

MIAMI RESCUE MISSION, INC.

Consolidated Financial Statements
With Independent Auditors' Report

June 30, 2012 and 2011

MIAMI RESCUE MISSION, INC.

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated statements of financial position of Miami Rescue Mission, Inc. and its subsidiary as of June 30, 2012 and 2011, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the organization's management. 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Miami Rescue Mission, Inc. and its subsidiary as of June 30, 2012 and 2011, and the changes in their consolidated net assets, functional expenses, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Lawrenceville, Georgia
September 6, 2012

MIAMI RESCUE MISSION, INC.

Consolidated Statements of Financial Position

	June 30,	
	2012	2011
ASSETS:		
Cash and cash equivalents	\$ 1,376,749	\$ 3,317,459
Cash held for construction	439,000	-
Investments	250,000	250,000
Inventory	352,157	325,665
Grants receivable	701,179	710,116
Other assets	297,011	411,395
Property and equipment, at cost–net	9,609,725	9,286,535
 Total Assets	 \$ 13,025,821	 \$ 14,301,170
 LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 114,310	\$ 153,283
Accrued payroll and payroll taxes	258,695	236,780
Agency funds	58,674	70,843
Long term debt	26,621	1,033,513
Total liabilities	458,300	1,494,419
 Net assets:		
Unrestricted:		
Undesignated	2,135,481	4,237,122
Board designated	439,000	-
Net investment in property and equipment	9,583,104	8,253,022
	12,157,585	12,490,144
Temporarily restricted	384,936	291,607
Permanently restricted	25,000	25,000
Total net assets	12,567,521	12,806,751
 Total Liabilities and Net Assets	 \$ 13,025,821	 \$ 14,301,170

See notes to consolidated financial statements

MIAMI RESCUE MISSION, INC.

Consolidated Statements of Activities

	Year Ended June 30,							
	2012				2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE:								
Support:								
Contributions	\$ 5,041,521	\$ 157,406	\$ -	\$ 5,198,927	\$ 4,954,555	\$ 53,911	\$ -	\$ 5,008,466
Bequests	736,614	-	-	736,614	792,611	-	-	792,611
Gifts-in-kind	9,318,518	-	-	9,318,518	8,272,990	-	-	8,272,990
	<u>15,096,653</u>	<u>157,406</u>	<u>-</u>	<u>15,254,059</u>	<u>14,020,156</u>	<u>53,911</u>	<u>-</u>	<u>14,074,067</u>
Revenue:								
Sales of donated items	978,653	-	-	978,653	885,355	-	-	885,355
Program income	163,808	-	-	163,808	143,480	-	-	143,480
Government grants	4,120,061	-	-	4,120,061	4,302,985	-	-	4,302,985
Investment income	5,985	-	-	5,985	12,885	4	-	12,889
Other income	310,348	-	-	310,348	228,519	-	-	228,519
	<u>5,578,855</u>	<u>-</u>	<u>-</u>	<u>5,578,855</u>	<u>5,573,224</u>	<u>4</u>	<u>-</u>	<u>5,573,228</u>
Total Support and Revenue	<u>20,675,508</u>	<u>157,406</u>	<u>-</u>	<u>20,832,914</u>	<u>19,593,380</u>	<u>53,915</u>	<u>-</u>	<u>19,647,295</u>
RECLASSIFICATIONS:								
Net assets released for satisfaction of purpose restrictions	64,077	(64,077)	-	-	88,383	(88,383)	-	-
EXPENSES:								
Program services:								
Miami-Dade	5,287,912	-	-	5,287,912	4,616,722	-	-	4,616,722
Broward	10,133,829	-	-	10,133,829	10,213,691	-	-	10,213,691
Industrial, warehouse, and stores	939,772	-	-	939,772	915,920	-	-	915,920
	<u>16,361,513</u>	<u>-</u>	<u>-</u>	<u>16,361,513</u>	<u>15,746,333</u>	<u>-</u>	<u>-</u>	<u>15,746,333</u>
Supporting activities:								
Management and general	890,913	-	-	890,913	897,557	-	-	897,557
Fund-raising	3,819,718	-	-	3,819,718	2,788,133	-	-	2,788,133
	<u>4,710,631</u>	<u>-</u>	<u>-</u>	<u>4,710,631</u>	<u>3,685,690</u>	<u>-</u>	<u>-</u>	<u>3,685,690</u>
Total Expenses	<u>21,072,144</u>	<u>-</u>	<u>-</u>	<u>21,072,144</u>	<u>19,432,023</u>	<u>-</u>	<u>-</u>	<u>19,432,023</u>
Change in Net Assets	(332,559)	93,329	-	(239,230)	249,740	(34,468)	-	215,272
Net Assets, Beginning of Year	12,490,144	291,607	25,000	12,806,751	12,240,404	326,075	25,000	12,591,479
Net Assets, End of Year	<u>\$ 12,157,585</u>	<u>\$ 384,936</u>	<u>\$ 25,000</u>	<u>\$ 12,567,521</u>	<u>\$ 12,490,144</u>	<u>\$ 291,607</u>	<u>\$ 25,000</u>	<u>\$ 12,806,751</u>

See notes to consolidated financial statements

MIAMI RESCUE MISSION, INC.

Consolidated Statement of Functional Expenses

Year Ended June 30, 2012

	Program Services			Supporting Activities				
	Miami-Dade	Broward	Industrial, Warehouse, and Stores	Total Program Services	Management and General	Fund- Raising	Total Supporting Activities	Total
Specific aid to individuals, contract payment—grants to other agencies	\$ 828,278	\$ 2,028,846	\$ 107,020	\$ 2,964,144	\$ -	\$ -	\$ -	\$ 2,964,144
People—salaries, public relations, tax, benefit, insurance, and professional services	1,490,431	3,662,791	422,650	5,575,872	689,997	714,749	1,404,746	6,980,618
Supplies	1,910,555	1,389,993	11,183	3,311,731	19,198	491,544	510,742	3,822,473
Communication—telephone, mailing, and trucking	32,693	46,062	15,790	94,545	8,695	1,618,007	1,626,702	1,721,247
Occupancy, equipment rental, and maintenance	601,455	2,551,175	117,126	3,269,756	19,091	20,926	40,017	3,309,773
All other expenses	424,500	454,962	266,003	1,145,465	153,932	974,492	1,128,424	2,273,889
Total Operating Expenses	\$ 5,287,912	\$ 10,133,829	\$ 939,772	\$ 16,361,513	\$ 890,913	\$ 3,819,718	\$ 4,710,631	\$ 21,072,144

See notes to consolidated financial statements

MIAMI RESCUE MISSION, INC.

Consolidated Statement of Functional Expenses

Year Ended June 30, 2011

	Program Services			Supporting Activities				
	Miami-Dade	Broward	Industrial, Warehouse, and Stores	Total Program Services	Management and General	Fund- Raising	Total Supporting Activities	Total
Specific aid to individuals, contract payment—grants to other agencies	\$ 733,551	\$ 2,750,945	\$ 103,581	\$ 3,588,077	\$ -	\$ -	\$ -	\$ 3,588,077
People—salaries, public relations, tax, benefit, insurance, and professional services	1,361,458	3,191,703	435,941	4,989,102	688,800	618,794	1,307,594	6,296,696
Supplies	1,570,256	1,229,228	13,332	2,812,816	13,283	342,135	355,418	3,168,234
Communication—telephone, mailing, and trucking	35,483	56,081	13,604	105,168	12,435	1,425,581	1,438,016	1,543,184
Occupancy, equipment rental, and maintenance	549,213	2,535,910	115,244	3,200,367	28,352	14,160	42,512	3,242,879
All other expenses	366,761	449,824	234,218	1,050,803	154,687	387,463	542,150	1,592,953
Total Operating Expenses	\$ 4,616,722	\$ 10,213,691	\$ 915,920	\$ 15,746,333	\$ 897,557	\$ 2,788,133	\$ 3,685,690	\$ 19,432,023

See notes to consolidated financial statements

MIAMI RESCUE MISSION, INC.

Consolidated Statements of Cash Flows

	Year Ended June 30,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (239,230)	\$ 215,272
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	492,848	500,540
(Gain) loss on disposal of property and equipment	-	410
Changes in:		
Inventory	(26,492)	22,895
Grants receivable	8,937	60,917
Other assets	114,384	(208,760)
Accounts payable, accrued payroll and payroll taxes and agency funds	(29,227)	(201,795)
Net Cash Provided by Operating Activities	321,220	389,479
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	-	(250,000)
Purchases of property and equipment	(816,038)	(1,400,532)
Net Cash Used by Investing Activities	(816,038)	(1,650,532)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash designated for construction	(439,000)	-
Payments on long-term debt	(1,006,892)	(17,268)
Net Cash Used by Financing Activities	(1,445,892)	(17,268)
Change in Cash and Cash Equivalents	(1,940,710)	(1,278,321)
Cash and Cash Equivalents, Beginning of Year	3,317,459	4,595,780
Cash and Cash Equivalents, End of Year	\$ 1,376,749	\$ 3,317,459
SUPPLEMENTAL INFORMATION:		
Cash paid for interest	\$ 10,466	\$ 17,792

See notes to consolidated financial statements

MIAMI RESCUE MISSION, INC.

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

1. NATURE OF ORGANIZATION:

Miami Rescue Mission, Inc. (MRM), a Florida nonprofit corporation, 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 was completed in 1997, providing the first emergency shelter and comprehensive recovery program for the homeless in the southern portion of the county. The 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, the Mission was chosen to operate the programs and facility. The Center held its grand opening in September 2002. The County owns this facility. 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. The Center 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 to 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.

MIAMI RESCUE MISSION, INC.

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

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. There is a Day Charter School (Center of Life Academy) which provides educational classes for approximately 130 children from first to twelfth grades. There have been three high school graduations. Out of school and summer programs are provided to nearly 150 children. Nearly 500 different children have been assisted during the year at the Center.

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 fulfilled one of its long term goals in 2009 – the opening of the Miami Rescue Mission Health Clinic. This clinic serves nearly 600 men, women, and children of their Miami Centers. The celebration for the clinic drew the health community, politicians, local universities & colleges, and special donors together for its opening. The Miami Dade College of Medicine was instrumental in launching this clinic, and they desire to use this as a model for other rescue missions as well as homeless providers throughout the country. This model has been replicated in their centers in Hollywood and Pompano as of 2012. Health services are now being provided to over 6,000 men, women, and children a year.

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 their Centers (furniture, paint, clothing, appliances); the remaining items are sold to help fund their 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 their programs. The Bargain Barn is also a place to help train residents for future employment.

MIAMI RESCUE MISSION, INC.

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

1. NATURE OF ORGANIZATION, continued:

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

MRM began two radio programs in 2009. Mission Possible: The Good News Program, launched in August of 2009. It is an hour long program on Sunday mornings from 9 AM to 10 AM on 610 WIOD. 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 of 2009. This is a half hour program which airs 3 days a week from 5:30 PM to 6:00 PM on a Christian talk station – WHIM 1080. The format is similar to Mission Possible but geared for the faith community.

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

Beginning in 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 (5 in Broward, 4 in Miami-Dade). 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.

Nearly 6500 people provided over 63,000 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 740,000 meals, 285,000 nights of safe-shelter, over 100,000 hours of educational assistance, nearly 150,000 hours of counseling, and helped nearly 720 men and women entering the job market.

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 project is underway and is to be open in early 2013.

MIAMI RESCUE MISSION, INC.

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

1. NATURE OF ORGANIZATION, continued:

MRM completed a 2 year creative process to help better define the mission and vision of MRM/BOC. This included meetings with the Board, senior management, volunteers, supporters, and all staff. This produced new vision, mission, and values statements. Further trainings are being done with staff to improve the level of services to those in need and keep pace with best-practice models.

Vision : No One is Homeless

Mission: Transform the lives of homeless men, women, and children through comprehensive residential programs to effect lasting change and empower them to be productive members of society. We provide food, shelter, substance abuse treatment, education, computer literacy, job placement, healthcare, spiritual development and housing with Christian love, compassion, and encouragement.

Values: Compassion, Hope, Restoration, Transformation

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

Both MRM and MMA receive the majority of their support from Florida individuals, corporations, churches, foundations and 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. SIGNIFICANT ACCOUNTING POLICIES:

The consolidated financial statements of MRM are prepared on the accrual basis of accounting. The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts and disclosures. Accordingly, actual results could differ from these estimates. The significant accounting policies that have been adopted by MRM are described below.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the operations of MRM and MMA. All significant intercompany balances and transactions have been eliminated.

MIAMI RESCUE MISSION, INC.

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

CASH AND CASH EQUIVALENTS AND CREDIT RISK

For purposes of the consolidated statements of cash flows, MRM 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. MRM maintains its cash and cash equivalents in bank deposit accounts, which at times may exceed federally insured limits. MRM has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

INVENTORY

Inventory consists of donated items including food, thrift goods, and vehicles. It is valued and reported at estimated fair market value.

GRANTS RECEIVABLE

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

PROPERTY, EQUIPMENT, AND DEPRECIATION

Items capitalized as property and equipment are reported at cost when purchased or, if donated, at estimated fair value on the date of donation. 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 also capitalized and depreciated over their estimated useful lives. Gifts of property and equipment are reported as unrestricted support unless explicit donor restrictions specify how the assets are to be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent any donor stipulations, these restrictions expire when the asset is acquired or placed in service, and a reclassification is made from temporarily restricted net assets to unrestricted net assets at that time. Buildings and equipment are depreciated using the straight-line method over their estimated useful lives, ranging from four to thirty-one and one-half years.

INVESTMENTS

Investments consist of a certificate of deposit recorded at cost. Donated investments are reported at market value at the date of donation and thereafter carried in accordance with the above policies. Unrealized gains and losses are included in unrestricted investment income in the consolidated statements of activities unless a donor, or law, temporarily or permanently restricts their use. Investment income consists of interest and dividends.

MIAMI RESCUE MISSION, INC.

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

NET ASSETS

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

- Unrestricted and Board Designated net assets are those currently available for use in the ministries of MRM under the direction of the Board as well as resources invested in property and equipment.
- Temporarily restricted net assets are those stipulated by donors for specific operating purposes, for the acquisition of property and equipment, or those 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 have not been included in these consolidated financial statements due to immateriality.

SUPPORT, REVENUE 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 MRM. Bequests are reported as support at the time MRM 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 MRM's operations. Sales of donated items consist primarily of vehicle and thrift store sales. Gifts of cash and other assets are reported as restricted revenue if they are received with donor stipulations that limit their use or that must be used to acquire long-lived assets. When a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released for satisfaction purpose restrictions.

Expenses are reported when incurred. Gifts-in-kind expenses are reported in the consolidated statements of functional expenses, primarily as supplies and other services, as well as specific assistance to individuals.

MIAMI RESCUE MISSION, INC.

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

CONTRIBUTED SERVICES—GIFTS-IN-KIND

The ministries of MRM 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 contributed services are reported as revenue and expenses on the IRS form 990.

However, reported in accordance with current generally accepted accounting principles (GAAP) in the consolidated audited financial statements are services volunteered by licensed or credentialed professionals volunteering services in their fields of specialization. These have been reported in the amounts of \$997,484 and \$466,664 for the years ended June 30, 2012 and 2011, respectively.

MRM also reports the value of below market rentals on facilities as contribution revenue. For both years ended June 30, 2012 and 2011, \$1,920,000 was reported as part of gifts-in-kind support for these facilities. All the client services facilities are owned by MRM except the Pompano Beach facility. It was built and is owned by Broward County and leased to MRM for \$1 a year. This lease agreement can be canceled with a sixty day notice.

FUNCTIONAL ALLOCATION OF EXPENSES AND JOINT COSTS

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, such as depreciation and payroll, have been allocated among the program services and supporting activities that benefited from those expenditures. MRM incurred no joint costs. All costs associated with publications are charged directly to fund-raising.

RECLASSIFICATIONS

Certain amounts in the prior year consolidated financial statements have been reclassified to conform to the current year presentation.

UNCERTAIN TAX POSITIONS

The financial statement effects of a tax position taken or expected to be taken are recognized in the 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. As of June 30, 2012, MRM had no uncertain tax positions that qualify for recognition or disclosure in the consolidated financial statements.

MIAMI RESCUE MISSION, INC.

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

3. OTHER ASSETS:

Other assets consist of:

	June 30,	
	2012	2011
Contributions receivable	\$ 150,000	\$ 200,000
Prepaid insurance	72,190	45,930
Refundable deposit	10,740	100,000
Note receivable	16,361	19,131
Property held for sale	18,790	18,790
Utility and postage deposits	4,403	17,699
Other	24,527	9,845
	<u>\$ 297,011</u>	<u>\$ 411,395</u>

4. PROPERTY AND EQUIPMENT:

Property and equipment consists of:

	June 30,	
	2012	2011
Land	\$ 1,694,925	\$ 1,553,646
Buildings and improvements	12,053,635	11,629,246
Vehicles and equipment	2,633,343	2,577,658
	<u>16,381,903</u>	<u>15,760,550</u>
Less accumulated depreciation	(6,967,420)	(6,474,015)
Construction in progress	195,242	-
	<u>\$ 9,609,725</u>	<u>\$ 9,286,535</u>

5. BANK LINE OF CREDIT:

MRM has an operating line of credit that is due on demand from a local bank with a maximum borrowing limit of \$250,000 and \$1,275,000 during the years ended June 30, 2012 and 2011, respectively. Interest rates for the years ended June 30, 2012 and 2011, were 3.25% and 1.71%, respectively. Interest expense totaled \$10,466 and \$17,792 for the years ended June 30, 2012 and 2011, respectively. The line of credit is secured by a certificate of deposit held at the bank and expires June 7, 2013. There was no outstanding balance as of June 30, 2012.

MIAMI RESCUE MISSION, INC.

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

6. CONTINGENT LIABILITIES:

The city of Miami agreed to authorize a \$298,299 loan to MRM for acquisition of land and construction of new buildings. The loan is noninterest bearing and secured by a mortgage. As long as MRM continues to provide a last resort facility, payments on this loan will be waived.

Also, approximately \$900,000 of the buildings reported in Note 4 were funded with Community Development Block Grant (CDBG) federal awards to assist in 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 MRM.

7. RESTRICTED NET ASSETS:

Temporarily and permanently restricted net assets consist of the following:

	June 30,	
	2012	2011
Temporarily restricted net assets:		
Pompano center	\$ 89,657	\$ 89,657
Hollywood center	6,085	9,810
Carole Brook grant for chapel furniture	18,845	18,845
Thatcher Foundation technology project	-	24,433
Thatcher Foundation facility project	58,730	77,000
Thatcher Foundation dining project	6,674	10,752
Spanish language program	19,008	21,376
Reading room	8,358	8,358
John Stella education fund	21,908	17,508
Miami men alumni	1,342	1,342
Mattress purchase fund	-	1,226
Miami food donation	65	10,041
Batchelor Foundation	142,855	-
CAC Hope Fund	10,150	-
Veterans funding for veterans	1,259	1,259
	\$ 384,936	\$ 291,607
Permanently restricted net assets:		
Learning Center scholarship fund	\$ 25,000	\$ 25,000

MIAMI RESCUE MISSION, INC.

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

8. SALES OF DONATED ITEMS:

Sales of donated items are as follows:

	Year Ended June 30,	
	2012	2011
Vehicles	\$ 85,956	\$ 113,001
General merchandise	892,697	772,354
	<u>\$ 978,653</u>	<u>\$ 885,355</u>

9. LEASE AGREEMENTS:

MRM incurred lease expenses for equipment of \$45,852 and \$35,475 during the years ended June 30, 2012 and 2011, respectively. Future minimum payments under noncancelable operating leases for the year ending June 30, 2013, is \$45,219.

10. CAPITAL LEASE AGREEMENT:

MRM entered into a capital lease for equipment for the year ending June 30, 2009. The lease requires monthly principal and interest installments of \$1,860 for a period of 60 months. The lease expires during the fiscal year ending June 30, 2015. The balance for the capital lease at June 30, 2012 and 2011, was \$26,621 and \$43,889, respectively, and is located in long term debt on the consolidated statements of financial position.

11. CONCENTRATIONS:

During the years ended June 30, 2012 and 2011, two donors contributed approximately 19% of total contributions.

12. RELATED PARTY TRANSACTIONS:

During the fiscal years ended June 30, 2012 and 2011, MRM engaged in certain related party transactions with a member of the Board of Directors. Payments for legal services totaled \$8,913 and \$3,920, respectively.

13. CONTINGENT GRANT RECEIVABLE:

On September 23, 2011, MRM received a grant from a local financial institution in the amount of \$1,000,000 to help with the purchase or rehabilitation of 78 multifamily rental units in the Miami area. As of June 30, 2012, construction has not significantly began and, accordingly, none of the funds have been received.

MIAMI RESCUE MISSION, INC.

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

14. GOVERNMENT GRANTS:
Government grants consist of:

Title of Grant	Grant or Contract Number	Year Ended June 30,	
		2012	2011
Nonfederal funds:			
Miami Dade county		\$ 82,350	\$ 67,110
Community in School		6,000	6,065
Homeless trust emergency shelter		176,508	47,610
Broward County HIP–Homeless Assistance Center–3 year grant–South HAC		1,487,394	1,591,517
Broward County HIP–Homeless Assistance Center–3 year grant–North HAC		2,307,044	2,426,425
Federal funds:			
FEMA Phase 24 & 26	LRO 159400-027	37,736	30,734
Pass thru United Way of Miami Dade County U.S. Department of Health and Human Services Substance Abuse and Mental Health Services Pass thru Broward County (COATCH)			
	SAHCS-SAMHSA-BOC-03	23,029	133,524
Total government grants		\$ 4,120,061	\$ 4,302,985

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.

15. RETIREMENT PLANS:

MRM has established a 403(b) retirement plan. MRM contributes to the 403(b) plan (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. As of July 1, 2009, MRM suspended employer contributions to the plan.

MRM has a tax-sheltered annuity plan whereby employees may elect to make contributions pursuant to a salary reduction agreement. MRM made no contributions to the plan for the years ended June 30, 2012 and 2011.

MIAMI RESCUE MISSION, INC.

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

16. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through the report date, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated. On August 16, 2012, Miami Rescue Mission withdrew \$200,000 on the line of credit as reported in note 5 to finance construction of multifamily rental units in the Miami area.