

**Back Bay Mission  
Biloxi, Mississippi**

**Financial Statements  
December 31, 2014**

**Back Bay Mission  
Financial Statements**

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December 31, 2014

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**Independent Auditor's Report**

To the Board of Directors of  
Back Bay Mission  
Biloxi, Mississippi

We have audited the accompanying financial statements of Back Bay Mission (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years 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 Back Bay Mission as of December 31, 2014 and 2013, 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.

*Altier and Company, P.L.L.C.*  
Certified Public Accountants

D'Iberville, Mississippi  
October 2, 2015

**Back Bay Mission**  
**Statements of Financial Position**

	December 31,	
	<u>2014</u>	<u>2013</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents, partially restricted	\$ 326,487	\$ 382,809
Prepaid expense	-0-	16,000
Due from Gulf Coast Housing Initiative, net	134,680	20,938
Investments	<u>26,078</u>	<u>52,576</u>
Total current assets	<u>487,245</u>	<u>472,323</u>
<b>Long-term assets</b>		
Investments	3,134,196	3,297,759
Utility deposits	<u>350</u>	<u>350</u>
Total long-term assets	<u>3,134,546</u>	<u>3,298,109</u>
<b>Other assets</b>		
Property and equipment, net of depreciation	<u>1,592,672</u>	<u>1,823,620</u>
Total assets	<u>\$ 5,214,463</u>	<u>\$ 5,594,052</u>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accrued payroll taxes	\$ 44	\$ 76
Note payable, construction	<u>134,680</u>	<u>-0-</u>
Total current liabilities	<u>134,724</u>	<u>76</u>
<b>Net assets</b>		
Unrestricted	4,413,639	4,936,099
Temporarily restricted	30,567	34,507
Permanently restricted	<u>635,533</u>	<u>623,370</u>
Total net assets	<u>5,079,739</u>	<u>5,593,976</u>
Total liabilities and net assets	<u>\$ 5,214,463</u>	<u>\$ 5,594,052</u>

*The accompanying notes are an integral part of these financial statements.*

**Back Bay Mission**  
**Statements of Activities**  
For the Year Ended December 31, 2014 and 2013

	December 31, 2014			December 31, 2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Public Support and Revenue</b>							
<b>Public support</b>							
Contributions	\$ 494,240	\$ 6,050	\$ -0-	\$ 577,205	\$ 20,937	\$ -0-	\$ 598,142
Bequests and trusts	12,809	-0-	-0-	89,626	-0-	-0-	89,626
Sales of promotional items	7,669	-0-	-0-	7,909	-0-	-0-	7,909
Total public support	<u>514,718</u>	<u>6,050</u>	<u>-0-</u>	<u>674,740</u>	<u>20,937</u>	<u>-0-</u>	<u>695,677</u>
<b>Grants and contracts</b>							
Government	-0-	409,245	-0-	-0-	464,346	-0-	464,346
Other	61,025	60,000	-0-	224,186	-0-	-0-	224,186
Total grants and contracts	<u>61,025</u>	<u>469,245</u>	<u>-0-</u>	<u>224,186</u>	<u>464,346</u>	<u>-0-</u>	<u>688,532</u>
<b>Other revenue</b>							
Investment income	85,628	-0-	19,643	314,583	-0-	97,008	411,591
Program income	148,256	-0-	-0-	117,278	-0-	-0-	117,278
Total other revenue	<u>233,884</u>	<u>-0-</u>	<u>19,643</u>	<u>431,861</u>	<u>-0-</u>	<u>97,008</u>	<u>528,869</u>
Totals	809,627	475,295	19,643	1,330,787	485,283	97,008	1,913,078
Net assets released from restrictions	<u>486,715</u>	<u>( 479,235)</u>	<u>( 7,480)</u>	<u>468,151</u>	<u>( 460,682)</u>	<u>( 7,462)</u>	<u>-0-</u>
Total support and revenue	<u>1,296,342</u>	<u>( 3,940)</u>	<u>12,163</u>	<u>1,798,938</u>	<u>24,601</u>	<u>89,539</u>	<u>1,913,078</u>
<b>Expenses</b>							
Program services	1,467,741	-0-	-0-	1,435,134	-0-	-0-	1,435,134
Supporting services	351,061	-0-	-0-	409,519	-0-	-0-	409,519
Total expenses	<u>1,818,802</u>	<u>-0-</u>	<u>-0-</u>	<u>1,844,653</u>	<u>-0-</u>	<u>-0-</u>	<u>1,844,653</u>
Change in net assets	<u>( 522,460)</u>	<u>( 3,940)</u>	<u>12,163</u>	<u>( 45,715)</u>	<u>24,601</u>	<u>89,539</u>	<u>68,425</u>
Net assets, beginning of year	<u>4,936,099</u>	<u>34,507</u>	<u>623,370</u>	<u>4,981,814</u>	<u>9,906</u>	<u>533,831</u>	<u>5,525,551</u>
Net assets, end of year	<u>\$ 4,413,639</u>	<u>\$ 30,567</u>	<u>\$ 635,533</u>	<u>\$ 4,936,099</u>	<u>\$ 34,507</u>	<u>\$ 623,370</u>	<u>\$ 5,593,976</u>

*The accompanying notes are an integral part of these financial statements.*

**Back Bay Mission**  
**Statements of Functional Expenses**  
For the Years Ended December 31, 2014 and 2013

	December 31, 2014				December 31, 2013			
	<u>Supporting Services</u>		<u>Supporting Services</u>		<u>Supporting Services</u>		<u>Supporting Services</u>	
	<u>Program Services</u>	<u>Management &amp; General</u>	<u>Fund Raising</u>	<u>Total</u>	<u>Program Services</u>	<u>Management &amp; General</u>	<u>Fund Raising</u>	<u>Total</u>
<b>Personnel</b>								
Salaries	\$ 353,522	\$ 17,761	\$ 106,791	\$ 478,074	\$ 404,204	\$ 17,522	\$ 105,442	\$ 527,168
Housing and moving expense	8,625	3,739	1,438	13,802	9,460	1,577	1,577	12,614
Payroll taxes and employee benefits	112,213	5,640	18,255	136,108	134,949	7,465	19,539	161,953
Total personnel	<u>474,360</u>	<u>27,140</u>	<u>126,484</u>	<u>627,984</u>	<u>548,613</u>	<u>26,564</u>	<u>126,558</u>	<u>701,735</u>
<b>Occupancy</b>								
Security	1,106	425	170	1,701	1,046	402	161	1,609
Repairs and maintenance	29,362	6,128	591	36,081	22,879	5,236	340	28,455
Telephone	9,501	2,537	1,015	13,053	10,055	3,173	1,269	14,497
Utilities	35,815	1,489	595	37,899	30,949	1,321	528	32,798
Total occupancy expenses	<u>75,784</u>	<u>10,579</u>	<u>2,371</u>	<u>88,734</u>	<u>64,929</u>	<u>10,132</u>	<u>2,298</u>	<u>77,359</u>
<b>Equipment</b>								
Repairs and maintenance	13,930	658	658	15,246	14,533	790	790	16,113
<b>Direct Program Expenses</b>								
Permanent housing and homeless assistance	215,422	-0-	-0-	215,422	233,431	-0-	-0-	233,431
Affordable housing	196,118	-0-	-0-	196,118	70,475	-0-	-0-	70,475
Emergency assistance	78,035	-0-	-0-	78,035	90,066	-0-	-0-	90,066
Food pantry and feeding program	8,601	-0-	-0-	8,601	4,987	-0-	-0-	4,987
Workcamp and housing rehab	171,888	-0-	-0-	171,888	116,617	-0-	-0-	116,617
Community empowerment	20,188	-0-	-0-	20,188	30,581	-0-	-0-	30,581
Total direct program expenses	<u>690,252</u>	<u>-0-</u>	<u>-0-</u>	<u>690,252</u>	<u>546,157</u>	<u>-0-</u>	<u>-0-</u>	<u>546,157</u>
<b>Balance carried forward</b>	<u>1,254,326</u>	<u>38,377</u>	<u>129,513</u>	<u>1,422,216</u>	<u>1,174,232</u>	<u>37,486</u>	<u>129,646</u>	<u>1,341,364</u>

The accompanying notes are an integral part of these financial statements.

**Back Bay Mission**  
**Statements of Functional Expenses**  
For the Years Ended December 31, 2014 and 2013  
(Continued)

	December 31, 2014				December 31, 2013			
	Program Services		Supporting Services		Program Services		Supporting Services	
	General	Fund Raising	General	Fund Raising	General	Fund Raising	General	Fund Raising
<b>Balance brought forward</b>	<u>\$ 1,254,326</u>	<u>\$ 38,377</u>	<u>\$ 129,513</u>	<u>\$ 1,422,216</u>	<u>\$ 1,174,232</u>	<u>\$ 37,486</u>	<u>\$ 129,646</u>	<u>\$ 1,341,364</u>
<b>Administrative</b>								
Insurance	18,011	6,003	-0-	24,014	20,860	6,954	-0-	27,814
Miscellaneous	-0-	-0-	1,053	1,053	370	-0-	6,010	6,380
Outside services	-0-	13,376	13,069	26,445	-0-	24,033	21,738	45,771
Postage and office expense	16,467	2,744	8,745	27,956	14,758	2,460	14,334	31,552
Printing	-0-	-0-	37,794	37,794	-0-	-0-	48,578	48,578
Promotion	-0-	-0-	6,932	6,932	-0-	-0-	9,853	9,853
Travel	2,696	2,696	11,392	16,784	4,890	4,890	5,938	15,718
Board of Directors expenses	11,763	1,961	1,961	15,685	14,273	2,379	2,379	19,031
Total administrative expense	<u>48,937</u>	<u>26,780</u>	<u>80,946</u>	<u>156,663</u>	<u>55,151</u>	<u>40,716</u>	<u>108,830</u>	<u>204,697</u>
<b>Other expenses</b>								
Conferences and training	<u>2,814</u>	<u>5,692</u>	<u>469</u>	<u>8,975</u>	<u>4,168</u>	<u>5,754</u>	<u>695</u>	<u>10,617</u>
Total expenses before depreciation expense	<u>1,306,077</u>	<u>70,849</u>	<u>210,928</u>	<u>1,587,854</u>	<u>1,233,551</u>	<u>83,956</u>	<u>239,171</u>	<u>1,556,678</u>
Depreciation expense	<u>161,664</u>	<u>34,642</u>	<u>34,642</u>	<u>230,948</u>	<u>201,583</u>	<u>43,196</u>	<u>43,196</u>	<u>287,975</u>
Total functional expenses	<u>\$ 1,467,741</u>	<u>\$ 105,491</u>	<u>\$ 245,570</u>	<u>\$ 1,818,802</u>	<u>\$ 1,435,134</u>	<u>\$ 127,152</u>	<u>\$ 282,367</u>	<u>\$ 1,844,653</u>

*The accompanying notes are an integral part of these financial statements.*



**Back Bay Mission**  
**Statements of Cash Flows**  
For the Years Ended December 31, 2014 and 2013

	<b>December 31,</b>	
	<u>2014</u>	<u>2013</u>
<b>Cash flows from operating activities</b>		
Cash received from public support	\$ 520,768	\$ 695,677
Cash received from grants and contracts	530,270	692,906
Cash received from program operations	148,256	117,278
Cash disbursed for program expenses	( 1,306,077)	( 1,250,566)
Cash disbursed for supporting and fundraising expenses	( 281,809)	( 323,127)
Net cash used in operating activities	( 388,592)	( 67,832)
<b>Cash flows from investing activities</b>		
Net investment redemptions (purchases)	250,830	( 44,201)
Net advances in support of construction	( 97,742)	-0-
Purchases of fixed assets	-0-	( 21,396)
Cash received from dividends and interest	44,502	47,015
Net cash provided by (used in) investing activities	197,590	( 18,582)
<b>Cash flows from financing activities</b>		
Proceeds from construction loan	134,680	-0-
Net decrease in cash and cash equivalents	( 56,322)	( 86,414)
Cash and cash equivalents, beginning of year	382,809	469,223
Cash and cash equivalents, end of year	\$ 326,487	\$ 382,809
<b>Reconciliation of changes in net assets to net cash provided by operating activities:</b>		
Change in net assets	\$( 514,237)	\$ 68,425
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	230,948	287,975
Decrease in receivables	-0-	3,356
Increase in prepaid expenses	-0-	( 16,000)
Investment income	( 105,271)	( 411,591)
Increase (decrease) in accrued expenses	( 32)	3
Net cash used in operating activities	\$( 388,592)	\$( 67,832)

*The accompanying notes are an integral part of these financial statements.*

**Back Bay Mission**  
**Notes to Financial Statements**  
December 31, 2014 and 2013

**Note 1 - Description of Organization**

Back Bay Mission (the Mission), located in Biloxi, Mississippi, is an affiliate of the United Church of Christ and is a non-profit community welfare organization, which meets community needs and improves the welfare of citizens. The Mission is supported primarily through contributions from the public and various churches and state conferences.

Back Bay Mission is exempt from federal and state income tax Section 501(c)(3) of the Internal Revenue Code and has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Code.

**Note 2 - Summary of Significant Accounting Policies**

**Basis of accounting** - The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America under the accrual basis of accounting. The accrual basis of accounting is the method of accounting under which liabilities and expenses are recorded when incurred, whether or not paid, and income is recorded when earned, whether or not received.

**Basis of presentation** - The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Mission is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

**Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Income taxes** - Back Bay Mission is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code and therefore, has made no provision for income taxes in the financial statements. In addition, Back Bay Mission has been determined by the Internal Revenue Service not to be a "private foundation". The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization's Form 990's are subject to examination by the Internal Revenue Service generally for three years from the date filed.

**Cash and cash equivalents** - Cash and cash equivalents include all monies in banks, the money market funds held in safekeeping through Peoples Bank Trust Department, and highly liquid investments with maturity dates of less than three months. The carrying value of cash equivalents approximate fair value because of the short maturities of those financial instruments.

**Back Bay Mission**  
**Notes to Financial Statements**  
December 31, 2014 and 2013

**Note 2 - Summary of Significant Accounting Policies (Continued)**

**Investments** - Investments in equity securities with readily determinable fair values are measured at fair value in the statement of financial position. Investment income or loss (including gains and losses on investments, interest and dividends) is included in the statements of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted.

**Property and equipment** - Acquisitions of property and equipment in excess of \$500 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method.

**Revenue recognition** - Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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 statements of activities as net assets released from restriction.

Unconditional promises to give are recorded at the time the pledge is received as temporarily restricted support because they are not available for unrestricted use. Pledges expected to be received in the next year are reflected as current promises to give and are recorded at their net realizable value. Pledges due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. Uncollectible pledges are charged to bad debt expense at the time they are determined to be uncollectible. As of December 31, 2014 and 2013, the Mission had no significant unconditional promises to give recorded in the financial statements.

**Donated services, materials and assets** - The Mission receives a substantial amount of services donated by volunteers in carrying out the Mission's ministry. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under SFAS No. 116.

**Back Bay Mission**  
**Notes to Financial Statements**  
December 31, 2014 and 2013

**Note 2 – Summary of Significant Accounting Policies (Continued)**

**Donated services, materials and assets (continued).** The Mission receives various donations of food, health kits (including toiletries), and other miscellaneous items from time to time for use in the Mission's ministries. However, such items are not valued by the Mission when received. In addition, the Mission acquires food for its Food Pantry Program from Twelve Baskets, Inc. at prices below fair market value and obtains commodities free of charge through the U.S.D.A. The difference between the true value of the food and the minimal amount paid has not been valued or recorded in the financial statements.

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period received.

**Expense allocation** - The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. For example, directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Mission.

**Note 3 - Cash and Cash Equivalents**

The Mission maintains several bank accounts, as well as trust assets, at local financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures accounts up to \$250,000. Cash and cash equivalents at December 31, 2014 and 2013 totaled \$326,487 and \$382,809, respectively.

**Note 4 – Prepaid Expense**

At December 31, 2013, the Mission had prepaid gift cards totaling \$16,000, received as part of a grant from Home Depot, Inc. in support of the Homeport project. During the year ended December 31, 2014, these gift cards were transferred to Gulf Coast Housing Initiative, Inc. for use towards the Homeport II construction costs.

**Back Bay Mission**  
**Notes to Financial Statements**  
December 31, 2014 and 2013

**Note 5 – Due from Gulf Coast Housing Initiative, Inc.**

The Mission makes advances to Gulf Coast Housing Initiative, Inc. in support of construction activities on the Homeport II project. These advances are expected to be liquidated upon completion of construction. At December 31, 2014 and 2013, the Mission had outstanding advances to Gulf Coast Housing Initiative totaling \$134,680 and \$20,938, respectively.

**Note 6 – Investments**

The Mission carries investments in various publicly-traded equity and government-backed debt securities. A summary of investments as of December 31, 2014 and 2013 is as follows:

	December 31, 2014			December 31, 2013		
	Cost/ Donated Value	Fair Value	Carrying Value	Cost/ Donated Value	Fair Value	Carrying Value
Unrestricted	\$ 1,968,317	\$ 2,524,741	\$ 2,524,741	\$ 2,160,177	\$ 2,726,965	\$ 2,726,965
Permanently restricted	<u>525,744</u>	<u>635,533</u>	<u>635,533</u>	<u>524,912</u>	<u>623,370</u>	<u>623,370</u>
Total investments	<u>\$ 2,494,061</u>	<u>\$ 3,160,274</u>	<u>\$ 3,160,274</u>	<u>\$ 2,685,089</u>	<u>\$ 3,350,335</u>	<u>\$ 3,350,335</u>

Investment returns are summarized as follows:

	December 31, 2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividends and interest	\$ 36,191	\$ -0-	\$ 8,311	\$ 44,502
Net realized gains	58,822	-0-	-0-	58,822
Net unrealized gains (losses)	( 8,885)	-0-	11,332	2,447
Investment expenses	( 500)	-0-	-0-	( 500)
Net investment income	<u>\$ 85,628</u>	<u>\$ -0-</u>	<u>\$ 19,643</u>	<u>\$ 105,271</u>

	December 31, 2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividends and interest	\$ 38,715	\$ -0-	\$ 8,300	\$ 47,015
Net realized gains	14,320	-0-	8,508	22,828
Net unrealized gains	262,048	-0-	80,200	342,248
Investment expenses	( 500)	-0-	-0-	( 500)
Net investment income	<u>\$ 314,583</u>	<u>\$ -0-</u>	<u>\$ 97,008</u>	<u>\$ 411,591</u>

**Back Bay Mission**  
**Notes to Financial Statements**  
December 31, 2014 and 2013

**Note 7 – Retirement Arrangement with Staff Employees**

All full-time employees of the Mission are eligible to participate in the Annuity Fund - United Church of Christ (the Plan). The Plan is a defined contribution, tax-sheltered annuity plan and is available to clergy and lay employees. Eligible clergy must have full ministerial standing in an Association or Conference of the United Church of Christ. The Mission makes quarterly contributions to the Plan each year equal to 14% of all participants' compensation. Retirement plan expense for 2014 and 2013, totaled \$59,551 and \$70,686, respectively.

**Note 8 – Risk Management**

The Mission is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, personal injury, and natural disasters for which the Mission carries commercial insurance.

**Note 9 – Property and Equipment**

Property and equipment at December 31, 2014 and 2013 consisted of the following:

	<b>December 31,</b>	
	<u>2014</u>	<u>2013</u>
Land	\$ 84,542	\$ 84,542
Building and improvements:		
Administration Building	366,185	366,185
Micah Center	1,003,074	1,003,074
Workcamp Dormitory	1,369,020	1,369,020
Guest House	120,669	120,669
Homeport I Building	162,850	162,850
Vehicles	69,234	69,234
Office furniture and equipment	64,790	64,790
Total property and equipment	<u>3,240,364</u>	<u>3,240,364</u>
Less: Accumulated depreciation	<u>1,647,692</u>	<u>1,416,744</u>
Total property and equipment, net	<u>\$ 1,592,672</u>	<u>\$ 1,823,620</u>

Depreciation expense for 2014 and 2013 totaled \$230,948 and \$287,975 respectively.

**Note 10 – Note Payable, Construction**

On July 9, 2014, the Mission entered into a construction loan agreement with The Peoples Bank for the financing of construction activities on the Homeport II project. The principal amount of the note is \$134,680, payable monthly, interest only at 4% with a maturity date of July 9, 2015. The proceeds of the note were advanced to Gulf Coast Housing Initiative, Inc. for payment of construction costs as described in Note 5 above. The balance of the note at December 31, 2014 totaled \$134,680.

**Back Bay Mission**  
**Notes to Financial Statements**  
December 31, 2014 and 2013

**Note 11 – Restrictions and Designations of Net Assets**

**Restrictions** – Temporarily restricted net assets consisting of grant-related cash balances and unexpended designated gifts as of December 31, 2014 and 2013 were as follows:

	<b>December 31,</b>	
	<u>2014</u>	<u>2013</u>
FEMA	\$ 37	\$ 4,368
Veterans Supportive Housing	-0-	104
Department of Housing and Urban Development	9,534	9,098
Shari Prestemon Social Justice Internship	<u>20,996</u>	<u>20,937</u>
 Total	 <u>\$ 30,567</u>	 <u>\$ 34,507</u>

Permanently restricted net assets as of December 31, 2014 and 2013 were as follows:

	<b>December 31,</b>	
	<u>2014</u>	<u>2013</u>
UCF CCM Endowment	\$ 437,456	\$ 429,084
UCF Endowment Fund	<u>198,077</u>	<u>194,286</u>
 Total	 <u>\$ 635,533</u>	 <u>\$ 623,370</u>

The earnings on these permanently restricted assets cannot be utilized for any purpose until such time and purpose that is designated by the board.

**Note 12 – Description of Program and Supporting Services**

The following program and supporting services are included in the accompanying financial statements:

**Back Bay Mission's primary program areas –**

**Direct services** - To low-income and elderly people through emergency assistance, counseling, referral and distribution of food and clothing. Food, prescriptions, gasoline, rental and utility assistance, counseling, advocacy and referral services were provided to 5,079 and 4,337 clients during 2014 and 2013, respectively.

**Community empowerment** - Organizing new services, improving existing ones and changing public attitudes and social legislation.

**Workcamping** - A program offering educational opportunities for Christian service, individual and group growth to United Church of Christ youth and adult groups. These groups currently focus on housing recovery for low-income persons.

**Affordable Housing Initiatives** – A program to develop new construction affordable housing for low to moderate income persons in Harrison County, Mississippi.

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**Note 12 – Description of Program and Supporting Services (Continued)**

**Permanent Supportive Housing and Services for the Homeless** – Seventeen apartments are leased in the community for placement of homeless disabled persons, outreach and case management services are also offered, funded by the United States Department of Housing and Urban Development.

**Supportive Services for Veteran Families** – A program that assists veterans and veteran families in need of a home or at risk of losing theirs with services including health care, financial planning, transportation, child care and legal assistance.

**Day Center** – The Micah Day Center provides multiple services to homeless guests at a single site, such as showers, laundry, access to telephones and the internet, and case management.

**Management and general** - Includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of the Mission's program strategy; secure proper administrative functioning of the Board of Directors; and manage the financial and budgetary responsibilities of the Mission.

**Fundraising** - Provides the structure necessary to encourage and secure private financial support from individuals, churches and other organizations.

**Note 13 – Homeport Homeless Veterans Housing Project**

In April, 2014, the Mission formed a Mississippi single-member LLC known as Homeport, LLC; for the purpose of acquiring, developing, owning and operating all phases of the housing development known as Homeport. The Mission is the sole member of the LLC. The Homeport II building is currently under construction and subsequent to the completion of construction, title to both the Homeport I and Homeport II buildings is expected to be transferred to the LLC where it will manage the rental operations of the properties.

**Note 14 – Related Party Transactions**

Gulf Coast Housing Initiative, Inc. (GCHI) is a nonprofit organization that provides affordable, safe and dignified housing opportunities and services to low and moderate income individuals and families on the Mississippi Gulf Coast. It was formed as an initiative of the Mission in 2007 and is affiliated with the Mission through common governance. GCHI develops and manages real property for the Mission through development, sub-grant and property management agreements.

During the years ended December 31, 2014 and 2013, the Mission paid amounts for support, construction activity, payroll and related expense to GCHI in the amounts of \$188,044 and \$51,977, respectively. In addition, the Mission makes advances to GCHI to cover operating and construction costs in the ordinary course of business, which are liquidated periodically. During the year ended December 31, 2014, the Mission secured a construction loan for payment of construction costs related to



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**Note 14 – Related Party Transactions (Continued)**

the Homeport II building as more fully described in Note 10 above. Proceeds from this loan were advanced to GCHI under the same terms as the Mission's terms with the lender. Advances to GCHI under these arrangements as of December 31, 2014 and 2013 totaled \$134,680 and \$20,938, respectively.

**Note 15 – Subsequent Events**

The Mission has evaluated subsequent events through October 2, 2015, the date which the financial statements were issued, and identified the following subsequent events:

In December, 2013, the Mission received a letter from the United Church of Christ Office of General Counsel addressing the implementation of a new resolution passed by the United Church of Christ Board of Directors encouraging all UCC-related organizations to seek their own 501©(3) exemptions. The Mission's Board of Directors subsequently elected to seek its own tax-exempt status and in May, 2015, the Mission submitted its application for exemption to the Internal Revenue Service. On August 14, 2015, the Mission received notification from the Internal Revenue Service that it had determined that the Mission is an exempt organization under Section 501©(3) of the Internal Revenue Code.

In July, 2015, the Homeport II building was completed and title to the Homeport complex was transferred to Homeport, LLC effective July 17, 2015. The construction loan described in Note 10 above matured July 9, 2015, and was renewed as a term loan on July 16, 2015, in the name of Homeport, LLC. The new note is payable monthly at \$808, bearing interest at 3.823% for a period of one hundred eighty months, at which time an estimated final payment of interest and principal totaling \$44,788 is due.