

THE PANAMA CITY RESCUE MISSION, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

HOWELL CPA GROUP

CERTIFIED PUBLIC ACCOUNTANTS

**THE PANAMA CITY RESCUE MISSION, INC.
PANAMA CITY, FLORIDA
SEPTEMBER 30, 2016**

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HOWELL CPA GROUP

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, 2016, 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, 2016, 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
September 12, 2017

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

Year ended September 30, 2016

Assets	
Current Assets	
Cash and cash equivalents	\$ 32,258
Inventory	37,049
Prepaid expense	5,533
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Total current assets	74,840
Property and equipment, net	973,904
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Total Assets	\$ 1,048,744
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Liabilities and Net Assets	
Current liabilities	
Accounts Payable	\$ 122,310
Accrued Expenses	22,344
Notes payable - current portion	7,217
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Total current liabilities	151,871
Notes payable, less current portion	251,145
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Total liabilities	403,016
Net assets	
Unrestricted	626,933
Temporarily restricted	18,795
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Total net assets	645,728
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Total liabilities and net assets	\$ 1,048,744
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See accompanying notes to financial statements.

THE PANAMA CITY RESCUE MISSION, INC.
STATEMENT OF ACTIVITIES

Year ended September 30, 2016

	Unrestricted	Temporarily Restricted	Total
Revenues			
Contributions	\$ 1,442,843	\$ 77,821	\$ 1,520,664
Retail store sales	355,848		355,848
Program fees	176,443		176,443
Interest income	15		15
Miscellaneous income	3,726		3,726
Net assets released from restrictions			
Restrictions satisfied by payments	94,381	(94,381)	-
Total revenues and other support	2,073,256	(16,560)	2,056,696
Expenses			
Program services			
Mission ministry	1,217,308		1,217,308
Retail store ministry	284,645		284,645
Women and children ministry	149,506		149,506
Supporting services			
Management and general	97,698		97,698
Fundraising	411,040		411,040
Total expenses	2,160,197	-	2,160,197
Change in net assets	(86,941)	(16,560)	(103,501)
Net assets - beginning of year	713,874	35,355	749,229
Net assets - end of year	\$ 626,933	\$ 18,795	\$ 645,728

See accompanying notes to financial statements.

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

Year ended September 30, 2016

Operating activities

Change in net Assets	\$ (103,501)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	43,570
Accumulated depreciation	(4,576)
Loss on disposal of plant and equipment	6,933
(Increase) decrease in	
Inventory	(1,324)
Prepaid expenses	938
Increase (decrease) in	
Accounts payable	74,975
Accrued expenses	(9,236)
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Net cash provided by operating activities	7,779

Financing activities

Principal payments on notes payable	(6,800)
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Net cash (used) in financing activities	(6,800)
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Net increase in cash and cash equivalents	979
Cash and cash equivalents beginning of year	31,279
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Cash and cash equivalents - end of year	\$ 32,258

Supplemental disclosures

In - kind contributions	
Material, food, supplies and inventory	\$ 579,759

See accompanying notes to financial statements.

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

Year ended September 30, 2016

	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	\$ 246,040	\$ 120,286	\$ 71,078	\$ 437,404	\$ 65,611	\$ 43,741	\$ 109,352	\$ 546,756
Employee benefits	19,872	9,715	5,741	35,328	5,300	3,533	8,832	44,160
Total Personnel costs	265,912	130,001	76,819	472,732	70,911	47,274	118,184	590,916
Accounting and Auditing	9,481	9,485	3,162	22,128	6,323	3,162	9,485	31,613
Advertising	865	1,235	0	2,100	0	10,250	10,250	12,350
Automobile	26,327	13,164	5,901	45,392	0	0	0	45,392
Benevolence	8,453	49	1,443	9,945	0	0	0	9,945
Depreciation	34,857	2,178	2,178	39,213	2,178	2,178	4,356	43,569
Dues and subscriptions	3,066	511	511	4,088	511	511	1,022	5,110
Food services	118,809	177	8,143	127,129	0	0	0	127,129
Fundraising	0	0	0	0	0	331,234	331,234	331,234
Insurance	16,925	7,209	2,821	26,955	2,194	2,194	4,388	31,343
Interest	5,010	0	12,883	17,893	0	0	0	17,893
Licenses and taxes	541	0	0	541	0	0	0	541
Loss on sale of assets	0	0	0	0	0	6,933	6,933	6,933
Miscellaneous	7,826	6,260	0	14,086	1,565	0	1,565	15,651
Office	28,856	1,393	1,698	31,947	0	0	0	31,947
Printing and postage	105	5,053	105	5,263	105	5,159	5,264	10,527
Program expense	501,574	10,449	10,449	522,472	0	0	0	522,472
Rent	18,615	43,435	0	62,050	0	0	0	62,050
Repairs and maintenance	32,291	1,519	4,179	37,989	0	0	0	37,989
Supplies	22,962	3,319	1,383	27,664	0	0	0	27,664
Telephone	24,947	10,754	3,872	39,573	3,011	430	3,441	43,014
Travel	1,106	185	185	1,476	185	185	370	1,846
Utilities	88,780	38,267	13,774	140,821	10,715	1,530	12,245	153,066
Total expenses	\$ 1,217,308	\$ 284,645	\$ 149,506	\$ 1,651,459	\$ 97,698	\$ 411,041	\$ 508,738	\$ 2,160,197

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, 2016 was \$12,350.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases 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, 2016.

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, 2016. Consequently, no provision for income taxes has been made in these financial statements.

The Organization's federal income tax returns for 2013, 2014, and 2015 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 September 12, 2017 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, 2016.

September 30, 2016

Land	\$ 297,854
Buildings and improvements	1,223,369
Furniture and fixtures	22,871
Equipment	63,607
Autos and trucks	8,100
Heating and A/C	66,020
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Total	1,681,821
Less accumulated depreciation	(707,917)
<u>Property and equipment, net</u>	<u>\$ 973,904</u>

Depreciation expense was \$43,570 for the year ended September 30, 2016.

NOTE 4 – LEASES

The Organization leases a building at 401 East 6th 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.

Rent expense under these leases for the year ended September 30, 2016 was \$62,050.

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

NOTE 5 – NOTES PAYABLE

Notes payable consisted of the following:

September 30, 2016

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.	\$ 236,883
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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.	21,479
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Total notes payable	258,362
Less current portion due within one year	7,217

Total notes payable, less current portion	\$ 251,145
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NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

As of September 30, 2016, temporarily restricted net assets consist of donor restricted contributions for the following project:

<i>Temporarily restricted project</i>	<i>Amount</i>
Bethel Village improvements	\$ 2,792
Bethel Village roof	420
Bethel Village plumbing	6,245
Men’s Dental Assistance	\$100
Gulf Power	\$1,330
Klothes 4 Kids	483
Copier machine lease	7,425
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Total temporarily restricted net assets	\$ 18,795