

**THE PANAMA CITY RESCUE MISSION, INC.**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2017**

**HOWELL CPA GROUP**

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**CERTIFIED PUBLIC ACCOUNTANTS**

**THE PANAMA CITY RESCUE MISSION, INC.  
PANAMA CITY, FLORIDA  
SEPTEMBER 30, 2017**

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# HOWELL CPA GROUP

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CERTIFIED PUBLIC ACCOUNTANTS

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
The Panama City Rescue Mission, Inc.  
Panama City, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The Panama City Rescue Mission, Inc. (a nonprofit organization), which are comprised of the statement of financial position as of September 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Panama City Rescue Mission, Inc. as of September 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Howell CPA Group*

Panama City, FL  
March 20, 2018

THE PANAMA CITY RESCUE MISSION, INC.  
STATEMENT OF FINANCIAL POSITION

Year ended September 30, 2017

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<b>Assets</b>	
Current Assets	
Cash and cash equivalents	\$ 108,213
Inventory	52,320
Prepaid expense	18,959
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Total current assets	179,492
Property and equipment, net	944,413
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Total Assets	\$ 1,123,905
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<b>Liabilities and Net Assets</b>	
Current Liabilities	
Accounts payable	\$ 79,260
Insurance payable	14,059
Accrued expenses	32,162
Notes payable - current portion	7,657
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Total current liabilities	133,138
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Notes payable, less current portion	243,488
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Total liabilities	376,626
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Net Assets	
Unrestricted	722,128
Temporarily restricted	25,151
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Total net assets	747,279
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Total liabilities and net assets	\$ 1,123,905
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See accompanying notes to financial statements.

THE PANAMA CITY RESCUE MISSION, INC.  
STATEMENT OF ACTIVITIES

*Year ended September 30, 2017*

	Unrestricted	Temporarily Restricted	Total
<b>Revenues</b>			
Contributions	\$ 1,586,849	\$ 160,504	\$ 1,747,353
Retail store sales	298,053		\$ 298,053
Program fees	145,164		\$ 145,164
Interest income	17		\$ 17
Miscellaneous income	2,837		\$ 2,837
Net assets released from restrictions			
Restrictions satisfied by payments	154,148	(154,148)	-
<b>Total revenues and other support</b>	<b>2,187,068</b>	<b>6,356</b>	<b>2,193,424</b>
<b>Expenses</b>			
Program services			
Mission ministry	1,321,503		1,321,503
Retail store ministry	288,111		288,111
Women and children ministry	140,700		140,700
Supporting services			
Management and general	92,259		92,259
Fundraising	249,302		249,302
<b>Total expenses</b>	<b>2,091,873</b>	<b>-</b>	<b>2,091,873</b>
Change in net assets	95,195	6,356	101,551
Net assets - beginning of year	626,933	18,795	645,728
Net assets - end of year	\$ 722,128	\$ 25,151	\$ 747,279

See accompanying notes to financial statements.

THE PANAMA CITY RESCUE MISSION, INC.  
STATEMENT OF CASH FLOWS

Year ended September 30, 2017

**Operating Activities**

Change in Net Assets	\$ 101,551
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	39,513
Accumulated depreciation	(8,059)
Loss (Gain) on disposal of plant and equipment	-
(Increase) decrease in	
Inventory	(15,271)
Prepaid expenses	(13,426)
Increase (decrease) in	
Accounts payable	(43,344)
Accrued expenses	9,688
Net cash provided by operating activities	70,652

**Investing Activities**

Purchase of property and equipment	(8,023)
Proceeds from disposition of property and equipment	1,000
Net cash provided by investing activities	(7,023)

**Financing Activities**

Insurance finance agreement	14,058
Principal payments on notes payable	(1,732)
Net cash (used) in financing activities	12,326

Net increase in cash and cash equivalents 75,955

Cash and cash equivalents beginning of year 32,258

Cash and cash equivalents - end of year \$ 108,213

**Supplemental disclosures**

In - kind contributions  
    Material, food, supplies and inventory \$ 778,018

See accompanying notes to financial statements.

THE PANAMA CITY RESCUE MISSION, INC.  
STATEMENT OF FUNCTIONAL EXPENSES

Year ended September 30, 2017

	Program Services				Supporting Services			Total Expenses
	Mission Ministry	Thrift Store Ministry	Women and Children Ministry	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and wages	\$ 236,386	\$ 115,567	\$ 68,289	\$ 420,243	\$ 63,037	\$ 42,025	\$ 105,061	\$ 525,304
Employee benefits	\$ 5,231	\$ 2,557	\$ 1,511	9,299	\$ 1,395	\$ 930	2,325	11,624
Total Personnel costs	241,617	118,124	69,800	429,542	64,432	42,955	107,386	536,928
Accounting and Auditing	300	300	100	700	200	100	300	1,000
Advertising	531	759	0	1,290	0	6,298	6,298	7,588
Automobile	22,862	11,431	5,124	39,417	0	0	0	39,417
Benevolence	9,341	54	1,594	10,989	0	0	0	10,989
Depreciation	31,611	1,975	1,975	35,562	1,975	1,975	3,951	39,513
Dues and subscriptions	2,186	364	364	2,914	364	364	729	3,643
Food services	122,279	182	8,381	130,842	0	0	0	130,842
Fundraising	0	0	0	0	0	174,044	174,044	174,044
Insurance	15,662	6,671	2,611	24,944	2,031	2,031	4,061	29,005
Interest	4,893	0	12,582	17,476	0	0	0	17,476
Licenses and taxes	1,139	0	0	1,139	0	0	0	1,139
Loss (Gain) on sale of assets	0	0	0	0	0	(1,000)	(1,000)	(1,000)
Miscellaneous	5,698	4,558	0	10,256	1,140	0	1,140	11,396
Office	24,296	1,173	1,430	26,899	0	0	0	26,899
Printing and postage	380	18,219	380	18,979	380	18,599	18,979	37,958
Program expense	686,325	14,298	14,298	714,921	0	0	0	714,921
Rent	0	57,200	0	57,200	7,680	1,920	9,600	66,800
Repairs and maintenance	26,392	1,242	3,416	31,050	0	0	0	31,050
Supplies	9,535	1,378	574	11,488	0	0	0	11,488
Telephone	25,497	10,991	3,957	40,445	3,077	439	3,516	43,961
Travel	59	10	10	79	10	10	20	99
Utilities	90,898	39,180	14,103	144,181	10,970	1,567	12,537	156,718
Total expenses	\$ 1,321,503	\$ 288,111	\$ 140,700	\$ 1,750,313	\$ 92,259	\$ 249,302	\$ 341,561	\$ 2,091,873

See accompanying notes to financial statements.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Nature of Entity and Operations***

The Panama City Rescue Mission, Inc. (the "Organization") is a Christian nonprofit organization dedicated to caring for the needy men, women and children in Bay County, Florida area since 1972. The Organization provides addiction recovery, emergency shelter, food, clothing, counseling, transitional living and spiritual guidance to disenfranchised people in several structured programs.

***Programs***

Mission

Recovery – The addiction recovery program offers a 12-14 month strategy that builds recovery techniques in each client through a solid foundation comprised of classes, case management, skills training and discipleship. The program culminates with ensuring each student has permanent housing and employment.

Transition – Transitional lodging is designed for guests that have a temporary housing need longer than five days. In addition to lodging, guests receive case management and skill training. The program is viable for guests that do not currently possess a substance abuse problem, or may have already completed a recovery program.

Work – The rescue mission's work program is offered to homeless individuals who are already employed and need assistance in order to become independent. Guests of the program receive case management and access to a large referral network.

The Resource Center provides client advocacy, referrals and evaluation of people utilizing the services of the Organization. Case management connects individuals with cooperating community service providers to assist individuals and families to return to self-reliance. Opportunities are also offered for clients to join several programs provided by the Organization.

Women and Children Ministry

Bethel Village, a separate facility, provides housing and the same training for 15 single women and up to three mothers and children.

Retail Store Ministry

The Organization operates retail stores that sale donated goods to help fund recovery programs for men and women.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Basis of Accounting***

The Financial statements of the Panama City Rescue Mission, Inc. have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP). The significant accounting policies followed are described below to enhance the usefulness of the financial statement to the reader.

The costs of providing the various programs and other activities have been detailed in the statement of functional expenses and summarized on a program basis in the statement of activities. Salaries and other expenses which are associated with a specific program are charged directly to that program. Salaries and other expenses which benefit more than one program are allocated to the various programs based on the relative benefit provided.

***Cash and Cash Equivalents***

The Organization considers all checking accounts, certificates of deposits and highly liquid debt instruments purchased with an initial maturity date of three months or less to be cash and cash equivalents.

***Property, Equipment and Depreciation***

Property and equipment is stated at costs for assets purchased and at fair market value for assets donated. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets, which is generally five to thirty nine years, on a straight-line basis. The Organization capitalizes all property and equipment purchases over \$2,000.

***Inventory***

Inventory is composed of donated clothing and consumables. The Organization uses these items both for distribution to people in need as well as inventory in its thrift stores. These contributions are recorded at their estimated fair value at the date of donation. Inventory is valued under the first-in first-out method.

***Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Donated Property and Equipment***

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

***Contributed Services***

A substantial number of volunteers have made significant contributions of their time to develop the Organization's programs. The main services contributed have been the Board of Directors. No amounts have been recognized in the accompanying statements of activities because the criteria for recognition required by the Financial Accounting Standards Board [FASB] ASC 958, Not-for-Profit Entities have not been satisfied.

**Net Assets**

Net assets are categorized into one of the three following categories:

*Permanently restricted net assets*

The part of the net assets of a not-for-profit organization resulting (a) from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization, (B) from other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) from reclassifications from (or to) other classes of net assets as a consequence of donor-imposed stipulations.

*Temporarily restricted net assets*

The part of the net assets of a not-for-profit organization resulting (a) from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) from reclassifications to (or from) other classes of net assets as a consequence of donor-imposed stipulations, their expirations by passage of time, or their fulfillment and removed by actions of the Organization pursuant to those stipulations.

*Unrestricted net assets*

The part of net assets of a not-for-profit organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Advertising costs***

Advertising costs are expensed as incurred. Advertising costs incurred during the year ended September 30, 2017 was \$7,588.

***Promises to Give***

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. There were no promises to give recorded during the year ended September 30, 2017.

***Income Taxes***

The Panama City Rescue Mission, Inc. has qualified as an exempt organization for federal income tax purposes under Internal Revenue Code Section 501 (c) (3) and is not classified as a private foundation. There was no unrelated business income for the year ended September 30, 2017. Consequently, no provision for income taxes has been made in these financial statements.

The Organization's federal income tax returns for 2015, 2016, and 2017 are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

***Date of Managements Review***

In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through March 20, 2018 the date the financial statements were available to be issued.

**NOTE 2 – FINANCIAL REPORTING AND CONTRIBUTIONS**

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulation that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Those restricted gifts that are received and whose restriction is accomplished in the same year are reported as unrestricted support.

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 or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expiration of donor restrictions when the donated or long-lived assets are placed in service.

THE PANAMA CITY RESCUE MISSION, INC.  
NOTES TO FINANCIAL STATEMENTS

**NOTE 3 – PROPERTY AND EQUIPMENT, NET**

Property and equipment consists of the following as of September 30, 2017.

*September 30, 2017*

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Land	\$ 297,854
Buildings and improvements	1,223,369
Furniture and fixtures	22,871
Equipment	70,380
Autos and trucks	8,100
Heating and A/C	66,020
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Total	1,688,594
Less accumulated depreciation	(744,181)
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Property and equipment, net	<u>\$ 944,413</u>

Depreciation expense was \$39,513 for the year ended September 30, 2017.

**NOTE 4 – LEASES**

The Organization leases a building at 401 East 6<sup>th</sup> Street in Panama City, Florida for its Panama City Thrift Store. The initial lease period was for one year beginning January 1, 2003. The lease term has expired; however, the lease is now under a month to month lease agreement. The lease calls for monthly payments of \$800.

The Organization entered into a lease as of November 3, 2014. The building is located at 2701-A Highway 77 in Lynn Haven, Florida. The lease was for three years. The lease term is monthly payments of \$3,000 for months 1-6; \$3,500 for months 7-18; \$4,000 for months 19-36 and then option 1(37-48) \$4,500. And option 2(49-60) \$4,500. The lease was amended and lease term was extended to terminate on November 30, 2018. Rent for each month from December 1, 2017 until November 30, 2018 will be \$4,950.00 per month. Lessor will pay up to a maximum of \$3,000.00 to have spray foam installed in unit B.

The Organization entered into a lease as of September 1, 2017. The building is located at 1048 West 23<sup>rd</sup> Street Panama City, Florida. The lease was for 36 months. The lease term is a monthly payment of \$2,500 for 36 months beginning on September 1, 2017. After the initial term, the Tenant may exercise a renewal option for one year terms with a 5% rate increase on each renewal term.

Rent expense under these leases for the year ended September 30, 2017 was \$66,800.

THE PANAMA CITY RESCUE MISSION, INC.  
NOTES TO FINANCIAL STATEMENTS

**NOTE 5 – NOTES PAYABLE**

Notes payable consisted of the following:

*September 30, 2017*

Note payable, \$1,639 monthly payments, including interest at 7%, matures in October 2018 with a \$232,815 balloon payment, secured by real property located in Bay County, Florida.	\$ 233,690
Note payable, \$418 monthly, including interest at 5%, matures in July of 2021, secured by an assignment of rents and leases and a mortgage dated December 27, 2005 as amended by mortgage modification agreement dated January 9, 2009 on real property located in Bay County, Florida.	17,455
Total notes payable	251,145
Less current portion due within one year	7,657
Total notes payable, less current portion	\$ 243,488

**NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS**

As of September 30, 2017, temporarily restricted net assets consist of donor restricted contributions for the following project:

<i>Temporarily restricted project</i>	<i>Amount</i>
Capital Campaign	\$ 102
Bethel Capital Fund	403
Garden	773
Mission Kitchen	403
Walmart and Food Grant	20,193
Klothes 4 Kids	1
Copier machine lease	3,276
Total temporarily restricted net assets	\$ 25,151