MIAMI RESCUE MISSION, INC.
AND SUBSIDIARY

Consolidated Financial Statements
With Independent Auditors' Report

June 30, 2019 and 2018

MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

Table of Contents

CAPINCROUSE LLP

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. (a nonprofit corporation) and Subsidiary, which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows 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.

1255 Lakes Parkway, Suite 130
Lawrenceville, GA 30043
678.518.5301
capincrouse.com

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 Miami Rescue Mission, Inc. and Subsidiary as of June 30, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 2, Miami Rescue Mission, Inc. and Subsidiary has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. This has had a material effect on the presentation of the June 30, 2019 and 2018 consolidated financial statements. Our opinion is not modified with respect to this matter.

Capin Crouse LLP

Lawrenceville, Georgia
September 11, 2019

MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

Consolidated Statements of Financial Position

	June 30, 2019	June 30, 2018
ASSETS:		
Cash and cash equivalents	$ 2,757,467	$ 3,825,846
Inventory	607,065	289,172
Grants receivable	852,053	380,823
Other assets	127,346	237,960
Investments	7,870,080	7,453,805
Property and equipment–net	17,775,683	18,259,053
Total Assets	$ 29,989,694	$ 30,446,659
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	$ 53,822	$ 104,614
Accrued payroll and payroll taxes	342,100	442,513
Agency funds	62,989	81,900
Refundable grant	1,000,000	1,000,000
	1,458,911	1,629,027
Net assets:		
Without donor restrictions:		
Undesignated	10,564,187	10,358,628
Net investment in property and equipment	17,775,683	18,259,053
	28,339,870	28,617,681
With donor restrictions:		
Restricted for purpose or time	165,913	174,951
Restricted in perpetuity	25,000	25,000
	28,530,783	28,817,632
Total Liabilities and Net Assets	$ 29,989,694	$ 30,446,659

See notes to consolidated financial statements

MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

Consolidated Statement of Activities

Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions: Restricted for Purpose or Time	With Donor Restrictions: Restricted in Perpetuity	Total
SUPPORT AND REVENUE:				
Support:				
Contributions	$ 5,695,744	$ 7,875	$ -	$ 5,703,619
Gifts-in-kind	9,180,567	-	-	9,180,567
	14,876,311	7,875	-	14,884,186
Revenue:				
Rent gifted to other entities	2,327,320	-	-	2,327,320
Sales of donated items	1,109,580	-	-	1,109,580
Program income	371,214	-	-	371,214
Government grants	4,499,072	-	-	4,499,072
Investment income	416,354	-	-	416,354
Other income	379,920	-	-	379,920
	9,103,460	-	-	9,103,460
Total Support and Revenue	23,979,771	7,875	-	23,987,646
RECLASSIFICATIONS:				
Net assets released for satisfaction of purpose restrictions	16,913	(16,913)	-	-
EXPENSES:				
Program services:				
Miami–Dade	8,154,679	-	-	8,154,679
Broward	10,273,476	-	-	10,273,476
Industrial, warehouse, and stores	2,280,285	-	-	2,280,285
	20,708,440	-	-	20,708,440

(continued)

See notes to consolidated financial statements

MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

Consolidated Statement of Activities
(continued)

Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions: Restricted for Purpose or Time	With Donor Restrictions: Restricted in Perpetuity	Total
EXPENSES, continued:				
Supporting activities:				
Management and general	1,082,931	-	-	1,082,931
Fundraising	2,483,124	-	-	2,483,124
	3,566,055	-	-	3,566,055
Total Expenses	24,274,495	-	-	24,274,495
Change in Net Assets	(277,811)	(9,038)	-	(286,849)
Net Assets, Beginning of Year	28,617,681	174,951	25,000	28,817,632
Net Assets, End of Year	$ 28,339,870	$ 165,913	$ 25,000	$ 28,530,783

See notes to consolidated financial statements

MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

Consolidated Statement of Activities

Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions: Restricted for Purpose or Time	With Donor Restrictions: Restricted in Perpetuity	Total
SUPPORT AND REVENUE:				
Support:				
Contributions	$ 4,899,284	$ 163,600	$ -	$ 5,062,884
Gifts-in-kind	11,895,994	-	-	11,895,994
	16,795,278	163,600	-	16,958,878
Revenue:				
Rent gifted to other entities	2,291,400	-	-	2,291,400
Sales of donated items	1,017,767	-	-	1,017,767
Program income	373,457	-	-	373,457
Government grants	5,229,603	-	-	5,229,603
Investment loss	(49,618)	-	-	(49,618)
Other income	343,926	-	-	343,926
	9,206,535	-	-	9,206,535
Total Support and Revenue	26,001,813	163,600	-	26,165,413
RECLASSIFICATIONS:				
Net assets released for satisfaction of purpose restrictions	166,926	(166,926)	-	-
EXPENSES:				
Program services:				
Miami–Dade	9,675,271	-	-	9,675,271
Broward	12,271,643	-	-	12,271,643
Industrial, warehouse, and stores	2,250,062	-	-	2,250,062
	24,196,976	-	-	24,196,976

(continued)

See notes to consolidated financial statements

MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

Consolidated Statement of Activities
(continued)

Year Ended June 30, 2018

		With Donor Restrictions		
	Without Donor Restrictions	Restricted for Purpose or Time	Restricted in Perpetuity	Total
EXPENSES, continued:				
Supporting activities:				
Management and general	744,055	-	-	744,055
Fundraising	2,400,969	-	-	2,400,969
	3,145,024	-	-	3,145,024
Total Expenses	27,342,000	-	-	27,342,000
Change in Net Assets	(1,173,261)	(3,326)	-	(1,176,587)
Net Assets, Beginning of Year	29,790,942	178,277	25,000	29,994,219
Net Assets, End of Year	$ 28,617,681	$ 174,951	$ 25,000	$ 28,817,632

See notes to consolidated financial statements

MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

Consolidated Statement of Functional Expenses

Year Ended June 30, 2019

	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	$ 879,705	$ 2,000,676	$ 26,335	$ 2,906,716	$ -	$ -	$ -	$ 2,906,716
People–salaries, public relations, tax, benefit, insurance, and professional services	1,873,591	2,830,333	628,084	5,332,008	758,672	681,668	1,440,340	6,772,348
Supplies	3,423,756	1,353,717	1,118,966	5,896,439	11,070	182,903	193,973	6,090,412
Communication–telephone, mailing, and trucking	29,469	54,858	3,729	88,056	9,541	1,223,530	1,233,071	1,321,127
Occupancy, equipment rental, and maintenance	1,109,558	3,514,089	107,766	4,731,413	66,517	15,318	81,835	4,813,248
All other expenses	838,600	519,803	395,405	1,753,808	237,131	379,705	616,836	2,370,644
Total Operating Expenses	$ 8,154,679	$ 10,273,476	$ 2,280,285	$ 20,708,440	$ 1,082,931	$ 2,483,124	$ 3,566,055	$ 24,274,495

See notes to consolidated financial statements

MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

Consolidated Statement of Functional Expenses

Year Ended June 30, 2018

	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	$ 2,794,365	$ 2,841,199	$ 29,508	$ 5,665,072	$ -	$ -	$ -	$ 5,665,072
People–salaries, public relations, tax, benefit, insurance, and professional services	1,907,832	3,086,981	757,070	5,751,883	395,524	849,100	1,244,624	6,996,507
Supplies	3,000,521	1,880,186	1,010,981	5,891,688	25,746	263,524	289,270	6,180,958
Communication–telephone, mailing, and trucking	36,173	55,591	1,102	92,866	14,480	916,707	931,187	1,024,053
Occupancy, equipment rental, and maintenance	1,100,950	3,890,705	96,871	5,088,526	96,522	14,778	111,300	5,199,826
All other expenses	835,430	516,981	354,530	1,706,941	211,783	356,860	568,643	2,275,584
Total Operating Expenses	$ 9,675,271	$ 12,271,643	$ 2,250,062	$ 24,196,976	$ 744,055	$ 2,400,969	$ 3,145,024	$ 27,342,000

See notes to consolidated financial statements

MIAMI RESCUE MISSION, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

	Year Ended June 30, 2019	Year Ended June 30, 2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (286,849)	$ (1,176,587)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	796,163	781,968
Realized and unrealized (gain) loss on investments	(181,299)	88,628
Changes in operating assets and liabilities:		
Inventory	(317,893)	(48)
Grants receivable	(471,230)	230,498
Other assets	110,614	57,429
Accounts payable	(50,792)	5,240
Accrued payroll and payroll taxes	(100,413)	57,379
Agency funds	(18,911)	(11,915)
Net Cash Provided (Used) by Operating Activities	(520,610)	32,592
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(312,793)	(343,912)
Purchases of investments	(234,976)	(7,542,433)
Net Cash Used by Investing Activities	(547,769)	(7,886,345)
Net Change in Cash and Cash Equivalents	(1,068,379)	(7,853,753)
Cash and Cash Equivalents, Beginning of Year	3,825,846	11,679,599
Cash and Cash Equivalents, End of Year	$ 2,757,467	$ 3,825,846
SUPPLEMENTAL DISCLOSURE:		
Acquisition of property and equipment with accounts payable	$ -	$ 53,556

See notes to consolidated financial statements

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 was completed in 1997, providing the first emergency shelter and comprehensive recovery program for the homeless in the southern portion of the county. The BOC 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 Center held its grand opening in September 2002. Broward 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.

This past year, Broward County decided not renew the operating contract for the Pompano Beach facility. They made a business decision to use the property for a more housing first approach in dealing with homelessness. MRM vacated the building on March 30, 2019, and no longer operates any homeless centers in North Broward. The Hollywood Centers are owned by MRM and are still operating. The Broward County contract is in effect for Hollywood.

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.

1. NATURE OF ORGANIZATION, continued:

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. An annex to the Center for Men was opened recently and provides for an additional 78 beds for men in the residential program.

The Center for Women and Children 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. The Center is currently in transition and a larger facility is being prepared for occupancy.

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, CARE Elementary, occupies the building and provides educational classes. It is a separate non-profit and operates the school for kindergarten through 6th grade. Out of school programs are provided to 120 children and summer camp is offered to 150 children. The Community Activity Center serves between 350 and 400 different children each year in these programs. MRM is supporting the CARE Elementary School initiative to serve the poor and needy.

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.

In 2009, the first Health Clinic was opened to serve our residents and underserved populations. The Health Clinic is our partner, but is a separate non-profit organization. Presently, each Center has a health clinic. Last year, the clinic had over 9,000 patient visits. MRM made a gift of $100,000 in June 2016 for appreciation of all that they do to serve our residents and the community.

1. NATURE OF ORGANIZATION, continued:

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.

The centers in Miami and Hollywood hold special events throughout the year to care for the homeless and needy as well as serve 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.

The Broward Outreach Centers have a combined total of 158 beds. The Hollywood Center was opened in 1997 as the first comprehensive homeless center in Broward County. MRM owns the building located at 2056 Scott Street. In 2004, a separate Center for Women and Children was opened next to the original building. There are 40 beds for women, women with children, and families.

The MRM administration office, Center for Women and Children, and Thrift Stores owned and occupied property in the area known as Wynwood. These properties were sold and closed in March of 2016. This decision was based upon the tremendous value of the properties. The purpose was to expand our services to the homeless and needy. MRM purchased three new properties in 2016. A new 30,000 square foot administration office and central food warehouse located in Miami Airport district of Hialeah is an excellent central office. The expanded food warehouse allows a larger volume of food to be accepted and distributed. A new 24,000 square foot thrift shore and warehouse was purchased in central Miami and is fully operational. The expanded facilities provide greater visibility for our clothing, furniture, and automobile sales. Lastly, the church with 4 acres of land purchased in 2017 is being considered to provide services for women and children experiencing homelessness and fleeing domestic violence.

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 610WIOD. 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.

1. NATURE OF ORGANIZATION, continued:

Life-Changers was started in September of 2009. This is a weekly half-hour program. The format is similar to Mission Possible but geared for the faith community.

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 (5 in Broward, 4 in Miami-Dade). Graduates for this program are selected based on merit and need. They do 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 9,000 people provided over 92,000 hours of volunteering this past year. These included individuals, schools, organizations, and places of worship. The combined centers serve nearly 1,300 men, women and children each day. Last year, MRM/BOC provided 975,000 meals, 370,000 nights of safe-shelter, over 160 clients successfully completed our long term educational program, over 9,000 hours of counseling, and helped nearly 8000 men and women entering the job market and find housing.

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, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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.

CASH AND CASH EQUIVALENTS

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. At June 30, 2019 and 2018, the Organization's cash balances exceeded federally insured limits by $2,311,984 and $3,328,043, respectively.

INVESTMENTS

Investments in equity securities with readily determinable fair values and all debt securities are recorded at fair value. Other investments are reported at the lower of cost or fair value. Interest and dividend income and the realized and unrealized gain or loss on investments is reported as investment income (loss) without donor restrictions in the accompanying consolidated statements of activities unless a donor or law restricts its use. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. Donated investments are recorded at fair value at the date of donation and are thereafter carried in conformity with the stated policy.

INVENTORY

Inventory is stated at the lower of cost (based on the average cost basis) or net realizable value and consists of thrift store donated goods, donated food, and donated vehicles. At June 30, 2019 and 2018, no reserve for obsolescence has ben recorded, as management believes all inventory is sellable.

Thrift store donated goods consists of goods and donated merchandise such as clothing and miscellaneous items used in the operation of the Organization's programs and for sale in the thrift stores or as part of the auto auctions. Donated goods inventory is based on cost when sold which approximates fair value of the goods. The ending inventory amount is calculated using a formula based on that used by other rescue ministries and is based on a percentage of total thrift store sales for each location.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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

PROPERTY AND EQUIPMENT–NET
Items capitalized as property and equipment are stated at cost, or if donated, at estimated fair value on the date of receipt. 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. Expenditures for repairs and maintenance are charged to expense as incurred, and additions and improvements that significantly extend the lives of assets are capitalized at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from four to thirty-two years.

CLASSES OF NET ASSETS
The consolidated financial statements report amounts separately by class of net assets:

Net assets without donor restrictions 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, net of accumulated depreciation.

Net assets with donor restrictions for purpose or time 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.

Net assets with donor restrictions in perpetuity 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT AND REVENUE, RECLASSIFICATIONS, AND EXPENSES, continued
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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as reclassifications.

The Organization reports gifts of land, buildings, and equipment as support without donor restriction 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.

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

Expenses, including advertising costs of $164,479 and $160,960 for the years ended June 30, 2019 and 2018, 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 under program services, primarily as supplies and other services, as well as specific assistance to individuals. The consolidated financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. These expenses include salaries and benefits, depreciation, facilities operations and other expenses. Salaries and benefits are allocated based on the programmatic purpose of the employees incurring the expenses. All other costs are allocated based on a square footage analysis of the Organization's facilities. The Organization incurred no joint costs. All costs associated with publications are charged directly to fundraising.

GIFTS-IN-KIND
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. None of these donated services are reported as revenue and expenses on the IRS Form 990.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

GIFTS-IN-KIND, continued

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. During the years ended June 30, 2019 and 2018, donated services meeting the criteria for recognition in the accompanying consolidated statements of activities totaled $137,517 and $141,672, respectively and include legal, pastoral, counseling, education, and master chef services.

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, 2019 and 2018, $922,037 and $1,170,840, respectively has been 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, 2019 and 2018, the fair value of the gifted rent totaled $1,920,000 for both years ended.

The Organization allows the use of its facilities to CARE Elementary School (see Note 12) recognized at the fair value of the gifted rent. The school is under no control or obligation to the Organization. For the years ended June 30, 2019 and 2018, the fair value of the gifted rent was $315,000 and $273,000, respectively.

Effective July 2017, the Organization allows the use of its facilities to Miami Rescue Mission Clinic, Inc. (MRMC) (see Note 13) recognized at the fair value of the gifted rent. MRMC is under no control or obligation to the Organization. For the years ended June 30, 2019 and 2018, the fair value of the gifted rent was $92,320 and $98,400, respectively.

RECENTLY ISSUED ACCOUNTING STANDARD

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The Organization adopted the provisions of this new standard during the year ended December 31, 2018. In addition to changes in terminology used to describe categories of net assets throughout the consolidated financial statements, new disclosures were added regarding liquidity and the availability of resources (see Note 3), and disclosures related to functional allocation of expenses were expanded (see Note 2).

3. <u>LIQUIDITY AND FUNDS AVAILABLE:</u>

The following reflects the Organization's financial assets as of June 30, 2019, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. The Organization considers general expenditures to be all expenditures related to its ongoing activities to achieve its mission and vision as well as the conduct of services undertaken to support those activities to be general expenditures.

Financial assets:	
Cash and cash equivalents	$ 2,757,467
Grants receivable	852,053
Investments	7,870,080
Financial assets, at year-end	11,479,600
Less those not available for general expenditure within one year:	
Net assets restricted in perpetuity	(25,000)
Financial assets available to meet cash needs for general expenditures within one year	$ 11,454,600

As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization has $165,913 in net assets with donor restrictions for various purposes including project support. These funds are considered available to meet needs for general expenditures as funds are used for their donor restricted purposes.

In addition to the financial assets noted above, the Organization has revolving demand master lines of credit in the total amount of $350,000 which are due on demand and bear interest at variable rates. Borrowings under these revolving demand master lines of credit are collateralized by certain cash and investment balances. For the years ended June 30, 2019 and 2018, there were no outstanding borrowings under these revolving demand lines of credit.

4. INVESTMENTS:

Investments consist of the following:

	June 30, 2019	June 30, 2018
Held at cost:		
Cash and cash equivalents	$ 119,922	$ 58,445
Held at fair value:		
Corporate and government bonds	5,022,404	4,061,630
Mutual funds	2,633,257	3,202,191
International developed bonds	94,497	131,539
	7,750,158	7,395,360
	$ 7,870,080	$ 7,453,805

5. INVENTORY:

Inventory consists of the following:

	June 30, 2019	June 30, 2018
Donated vehicles	$ 2,135	$ 4,148
Thrift store donated goods	95,218	135,368
Donated food	509,712	149,656
	$ 607,065	$ 289,172

6. OTHER ASSETS:

Other assets consist of the following:

	June 30, 2019	June 30, 2018
Prepaid insurance	$ 53,516	$ 158,322
Refundable deposits	43,225	44,136
Other	30,605	35,502
	$ 127,346	$ 237,960

7. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net consists of the following:

	June 30, 2019	June 30, 2018
Land	$ 4,915,739	$ 4,915,739
Buildings and improvements	19,598,448	19,398,587
Vehicles and equipment	2,866,198	2,753,267
	27,380,385	27,067,593
Less accumulated depreciation	(9,636,702)	(8,840,540)
Construction in progress	32,000	32,000
Net investment in property and equipment	$ 17,775,683	$ 18,259,053

8. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of the following:

	June 30, 2019	June 30, 2018
Restricted for purpose or time:		
Pompano center	$ 86,355	$ 89,656
Carole Brook grant for chapel furniture	18,845	18,845
Spanish language program	11,138	15,993
Reading room	7,569	8,451
John Stella education fund	39,405	39,405
Miami men alumni	1,342	1,342
Veterans funding for veterans	1,259	1,259
	$ 165,913	$ 174,951
Restricted in perpetuity:		
Learning Center scholarship fund	$ 25,000	$ 25,000

9. SALES OF DONATED ITEMS:

Sales of donated items consist of the following:

	Year Ended June 30,	
	2019	2018
Vehicles	$ 31,050	$ 30,650
General merchandise	1,078,530	987,117
	$ 1,109,580	$ 1,017,767

10. COMMITMENTS AND CONTINGENCIES:

OPERATING LEASES

The Organization leases certain office equipment under non-cancelable operating lease agreements, with various expiration dates through March 2022. Rental and lease expenses totaled $139,452 and $155,032 for the years ended June 30, 2019 and 2018, respectively. Future minimum payments under the non-cancelable operating lease agreements to be incurred during the year ending June 30, 2020, amount to $50,424.

CONTINGENT LIABILITIES

The City of Miami, Florida authorized a loan in the amount of $298,299 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 7 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.

10. COMMITMENTS AND CONTINGENCIES:

CONSULTING, COMMUNICATIONS, AND DEVELOPMENT SERVICES
Effective May 1, 2017, 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 $15,000 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.

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, 2019 and 2018, employer contributions to the Plan totaled $60,643 and $35,527, respectively.

MRM has 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, 2019 and 2018, employer contributions to the 457 Plan totaled $50,590 and $30,849, respectively. The funds for the 457 Plan are held in trust in separate accounts and are invested by the president and those employees listed as directors. The assets related to the 457 Plan are not included in the accompanying consolidated statements of financial position as MRM has no ongoing control over these assets.

12. GOVERNMENT GRANTS:

Government grants consist of:

	Year Ended June 30,	
Title of Grant	2019	2018
Nonfederal funds:		
Miami Dade county	$ 97,781	$ 94,898
Homeless trust emergency shelter	739,505	541,740
Broward County HIP–Homeless Assistance Center–3 year grant–South HAC	1,658,049	1,585,880
Broward County HIP–Homeless Assistance Center–3 year grant–North HAC	1,765,394	2,689,121
Broward County HIP Challenge Grant	96,660	82,139
Broward County HIP–Low Demand Overflow Beds Program	110,250	210,880
Federal funds:		
United States Department of Homeland Security:		
FEMA Phase 34 & 35		
Pass thru United Way of Miami Dade County	31,433	24,945
Total government grants	$ 4,499,072	$ 5,229,603

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 contracts with MRMC to provide health services for clients of the Organization. Certain board members of MRMC are on the board of the Organization. During the years ended June 30, 2019 and 2018, the Organization expended $112,500 and $300,000, respectively, to MRMC.

The Organization allows the use of its facilities to CARE Elementary School. Certain board members of CARE are on the board of the Organization. During the years ended June 30, 2019 and 2018, the Organization donated $315,000 and $273,000, respectively, in gifted rent to CARE.

14. FAIR VALUE MEASUREMENTS:

The *Fair Value* topic of the FASB ASC establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 and Level 2 inputs were not available.

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy at June 30, 2019 and 2018:

		June 30, 2019		
	Total	(Level 1)	(Level 2)	(Level 3)
Held at fair value:				
Investments:				
Corporate and government bonds:				
Corporate/government	$ 5,022,404	$ -	$ 5,022,404	$ -
International	94,497	-	94,497	-
	5,116,901	-	5,116,901	-
Mutual funds:				
Income/growth	2,633,257	2,633,257	-	-
	$ 7,750,158	$ 2,633,257	$ 5,116,901	$ -

14. FAIR VALUE MEASUREMENTS:

		June 30, 2018		
	Total	(Level 1)	(Level 2)	(Level 3)
Held at fair value:				
Investments:				
Corporate and government bonds:				
Corporate/government	$ 4,061,630	$ -	$ 4,061,630	$ -
International	131,539	-	131,539	-
	4,193,169	-	4,193,169	-
Mutual funds:				
Income/growth	3,202,191	3,202,191	-	-
	$ 7,395,360	$ 3,202,191	$ 4,193,169	$ -

Valuation techniques used by the Organization in estimating fair value are as follows:

Corporate and government bonds –The fair values are based on quoted prices for similar assets in active markets; quoted prices for identical or similar markets that are not active; and inputs other than quoted prices e.g., interest rates and yield curves.

Mutual funds –The fair value of these financial instruments is based upon quoted market prices or dealer quotes in an active market.

Changes in valuation techniques –None.

15. SUBSEQUENT EVENTS:
Subsequent events have been evaluated through September 11, 2019, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.