

**Back Bay Mission  
Biloxi, Mississippi**

**Financial Statements  
December 31, 2011**

**Back Bay Mission  
Financial Statements**

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December 31, 2011

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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, 2011 and 2010, 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. 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, 2011 and 2010, 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.

*Culumber, Fletcher, Harvey & Associates, P.A.*  
Certified Public Accountants

Biloxi, Mississippi  
- June 26, 2012

Members:

American Institute of CPAs • AICPA Division of CPA Firms-Private Companies Practice Section • Mississippi Society of CPAs

Biloxi • Gulfport



**Back Bay Mission  
Statements of Financial Position**

	December 31,	
	<u>2011</u>	<u>2010</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents, partially restricted	\$ 473,959	\$ 404,176
Grants receivable	-0-	124,130
Investments	<u>53,202</u>	<u>50,892</u>
Total current assets	<u>527,161</u>	<u>579,198</u>
<b>Long-term assets</b>		
Investments	2,513,486	2,589,968
Utility deposits	<u>350</u>	<u>350</u>
Total long-term assets	<u>2,513,836</u>	<u>2,590,318</u>
<b>Other assets</b>		
Property and equipment, net of depreciation	2,207,296	2,498,216
Partnership interest, Bethel Estates Development, LLC	<u>-0-</u>	<u>1,096,860</u>
Total other assets	<u>2,207,296</u>	<u>3,595,076</u>
Total assets	<u>\$ 5,248,293</u>	<u>\$ 6,764,592</u>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Due to Alembic Development Co., LLC	\$ <u>-0-</u>	\$ <u>119,910</u>
<b>Net assets</b>		
Unrestricted	4,766,855	4,913,385
Temporarily restricted	11,194	1,235,873
Permanently restricted	<u>470,244</u>	<u>495,424</u>
Total net assets	<u>5,248,293</u>	<u>6,644,682</u>
Total liabilities and net assets	<u>\$ 5,248,293</u>	<u>\$ 6,764,592</u>

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

**Back Bay Mission**  
**Statements of Activities**  
For the Year Ended December 31, 2011 and 2010

	December 31, 2011			December 31, 2010				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Public Support and Revenue</b>								
Public support								
Contributions	\$ 486,943	\$ 125	\$ -0-	\$ 487,068	\$ 575,663	\$ 390	\$ -0-	\$ 576,053
Bequests and trusts	14,286	-0-	-0-	14,286	17,927	-0-	-0-	17,927
Fund raising activities	8,181	-0-	-0-	8,181	27,496	-0-	-0-	27,496
Total public support	<u>509,410</u>	<u>125</u>	<u>-0-</u>	<u>509,535</u>	<u>621,086</u>	<u>390</u>	<u>-0-</u>	<u>621,476</u>
Grants and contracts								
Government	-0-	582,907	-0-	582,907	-0-	1,164,217	-0-	1,164,217
Other	382,406	-0-	-0-	382,406	276,241	-0-	-0-	276,241
Total grants	<u>382,406</u>	<u>582,907</u>	<u>-0-</u>	<u>965,313</u>	<u>276,241</u>	<u>1,164,217</u>	<u>-0-</u>	<u>1,440,458</u>
<b>Other revenue</b>								
Investment income	1,581	-0-	( 18,430)	( 16,849)	206,910	1,977	60,682	269,569
Program income	68,300	-0-	-0-	68,300	64,275	-0-	-0-	64,275
Loss on disposition of assets	-0-	-0-	-0-	-0-	( 26,959)	-0-	-0-	( 26,959)
Total other revenue	<u>69,881</u>	<u>-0-</u>	<u>( 18,430)</u>	<u>51,451</u>	<u>244,226</u>	<u>1,977</u>	<u>60,682</u>	<u>306,885</u>
Totals	961,697	583,032	( 18,430)	1,526,299	1,141,553	1,166,584	60,682	2,368,819
Net assets released from restrictions	569,395	( 562,645)	( 6,750)	-0-	420,829	( 414,765)	( 6,064)	-0-
Total support and revenue	<u>1,531,092</u>	<u>20,387</u>	<u>( 25,180)</u>	<u>1,526,299</u>	<u>1,562,382</u>	<u>751,819</u>	<u>54,618</u>	<u>2,368,819</u>
<b>Expenses</b>								
Program services	1,365,090	-0-	-0-	1,365,090	1,629,270	-0-	-0-	1,629,270
Supporting services	312,532	-0-	-0-	312,532	314,158	-0-	-0-	314,158
Total expenses	<u>1,677,622</u>	<u>-0-</u>	<u>-0-</u>	<u>1,677,622</u>	<u>1,943,428</u>	<u>-0-</u>	<u>-0-</u>	<u>1,943,428</u>
Increase (decrease) in net assets before extraordinary item	( 146,530)	20,387	( 25,180)	( 151,323)	( 381,046)	751,819	54,618	425,391
Extraordinary item-transfer of partnership interest	-0-	( 1,245,066)	-0-	( 1,245,066)	-0-	-0-	-0-	-0-
Change in net assets	( 146,530)	( 1,224,679)	( 25,180)	( 1,396,389)	( 381,046)	751,819	54,618	425,391
Net assets, beginning of year	4,913,385	1,235,873	495,424	6,644,682	5,294,431	484,054	440,806	6,219,291
Net assets, end of year	<u>\$ 4,766,855</u>	<u>\$ 11,194</u>	<u>\$ 470,244</u>	<u>\$ 5,248,293</u>	<u>\$ 4,913,385</u>	<u>\$ 1,235,873</u>	<u>\$ 495,424</u>	<u>\$ 6,644,682</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, 2011 and 2010

	<u>December 31, 2011</u>			<u>December 31, 2010</u>			
	<u>Supporting Services</u>			<u>Supporting Services</u>			
	<u>Program Services</u>	<u>Management &amp; General</u>	<u>Fund Raising</u>	<u>Program Services</u>	<u>Management &amp; General</u>	<u>Fund Raising</u>	<u>Total</u>
<b>Personnel</b>							
Salaries	\$ 361,634	\$ 27,480	\$ 43,171	\$ 384,172	\$ 30,700	\$ 43,575	\$ 458,447
Housing allowance	13,500	2,250	2,250	16,250	2,250	2,250	20,750
Payroll taxes and employee benefits	120,647	8,803	11,595	115,065	9,802	12,259	137,126
Total personnel	<u>495,781</u>	<u>38,533</u>	<u>57,016</u>	<u>515,487</u>	<u>42,752</u>	<u>58,084</u>	<u>616,323</u>
<b>Occupancy</b>							
Security	1,042	401	160	1,029	396	158	1,583
Repairs and maintenance	20,845	5,497	158	20,786	5,434	257	26,477
Telephone	8,850	2,780	1,112	8,232	2,498	999	11,729
Utilities	29,829	1,516	607	31,287	1,247	499	33,033
Total occupancy expenses	<u>60,566</u>	<u>10,194</u>	<u>2,037</u>	<u>61,334</u>	<u>9,575</u>	<u>1,913</u>	<u>72,822</u>
<b>Equipment</b>							
Repairs and maintenance	<u>17,925</u>	<u>689</u>	<u>689</u>	<u>14,212</u>	<u>989</u>	<u>989</u>	<u>16,190</u>
<b>Direct Program Expenses</b>							
Permanent housing and homeless assistance	180,610	-0-	-0-	236,755	-0-	-0-	236,755
Affordable housing	279	-0-	-0-	96,247	-0-	-0-	96,247
Emergency assistance	129,052	-0-	-0-	120,191	-0-	-0-	120,191
Food pantry	3,277	-0-	-0-	2,383	-0-	-0-	2,383
Workcamp and housing rehab	199,020	-0-	-0-	308,078	-0-	-0-	308,078
Community empowerment	10,883	-0-	-0-	8,157	-0-	-0-	8,157
Total direct program expenses	<u>523,121</u>	<u>-0-</u>	<u>-0-</u>	<u>771,811</u>	<u>-0-</u>	<u>-0-</u>	<u>771,811</u>
<b>Balance carried forward</b>	<u>1,097,393</u>	<u>49,416</u>	<u>59,742</u>	<u>1,362,844</u>	<u>\$ 53,316</u>	<u>\$ 60,986</u>	<u>\$ 1,477,146</u>

**Back Bay Mission**  
**Statements of Functional Expenses**  
For the Years Ended December 31, 2011 and 2010  
(Continued)

	December 31, 2011			December 31, 2010		
	Supporting Services		Program Services	Supporting Services		Program Services
	Management	Fund Raising		Management	Fund Raising	
	General	Total	General	Total	General	Total
<b>Balance brought forward</b>	\$ 49,416	\$ 59,742	\$ 1,362,844	\$ 53,316	\$ 60,986	\$ 1,477,146
<b>Administrative</b>						
Insurance	17,214	5,738	13,306	4,435	-	17,741
Miscellaneous	3,767	-0-	3,827	-	-	3,827
Outside services	-0-	4,249	-	8,999	11,140	20,139
Postage and office expense	16,493	2,749	17,890	2,982	4,045	24,917
Printing	-0-	-0-	-	-	38,818	38,818
Promotion	-0-	39,216	-	-	17,866	17,866
Travel	5,542	6,828	7,282	7,282	7,285	21,849
Board of Directors expenses	15,621	5,543	10,095	1,683	1,683	13,461
Total administrative expense	<u>58,637</u>	<u>22,258</u>	<u>52,400</u>	<u>25,381</u>	<u>80,837</u>	<u>158,618</u>
<b>Other expenses</b>						
Conferences and training	4,786	3,247	4,331	3,047	721	8,099
Total expenses before depreciation expense	1,160,816	74,921	1,419,575	81,744	142,544	1,643,863
Depreciation expense	204,274	43,773	209,695	44,935	44,935	299,565
Total functional expenses	<u>\$ 1,365,090</u>	<u>\$ 118,694</u>	<u>\$ 1,629,270</u>	<u>\$ 126,679</u>	<u>\$ 187,479</u>	<u>\$ 1,943,428</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, 2011 and 2010

	<b>December 31,</b>	
	<u>2011</u>	<u>2010</u>
<b>Cash flows from operating activities</b>		
Cash received from public support	\$ 509,535	\$ 621,476
Cash received from grants	1,089,443	1,605,236
Cash received from program operations	68,300	64,275
Cash disbursed for program expenses	( 1,160,816)	( 1,419,587)
Cash disbursed for supporting and fundraising expenses	( <u>224,986</u> )	( <u>224,288</u> )
Net cash provided by operating activities	<u>281,476</u>	<u>647,112</u>
<b>Cash flows from investing activities</b>		
Net investment redemptions	14,695	( 247,498)
Purchases of fixed assets	( 902)	( 15,862)
Cash invested in partnership interest	( 148,206)	( 548,993)
Cash paid to Alembic Development Co., LLC	( 119,910)	-0-
Cash received from dividends and interest	42,630	42,176
Proceeds from disposition of assets	<u>-0-</u>	<u>5,150</u>
Net cash used in investing activities	<u>( 211,693)</u>	<u>( 765,027)</u>
Net increase (decrease) in cash and cash equivalents	69,783	( 117,915)
Cash and cash equivalents, beginning of year	<u>404,176</u>	<u>522,091</u>
Cash and cash equivalents, end of year	<u>\$ 473,959</u>	<u>\$ 404,176</u>
<b>Supplemental schedule of noncash investing activities</b>		
Transfer of partnership interest	<u>\$ 1,245,066</u>	<u>\$ -0-</u>
<b>Reconciliation of changes in net assets to net cash provided by operating activities</b>		
Cash flows from operating activities:		
Change in net assets	\$( 1,396,389)	\$ 425,391
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	291,820	299,565
Transfer of partnership interest	1,245,066	-0-
Decrease in receivables	124,130	164,776
Investment (income) loss	16,849	( 269,569)
Loss on disposal of assets	-0-	26,959
Decrease in accrued expenses	<u>-0-</u>	<u>( 10)</u>
Net cash provided by operating activities	<u>\$ 281,476</u>	<u>\$ 647,112</u>

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



**Back Bay Mission**  
**Notes to Financial Statements**  
December 31, 2011 and 2010

**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 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, 2011 and 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, 2011 and 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. 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, 2011 not covered by FDIC insurance, totaled \$165,529.

**Back Bay Mission**  
**Notes to Financial Statements**  
December 31, 2011 and 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, 2011 and 2010 totaled \$-0- and \$124,130, respectively.

**Note 5 – Investments**

Investments are summarized as follows:

	<u>December 31, 2011</u>			<u>December 31, 2010</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	\$ 2,022,459	\$ 2,096,444	\$ 2,096,444	\$ 1,758,297	\$ 1,903,641	\$ 1,903,641
Temporarily restricted:						
Certificate of deposit	-0-	-0-	-0-	241,795	241,795	241,795
Permanently restricted:						
Equity securities	<u>514,687</u>	<u>470,244</u>	<u>470,244</u>	<u>513,925</u>	<u>495,424</u>	<u>495,424</u>
Total investments	<u>\$ 2,537,146</u>	<u>\$ 2,566,688</u>	<u>\$ 2,566,688</u>	<u>\$ 2,514,017</u>	<u>\$ 2,640,860</u>	<u>\$ 2,640,860</u>

Investment returns are summarized as follows:

	<u>December 31, 2011</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Dividends and interest	\$ 35,035	\$ -0-	\$ 7,508	\$ 42,543
Net realized gains	7,199	-0-	-0-	7,199
Net unrealized losses	( 40,153)	-0-	( 25,938)	( 66,091)
Investment expenses	<u>( 500)</u>	<u>-0-</u>	<u>-0-</u>	<u>( 500)</u>
Net investment income (loss)	<u>\$ 1,581</u>	<u>\$ -0-</u>	<u>\$ (18,430)</u>	<u>\$ (16,849)</u>
	<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	<u>( 125)</u>	<u>-0-</u>	<u>-0-</u>	<u>( 125)</u>
Net investment income	<u>\$ 206,910</u>	<u>\$ 1,977</u>	<u>\$ 60,682</u>	<u>\$ 269,569</u>

**Back Bay Mission**  
**Notes to Financial Statements**  
December 31, 2011 and 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 2011 and 2010, totaled \$59,753 and \$62,527, 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, 2011 and 2010 consisted of the following:

	December 31,	
	<u>2011</u>	<u>2010</u>
Land	\$ 84,542	\$ 84,542
Building and improvements:		
1012 Division Street	1,736,107	1,735,205
1016 Division Street	1,002,172	1,002,172
308 Iroquois Street	120,669	120,669
Vehicles	58,013	58,013
Office furniture and equipment	<u>62,012</u>	<u>62,012</u>
Total property and equipment	3,063,515	3,062,613
Less: Accumulated depreciation	<u>856,219</u>	<u>564,397</u>
Total property and equipment, net	<u>\$ 2,207,296</u>	<u>\$ 2,498,216</u>

Depreciation expense for 2011 and 2010 totaled \$291,820 and \$299,565 respectively.

**Back Bay Mission**  
**Notes to Financial Statements**  
December 31, 2011 and 2010

**Note 9 – Restrictions and Designations of Net Assets**

**Restrictions** – Temporarily restricted net assets were available for the following purposes at December 31, 2011 and 2010:

	<b>December 31,</b>	
	<u>2011</u>	<u>2010</u>
FEMA	\$ 1,369	\$ 19
Bethel Estates	-0-	1,218,746
Department of Housing and Urban Development	7,849	7,202
Homeless Prevention and Rapid Re-housing	<u>1,976</u>	<u>9,906</u>
<b>Total</b>	<b><u>\$ 11,194</u></b>	<b><u>\$ 1,235,873</u></b>

Permanently restricted net assets were available for the following at December 31, 2011 and 2010:

	<b>December 31,</b>	
	<u>2011</u>	<u>2010</u>
UCF CCM Endowment	\$ 142,070	\$ 345,746
UCF Endowment fund	<u>328,174</u>	<u>149,678</u>
<b>Total</b>	<b><u>\$ 470,244</u></b>	<b><u>\$ 495,424</u></b>

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 was expected to cost \$5,300,000 for the construction of infrastructure and 28 single family homes and 4 duplex units. The project was originally approved for financing 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 were for grant and project administration, they were not capitalized as part of the construction project. Total costs capitalized as of December 31, 2010 totaled \$1,096,860.

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**Note 10 – Partnership Interest, Bethel Estates Development, LLC (continued)**

Due to the current economic conditions on the Mississippi Gulf Coast, the partnership experienced difficulties in completing the construction of the housing units within the timeframe established by the contract with Mississippi Development Authority (MDA). After unsuccessfully attempting to negotiate a new contract with MDA, the partnership negotiated an agreement whereby the partnership interest was transferred to a developer selected by MDA to continue the project. During the year ended December 31, 2011, additional costs incurred by the Mission associated with the project totaled \$148,206. Upon transfer of the partnership interest, these costs plus the \$1,096,860 in costs capitalized through the year ended December 31, 2010 were recorded as an extraordinary item on the Statement of Activities totaling \$1,245,066 for the year ended December 31, 2011.

**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 the Mission by pledging a certificate of deposit in the amount of \$239,819 as collateral for the letter of credit. Alembic Development Company, LLC reimbursed the Mission \$119,910, or one half of the certificate of deposit, to be refunded to Alembic Development Company, LLC upon release of the collateral. This amount was reported on the statements of financial position as amounts due to Alembic Development Company, LLC. During the year ended December 31, 2011 as more fully described in Note 10, the partnership interest was transferred to a private developer and the letter of credit was released. Upon release of the letter of credit, the Mission reimbursed Alembic Development Company, LLC for its portion of the certificate of deposit less \$14,315 in partnership expenses due to the Mission, for a net amount of \$105,595.

**Note 12 – Extraordinary Item, Transfer of Partnership Interest.**

As more fully described in Note 10, the Mission transferred its interest in the Bethel Estates Development, LLC partnership to a private developer under the terms of an agreement between the Mission, Alembic Development Company, LLC and the Mississippi Development authority. Because of the unusual nature and infrequent occurrence of the transaction, management has recorded the transfer as an extraordinary item, reducing temporarily restricted assets by a total of \$1,245,066.

**Note 13 – Commitments and Contingencies**

The Mission has received approval for a grant in the amount of \$86,000 from the United States Department of Housing and Urban Development for the construction of housing for homeless veterans. The project is expected to cost \$175,000 and is expected to be fully funded through additional grants. The development will be constructed on land currently owned by the Mission at the former site of the Back Bay Mission thrift shop.

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**Note 14 – 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 4,197 and 3,784 clients during 2011 and 2010, 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.