	-	-	129,240
Government grants	4,076,175	-	-	4,076,175
Investment income	6,013	-	-	6,013
Other income	374,360	-	-	374,360
	5,679,353	-	-	5,679,353
Total Support and Revenue	24,235,905	184,330	-	24,420,235
RECLASSIFICATIONS:				
Net assets released for satisfaction of purpose restrictions	393,990	(393,990)	-	-
EXPENSES:				
Program services:				
Miami-Dade	8,162,049	-	-	8,162,049
Broward	11,513,080	-	-	11,513,080
Industrial, warehouse, and stores	1,059,598	-	-	1,059,598
	20,734,727	-	-	20,734,727
Supporting activities:				
Management and general	641,776	-	-	641,776
Fundraising	2,477,287	-	-	2,477,287
	3,119,063	-	-	3,119,063
Total Expenses	23,853,790	-	-	23,853,790
Change in Net Assets	776,105	(209,660)	-	566,445
Net Assets, Beginning of Year	13,257,603	437,196	25,000	13,719,799
Net Assets, End of Year	\$ 14,033,708	\$ 227,536	\$ 25,000	\$ 14,286,244

See notes to consolidated financial statements

MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

Consolidated Statement of Functional Expenses

Year Ended June 30, 2015

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

See notes to consolidated financial statements

MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

Consolidated Statement of Functional Expenses

Year Ended June 30, 2014

	Program Services			Supporting Activities				
	Miami-Dade	Broward	Industrial, Warehouse, and Stores	Total Program Services	Management and General	Fundraising	Total Supporting Activities	Total
Specific aid to individuals, contract payment, grants to other agencies	\$ 2,015,308	\$ 2,404,590	\$ 124,591	\$ 4,544,489	\$ -	\$ -	\$ -	\$ 4,544,489
People—salaries, public relations, tax, benefit, insurance, and professional services	1,486,516	3,092,216	510,023	5,088,755	454,508	626,250	1,080,758	6,169,513
Supplies	3,564,285	1,750,566	17,777	5,332,628	11,530	37,659	49,189	5,381,817
Communication—telephone, mailing, and trucking	28,551	44,082	12,415	85,048	9,037	1,498,564	1,507,601	1,592,649
Occupancy, equipment rental, and maintenance	557,750	3,745,864	103,302	4,406,916	45,794	9,500	55,294	4,462,210
All other expenses	509,639	475,762	291,490	1,276,891	120,907	305,314	426,221	1,703,112
Total Operating Expenses	<u>\$ 8,162,049</u>	<u>\$ 11,513,080</u>	<u>\$ 1,059,598</u>	<u>\$ 20,734,727</u>	<u>\$ 641,776</u>	<u>\$ 2,477,287</u>	<u>\$ 3,119,063</u>	<u>\$ 23,853,790</u>

See notes to consolidated financial statements

MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

	Year Ended June 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (45,996)	\$ 566,445
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	487,418	497,572
Noncash contributions	-	(55,000)
Loss on disposal of property and equipment	6,400	-
Changes in:		
Inventory	(8,745)	(30,564)
Grants receivable	253,873	(80,848)
Other assets	(255,026)	(152,341)
Accounts payable	48,861	(81,381)
Accrued payroll and payroll taxes	31,851	34,535
Agency funds	20,163	4,956
Refundable grant	-	1,000,000
	538,799	1,703,374
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(358,530)	(611,415)
Purchase of investment	(251,631)	(251,380)
Proceeds from maturity of investment	251,380	251,129
	(358,781)	(611,666)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of capital lease obligation	-	(9,353)
Repayments of bank line of credit, net	-	(110,000)
	-	(119,353)
Net Cash Provided (Used) by Financing Activities	-	(119,353)
Net Change in Cash and Cash Equivalents	180,018	972,355
Cash and Cash Equivalents, Beginning of Year	3,202,985	2,230,630
Cash and Cash Equivalents, End of Year	\$ 3,383,003	\$ 3,202,985

(continued)

See notes to consolidated financial statements

MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows (continued)

	Year Ended June 30,	
	<u>2015</u>	<u>2014</u>
SUPPLEMENTAL INFORMATION:		
Cash paid for interest on bank line of credit and capital lease obligation	<u>\$ -</u>	<u>\$ 5,050</u>

See notes to consolidated financial statements

MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

1. NATURE OF ORGANIZATION:

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

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

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

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

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

MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

1. NATURE OF ORGANIZATION, continued:

The Center for Women and Children is a 40-bed facility that serves homeless women and single mothers with small children. A comprehensive program is designed to equip the women to become successful, contributing members of society through classes in anger management, computer education, work skills training, and biblical principles. Those with children are instructed toward becoming loving, supportive mothers to their children through coping and parenting skills. Various volunteers provide special classes in financial management and other practical personal skills including social skills and dressing for the work place.

In November 2001, the Miami Community Activity Center (CAC) was opened to provide preventative programs for adjoining neighborhood children and youth. The goal is to prepare children to become successful in life and to prevent the next generation of homeless. A private school has rented space in the CAC during the day to provide education for approximately 130 children from third to twelfth grades. Out of school programs are provided to 120 children and summer camp is offered to 150 children. The CAC serves between 350 and 400 different children each year in these programs. MRM is supporting the new CARE Elementary School initiative to serve the poor and needed in the amount of \$157,000 (see Notes 2, 4, and 13) beginning July 1, 2014.

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

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

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

MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

1. NATURE OF ORGANIZATION, continued:

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

These radio programs have been well received by listeners, have raised awareness of homelessness, and have brought new donors to MRM (individuals, companies, places of worship, etc.).

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

More than 10,000 people provided over 90,000 hours of volunteering this past year. These included individuals, schools, organizations, and places of worship. The combined centers serve nearly 1,100 men, women, and children each day. Last year, MRM/BOC provided over 950,000 meals, 360,000 nights of safe shelter, over 160 clients successfully completed our long-term educational program, over 6,000 hours of counseling, and helped nearly 750 men and women entering the job market and find housing.

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

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

MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

1. NATURE OF ORGANIZATION, continued:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

USE OF ESTIMATES

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

PRINCIPLES OF CONSOLIDATION

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

RECLASSIFICATIONS

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

CASH AND CASH EQUIVALENTS

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

INVESTMENT

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

MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

INVENTORY

Inventory is valued and reported at estimated fair market value. There is no reserve for obsolescence recorded at June 30, 2015 and 2014, as all inventory is considered sellable at market value.

GRANTS RECEIVABLE

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

PROPERTY AND EQUIPMENT, AT COST–NET

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

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

CLASSES OF NET ASSETS

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

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

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

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

MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT AND REVENUE, RECLASSIFICATIONS, AND EXPENSES

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

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

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

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

Expenses, including advertising costs of \$174,975 and \$206,037 for the years ended June 30, 2015 and 2014, respectively, are recorded when incurred in accordance with the accrual basis of accounting. Gifts-in-kind expenses are reported in the accompanying consolidated statements of functional expenses, primarily as supplies and other services, as well as specific assistance to individuals.

The costs of providing the various program services and supporting activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities that benefited from those expenditures. The Organization incurred no joint costs. All costs associated with publications are charged directly to fundraising.

MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

GIFTS-IN-KIND AND DONATED SERVICES

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

However, in accordance with GAAP, donated services are reported as contributions if the services (a) create or enhance non-financial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Donated services meeting the criteria for recognition in the accompanying consolidated statements of activities totaled \$245,392 and \$345,181 for the years ended June 30, 2015 and 2014, respectively.

All the client services facilities are owned by the Organization except the Pompano Beach facility (see Note 1). The Pompano Beach facility was built and is owned by Broward County and leased to the Organization for \$1 a year. The Organization reports the value of below market rentals on facilities as gifts-in-kind support. For the years ended June 30, 2015 and 2014, \$1,170,840 and \$1,135,715, respectively, was reported as part of gifts-in-kind support for the Pompano Beach Facility. This lease agreement can be canceled with a sixty day notice.

RENT GIFTED TO OTHER ENTITIES

The Organization allows the use of its Hollywood Center to an independent third party (see Note 1) recognized at the fair value of the gifted rent. The third party is under no control or obligation to the Organization. For the years ended June 30, 2015 and 2014, the fair value of the gifted rent totaled \$1,920,000 for both years ended and is included in gifts-in-kind support in the accompanying consolidated statements of activities.

Effective during the fiscal year ended June 30, 2015, the Organization allows the use of its facilities to CARE Elementary School (see Note 13) recognized at the fair value of the gifted rent. The school is under no control or obligation to the Organization. For the year ended June 30, 2015, the fair value of the gifted rent was \$115,000 and is included in gifts-in-kind support in the accompanying consolidated statements of activities. There was no gifted rent for the year ended June 30, 2014.

MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

UNCERTAIN TAX POSITIONS

The financial statement effects of a tax position taken or expected to be taken are recognized in the consolidated financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the consolidated statements of activities. For the years ended June 30, 2015 and 2014, the Organization had no uncertain tax positions that qualify for recognition or disclosure in the consolidated financial statements.

The Organization files information tax returns in the U.S. and various states. The Organization is generally no longer subject to U.S. federal and state tax examinations by tax authorities for years before 2011.

3. INVENTORY:

Inventory consists of the following:

	June 30,	
	2015	2014
Inventory at estimated fair market value:		
Donated vehicles	\$ 2,900	\$ 7,418
Thrift store donated goods	159,235	155,511
Donated food	174,973	165,434
	<u>\$ 337,108</u>	<u>\$ 328,363</u>

4. OTHER ASSETS:

Other assets consist of:

	June 30,	
	2015	2014
Contribution receivable	\$ -	\$ 50,000
Prepaid insurance	83,578	70,993
Refundable deposits	39,650	39,650
Donated note receivable	7,434	10,128
Property held for sale	18,790	18,790
Utility and postage deposits	6,925	10,026
Advances to health clinics (see Note 13)	452,938	291,702
Advances to CARE Elementary School (see Notes 1, 2, and 13)	157,000	-
Other	2,787	22,787
	<u>\$ 769,102</u>	<u>\$ 514,076</u>

MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

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4. OTHER ASSETS, continued:

As of June 30, 2015 and 2014, the Organization has not determined any allowance for uncollectible accounts for advances made to the health clinics and CARE Elementary School, as the Organization has worked with these third parties on a repayment plan.

5. PROPERTY AND EQUIPMENT, AT COST-NET:

Property and equipment, at cost-net consists of:

	June 30,	
	2015	2014
Land	\$ 1,768,315	\$ 1,753,925
Buildings and improvements	14,316,095	12,228,422
Vehicles and equipment	2,051,484	1,983,062
	<u>18,135,894</u>	<u>15,965,409</u>
Less accumulated depreciation	(7,700,808)	(7,213,390)
Construction in progress	31,000	1,849,355
	<u>31,000</u>	<u>1,849,355</u>
Net investment in property and equipment	<u>\$ 10,466,086</u>	<u>\$ 10,601,374</u>

6. BANK LINES OF CREDIT:

The Organization has a \$250,000 revolving working capital line of credit that is due on demand, subject to renewal in November 2015, and bears interest at the prime rate (3.25% at June 30, 2015). Borrowings under this line of credit are collateralized by a certificate of deposit held at the financial institution. For the years ended June 30, 2015 and 2014, there were no outstanding borrowings under this line of credit.

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

MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

7. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS:

Temporarily and permanently restricted net assets consist of the following:

	June 30,	
	2015	2014
Temporarily restricted net assets:		
Pompano center	\$ 89,657	\$ 89,657
Carole Brook grant for chapel furniture	18,845	18,845
Thatcher Foundation facility project	7,010	38,742
Thatcher Foundation dining project	-	4,307
Spanish language program	20,570	17,672
Reading room	8,451	10,982
John Stella education fund	36,273	33,728
Miami men alumni	1,342	1,342
Batchelor Foundation	19,343	852
CAC Hope Fund	-	10,150
Veterans funding for veterans	1,259	1,259
	\$ 202,750	\$ 227,536
Permanently restricted net assets:		
Learning Center scholarship fund	\$ 25,000	\$ 25,000

8. SALES OF DONATED ITEMS:

Sales of donated items are as follows:

	Year Ended June 30,	
	2015	2014
Vehicles	\$ 24,815	\$ 83,590
General merchandise	1,048,386	1,009,975
	\$ 1,073,201	\$ 1,093,565

MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

9. COMMITMENTS AND CONTINGENCIES:

OPERATING LEASES

The Organization has several operating lease agreements, primarily for certain office equipment. These leases have various expiration dates through 2016. Rental expense was \$111,018 and \$106,885 for the years ended June 30, 2015 and 2014, respectively. As of June 30, 2015, future minimum lease payments under operating leases totaled \$45,433, due in the year ending June 30, 2016.

CONTINGENT LIABILITIES

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

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

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

CONSULTING, COMMUNICATIONS AND DEVELOPMENT SERVICES

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

10. CONCENTRATIONS:

During the years ended June 30, 2015 and 2014, one donor contributed 8% of total contributions and two donors contributed 13% of total contributions, respectively.

MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

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11. RETIREMENT PLANS:

MRM has established a 403(b) retirement plan (the Plan). MRM contributes to the Plan on behalf of all full-time employees participating through elective salary reductions. MRM matches employee contributions equal to 3% of elective deferrals, up to 100% of eligible pay. Employees are eligible for the Plan if they are at least 18 years old and have completed 90 days of service. Participants become fully vested after five years of services. For the years ended June 30, 2015 and 2014, employer contributions to the Plan totaled \$41,715 and \$19,086, respectively.

Effective July 1, 2013, MRM established a qualified 457(b) deferred compensation plan (the 457 Plan) for the benefit of the President and those employees listed as a director. The 457 Plan allows eligible employees to contribute to the 457 Plan and to direct the investment of their funds into professionally managed investment funds. MRM matches one dollar for every dollar contributed by the employee based on length of service, matching up to 4% of wages for one to three years of service; matching up to 6% of wages between three and five years of service; and matching up to 8% of wages for more than five years of service. For the years ended June 30, 2015 and 2014, employer contributions to the 457 Plan totaled \$35,646 and \$38,718, respectively.

12. GOVERNMENT GRANTS:

Government grants consist of:

Title of Grant	Grant or Contract Number	Year Ended June 30,	
		2015	2014
Nonfederal funds:			
Miami Dade county		\$ 82,125	\$ 82,125
Community in School		3,775	2,758
Homeless trust emergency shelter		405,234	481,327
Broward County HIP–Homeless Assistance Center–3 year grant–South HAC		1,784,115	1,169,311
Broward County HIP–Homeless Assistance Center–3 year grant–North HAC		3,214,818	2,327,645
Federal funds:			
United States Department of Homeland Security:			
FEMA Phase 32 & 33			
Pass thru United Way of Miami Dade County		27,351	13,009
Total government grants		\$ 5,517,418	\$ 4,076,175

MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

12. GOVERNMENT GRANTS, continued:

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

13. RELATED PARTY TRANSACTIONS:

The Organization has advanced money to Miami Rescue Mission Clinic, Inc. (MRMC) (see Note 4) to assist in launching various health clinics in the Miami, Florida area, whose mission is to provide primary healthcare to the community's homeless. Certain board members of MRMC are on the board of the Organization. For the years ended June 30, 2015 and 2014, advances to MRMC totaled \$452,938 and \$291,702, respectively.

The Organization has advanced money to CARE Elementary School, Inc. (CARE) (see Notes 1, 2, and 4) to assist in launching a school whose mission is to provide quality education with a nurturing Christian environment for under served youth in the greater Overtown community in Miami, Florida. Certain board members of CARE are on the board of the Organization. For the year ended June 30, 2015, advances to CARE totaled \$157,000. There were no advances to CARE for the year ended June 30, 2014.

14. SUBSEQUENT EVENTS:

Subsequent to June 30, 2015, the Organization entered into a contract for the sale of certain real property in the amount of \$22,000,000. Per the contract, the Organization has entered into a post occupancy agreement whereby the Organization shall have the right, but not the obligation, to occupy the certain real property rent free for a period of up to 365 days following the closing of said contract. Although the Organization shall occupy the certain real property rent free, it shall pay all costs and expenses for utilities and maintenance of the portion of the certain real property which it occupies.

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