

**Back Bay Mission
Biloxi, Mississippi**

**Financial Statements
December 31, 2012**

**Back Bay Mission
Financial Statements**

December 31, 2012

Contents

	<u>Page</u>
Independent Auditor's Report.....	1-2
Statements of Financial Position.....	3
Statements of Activities	4
Statements of Functional Expenses	5-6
Statements of Cash Flows.....	7
Notes to Financial Statements.....	8-15

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, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Back Bay Mission as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The 2011 financial statements were audited by predecessor auditors, who in their report dated June 26, 2012, expressed an unmodified opinion on those statements.

Albino and Company, P.L.L.C.

Certified Public Accountants

Biloxi, Mississippi
September 3, 2013

**Back Bay Mission
Statements of Financial Position**

	December 31,	
	2012	2011
Assets		
Current assets		
Cash and cash equivalents, partially restricted	\$ 469,223	\$ 473,959
Grants receivable	20,374	-0-
Due from Gulf Coast Housing Initiative, net	3,920	-0-
Investments	<u>53,798</u>	<u>53,202</u>
Total current assets	<u>547,315</u>	<u>527,161</u>
Long-term assets		
Investments	2,887,760	2,513,486
Utility deposits	<u>350</u>	<u>350</u>
Total long-term assets	<u>2,888,110</u>	<u>2,513,836</u>
Other assets		
Property and equipment, net of depreciation	<u>2,090,199</u>	<u>2,207,296</u>
Total assets	<u>\$ 5,525,624</u>	<u>\$ 5,248,293</u>
Liabilities and Net Assets		
Current liabilities		
Accrued payroll taxes	\$ <u>73</u>	\$ <u>-0-</u>
Net assets		
Unrestricted	4,981,814	4,766,855
Temporarily restricted	9,906	11,194
Permanently restricted	<u>533,831</u>	<u>470,244</u>
Total net assets	<u>5,525,551</u>	<u>5,248,293</u>
Total liabilities and net assets	<u>\$ 5,525,624</u>	<u>\$ 5,248,293</u>

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

**Back Bay Mission
Statements of Activities**

For the Year Ended December 31, 2012 and 2011

	December 31, 2012			December 31, 2011				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support and Revenue								
Public support								
Contributions	\$ 547,987	\$ -0-	\$ -0-	\$ 547,987	\$ 486,943	\$ 125	\$ -0-	\$ 487,068
Bequests and trusts	90,046	-0-	-0-	90,046	14,286	-0-	-0-	14,286
Fund raising activities	5,725	-0-	-0-	5,725	8,181	-0-	-0-	8,181
Total public support	<u>643,758</u>	<u>-0-</u>	<u>-0-</u>	<u>643,758</u>	<u>509,410</u>	<u>125</u>	<u>-0-</u>	<u>509,535</u>
Grants and contracts								
Government	-0-	465,697	-0-	465,697	-0-	582,907	-0-	582,907
Other	374,698	-0-	-0-	374,698	382,406	-0-	-0-	382,406
Total grants and contracts	<u>374,698</u>	<u>465,697</u>	<u>-0-</u>	<u>840,395</u>	<u>382,406</u>	<u>582,907</u>	<u>-0-</u>	<u>965,313</u>
Other revenue								
Investment income	274,036	-0-	71,570	345,606	1,581	-0-	(18,430)	(16,849)
Program income	67,595	-0-	-0-	67,595	68,300	-0-	-0-	68,300
Loss on disposition of assets	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total other revenue	<u>341,631</u>	<u>-0-</u>	<u>71,570</u>	<u>413,201</u>	<u>69,881</u>	<u>-0-</u>	<u>(18,430)</u>	<u>51,451</u>
Totals	1,360,087	465,697	71,570	1,897,354	961,697	583,032	(18,430)	1,526,299
Net assets released from restrictions	474,968	(466,985)	(7,983)	-0-	569,395	(562,645)	(6,750)	-0-
Total support and revenue	<u>1,835,055</u>	<u>(1,288)</u>	<u>63,587</u>	<u>1,897,354</u>	<u>1,531,092</u>	<u>20,387</u>	<u>(25,180)</u>	<u>1,526,299</u>
Expenses								
Program services	1,270,198	-0-	-0-	1,270,198	1,365,090	-0-	-0-	1,365,090
Supporting services	349,898	-0-	-0-	349,898	312,532	-0-	-0-	312,532
Total expenses	<u>1,620,096</u>	<u>-0-</u>	<u>-0-</u>	<u>1,620,096</u>	<u>1,677,622</u>	<u>-0-</u>	<u>-0-</u>	<u>1,677,622</u>
Increase (decrease) in net assets before extraordinary item	214,959	(1,288)	63,587	277,258	(146,530)	20,387	(25,180)	(151,323)
Extraordinary item-transfer of partnership interest	-0-	-0-	-0-	-0-	-0-	(1,245,066)	-0-	(1,245,066)
Change in net assets	214,959	(1,288)	63,587	277,258	(146,530)	1,224,679	(25,180)	(1,396,389)
Net assets, beginning 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>6,644,582</u>
Net assets, end of year	<u>\$ 4,981,814</u>	<u>\$ 9,906</u>	<u>\$ 533,831</u>	<u>\$ 5,525,551</u>	<u>\$ 4,766,855</u>	<u>\$ 11,194</u>	<u>\$ 470,244</u>	<u>\$ 5,248,293</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, 2012 and 2011

	December 31, 2012			December 31, 2011			
	<u>Supporting Services</u>			<u>Supporting Services</u>			
	<u>Program Services</u>	<u>Management & General</u>	<u>Fund Raising</u>	<u>Program Services</u>	<u>Management & General</u>	<u>Fund Raising</u>	<u>Total</u>
Personnel							
Salaries	\$ 344,284	\$ 17,118	\$ 68,182	\$ 361,634	\$ 27,480	\$ 43,171	\$ 432,285
Housing allowance	13,500	2,250	2,250	13,500	2,250	2,250	18,000
Payroll taxes and employee benefits	121,747	7,311	14,420	120,647	8,803	11,595	141,045
Total personnel	<u>479,531</u>	<u>26,679</u>	<u>84,852</u>	<u>495,781</u>	<u>38,533</u>	<u>57,016</u>	<u>591,330</u>
Occupancy							
Security	1,029	396	158	1,042	401	160	1,603
Repairs and maintenance	22,779	5,991	131	20,845	5,497	158	26,500
Telephone	10,360	2,950	1,180	8,850	2,780	1,112	12,742
Utilities	26,212	1,304	522	29,829	1,516	607	31,952
Total occupancy expenses	<u>60,380</u>	<u>10,641</u>	<u>1,991</u>	<u>60,566</u>	<u>10,194</u>	<u>2,037</u>	<u>72,797</u>
Equipment							
Repairs and maintenance	<u>11,862</u>	<u>774</u>	<u>774</u>	<u>17,925</u>	<u>689</u>	<u>689</u>	<u>19,303</u>
Direct Program Expenses							
Permanent housing and homeless assistance	120,269	-0-	-0-	180,610	-0-	-0-	180,610
Affordable housing	61,255	-0-	-0-	279	-0-	-0-	279
Emergency assistance	86,876	-0-	-0-	129,052	-0-	-0-	129,052
Food pantry	7,000	-0-	-0-	3,277	-0-	-0-	3,277
Workcamp and housing rehab	156,721	-0-	-0-	199,020	-0-	-0-	199,020
Community empowerment	26,382	-0-	-0-	10,883	-0-	-0-	10,883
Total direct program expenses	<u>458,503</u>	<u>-0-</u>	<u>-0-</u>	<u>523,121</u>	<u>-0-</u>	<u>-0-</u>	<u>523,121</u>
Balance carried forward	<u>1,010,276</u>	<u>38,094</u>	<u>87,617</u>	<u>1,097,393</u>	<u>\$ 49,416</u>	<u>\$ 59,742</u>	<u>\$ 1,206,551</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, 2012 and 2011
(Continued)

	December 31, 2012			December 31, 2011				
	Supporting Services			Supporting Services				
	Program Services	Management General	Fund Raising Total	Program Services	Management General	Fund Raising Total		
Balance brought forward	\$ 1,010,276	\$ 38,094	\$ 87,617	\$ 1,135,987	\$ 1,097,393	\$ 49,416	\$ 59,742	\$ 1,206,551
Administrative								
Insurance	17,184	5,728	-0-	22,912	17,214	5,738	-0-	22,952
Miscellaneous	2,600	-0-	-0-	2,600	3,767	-0-	4,249	8,016
Outside services	-0-	7,388	34,963	42,351	-0-	5,625	22,103	27,728
Postage and office expense	15,459	2,577	8,680	26,716	16,493	2,749	8,982	28,224
Printing	-0-	-0-	43,585	43,585	-0-	-0-	39,216	39,216
Promotion	-0-	-0-	11,123	11,123	-0-	-0-	6,828	6,828
Travel	7,057	7,056	9,014	23,127	5,542	5,542	5,543	16,627
Board of Directors expenses	14,029	2,338	2,338	18,705	15,621	2,604	2,604	20,829
Total administrative expense	56,329	25,087	109,703	191,119	58,637	22,258	89,525	170,420
Other expenses								
Conferences and training	4,681	3,369	780	8,830	4,786	3,247	798	8,831
Total expenses before depreciation expense	1,071,286	66,550	198,100	1,335,936	1,160,816	74,921	150,065	1,385,802
Depreciation expense	198,912	42,624	42,624	284,160	204,274	43,773	43,773	291,820
Total functional expenses	\$ 1,270,198	\$ 109,174	\$ 240,724	\$ 1,620,096	\$ 1,365,090	\$ 118,694	\$ 193,838	\$ 1,677,622

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

Back Bay Mission
Statements of Cash Flows
For the Years Ended December 31, 2012 and 2011

	December 31,	
	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Cash received from public support	\$ 643,758	\$ 509,535
Cash received from grants and contracts	737,316	1,089,443
Cash received from program operations	67,595	68,300
Cash disbursed for program expenses	(1,071,286)	(1,160,816)
Cash disbursed for supporting and fundraising expenses	(264,577)	(224,986)
Net cash provided by operating activities	<u>112,806</u>	<u>281,476</u>
Cash flows from investing activities		
Net investment redemptions (purchases)	(79,851)	14,782
Purchases of fixed assets	(88,278)	(902)
Cash invested in partnership interest	-0-	(148,206)
Cash paid to Alembic Development Co., LLC	-0-	(119,910)
Cash received from dividends and interest	<u>50,587</u>	<u>42,543</u>
Net cash used in investing activities	<u>(117,542)</u>	<u>(211,693)</u>
Net increase (decrease) in cash and cash equivalents	(4,736)	69,783
Cash and cash equivalents, beginning of year	<u>473,959</u>	<u>404,176</u>
Cash and cash equivalents, end of year	<u>\$ 469,223</u>	<u>\$ 473,959</u>
Supplemental schedule of noncash investing activities:		
Disposition of partnership interest	\$ -0-	\$ 1,245,066
In-kind construction cost	(78,785)	-0-
Total noncash investing activities	<u>\$ (78,785)</u>	<u>\$ 1,245,066</u>
Reconciliation of changes in net assets to net cash provided by operating activities:		
Change in net assets	\$ 277,258	\$(1,396,389)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	284,160	291,820
Disposition of partnership interest	-0-	1,245,066
In-kind contract revenue	(78,785)	-0-
Decrease (increase) in receivables	(24,294)	124,130
Investment (income) loss	(345,606)	16,849
Increase in accrued expenses	<u>73</u>	<u>-0-</u>
Net cash provided by operating activities	<u>\$ 112,806</u>	<u>\$ 281,476</u>

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

Back Bay Mission
Notes to Financial Statements
December 31, 2012 and 2011

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, 2012 and 2011

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. 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, 2012 and 2011

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 deposits at December 31, 2012 not covered by FDIC insurance, totaled \$130,354.

Back Bay Mission
Notes to Financial Statements
December 31, 2012 and 2011

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, 2012 and 2011 totaled \$20,374 and \$-0-, respectively.

Note 5 – Investments

Investments are summarized as follows:

	<u>December 31, 2012</u>			<u>December 31, 2011</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	\$ 2,080,031	\$ 2,407,727	\$ 2,407,727	\$ 2,022,459	\$ 2,096,444	\$ 2,096,444
Permanently restricted:						
Equity securities	<u>515,574</u>	<u>533,831</u>	<u>533,831</u>	<u>514,687</u>	<u>470,244</u>	<u>470,244</u>
Total investments	<u>\$ 2,595,605</u>	<u>\$ 2,941,558</u>	<u>\$ 2,941,558</u>	<u>\$ 2,537,146</u>	<u>\$ 2,566,688</u>	<u>\$ 2,566,688</u>

Investment returns are summarized as follows:

	<u>December 31, 2012</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Dividends and interest	\$ 41,718	\$ -0-	\$ 8,869	\$ 50,587
Net realized gains	12,708	-0-	-0-	12,708
Net unrealized gains	220,110	-0-	62,701	282,811
Investment expenses	(500)	-0-	-0-	(500)
Net investment income	<u>\$ 274,036</u>	<u>\$ -0-</u>	<u>\$ 71,570</u>	<u>\$ 345,606</u>
	<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	(500)	-0-	-0-	(500)
Net investment income (loss)	<u>\$ 1,581</u>	<u>\$ -0-</u>	<u>\$ (18,430)</u>	<u>\$ (16,849)</u>

Back Bay Mission
Notes to Financial Statements
December 31, 2012 and 2011

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 2012 and 2011, totaled \$59,692 and \$59,753, 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, 2012 and 2011 consisted of the following:

	December 31,	
	<u>2012</u>	<u>2011</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	-0-
Vehicles	58,013	58,013
Office furniture and equipment	<u>64,790</u>	<u>62,012</u>
Total property and equipment	3,229,143	3,063,515
Less: Accumulated depreciation	<u>1,138,944</u>	<u>856,219</u>
Total property and equipment, net	<u>\$ 2,090,199</u>	<u>\$ 2,207,296</u>

Depreciation expense for 2012 and 2011 totaled \$284,160 and \$291,820 respectively.

As more fully described in Note 12, the Mission has capitalized the cost of construction of the homeless veterans housing facility totaling \$162,850.

Back Bay Mission
Notes to Financial Statements
December 31, 2012 and 2011

Note 9 – Restrictions and Designations of Net Assets

Restrictions – Temporarily restricted net assets consisting of grant-related cash balances as of December 31, 2012 and 2011 were as follows:

	December 31,	
	<u>2012</u>	<u>2011</u>
FEMA	\$ 32	\$ 1,369
Veterans Supportive Housing	126	-0-
Department of Housing and Urban Development	9,748	7,849
Homeless Prevention and Rapid Re-housing	<u>-0-</u>	<u>1,976</u>
Total	<u>\$ 9,906</u>	<u>\$ 11,194</u>

Permanently restricted net assets as of December 31, 2012 and 2011 were as follows:

	December 31,	
	<u>2012</u>	<u>2011</u>
UCF CCM Endowment	\$ 372,607	\$ 328,174
UCF Endowment Fund	<u>161,224</u>	<u>142,070</u>
Total	<u>\$ 533,831</u>	<u>\$ 470,244</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 – Extraordinary Item, Transfer of Partnership Interest

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.

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). During the year ended December 31, 2011, 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. Due to the unusual nature and infrequent

Back Bay Mission
Notes to Financial Statements
 December 31, 2012 and 2011

Note 10 – Extraordinary Item, Transfer of Partnership Interest (continued).

occurrence of the transaction, management elected to record the transfer as an extraordinary item, reducing temporarily restricted assets by a total of \$1,245,066, representing the Mission's investment in the partnership.

Note 11 – 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 3,357 and 4,197 clients during 2012 and 2011, 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 – 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.

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

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.

Back Bay Mission
Notes to Financial Statements
December 31, 2012 and 2011

Note 12 – Homeport Homeless Veterans Housing Project

During the year ended December 31, 2011, the Mission received approval for a grant from the United States Department of Housing and Urban Development for the construction of housing for homeless veterans. The development was constructed on property owned by the Mission at the former site of the Back Bay Mission thrift shop. Through an agreement with Gulf Coast Housing Initiative (GCHI), GCHI acted as the project administrator and obtained additional financing from the City of Gulfport for the project. As of the completion of the project in December 2012, GCHI had incurred costs related to the project totaling \$78,785. These costs were recorded by Back Bay Mission as in-kind contract revenue and capitalized with the project costs incurred by the Mission. The project was completed at a total cost of \$162,850.