

**Back Bay Mission  
Biloxi, Mississippi**

**Consolidated Financial Statements  
December 31, 2017**

**Back Bay Mission**  
**Consolidated Financial Statements**

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December 31, 2017  
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**Independent Auditor's Report**

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

We have audited the accompanying consolidated financial statements of Back Bay Mission (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

**Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Back Bay Mission as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

D'Iberville, Mississippi  
September 18, 2018

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

	December 31,	
	2017	2016
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents, partially restricted	\$ 410,903	\$ 394,502
Grants receivable	35,086	85,288
Prepaid expenses	35,091	20,637
Due from Gulf Coast Housing Initiative, net	242	4,116
Total current assets	481,322	504,543
<b>Long-term assets</b>		
Investments	2,729,550	2,629,188
Utility deposits	350	350
Total long-term assets	2,729,900	2,629,538
<b>Other assets</b>		
Property and equipment, net of depreciation	2,581,745	2,710,508
Total assets	\$ 5,792,967	\$ 5,844,589
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 22,833	\$ 8,577
Accrued payroll liabilities	2,932	31,292
Note payable, current portion	5,070	4,882
Total current liabilities	30,835	44,751
<b>Noncurrent liabilities</b>		
Note payable, long-term portion	118,142	123,145
Total liabilities	148,977	167,896
<b>Net assets</b>		
Unrestricted	4,667,807	4,818,989
Temporarily restricted	213,223	208,798
Permanently restricted	762,960	648,906
Total net assets	5,643,990	5,676,693
Total liabilities and net assets	\$ 5,792,967	\$ 5,844,589

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

**Back Bay Mission**  
**Consolidated Statements of Activities**  
For the Years Ended December 31, 2017 and 2016

	December 31, 2017			December 31, 2016				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Public Support and Revenue</b>								
<b>Public support</b>								
Contributions	\$ 372,508	\$ 57,548	\$ -0-	\$ 430,056	\$ 416,787	\$ -0-	\$ 559,454	
Bequests and trusts	39,756	-0-	-0-	39,756	14,519	-0-	14,519	
Sales of promotional items	7,396	-0-	-0-	7,396	8,434	-0-	8,434	
Special events	87,340	-0-	-0-	87,340	26,119	-0-	26,119	
Total public support	<u>507,000</u>	<u>57,548</u>	<u>-0-</u>	<u>564,548</u>	<u>465,859</u>	<u>142,667</u>	<u>608,526</u>	
<b>Grants and contracts</b>								
Government	-0-	406,385	-0-	406,385	-0-	346,598	346,598	
Other	19,000	154,682	-0-	173,682	40,486	-0-	40,486	
Total grants and contracts	<u>19,000</u>	<u>561,067</u>	<u>-0-</u>	<u>580,067</u>	<u>40,486</u>	<u>346,598</u>	<u>387,084</u>	
<b>Other revenue</b>								
Investment income	293,660	-0-	125,026	418,686	128,539	-0-	174,582	
Program income	151,978	-0-	-0-	151,978	137,937	-0-	137,937	
Rental income	63,969	-0-	-0-	63,969	63,789	-0-	63,789	
Gain on disposition of assets	500	-0-	-0-	500	-0-	-0-	-0-	
BP oil settlement proceeds	-0-	-0-	-0-	-0-	36,644	-0-	36,644	
Total other revenue	<u>510,107</u>	<u>-0-</u>	<u>125,026</u>	<u>635,133</u>	<u>366,909</u>	<u>-0-</u>	<u>412,952</u>	
Totals	1,036,107	618,615	125,026	1,779,748	873,254	46,043	1,408,562	
Net assets released from restrictions	625,162	(614,190)	(10,972)	-0-	383,285	(374,266)	(9,019)	
Total support and revenue	<u>1,661,269</u>	<u>4,425</u>	<u>114,054</u>	<u>1,779,748</u>	<u>1,256,539</u>	<u>37,024</u>	<u>1,408,562</u>	
<b>Expenses</b>								
Program services	1,371,579	-0-	-0-	1,371,579	1,136,124	-0-	1,136,124	
Supporting services	440,872	-0-	-0-	440,872	424,119	-0-	424,119	
Total expenses	<u>1,812,451</u>	<u>-0-</u>	<u>-0-</u>	<u>1,812,451</u>	<u>1,560,243</u>	<u>-0-</u>	<u>1,560,243</u>	
Change in net assets	(151,182)	4,425	114,054	(32,703)	(303,704)	37,024	(151,681)	
Net assets, beginning of year	4,818,989	208,798	648,906	5,676,693	5,122,693	611,882	5,828,374	
Net assets, end of year	<u>\$ 4,667,807</u>	<u>\$ 213,223</u>	<u>\$ 762,960</u>	<u>\$ 5,643,990</u>	<u>\$ 4,818,989</u>	<u>\$ 208,798</u>	<u>\$ 5,676,693</u>	

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

**Back Bay Mission**  
**Consolidated Statements of Functional Expenses**  
For the Years Ended December 31, 2017 and 2016

	<u>December 31, 2017</u>			<u>December 31, 2016</u>			
	<u>Program Services</u>	<u>Supporting Services Management &amp; General</u>	<u>Fund Raising</u>	<u>Program Services</u>	<u>Supporting Services Management &amp; General</u>	<u>Fund Raising</u>	<u>Total</u>
<b>Personnel</b>							
Salaries	\$ 429,139	\$ 35,248	\$ 98,674	\$ 339,289	\$ 37,670	\$ 114,021	\$ 490,980
Housing allowance	-	20,000	-	-	20,000	-	20,000
Payroll taxes and employee benefits	111,180	44,376	33,177	70,443	43,395	30,805	144,643
Total personnel	<u>540,319</u>	<u>99,624</u>	<u>131,851</u>	<u>409,732</u>	<u>101,065</u>	<u>144,826</u>	<u>655,623</u>
<b>Occupancy</b>							
Security	796	844	-	-	2,251	-	2,251
Repairs and maintenance	19,161	16,204	-	17,785	26,526	-	44,311
Telephone	1,869	7,156	1,090	1,799	10,042	-	11,841
Utilities	28,765	5,511	-	14,411	3,613	-	18,024
Total occupancy expenses	<u>50,591</u>	<u>29,715</u>	<u>1,090</u>	<u>33,995</u>	<u>42,432</u>	<u>-</u>	<u>76,427</u>
<b>Direct Program Expenses</b>							
Permanent housing and homeless assistance	161,767	-	-	154,694	-	-	154,694
Affordable housing	34,506	-	-	26,161	-	-	26,161
Emergency assistance	61,995	-	-	64,772	-	-	64,772
Food pantry and feeding programs	30,060	-	-	18,093	-	-	18,093
Workcamp and housing rehab	249,556	-	-	155,283	-	-	155,283
Community empowerment	9,002	-	-	7,416	-	-	7,416
Micah Day Center	5,158	-	-	2,445	-	-	2,445
Health Initiatives	17,189	-	-	15,897	-	-	15,897
Rental Assistance	55,959	-	-	70,984	-	-	70,984
Veterans support	5,617	-	-	13,358	-	-	13,358
Total direct program expenses	<u>630,809</u>	<u>-</u>	<u>-</u>	<u>529,103</u>	<u>-</u>	<u>-</u>	<u>529,103</u>
<b>Balance carried forward</b>	<u>1,221,719</u>	<u>129,339</u>	<u>132,941</u>	<u>972,830</u>	<u>143,497</u>	<u>144,826</u>	<u>1,261,153</u>

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

**Back Bay Mission**  
**Consolidated Statements of Functional Expenses**  
For the Years Ended December 31, 2017 and 2016  
(Continued)

	December 31, 2017			December 31, 2016				
	Supporting Services		Program Services	Supporting Services		Program Services		
	Management & General	Fund Raising		Management & General	Fund Raising			
	Total	Total	Total	Total	Total	Total		
<b>Balance brought forward</b>	<u>\$ 1,221,719</u>	<u>\$ 129,339</u>	<u>\$ 132,941</u>	<u>\$ 1,483,999</u>	<u>\$ 972,830</u>	<u>\$ 143,497</u>	<u>\$ 144,826</u>	<u>\$ 1,261,153</u>
<b>Administrative</b>								
Insurance	9,478	25,013	-0-	34,491	23,019	6,187	-0-	29,206
Miscellaneous	2,420	5,064	484	7,968	3,328	3,395	939	7,662
Outside services	2,654	21,375	7,241	31,270	6,074	8,651	10,925	25,650
Postage and office expense	4,091	35,122	-0-	39,213	-0-	26,024	-0-	26,024
Printing	14	-0-	32,059	32,073	-0-	-0-	21,016	21,016
Promotion	-0-	11,147	4,530	15,677	-0-	13,983	6,467	20,450
Travel	3,395	9,584	7,496	20,475	1,225	8,210	6,274	15,709
Board of Directors expenses	-0-	13,840	-0-	13,840	-0-	11,831	-0-	11,831
Total administrative expense	<u>22,052</u>	<u>121,145</u>	<u>51,810</u>	<u>195,007</u>	<u>33,646</u>	<u>78,281</u>	<u>45,621</u>	<u>157,548</u>
<b>Other expenses</b>								
Conferences and training	<u>574</u>	<u>1,763</u>	<u>143</u>	<u>2,480</u>	<u>-0-</u>	<u>10,082</u>	<u>969</u>	<u>11,051</u>
Total expenses before depreciation expense	<u>1,244,345</u>	<u>252,247</u>	<u>184,894</u>	<u>1,681,486</u>	<u>1,006,476</u>	<u>231,860</u>	<u>191,416</u>	<u>1,429,752</u>
Depreciation expense	<u>127,234</u>	<u>696</u>	<u>3,035</u>	<u>130,965</u>	<u>129,648</u>	<u>843</u>	<u>-0-</u>	<u>130,491</u>
Total functional expenses	<u>\$ 1,371,579</u>	<u>\$ 252,943</u>	<u>\$ 187,929</u>	<u>\$ 1,812,451</u>	<u>\$ 1,136,124</u>	<u>\$ 232,703</u>	<u>\$ 191,416</u>	<u>\$ 1,560,243</u>

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



**Back Bay Mission**  
**Consolidated Statements of Cash Flows**  
For the Years Ended December 31, 2017 and 2016

	<b>December 31,</b>	
	<u>2017</u>	<u>2016</u>
<b>Cash flows from operating activities</b>		
Cash received from public support	\$ 564,548	\$ 608,526
Cash received from grants and contracts	630,269	297,680
Cash received from program operations	151,978	137,937
Cash received from rental operations	63,969	63,789
Cash received from BP oil spill settlement	-0-	36,644
Cash disbursed for program expenses	( 1,262,320)	( 1,102,894)
Cash disbursed for supporting service expenses	( 443,850)	( 308,266)
Net cash used in operating activities	<u>( 295,406)</u>	<u>( 266,584)</u>
<b>Cash flows from investing activities</b>		
Net investment redemptions	276,796	268,286
Proceeds from sales of assets	500	-0-
Purchases of property and equipment	( 2,202)	( 4,671)
Cash received from dividends and interest	<u>41,528</u>	<u>42,444</u>
Net cash provided by investing activities	<u>316,622</u>	<u>306,059</u>
<b>Cash flows from financing activities</b>		
Principal payments on outstanding debt	( 4,815)	( 4,618)
Net increase in cash and cash equivalents	16,401	34,857
Cash and cash equivalents, beginning of year	<u>394,502</u>	<u>359,645</u>
Cash and cash equivalents, end of year	<u>\$ 410,903</u>	<u>\$ 394,502</u>
<b>Reconciliation of changes in net assets to net cash provided by operating activities:</b>		
Change in net assets	\$( 32,703)	\$( 151,681)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	130,965	130,491
Gain on disposition of assets	( 500)	-0-
Investment income	( 418,686)	( 174,582)
Decrease (increase) in receivables	54,076	( 89,404)
Increase in prepaid expenses	( 14,454)	( 20,637)
Increase in accounts payable	14,256	8,577
Increase (decrease) in accrued expenses	<u>( 28,360)</u>	<u>30,652</u>
Net cash used in operating activities	<u>\$( 295,406)</u>	<u>\$( 266,584)</u>
<b>Supplemental disclosures:</b>		
Interest paid	<u>\$ 4,877</u>	<u>\$ 5,074</u>

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

**Back Bay Mission**  
**Notes to Consolidated Financial Statements**  
December 31, 2017 and 2016

**Note 1 - Description of Organization**

Back Bay Mission (the Mission), located in Biloxi, Mississippi, was originally organized as an affiliate of the United Church of Christ. In 2015, the Mission applied for and received its own 501(c)(3) designation. The Mission is a non-profit community welfare organization which meets community needs and improves the welfare of citizens; and is supported primarily through contributions from the public and various churches and state conferences.

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

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

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

**Principles of Consolidation** - The accompanying consolidated financial statements include the accounts of Back Bay Mission and its limited liability company, Homeport LLC. All intercompany balances and transactions have been eliminated in consolidation.

**Use of estimates** - The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

**Back Bay Mission**  
**Notes to Consolidated Financial Statements**  
December 31, 2017 and 2016

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

**Cash and cash equivalents** - Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months.

**Investments** - Investments in equity securities with readily determinable fair values are measured at fair value in the consolidated statements of financial position. Investment income or loss (including gains and losses on investments, interest and dividends) is included in the consolidated 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.

**Net Assets** - The Mission reports information regarding its financial position and activities according to three classes of net assets:

*Unrestricted net assets* – net assets that are not subject to donor-imposed stipulations.

*Temporarily restricted net assets* – net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Mission and/or the passage of time.

*Permanently restricted net assets* – net assets subject to donor-imposed stipulations that they be maintained permanently by the Mission.

**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 consolidated 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.

**Back Bay Mission**  
**Notes to Consolidated Financial Statements**  
December 31, 2017 and 2016

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

**Revenue recognition (continued)** - Uncollectible pledges are charged to bad debt expense at the time they are determined to be uncollectible. As of December 31, 2017 and 2016, the Mission had no significant unconditional promises to give recorded in the consolidated financial statements.

**Donated services, materials and assets** – The Mission receives a substantial amount of services donated by volunteers in carrying out the Mission's ministry. No amounts have been reflected in the consolidated financial statements for those services since they do not meet the criteria for recognition under SFAS No. 116. The Mission receives various donations of food, clothing, personal hygiene products, 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 consolidated 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 consolidated statements of activities and in the consolidated 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 reclassifications have been made to the 2016 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

**Concentration of credit risk** - The Mission maintains several bank accounts at a local financial institution. The Federal Deposit Insurance Corporation (FDIC) insures depositor's accounts up to \$250,000. At December 31, 2017, the Mission had deposits in excess of FDIC insurance totaling \$100,516.

**Back Bay Mission**  
**Notes to Consolidated Financial Statements**  
December 31, 2017 and 2016

**Note 3 – Grants Receivable**

Grants receivable consists of grant proceeds due from grantors for grant-related expenditures incurred but not reimbursed as of the end of the fiscal year. At December 31, 2017 and 2016, the Mission had grants receivable totaling \$35,086 and \$85,288, respectively.

**Note 4 – Prepaid Expense**

At December 31, 2017 and 2016, the Mission had prepaid pension contributions, insurance premiums and program rent payments totaling \$35,091 and \$20,637.

**Note 5 – Investments**

The Mission carries investments in various publicly-traded equity and government-backed debt securities. A summary of investments as of December 31, 2017 and 2016 is as follows:

	<u>December 31, 2017</u>			<u>December 31, 2016</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	\$ 1,340,900	\$ 1,966,590	\$ 1,966,590	\$ 1,531,921	\$ 1,980,282	\$ 1,980,282
Permanently restricted	<u>528,506</u>	<u>762,960</u>	<u>762,960</u>	<u>527,488</u>	<u>648,906</u>	<u>648,906</u>
Total investments	<u>\$ 1,869,406</u>	<u>\$ 2,729,550</u>	<u>\$ 2,729,550</u>	<u>\$ 2,059,409</u>	<u>\$ 2,629,188</u>	<u>\$ 2,629,188</u>

Investment returns are summarized as follows:

	<u>December 31, 2017</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Dividends and interest	\$ 29,537	\$ -0-	\$ 11,991	\$ 41,528
Net realized gains	88,371	-0-	-0-	88,371
Net unrealized gains	<u>175,752</u>	<u>-0-</u>	<u>113,035</u>	<u>288,787</u>
Net investment income	<u>\$ 293,660</u>	<u>\$ -0-</u>	<u>\$ 125,026</u>	<u>\$ 418,686</u>
	<u>December 31, 2016</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Dividends and interest	\$ 32,423	\$ -0-	\$ 10,021	\$ 42,444
Net realized gains	67,622	-0-	-0-	67,622
Net unrealized losses	<u>28,494</u>	<u>-0-</u>	<u>36,022</u>	<u>64,516</u>
Net investment loss	<u>\$ 128,539</u>	<u>\$ -0-</u>	<u>\$ 46,043</u>	<u>\$ 174,582</u>

**Back Bay Mission**  
**Notes to Consolidated Financial Statements**  
December 31, 2017 and 2016

**Note 6 – Property and Equipment**

Property and equipment at December 31, 2017 and 2016 consisted of the following:

	<b>December 31,</b>	
	<u>2017</u>	<u>2016</u>
Land	\$ 84,542	\$ 84,542
Building and improvements:		
Administration Building	366,185	366,185
Micah Center	1,007,415	1,007,415
Workcamp Dormitory	1,369,020	1,369,020
Guest House	120,669	120,669
Homeport I Building	162,850	162,850
Homeport II Building	529,796	529,796
Vehicles	90,085	91,424
Office furniture and equipment	<u>66,993</u>	<u>64,790</u>
Total property and equipment	<b>3,797,555</b>	<b>3,796,691</b>
Less: Accumulated depreciation	<u>1,215,810</u>	<u>1,086,183</u>
 Total property and equipment, net	 <b><u>\$ 2,581,745</u></b>	 <b><u>\$ 2,710,508</u></b>

Depreciation expense for 2017 and 2016 totaled \$130,965 and \$130,491 respectively.

**Note 7 – Note Payable**

On July 16, 2015, Homeport LLC refinanced a construction loan with The Peoples Bank, originally secured for financing the construction of the Homeport II project. The original amount of the note was \$134,680, payable \$808 monthly, bearing interest at 3.8238% with a maturity date of July 15, 2030. The balance of the note as of December 31, 2017 and 2016 totaled \$123,212 and \$128,027, respectively.

The expected maturity of the note payable is as follows:

<u>Year Ended December 31,</u>	<u>Principal Due</u>
2018	\$ 5,070
2019	5,267
2020	5,472
2021	5,685
2022	5,906
Thereafter	<u>95,812</u>
 Total	 <b><u>\$ 123,212</u></b>

**Back Bay Mission**  
**Notes to Consolidated Financial Statements**  
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**Note 8 – Restrictions and Designations of Net Assets**

**Restrictions** -- Temporarily restricted net assets consisting of grant-related cash balances and unexpended designated gifts as of December 31, 2017 and 2016 were as follows:

	December 31,	
	<u>2017</u>	<u>2016</u>
Art Class	\$ 673	\$ 423
Biloxi Housing Rehab	936	4,837
Bridges Out of Poverty	14,856	3,780
Community Garden	507	875
Emergency Assistance	4,087	1,829
FEMA	4,712	42
Food Pantry	1,896	606
Long-Term Housing Recovery	53,097	28,356
Savings Endowment	118,856	153,476
Shari Prestemon Social Justice Internship	6,480	12,567
Veterans Support Fund	<u>7,123</u>	<u>2,007</u>
Total	<u>\$ 213,223</u>	<u>\$ 208,798</u>

Permanently restricted net assets as of December 31, 2017 and 2016 were as follows:

	December 31,	
	<u>2017</u>	<u>2016</u>
UCF CCM Endowment	\$ 237,792	\$ 446,661
UCF Endowment Fund	<u>525,168</u>	<u>202,245</u>
Total	<u>\$ 762,960</u>	<u>\$ 648,906</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 9 – Description of Program and Supporting Services**

The following program and supporting services are included in the accompanying consolidated 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 4,435 and 5,537 clients during 2017 and 2016, respectively.

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

**Back Bay Mission**  
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 December 31, 2017 and 2016

**Note 9 – Description of Program and Supporting Services (Continued)**

**Workcamping** - A program offering individuals, youth groups and adult groups educational opportunities for Christian service through housing recovery programs for low-income persons.

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

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

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

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

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

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

**Note 10 – Homeport Homeless Veterans Housing Project**

In April, 2014, the Mission formed a Mississippi single-member LLC known as HomePort LLC; for the purpose of acquiring, developing, owning and operating all phases of the housing development known as Homeport. The Mission is the sole member of the LLC. The Homeport II building was completed February 2, 2015; and effective in July 17, 2015, title to the properties located at 288 and 294 Cuevas Street, Biloxi Mississippi, was transferred to the HomePort LLC.

**Note 11 – Related Party Transactions**

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



**Back Bay Mission**  
**Notes to Consolidated Financial Statements**  
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**Note 11 – Related Party Transactions (Continued)**

Back Bay Mission, through a Joint Services and Resources Agreement with GCHI provides accounting and bookkeeping services for an annual fee of \$2,750; funds development services including grant writing at an hourly rate of \$45 per hour; construction services for GCHI housing projects; and office space and use of office equipment for an annual fee of \$3,000. Back Bay Mission received a total of \$5,750 under this agreement during each of the years ended December 31, 2017 and 2016.

In connection with the completion of the Homeport complex, Back Bay Mission and GCHI entered into a Real Estate Management Agreement whereby GCHI is to rent, lease, operate, control and manage the HomePort LLC properties for a fee of ten percent (10%) of rents collected each month or \$23 per unit per month, whichever is less. The term of the agreement is for one year beginning January 1, 2015, renewing annually thereafter. Management fees paid by Back Bay Mission to GCHI under this agreement during the years ended December 31, 2017 and 2016 totaled \$5,696 and \$5,952, respectively.

**Note 12 – Retirement Arrangement with Staff Employees**

All salaried 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. The Mission makes quarterly contributions to the Plan each year equal to 14% of all participants' compensation. Retirement plan expense for 2017 and 2016, totaled \$64,131 and \$57,574, respectively.

**Note 13 – 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 14 – Subsequent Events**

Management of Back Bay Mission has evaluated the activity of the Organization through September 18, 2018, the date the consolidated financial statements were available to be issued, and determined that no subsequent events have occurred requiring disclosure in the notes to consolidated financial statements.