

**Back Bay Mission
Biloxi, Mississippi**

**Consolidated Financial Statements
December 31, 2018**

Back Bay Mission
Consolidated Financial Statements

December 31, 2018

Contents

	<u>Page</u>
Independent Auditor's Report.....	1-2
Consolidated Statements of Financial Position.....	3
Consolidated Statements of Activities.....	4
Consolidated Statements of Functional Expenses	5-6
Consolidated Statements of Cash Flows.....	7
Notes to Consolidated Financial Statements.....	8-18

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, 2018 and 2017, 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, 2018 and 2017, 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.

Alkins and Company, P.C.
Certified Public Accountants

D'Iberville, Mississippi
September 10, 2019

Back Bay Mission
Consolidated Statements of Financial Position

	December 31,	
Assets	2018	2017
Current assets		
Cash and cash equivalents, partially restricted	\$ 428,155	\$ 410,903
Grants receivable	14,503	31,428
Other receivables	2,117	3,900
Prepaid expenses	<u>12,595</u>	<u>35,091</u>
Total current assets	<u>457,370</u>	<u>481,322</u>
Noncurrent assets		
Investments	2,109,546	2,729,550
Utility deposits	<u>350</u>	<u>350</u>
Total noncurrent assets	<u>2,109,896</u>	<u>2,729,900</u>
Other assets		
Property and equipment, net of depreciation	<u>2,545,603</u>	<u>2,581,745</u>
Total assets	<u>\$ 5,112,869</u>	<u>\$ 5,792,967</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 17,229	\$ 22,833
Accrued payroll liabilities	1,042	2,932
Note payable, current portion	<u>5,264</u>	<u>5,070</u>
Total current liabilities	<u>23,535</u>	<u>30,835</u>
Noncurrent liabilities		
Note payable, long-term portion	<u>112,943</u>	<u>118,142</u>
Total liabilities	<u>136,478</u>	<u>148,977</u>
Net assets		
Without donor restrictions:		
Designated by board for operating reserves	1,954,763	2,610,614
Undesignated	<u>2,641,486</u>	<u>2,701,217</u>
Total net assets without donor restrictions	<u>4,596,249</u>	<u>5,311,831</u>
With donor restrictions:		
Program Services	167,587	94,367
Endowment	<u>212,555</u>	<u>237,792</u>
Total net assets with donor restrictions	<u>380,142</u>	<u>332,159</u>
Total net assets	<u>4,976,391</u>	<u>5,643,990</u>
Total liabilities and net assets	<u>\$ 5,112,869</u>	<u>\$ 5,792,967</u>

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, 2018 and 2017

	December 31, 2018		December 31, 2017	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Public Support and Revenue				
Public support		Total		Total
Contributions	\$ 392,653	\$ 460,943	\$ 372,808	\$ 430,056
Bequests and trusts	106,385	106,385	39,756	39,756
Sales of promotional items	9,148	9,148	7,396	7,396
Special events	36,553	36,553	87,340	87,340
Total public support	<u>544,739</u>	<u>613,029</u>	<u>507,300</u>	<u>564,548</u>
Grants and contracts				
Government	375,672	435,672	341,385	406,385
Other	-0-	137,419	-0-	173,682
Total grants and contracts	<u>375,672</u>	<u>573,091</u>	<u>341,385</u>	<u>238,682</u>
Other revenue				
Investment income (loss)	(174,855)	(196,714)	379,719	38,967
Program income	194,567	194,567	151,978	-0-
Rental income	62,970	62,970	63,969	-0-
Gain on disposition of assets	-0-	-0-	500	-0-
Total other revenue	<u>82,682</u>	<u>60,823</u>	<u>596,166</u>	<u>38,967</u>
Totals	1,003,093	1,246,943	1,444,851	1,779,748
Net assets released from restrictions	<u>195,867</u>	<u>-0-</u>	<u>260,305</u>	<u>(260,305)</u>
Total support and revenue	<u>1,198,960</u>	<u>1,246,943</u>	<u>1,705,156</u>	<u>1,779,748</u>
Expenses				
Program services	1,559,641	1,559,641	1,371,579	-0-
Supporting services	354,901	354,901	440,872	-0-
Total expenses	<u>1,914,542</u>	<u>1,914,542</u>	<u>1,812,451</u>	<u>-0-</u>
Change in net assets	<u>(715,582)</u>	<u>(667,599)</u>	<u>(107,295)</u>	<u>74,592</u>
Net assets, beginning of year	<u>5,311,831</u>	<u>5,643,990</u>	<u>5,419,126</u>	<u>257,567</u>
Net assets, end of year	<u>\$ 4,596,249</u>	<u>\$ 4,976,391</u>	<u>\$ 5,311,831</u>	<u>\$ 332,159</u>
			<u>\$ 5,311,831</u>	<u>\$ 5,643,990</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, 2018 and 2017

	December 31, 2018			December 31, 2017		
	Supporting Services		Program Services	Supporting Services		Program Services
	Management & General	Fund Raising		Management & General	Fund Raising	
	Total		Total		Total	
Personnel						
Salaries	\$ 448,764	\$ 39,834	\$ 74,308	\$ 562,906	\$ 429,139	\$ 98,674
Housing allowance	-	20,000	2,501	22,501	-	-
Payroll taxes and employee benefits	150,166	21,139	19,069	190,374	111,180	33,177
Total personnel	<u>598,930</u>	<u>80,973</u>	<u>95,878</u>	<u>775,781</u>	<u>540,319</u>	<u>131,851</u>
Occupancy						
Security	562	1,297	-	1,859	796	-
Repairs and maintenance	22,900	12,582	-	35,482	19,161	-
Telephone	2,183	6,928	1,107	10,218	1,869	1,090
Utilities	31,866	5,035	-	36,901	28,765	-
Total occupancy expenses	<u>57,511</u>	<u>25,842</u>	<u>1,107</u>	<u>84,460</u>	<u>50,591</u>	<u>1,090</u>
Direct Program Expenses						
Permanent housing and homeless assistance	163,790	-	-	163,790	161,767	-
Affordable housing	35,066	-	-	35,066	34,506	-
Emergency assistance	63,067	-	-	63,067	61,995	-
Food pantry and feeding programs	28,665	-	-	28,665	30,060	-
Workcamp and housing rehab	288,398	-	-	288,398	249,556	-
Community empowerment	9,460	-	-	9,460	9,002	-
Micah Day Center	7,314	-	-	7,314	5,158	-
Health initiatives	8,780	-	-	8,780	17,189	-
Rental assistance	146,481	-	-	146,481	55,959	-
Veterans support	4,530	-	-	4,530	5,617	-
Total direct program expenses	<u>755,551</u>	<u>-</u>	<u>-</u>	<u>755,551</u>	<u>630,809</u>	<u>-</u>
Balance carried forward	<u>1,411,992</u>	<u>106,815</u>	<u>96,985</u>	<u>1,615,792</u>	<u>1,221,719</u>	<u>132,941</u>
				<u>129,339</u>		<u>1,483,999</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, 2018 and 2017
(Continued)

	December 31, 2018			December 31, 2017			
	Program Services	Supporting Services Management & General	Fund Raising	Program Services	Supporting Services Management & General	Fund Raising	Total
Balance brought forward	<u>\$ 1,411,992</u>	<u>\$ 106,815</u>	<u>\$ 96,985</u>	<u>\$ 1,221,719</u>	<u>\$ 129,339</u>	<u>\$ 132,941</u>	<u>\$ 1,483,999</u>
Administrative							
Insurance	11,085	25,270	-0-	9,478	25,013	-0-	34,491
Miscellaneous	807	1,927	777	2,420	5,064	484	7,968
Outside services	7,851	3,121	11	2,654	21,375	7,241	31,270
Postage and office expense	6,757	28,875	-0-	4,091	35,122	-0-	39,213
Printing	-0-	-0-	22,371	14	-0-	32,059	32,073
Promotion	1,242	6,583	20,368	-0-	11,147	4,530	15,677
Travel	1,206	3,836	9,513	3,395	9,584	7,496	20,475
Board of Directors expenses	-0-	11,569	-0-	-0-	13,840	-0-	13,840
Total administrative expense	<u>28,948</u>	<u>81,181</u>	<u>53,040</u>	<u>22,052</u>	<u>121,145</u>	<u>51,810</u>	<u>195,007</u>
Other expenses							
Conferences and training	<u>511</u>	<u>2,301</u>	<u>1,308</u>	<u>574</u>	<u>1,763</u>	<u>143</u>	<u>2,480</u>
Total expenses before depreciation expense	<u>1,441,451</u>	<u>190,297</u>	<u>151,333</u>	<u>1,244,345</u>	<u>252,247</u>	<u>184,894</u>	<u>1,681,486</u>
Depreciation expense	<u>118,190</u>	<u>13,271</u>	<u>-0-</u>	<u>127,234</u>	<u>696</u>	<u>3,035</u>	<u>130,965</u>
Total functional expenses	<u>\$ 1,559,641</u>	<u>\$ 203,568</u>	<u>\$ 151,333</u>	<u>\$ 1,371,579</u>	<u>\$ 252,943</u>	<u>\$ 187,929</u>	<u>\$ 1,812,451</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, 2018 and 2017

	December 31,	
	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Cash received from public support	\$ 613,029	\$ 564,548
Cash received from grants and contracts	590,016	630,269
Cash received from program operations	196,350	151,978
Cash received from rental operations	62,970	63,969
Cash disbursed for program expenses	(1,429,315)	(1,262,320)
Cash disbursed for supporting service expenses	(338,764)	(443,850)
Net cash used in operating activities	<u>(305,714)</u>	<u>(295,406)</u>
Cash flows from investing activities		
Net investment redemptions	384,755	276,796
Proceeds from sales of assets	-0-	500
Purchases of property and equipment	(95,319)	(2,202)
Cash received from dividends and interest	<u>38,535</u>	<u>41,528</u>
Net cash provided by investing activities	<u>327,971</u>	<u>316,622</u>
Cash flows from financing activities		
Principal payments on outstanding debt	(5,005)	(4,815)
Net increase in cash and cash equivalents	17,252	16,401
Cash and cash equivalents, beginning of year	<u>410,903</u>	<u>394,502</u>
Cash and cash equivalents, end of year	<u>\$ 428,155</u>	<u>\$ 410,903</u>
Reconciliation of changes in net assets to net cash provided by operating activities:		
Change in net assets	\$(667,599)	\$(32,703)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	131,461	130,965
Gain on disposition of assets	-0-	(500)
Investment (income) loss	196,714	(418,686)
Decrease (increase) in receivables	18,708	54,076
Decrease (increase) in prepaid expenses	22,496	(14,454)
Increase (decrease) in accounts payable	(5,604)	14,256
Increase (decrease) in accrued expenses	<u>(1,890)</u>	<u>(28,360)</u>
Net cash used in operating activities	<u>\$(305,714)</u>	<u>\$(295,406)</u>
Supplemental disclosures:		
Interest paid	<u>\$ 4,687</u>	<u>\$ 4,877</u>

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

Back Bay Mission
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

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©(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 financial statements of the Mission have been prepared in conformity with accounting principles generally accepted in the United States of America, which require the Mission to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Mission. These net assets may be used at the discretion of the Mission's management and the Board of Directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Mission or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

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.

Back Bay Mission
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

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.

Grants receivable - The Mission’s grants receivable consists of amounts due from federal and state agencies under grant agreements and contracts. Grants receivable are written off at the time management determines that they are uncollectible. No allowance for doubtful accounts is considered necessary by management.

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 over the estimated useful life of the assets.

Revenue recognition - Contributions received are recorded with donor restrictions or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as contributions or grants received with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions 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. 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 pledged amounts.

Back Bay Mission
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

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, 2018 and 2017, 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 2017 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Back Bay Mission
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

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, 2018, the Mission had deposits in excess of FDIC insurance totaling \$103,293.

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.

Fair value of financial instruments - The Financial Accounting Standards Board ASC 820, *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Mission has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

All of the Mission's marketable securities have been valued using Level 1 measurements.

New accounting standard - On August 18, 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. The ASU also requires information to be presented about the liquidity and availability of financial assets to meet general expenditures within one year of the statement of financial position date.

Back Bay Mission
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

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, 2018 and 2017, the Mission had grants receivable totaling \$14,503 and \$31,428, respectively.

Note 4 – Prepaid Expense

At December 31, 2018 and 2017, the Mission had prepaid pension contributions, insurance premiums and program rent payments totaling \$12,595 and \$35,091.

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, 2018 and 2017 is as follows:

	December 31, 2018			December 31, 2017		
	Cost/ Donated Value	Fair Value	Carrying Value	Cost/ Donated Value	Fair Value	Carrying Value
Without restrictions	\$ 1,447,295	\$ 1,896,991	\$ 1,896,991	\$ 1,702,475	\$ 2,491,758	\$ 2,491,758
With restrictions	<u>167,288</u>	<u>212,555</u>	<u>212,555</u>	<u>166,931</u>	<u>237,792</u>	<u>237,792</u>
Total investments	<u>\$ 1,614,583</u>	<u>\$ 2,109,546</u>	<u>\$ 2,109,546</u>	<u>\$ 1,869,406</u>	<u>\$ 2,729,550</u>	<u>\$ 2,729,550</u>

Investment returns are summarized as follows:

	December 31, 2018		
	Without Restrictions	With Restrictions	Total
Dividends and interest	\$ 34,798	\$ 3,736	\$ 38,534
Net realized gains	130,995	-0-	130,995
Net unrealized losses	(340,648)	(25,595)	(366,243)
Net investment loss	<u>\$ (174,855)</u>	<u>\$ (21,859)</u>	<u>\$ (196,714)</u>
	December 31, 2017		
	Without Restrictions	With Restrictions	Total
Dividends and interest	\$ 37,791	\$ 3,737	\$ 41,528
Net realized gains	88,371	-0-	88,371
Net unrealized gains	<u>253,557</u>	<u>35,230</u>	<u>288,787</u>
Net investment income	<u>\$ 379,719</u>	<u>\$ 38,967</u>	<u>\$ 418,686</u>

Back Bay Mission
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

Note 6 – Property and Equipment

Property and equipment at December 31, 2018 and 2017 consisted of the following:

	December 31,	
	<u>2018</u>	<u>2017</u>
Land	\$ 114,584	\$ 84,542
Building and improvements:		
Administration Building	372,887	366,185
Micah Day Center	1,023,662	1,007,415
Workcamp Dormitory	1,380,211	1,369,020
Guest House	120,669	120,669
Homeport I Building	162,850	162,850
Homeport II Building	556,880	529,796
Vehicles	90,085	90,085
Office furniture and equipment	<u>71,047</u>	<u>66,993</u>
Total property and equipment	3,892,875	3,797,555
Less: Accumulated depreciation	<u>1,347,272</u>	<u>1,215,810</u>
Total property and equipment, net	<u>\$ 2,545,603</u>	<u>\$ 2,581,745</u>

Depreciation expense for 2018 and 2017 totaled \$131,461 and \$130,965 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, 2018 and 2017 totaled \$118,207 and \$123,212, respectively. As of December 31, 2018 and 2017, the current portion of the note totaled \$5,264 and \$5,070, respectively; and the long-term portion of the note totaled \$112,943 and \$118,142, respectively.

The expected maturity of the long-term portion of the note payable is as follows:

<u>Year Ended December 31,</u>	<u>Principal Due</u>
2020	\$ 5,469
2021	5,682
2022	5,903
2023	6,133
2024	6,371
Thereafter	<u>83,385</u>
Total	<u>\$ 112,943</u>

Back Bay Mission
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

Note 8 – Restrictions and Designations of Net Assets

Net assets with donor restrictions – Net assets with donor restrictions consists of unexpended grant proceeds, designated gifts and Mission's endowment fund. The Mission's net assets restricted by donors as of December 31, 2018 and 2017, were as follows:

	December 31,	
	<u>2018</u>	<u>2017</u>
Art Class	\$ 532	\$ 673
Biloxi Housing Rehab	21	936
Bridges Out of Poverty	8,006	14,856
Community Garden	321	507
Emergency Assistance	-0-	4,087
FEMA	8	4,712
Food Pantry	2,789	1,896
Gulf Coast Community Foundation	84,747	-0-
Long-Term Housing Recovery	64,644	53,097
Shari Prestemon Social Justice Internship	783	6,480
Veterans Support Fund	5,736	7,123
Endowment Fund	<u>212,555</u>	<u>237,792</u>
Total	<u>\$ 380,142</u>	<u>\$ 332,159</u>

Net assets without donor restrictions as of December 31, 2018 and 2017 were as follows:

	December 31,	
	<u>2018</u>	<u>2017</u>
Designated by board for operating reserves	\$ 1,954,763	\$ 2,610,614
Undesignated	<u>2,641,486</u>	<u>2,701,217</u>
Total	<u>\$ 4,596,249</u>	<u>\$ 5,311,831</u>

The earnings on these net assets with donor restrictions 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 2,343 and 3,129 clients during 2018 and 2017, respectively.

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

Back Bay Mission
Notes to Consolidated Financial Statements
 December 31, 2018 and 2017

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 Couevas 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 to 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
December 31, 2018 and 2017

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, 2018 and 2017.

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, 2018 and 2017 totaled \$6,144 and \$5,696, respectively.

Note 12 – Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following:

Cash and cash equivalents	\$ 428,155
Grants receivable	14,503
Other receivables	2,117
Investments	2,109,546
Financial assets at December 31, 2018	<u>2,554,321</u>
Less: amounts unavailable for general expenditure within one year:	
Endowment fund balance	(212,555)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,341,766</u>

Grants and other receivables are expected to be collected within one year of the date of the statement of financial position. Investments totaling \$1,896,991 are designated by the Board as part of operating reserves and are therefore classified as noncurrent assets on the statement of financial position. However, these reserves are available for use upon Board approval in accordance with the Mission's investment policy and are considered available for use within one year of the date of the statement of financial position.

Back Bay Mission
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

Note 13 – 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 2018 and 2017, totaled \$63,477 and \$64,131, respectively.

Note 14 – 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 15 - New Accounting Standards Issued and Effective for Future Periods

In May 2014, FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), establishing a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. This update provides a five-step analysis in determining when and how revenue is recognized. The new model will require revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration a company expects to receive in exchange for those goods or services and will supersede most of the existing revenue recognition guidance, including industry-specific guidance. This guidance is effective for annual reporting periods beginning after December 15, 2018, for nonpublic entities.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The ASU will require most leases to be recognized on the statement of financial position as lease assets and lease liabilities and will require both quantitative and qualitative disclosures regarding key information about leasing arrangements. Lessor accounting is largely unchanged. The guidance is effective for fiscal years beginning after December 15, 2019, for nonpublic entities. The standard may be early adopted and requires a modified retrospective transition approach to apply.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. This update provides guidance on how to record eight specific cash flow issues, and how the predominant principle should be applied when cash receipts and cash payments have more than one class of cash flows. This standard is effective for fiscal years beginning after December 15, 2018, and interim periods beginning after December 15, 2019, for nonpublic entities, with early adoption permitted. Adoption will be applied retrospectively to all periods presented.

In November 2016, the FASB issued ASU No. 2016-18, Statement of Cash Flows (Topic 230) – Restricted Cash, which requires entities to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. As a result, entities will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. For nonpublic entities, the amendments are effective for annual periods beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption permitted.

Back Bay Mission
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

Note 15 - New Accounting Standards Issued and Effective for Future Periods

In June 2018, the FASB issued ASU No. 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. These amendments clarify and improve the nonprofit organizations and business enterprises. The ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellations of liabilities, is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. It also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. This is important because such classification affects the timing of contribution revenue and expense recognition. With some exceptions, the guidance is effective for annual periods beginning after December 15, 2018 or December 15, 2019, if the nonprofit organization is a resource recipient or a resource provider, respectively. Early adoption is permitted.

Note 16 – Subsequent Events

Management of Back Bay Mission has evaluated the activity of the Organization through September 10, 2019, 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.