

**Back Bay Mission
Biloxi, Mississippi**

**Financial Statements
December 31, 2010**

**Back Bay Mission
Financial Statements**

December 31, 2010

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Independent Auditors' Report

Board of Directors
Back Bay Mission
Biloxi, Mississippi

We have audited the accompanying statements of financial position of Back Bay Mission (a nonprofit organization), as of December 31, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Back Bay Mission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. The 2010 audit was also conducted in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010 and 2009, and the results of its operations and the cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2011, on our consideration of Back Bay Mission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Members:

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements of Back Bay Mission. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Columbus Mitchell Henry & Associates, P.A.
Certified Public Accountants

Biloxi, Mississippi
June 27, 2011

**Back Bay Mission
Statements of Financial Position**

	December 31,	
	2010	2009
Assets		
Current assets		
Cash and cash equivalents, partially restricted	\$ 404,176	\$ 522,091
Grants receivable	124,130	288,906
Investments	<u>50,892</u>	<u>25,712</u>
Total current assets	<u>579,198</u>	<u>836,709</u>
Long-term assets		
Investments	2,589,968	2,405,504
Utility deposits	<u>350</u>	<u>350</u>
Total long-term assets	<u>2,590,318</u>	<u>2,405,854</u>
Other assets		
Property and equipment, net of depreciation	2,498,216	2,814,028
Partnership interest, Bethel Estates Development, LLC	<u>1,096,860</u>	<u>547,867</u>
Total other assets	<u>3,595,076</u>	<u>3,361,895</u>
Total assets	<u>\$6,764,592</u>	<u>\$6,604,458</u>
 Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ -0-	\$ 265,247
Payroll taxes withheld and accrued	-0-	10
Due to Alembic Development Co., LLC	<u>119,910</u>	<u>119,910</u>
Total current liabilities	<u>119,910</u>	<u>385,167</u>
Net assets		
Unrestricted	4,913,385	5,294,431
Temporarily restricted	1,235,873	484,054
Permanently restricted	<u>495,424</u>	<u>440,806</u>
Total net assets	<u>6,644,682</u>	<u>6,219,291</u>
Total liabilities and net assets	<u>\$ 6,764,592</u>	<u>\$ 6,604,458</u>

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

**Back Bay Mission
Statements of Activities**

For the Year Ended December 31, 2010 and 2009

	December 31, 2010			December 31, 2009				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support and Revenue								
Public support								
Contributions	\$ 575,663	\$ 390	\$ -0-	\$ 576,053	\$ 543,732	\$ 150,031	\$ -0-	\$ 693,763
Church conferences	-0-	-0-	-0-	-0-	7,416	-0-	-0-	7,416
Bequests and trusts	17,927	-0-	-0-	17,927	21,293	-0-	-0-	21,293
Fund raising activities	27,496	-0-	-0-	27,496	27,944	-0-	-0-	27,944
Total public support	<u>621,086</u>	<u>390</u>	<u>-0-</u>	<u>621,476</u>	<u>600,385</u>	<u>150,031</u>	<u>-0-</u>	<u>750,416</u>
Grants and contracts								
Government	-0-	1,164,217	-0-	1,164,217	-0-	1,502,468	-0-	1,502,468
Other	276,241	-0-	-0-	276,241	304,476	-0-	-0-	304,476
Total grants	<u>276,241</u>	<u>1,164,217</u>	<u>-0-</u>	<u>1,440,458</u>	<u>304,476</u>	<u>1,502,468</u>	<u>-0-</u>	<u>1,806,944</u>
Other revenue								
Investment income	206,910	1,977	60,682	269,569	74,040	-0-	84,999	159,039
Program income	64,275	-0-	-0-	64,275	55,359	-0-	-0-	55,359
Other income	-0-	-0-	-0-	-0-	20,307	-0-	-0-	20,307
Loss on disposition of assets	(26,959)	-0-	-0-	(26,959)	(22,748)	-0-	-0-	(22,748)
Total other revenue	<u>244,226</u>	<u>1,977</u>	<u>60,682</u>	<u>306,885</u>	<u>126,958</u>	<u>-0-</u>	<u>84,999</u>	<u>211,957</u>
Totals	<u>1,141,553</u>	<u>1,166,584</u>	<u>60,682</u>	<u>2,368,819</u>	<u>1,031,819</u>	<u>1,652,499</u>	<u>84,999</u>	<u>2,769,317</u>
Net assets released from restrictions	<u>420,829</u>	<u>(414,765)</u>	<u>(6,064)</u>	<u>-0-</u>	<u>1,264,749</u>	<u>(1,255,693)</u>	<u>(9,056)</u>	<u>-0-</u>
Total support and revenue	<u>1,562,382</u>	<u>751,819</u>	<u>54,618</u>	<u>2,368,819</u>	<u>2,296,568</u>	<u>396,806</u>	<u>75,943</u>	<u>2,769,317</u>
Expenses								
Program services	1,629,270	-0-	-0-	1,629,270	1,610,540	-0-	-0-	1,610,540
Supporting services	314,158	-0-	-0-	314,158	196,310	-0-	-0-	196,310
Total expenses	<u>1,943,428</u>	<u>-0-</u>	<u>-0-</u>	<u>1,943,428</u>	<u>1,806,850</u>	<u>-0-</u>	<u>-0-</u>	<u>1,806,850</u>
Change in net assets	(381,046)	751,819	54,618	425,391	489,718	396,806	75,943	962,467
Net assets, beginning of year	<u>5,294,431</u>	<u>484,054</u>	<u>440,806</u>	<u>6,219,291</u>	<u>4,804,713</u>	<u>87,248</u>	<u>364,863</u>	<u>5,256,824</u>
Net assets, end of year	<u>\$ 4,913,385</u>	<u>\$ 1,235,873</u>	<u>\$ 495,424</u>	<u>\$ 6,644,682</u>	<u>\$ 5,294,431</u>	<u>\$ 484,054</u>	<u>\$ 440,806</u>	<u>\$ 6,219,291</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, 2010 and 2009

	December 31, 2010			December 31, 2009			
	Program Services	Supporting Services		Program Services	Supporting Services		
		Management & General	Fund Raising		Management & General	Fund Raising	Total
Personnel							
Salaries	\$ 384,172	\$ 30,700	\$ 43,575	\$ 458,447	\$ 403,392	\$ 21,142	\$ 446,063
Housing allowance	16,250	2,250	2,250	20,750	31,500	2,250	36,000
Payroll taxes and employee benefits	115,065	9,802	12,259	137,126	142,466	8,544	159,578
Total personnel	<u>515,487</u>	<u>42,752</u>	<u>58,084</u>	<u>616,323</u>	<u>577,358</u>	<u>31,936</u>	<u>641,641</u>
Occupancy							
Security	1,029	396	158	1,583	708	109	1,089
Repairs and maintenance	20,786	5,434	257	26,477	13,824	286	18,039
Telephone	8,232	2,498	999	11,729	7,140	856	10,137
Utilities	31,287	1,247	499	33,033	19,511	403	20,923
Total occupancy expenses	<u>61,334</u>	<u>9,575</u>	<u>1,913</u>	<u>72,822</u>	<u>41,183</u>	<u>1,654</u>	<u>50,188</u>
Equipment							
Repairs and maintenance	14,212	989	989	16,190	12,644	495	13,634
Direct Program Expenses							
Permanent housing and homeless assistance	236,755	-0-	-0-	236,755	135,935	-0-	135,935
Affordable housing	96,247	-0-	-0-	96,247	95,497	-0-	95,497
Emergency assistance	120,191	-0-	-0-	120,191	180,172	-0-	180,172
Food pantry	2,383	-0-	-0-	2,383	-0-	-0-	-0-
Workcamp and housing rehab	308,078	-0-	-0-	308,078	348,313	-0-	348,313
Community empowerment	8,157	-0-	-0-	8,157	33,156	-0-	33,156
Total direct program expenses	<u>771,811</u>	<u>-0-</u>	<u>-0-</u>	<u>771,811</u>	<u>793,073</u>	<u>-0-</u>	<u>793,073</u>
Balance carried forward	<u>1,362,844</u>	<u>\$ 53,316</u>	<u>\$ 60,986</u>	<u>\$ 1,477,146</u>	<u>\$ 1,424,258</u>	<u>\$ 40,193</u>	<u>\$ 1,498,536</u>

Back Bay Mission
Statements of Functional Expenses
For the Years Ended December 31, 2010 and 2009
(Continued)

	December 31, 2010			December 31, 2009				
	Supporting Services		Program Services	Supporting Services		Program Services		
	Management General	Fund Raising		Management General	Fund Raising			
	Total	Total	Total	Total	Total	Total		
Balance brought forward	<u>\$ 1,362,844</u>	<u>\$ 53,316</u>	<u>\$ 60,986</u>	<u>\$ 1,477,146</u>	<u>\$ 1,424,258</u>	<u>\$ 40,193</u>	<u>\$ 34,085</u>	<u>\$ 1,498,536</u>
Administrative								
Insurance	13,306	4,435	-0-	17,741	9,185	3,062	-0-	12,247
Miscellaneous	3,827	-0-	-0-	3,827	1,397	-0-	1,397	2,794
Outside services	-0-	8,999	11,140	20,139	7,897	6,026	8,895	22,818
Postage and office expense	17,890	2,982	4,045	24,917	20,999	3,500	9,878	34,377
Printing	-0-	-0-	38,818	38,818	35,576	-0-	-0-	35,576
Promotion	-0-	-0-	17,866	17,866	664	5,131	28,749	34,544
Travel	7,282	7,282	7,285	21,849	5,479	5,479	5,479	16,437
Board of Directors expenses	<u>10,095</u>	<u>1,683</u>	<u>1,683</u>	<u>13,461</u>	<u>12,992</u>	<u>2,165</u>	<u>2,165</u>	<u>17,322</u>
Total administrative expense	<u>52,400</u>	<u>25,381</u>	<u>80,837</u>	<u>158,618</u>	<u>94,189</u>	<u>25,363</u>	<u>56,563</u>	<u>176,115</u>
Other expenses								
Conferences and training	<u>4,331</u>	<u>3,047</u>	<u>721</u>	<u>8,099</u>	<u>4,781</u>	<u>1,889</u>	<u>797</u>	<u>7,467</u>
Total expenses before depreciation expense	<u>1,419,575</u>	<u>81,744</u>	<u>142,544</u>	<u>1,643,863</u>	<u>1,523,228</u>	<u>67,445</u>	<u>91,445</u>	<u>1,682,118</u>
Depreciation expense	<u>209,695</u>	<u>44,935</u>	<u>44,935</u>	<u>299,565</u>	<u>87,312</u>	<u>18,710</u>	<u>18,710</u>	<u>124,732</u>
Total functional expenses	<u>\$ 1,629,270</u>	<u>\$ 126,679</u>	<u>\$ 187,479</u>	<u>\$ 1,943,428</u>	<u>\$ 1,610,540</u>	<u>\$ 86,155</u>	<u>\$ 110,155</u>	<u>\$ 1,806,850</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, 2010 and 2009

	December 31,	
	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Cash received from public support	\$ 621,476	\$ 750,416
Cash received from grants	1,605,236	1,518,038
Cash received from program operations	64,275	20,307
Cash from other income	-0-	55,359
Cash disbursed for program expenses	(1,419,587)	(1,546,733)
Cash disbursed for supporting and fundraising expenses	<u>(224,288)</u>	<u>(136,730)</u>
Net cash provided by operating activities	<u>647,112</u>	<u>660,657</u>
Cash flows from investing activities		
Net investment redemptions	(247,498)	908,725
Purchases of fixed assets	(15,862)	(1,662,625)
Cash invested in partnership interest	(548,993)	(149,607)
Cash received from Alembic Development Co., LLC	-0-	119,910
Cash received from dividends and interest	42,176	43,329
Proceeds from disposition of assets	<u>5,150</u>	<u>7,500</u>
Net cash used in investing activities	<u>(765,027)</u>	<u>(732,768)</u>
Net decrease in cash and cash equivalents	(117,915)	(72,111)
Cash and cash equivalents, beginning of year	<u>522,091</u>	<u>594,202</u>
Cash and cash equivalents, end of year	<u>\$ 404,176</u>	<u>\$ 522,091</u>
Reconciliation of changes in net assets to net cash provided by operating activities		
Cash flows from operating activities:		
Change in net assets	\$ 425,391	\$ 962,467
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	299,565	124,732
Decrease (increase) in receivables	164,776	(288,906)
Investment income	(269,569)	(159,039)
Loss on disposal of assets	26,959	22,748
Decrease in accrued expenses	<u>(10)</u>	<u>(1,345)</u>
Net cash provided by operating activities	<u>\$ 647,112</u>	<u>\$ 660,657</u>

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

Back Bay Mission
Notes to Financial Statements
December 31, 2010

Note 1 - Description of Organization

Back Bay 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 as an affiliate of the United Church of Christ under 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 Organization 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.

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, 2010

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.

Capital campaign contributions are recorded as temporarily restricted support because they are not available for unrestricted use. Unconditional promises to give to the capital campaign are recorded when received. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give 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. The majority of the promises to give are received from a broad base of United Church of Christ members in the United States who have been associated with the Back Bay Mission.

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, 2010

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. and the Bay Area Food Bank 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.

Reclassifications – Certain immaterial reclassifications have been made to the 2009 financial statements to conform with the current year presentation.

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, 2010 not covered by FDIC insurance, totaled \$36,243.

Back Bay Mission
Notes to Financial Statements
December 31, 2010

Note 4 – Grants Receivable

The Mission records as grants receivable amounts due from grantors for expenditures incurred for which reimbursement in the form of grant proceeds is expected. Grants receivable at December 31, 2010 and 2009 totaled \$124,130 and \$288,906, respectively.

Note 5 – Investments

Investments are summarized as follows:

	<u>December 31, 2010</u>			<u>December 31, 2009</u>		
	<u>Cost/ Donated Value</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Cost/ Donated Value</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Unrestricted:						
Equity securities	\$ 1,758,297	\$ 1,903,641	\$ 1,903,641	\$ 1,755,935	\$ 1,750,591	\$ 1,750,591
Temporarily restricted:						
Certificate of deposit	241,795	241,795	241,795	239,819	239,819	239,819
Permanently restricted:						
Equity securities	<u>513,925</u>	<u>495,424</u>	<u>495,424</u>	<u>513,244</u>	<u>440,806</u>	<u>440,806</u>
Total investments	<u>\$ 2,514,017</u>	<u>\$ 2,640,860</u>	<u>\$ 2,640,860</u>	<u>\$ 2,508,998</u>	<u>\$ 2,431,216</u>	<u>\$ 2,431,216</u>

Investment returns are summarized as follows:

	<u>December 31, 2010</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Dividends and interest	\$ 33,453	\$ 1,977	\$ 6,746	\$ 42,176
Net realized gains	998	-0-	-0-	998
Net unrealized gains	172,584	-0-	53,936	226,520
Investment expenses	(125)	-0-	-0-	(125)
Net investment income	<u>\$ 206,910</u>	<u>\$ 1,977</u>	<u>\$ 60,682</u>	<u>\$ 269,569</u>
	<u>December 31, 2009</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Dividends and interest	\$ 33,716	\$ -0-	\$ 9,994	\$ 43,710
Net realized losses	(127,087)	-0-	-0-	(127,087)
Net unrealized gains	167,792	-0-	75,005	242,797
Investment expenses	(381)	-0-	-0-	(381)
Net investment income	<u>\$ 74,040</u>	<u>\$ -0-</u>	<u>\$ 84,999</u>	<u>\$ 159,039</u>

Back Bay Mission
Notes to Financial Statements
December 31, 2010

Note 6 – 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 2010 and 2009, totaled \$62,527 and \$69,211, respectively.

Note 7 – 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 8 – Property and Equipment

Property and equipment at December 31, 2010 and 2009 consisted of the following:

	December 31,	
	<u>2010</u>	<u>2009</u>
Land	\$ 84,542	\$ 84,542
Building and improvements:		
1012 Division Street	1,735,205	1,731,851
1016 Division Street	1,002,172	989,664
308 Iroquois Street	120,669	120,669
310 Iroquois Street	-0-	44,604
Vehicles	58,013	58,013
Office furniture and equipment	<u>62,012</u>	<u>62,012</u>
Total property and equipment	3,062,613	3,091,355
Less: Accumulated depreciation	<u>564,397</u>	<u>277,327</u>
Total property and equipment, net	<u>\$ 2,498,216</u>	<u>\$ 2,814,028</u>

Depreciation expense for 2010 and 2009 totaled \$299,565 and \$124,732 respectively.

Back Bay Mission
Notes to Financial Statements
December 31, 2010

Note 9 – Restrictions and Designations of Net Assets

Restrictions – Temporarily restricted net assets were available for the following purposes at December 31, 2010 and 2009:

	December 31,	
	<u>2010</u>	<u>2009</u>
City of Biloxi grant proceeds	\$ -0-	\$ 74,442
FEMA	19	10
Bethel Estates	1,218,746	402,529
Department of Housing and Urban Development	7,202	6,951
Homeless Prevention and Rapid Re-housing	<u>9,906</u>	<u>122</u>
Total	\$ <u>1,235,873</u>	\$ <u>484,054</u>

Permanently restricted net assets were available for the following at December 31, 2010 and 2009:

	December 31,	
	<u>2010</u>	<u>2009</u>
UCF CCM Endowment	\$ 345,746	\$ 307,629
UCF Endowment fund	<u>149,678</u>	<u>133,177</u>
Total	\$ <u>495,424</u>	\$ <u>440,806</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 10 – Partnership Interest, Bethel Estates Development, LLC

On May 11, 2009, The Mission entered into an operating agreement with Alembic Development Company, LLC, a New York limited liability company, for the purpose of forming Bethel Estates Development, LLC, to develop housing units for low to moderate income families. The project is expected to cost \$5,300,000 for the construction of infrastructure and 28 single family homes and 4 duplex units. The project will be financed by a \$2,398,182 community development block grant and a construction loan from a local bank.

As of December 31, 2010, a total of \$1,365,846 had been invested in the project by Back Bay Mission and Alembic Development Company, LLC. These costs consist of construction and soft costs, and administrative salary costs which are reimbursed to each of the two partners by the capital grant. Because these salaries are for grant and project administration, they are not capitalized as part of the construction project. Total costs capitalized as of December 31, 2010 and 2009 were \$1,096,860 and \$547,867.

Back Bay Mission
Notes to Financial Statements
December 31, 2010

Note 11 – Due to Alembic Development Company, LLC

As part of the financing of the Bethel Estates Project, a letter of credit was established by Back Bay Mission. A certificate of deposit in the amount of \$239,819 was pledged as collateral by the Mission for the letter of credit. Alembic Development Company, LLC reimbursed the Mission for half of the certificate of deposit, or \$119,910. Inasmuch as this amount will be refunded to Alembic Development Company, LLC upon release of the collateral, it is reported on the statements of financial position as amounts due to Alembic Development Company, LLC.

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 3,784 and 4,621 clients during 2010 and 2009, 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.

Permanent Supportive Housing and Services for the Homeless – Fourteen 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.

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

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.

Back Bay Mission
 Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2010

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Agency Award Number</u>	<u>Amount</u>
<i>U.S. Department of Homeland Security</i>			
Emergency Food and Shelter National Board Programs	97.024	28-5136-00	\$ 8,435
<i>U.S. Department of Housing and Urban Development</i>			
Supportive Housing Program	14.235	MS0017B4G030801	20,866
Supportive Housing Program	14.235	MS0017B4G030802	57,470
Supportive Housing Program	14.235	MS 26B703002	24,831
Supportive Housing program	14.235	MS0018B4G030802	43,487
Passed through the Mississippi Development Authority:			
Homeless Prevention and Rapid Re-housing Program	14.257	A0231A-BBM	111,908
Katrina Community Development Block Grant	14.228	R16-117-LTW	<u>787,657</u>
Total expenditures of federal awards			<u>\$ 1,054,654</u>

The accompanying notes are an integral part of this schedule.

Back Bay Mission
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2010

Note 1 – Basis of Presentation

The accompanying schedule of federal awards is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**Independent Auditors' Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

To the Board of Directors
Back Bay Mission
Biloxi, Mississippi

We have audited the financial statements of Back Bay Mission as of and for the year ended December 31, 2010 and have issued our report thereon dated June 27, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Back Bay Mission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Back Bay Mission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Back Bay Mission's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of Back Bay Mission's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Back Bay Mission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of, management, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Culver, Hatcher, Henry & Associates, P.A.

Certified Public Accountants

Biloxi, Mississippi
June 27, 2011

**Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control Over
Compliance in Accordance with *OMB Circular A-133***

To the Board of Directors
Back Bay Mission
Biloxi, Mississippi

Compliance

We have audited the compliance of Back Bay Mission with the types of compliance requirements described in the *U.S. Office of Management and Budget OMB Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2010. Back Bay Mission's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Back Bay Mission's management. Our responsibility is to express an opinion on Back Bay Mission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Back Bay Mission's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Back Bay Mission's compliance with those requirements.

In our opinion, Back Bay Mission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

Internal Control over Compliance

Management of Back Bay Mission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Back Bay Mission's internal control over compliance with requirements that could have direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Back Bay Mission's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Culpeper, Hatcher, Henry & Associates, P.A.

Certified Public Accountants

Biloxi, Mississippi
June 27, 2011

Back Bay Mission
Schedule of Findings and Questioned Costs
Year Ended December 31, 2010

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: unqualified
Internal control over financial reporting:
Material weakness(es) identified? yes x no
Significant deficiency(s) identified that are
not considered to be material weakness(es)? yes x none reported
Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal control over major programs:
Material weakness(es) identified? yes x no
Significant deficiency(s) identified that are
not considered to be material weakness(es)? yes x none reported
Type of auditors’ report issued on compliance
for major programs: unqualified
Any audit findings disclosed that are required
to be reported in accordance with section 510(a)
of Circular A-133 yes x no

Identification of major programs:

CFDA Number(s)

14.228

Name of Federal Program or Cluster

Katrina Community Development Block Grant

Dollar threshold used to distinguish between
type A and type B programs \$ 300,000

Auditee qualified as low-risk auditee? yes x no

Back Bay Mission
Schedule of Findings and Questioned Costs
Year Ended December 31, 2010

Section II – Financial Statement Findings

There were no findings or questioned costs relative to the financial statements.

Section III – Federal Awards Findings

There were no findings or questioned costs relative to federal awards.

Back Bay Mission
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2010

There were no prior audit findings