



**LONG BEACH RESCUE MISSION AND  
LONG BEACH RESCUE MISSION FOUNDATION  
COMBINED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2013**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Long Beach Rescue Mission and  
Long Beach Rescue Mission Foundation

We have audited the accompanying financial statements of Long Beach Rescue Mission and Long Beach Rescue Mission Foundation (a nonprofit organization), which comprise the combined statement of financial position as of June 30, 2013, and the related combined 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.

**Auditors' 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Long Beach Rescue Mission and Long Beach Rescue Mission Foundation as of June 30, 2013, 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.



Long Beach, California  
April 7, 2014

**LONG BEACH RESCUE MISSION AND  
LONG BEACH RESCUE MISSION FOUNDATION  
COMBINED STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	\$ 159,460	\$ 216,434	\$ 375,894
Accounts receivable	3,825	-	3,825
Contribution receivable	-	15,312	15,312
Inventories	13,728	-	13,728
Prepaid expenses	24,655	-	24,655
Total Current Assets	<u>201,668</u>	<u>231,746</u>	<u>433,414</u>
Long-term investments	<u>1,613,549</u>	<u>255,536</u>	<u>1,869,085</u>
Property and equipment, net	<u>8,389,113</u>	<u>-</u>	<u>8,389,113</u>
Other Assets			
Loan fees, net	5,931	-	5,931
Deposits	5,280	-	5,280
Plots	1,682	-	1,682
Total Other Assets	<u>12,893</u>	<u>-</u>	<u>12,893</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 10,217,223</u></u>	<u><u>\$ 487,282</u></u>	<u><u>\$ 10,704,505</u></u>
<b>LIABILITIES AND NET ASSETS</b>			
Current Liabilities			
Accounts payable	\$ 34,269	\$ -	\$ 34,269
Accrued liabilities	61,059	-	61,059
Current portion of note payable	6,067	-	6,067
Total Current Liabilities	<u>101,395</u>	<u>-</u>	<u>101,395</u>
Note Payable, net of current portion	<u>260,523</u>	<u>-</u>	<u>260,523</u>
Total Liabilities	<u>361,918</u>	<u>-</u>	<u>361,918</u>
Net Assets			
Unrestricted	9,855,305	-	9,855,305
Temporarily restricted	-	487,282	487,282
Total Net Assets	<u>9,855,305</u>	<u>487,282</u>	<u>10,342,587</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 10,217,223</u></u>	<u><u>\$ 487,282</u></u>	<u><u>\$ 10,704,505</u></u>

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

**LONG BEACH RESCUE MISSION AND  
LONG BEACH RESCUE MISSION FOUNDATION  
COMBINED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>SUPPORT AND REVENUE</b>			
Contributions	\$ 1,515,409	\$ 312,320	\$ 1,827,729
Estates and bequests	423,357	-	423,357
Cold weather shelter contract	293,020	-	293,020
Private grants	17,950	-	17,950
Gifts in-kind	434,114	-	434,114
Special events	\$ 23,558	-	-
Less: Cost of direct benefits to donors	<u>(19,618)</u>	3,940	3,940
Interest and dividends	66,563	-	66,563
Rental income	139,597	-	139,597
Thrift store sales	117,133	-	117,133
Net realized gain on investments	27,476	-	27,476
Net unrealized gain on investments	117,295	-	117,295
Other revenue	8,342	-	8,342
Net assets released from restrictions	<u>383,331</u>	<u>(383,331)</u>	<u>-</u>
 Total Support and Revenue	 <u>3,547,527</u>	 <u>(71,011)</u>	 <u>3,476,516</u>
<b>OPERATING EXPENSES</b>			
Program services	2,796,128	-	2,796,128
Management and general	354,889	-	354,889
Fund-raising	<u>589,193</u>	<u>-</u>	<u>589,193</u>
 Total Operating Expenses	 <u>3,740,210</u>	 <u>-</u>	 <u>3,740,210</u>
Loss on disposition of asset	<u>4,399</u>	<u>-</u>	<u>4,399</u>
 Total Expenses	 <u>3,744,609</u>	 <u>-</u>	 <u>3,744,609</u>
 CHANGE IN NET ASSETS	 (197,082)	 (71,011)	 (268,093)
 NET ASSETS, BEGINNING OF YEAR	 <u>10,052,387</u>	 <u>558,293</u>	 <u>10,610,680</u>
 NET ASSETS, END OF YEAR	 <u>\$ 9,855,305</u>	 <u>\$ 487,282</u>	 <u>\$ 10,342,587</u>

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

**LONG BEACH RESCUE MISSION AND  
LONG BEACH RESCUE MISSION FOUNDATION  
COMBINED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2013**

	Program Services			Supporting Services		TOTAL
	Cold Weather Shelter	Community Services	Total	Management and General	Fund-raising	
Salaries and wages	\$ 23,580	\$ 734,750	\$ 758,330	\$ 244,154	\$ 99,222	\$ 1,101,706
Payroll taxes	-	43,114	43,114	19,578	6,390	69,082
Employee benefits	-	147,952	147,952	14,949	10,431	173,332
	<u>23,580</u>	<u>925,816</u>	<u>949,396</u>	<u>278,681</u>	<u>116,043</u>	<u>1,344,120</u>
Advertising and newsletter	-	1,025	1,025	-	288,045	289,070
Benevolence	1,053	18,049	19,102	-	-	19,102
Charitable contributions	-	200	200	-	-	200
Community development	-	6,196	6,196	-	401	6,597
Contracted services	232,371	-	232,371	-	-	232,371
Depreciation and amortization	2,689	190,000	192,689	16,245	2,848	211,782
Facility expense	13,280	230,501	243,781	1,598	-	245,379
Food supply and services	23,005	21,779	44,784	-	-	44,784
Fund-raising	-	-	-	-	71,125	71,125
In-kind expense	-	434,114	434,114	-	-	434,114
Interest	-	7,606	7,606	-	-	7,606
Insurance	-	83,700	83,700	8,238	1,143	93,081
Miscellaneous	-	8,412	8,412	5,908	-	14,320
Office expense	510	15,739	16,249	-	-	16,249
Postage and delivery	224	28,421	28,645	1,200	99,483	129,328
Printing and reproduction	207	20,181	20,388	-	-	20,388
Professional development	-	12,764	12,764	-	-	12,764
Professional fees	-	129,623	129,623	16,973	26,500	173,096
Programs and case management	-	36,830	36,830	-	-	36,830
Rent	-	66,967	66,967	-	-	66,967
Taxes and licenses	-	78,422	78,422	8,495	-	86,917
Travel and meals	270	11,053	11,323	-	-	11,323
Utilities and telephone	5,265	131,339	136,604	17,551	3,223	157,378
Vehicle expense	20	34,917	34,937	-	-	34,937
	<u>302,474</u>	<u>2,493,654</u>	<u>2,796,128</u>	<u>354,889</u>	<u>608,811</u>	<u>3,759,828</u>
Total expenses						
Less expenses included with revenues on the combined statement of activities	-	-	-	-	(19,618)	(19,618)
Total expenses included in the expense section of the combined statement of activities	<u>\$ 302,474</u>	<u>\$ 2,493,654</u>	<u>\$ 2,796,128</u>	<u>\$ 354,889</u>	<u>\$ 589,193</u>	<u>\$ 3,740,210</u>

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

**LONG BEACH RESCUE MISSION AND  
LONG BEACH RESCUE MISSION FOUNDATION  
COMBINED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Change in net assets	\$ (197,082)	\$ (71,011)	\$ (268,093)
<b>Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities</b>			
Depreciation	211,622	-	211,622
Amortization of loan fees	160	-	160
Loss on sale of property and equipment	4,398	-	4,398
Net realized gain on investments	(27,476)	-	(27,476)
Net unrealized gain on investments	(117,295)	-	(117,295)
Changes in operating assets and liabilities:			
Accounts receivable	43,951	-	43,951
Contribution receivable	67,500	(15,312)	52,188
Gift cards	(4,226)	-	(4,226)
Prepaid expenses	(4,582)	-	(4,582)
Deposits	5,000	-	5,000
Accounts payable	(68,058)	-	(68,058)
Accrued liabilities	4,839	-	4,839
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>(81,249)</u>	<u>(86,323)</u>	<u>(167,572)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of property and equipment	(585,661)	-	(585,661)
Proceeds from sale of investments	551,141	277,000	828,141
Purchase of investments	(565,804)	-	(565,804)
Collection of note receivable	50,000	-	50,000
<b>NET CASH PROVIDED/(USED) BY INVESTING ACTIVITIES</b>	<u>(550,324)</u>	<u>277,000</u>	<u>(273,324)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from note payable	270,000	-	270,000
Payments for debt issue costs	(6,091)	-	(6,091)
Principal payments	(3,410)	-	(3,410)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<u>260,499</u>	<u>-</u>	<u>260,499</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	(371,074)	190,677	(180,397)
<b>BEGINNING CASH AND CASH EQUIVALENTS</b>	<u>530,534</u>	<u>25,757</u>	<u>556,291</u>
<b>ENDING CASH AND CASH EQUIVALENTS</b>	<u>\$ 159,460</u>	<u>\$ 216,434</u>	<u>\$ 375,894</u>

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

**LONG BEACH RESCUE MISSION AND  
LONG BEACH RESCUE MISSION FOUNDATION  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Nature of Activities**

Long Beach Rescue Mission (LBRM, Mission) was established in 1972 and provides food, clothing, shelter, and spiritual guidance to the homeless people of the community. Temporary housing is provided through facilities owned by the Mission, assisting people primarily in the Long Beach area. Residents are provided with counseling services to help them obtain permanent housing, employment, financial assistance and to help with substance abuse. The Mission is primarily supported through public donations. The Mission also operates a Thrift Shop in facilities owned by the Mission.

The Long Beach Rescue Mission Foundation (LBRMF, Foundation) was created in 2000 to facilitate the Mission's investments and provide financial assistance to the Mission. The Foundation is directly funded and is a separate entity.

**Principals of Combination**

The combined financial statements include the accounts of the Long Beach Rescue Mission and the Long Beach Rescue Mission Foundation. Collectively the entities are referred to as "the Organization" or "the Organizations" throughout these notes. The Mission board of directors has a controlling interest in the Foundation board. Combined financial statements are presented because the entities are under common management and have similar operations. Management believes combined financial statements are more meaningful.

**Basis of Accounting**

The Organizations use the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

**Financial Statement Presentation**

The net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

**Unrestricted** – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

**Temporarily Restricted** – Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Organization, pursuant to those stipulations, or that expire by the passage of time.

**Permanently Restricted** – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of such assets permit the Organization to use all or part of the income earned on the assets.



**LONG BEACH RESCUE MISSION AND  
LONG BEACH RESCUE MISSION FOUNDATION  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accounting for Contributions**

Generally accepted accounting principles require that the Organization reports information about its financial position and activities in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Contributions are recognized when the donor makes a promise to give to the Organization that is unconditional. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other 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 the purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**Cash and Cash Equivalents**

For purposes of the statement of financial position and the statement of cash flows, cash and cash equivalents consist of cash and other highly liquid resources, such as investments in certificates of deposit, repurchase agreements, and money market funds, with an original maturity of three months or less when purchased. The Organization receives funds for its Winter Shelter program from the Los Angeles Homeless Service Authority, which are required to be kept in a separate bank account.

**Accounts Receivable**

The accounts receivable consist primarily of amounts due generated from rental properties, and are stated at the amount that management expects to collect from outstanding balances. Management believes the accounts receivable as of June 30, 2013, are fully collectible and therefore, the Organization has not recorded an allowance for doubtful accounts. Accounts receivable are written off when they are determined to be uncollectible.

**Contributions and Bequests Receivable and Promises to Give**

The Organization has been named beneficiary of various estates. Bequests received under such estates are not recorded until the Organization has a legal right to such assets, the distribution of assets to the Organization is probable, and the amount of the distribution can be reasonably estimated.

Unconditional promises to give are recorded at net present value. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

**Inventories**

Inventories consist of gift cards and soda machine inventory recorded at cost. No value is placed on Thrift Store inventory at the time of receipt because the value is undeterminable.

**LONG BEACH RESCUE MISSION AND  
LONG BEACH RESCUE MISSION FOUNDATION  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property and Equipment**

Property and equipment are stated at cost, if purchased or at fair value at the date of the gift, if donated and significant. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Depreciation has been recorded using the straight-line method over the estimated useful life of the specific asset ranging from two to fifteen years for furniture and equipment, and forty years for buildings. The cost of property and equipment purchased in excess of \$500 is capitalized. Repairs, maintenance and minor acquisitions are expensed as incurred, and the Organization uses the direct expensing method to account for planned major maintenance activities.

**Long Lived Assets**

The Organization reviews long lived assets such as property and equipment to determine if there has been an impairment of value whenever events or changes occur that indicate the carrying value of the assets may have declined and not be recoverable. No circumstances have occurred during the year causing the Organization to believe there has been any impairment of the carrying value of its long lived assets. There can be no assurance, however, that market or other conditions will not change in the future resulting in impairment of long lived assets.

**Loan Fees**

Mortgage fees were carried at cost net of accumulated amortization. Amortization is calculated using a straight-line method over the life of the loan. Amortization expense for the year ended June 30, 2013 was \$160.

**Contributed Materials and Services**

The Organization receives food donations from various businesses and individuals. Food donations are recorded based on the fair market value. Food donations have been recorded as in-kind income and expense. No value has been recorded for the remaining food inventory, as the inventory would have no resale value.

A substantial number of volunteers have donated significant amounts of their time to the Organization and its programs. The donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

The Organization receives periodic donations of materials from local vendors, and from the community, which are recorded at estimated fair market value at the date of donation, if significant. Donated equipment or improvements are recorded at the estimated fair value at the date of donation. Donated stock is recorded at the underlying stock's fair market value at the date of the donation.

**LONG BEACH RESCUE MISSION AND  
LONG BEACH RESCUE MISSION FOUNDATION  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Taxes**

The Organizations are exempt from income tax under Section 501(c)(3) of the Internal Revenue Code ("IRC") and Section 23701(d) of the California Tax Code. The Organization qualifies for the charitable contribution deductions under Section 170(c)(2) of the IRC and is classified as an Organization that is not a not private foundation under Section 509(a)(1).

Income from certain activities not directly related to the Organization's tax exempt purpose may be subject to taxation as unrelated business income.

GAAP provides accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Organization in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Organization's returns for years ending June 30 2010, 2011, and 2012, are subject to examination by federal and state taxing authorities, generally for three years after they are filed.

**Advertising Costs**

The Organization expenses advertising production costs the first time the advertising occurs. Advertising primarily consists of the Organization's newsletter and seasonal donation solicitations. Advertising expense for the year ended June 30, 2013 was \$289,070.

**Fair Value of Financial Instruments**

The Organization's financial instruments, including cash and cash equivalents, accounts receivable and accounts payable are carried at cost, which approximates fair value because of the short-term nature of these instruments. The investment securities are carried at fair value based on quoted prices in active markets. The reported amount of the note payable approximated fair value because of the market value interest rates the instruments bear.

SFAS No. 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity 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 through corroboration with observable market data (market-corroborated inputs).
- Level 3 inputs are unobservable inputs for the asset or liability, that is, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risks) developed based on the best information available in each circumstance.

**LONG BEACH RESCUE MISSION AND  
LONG BEACH RESCUE MISSION FOUNDATION  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual events and results could differ from those assumptions and estimates. The significant items in these statements that are affected by management estimates are depreciation and allocations of functional expenses.

**Expense Allocation**

The cost of providing various programs and other activities has been summarized on a functional basis in the combined statement of activities and the combined statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**NOTE 2 – ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2013 consisted of the following:

Rent	<u>\$3,825</u>
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**NOTE 3 – CONTRIBUTIONS RECEIVABLE**

Contributions receivable as of June 30, 2013 consisted of an outstanding bequest and is due as follows:

Less than one year	<u>\$15,312</u>
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**NOTE 4 – INVESTMENTS**

The Organization reports investments in marketable securities using readily determinable fair values based on quoted prices in active markets (all Level 1 measurements) in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

**LONG BEACH RESCUE MISSION AND  
LONG BEACH RESCUE MISSION FOUNDATION  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 4 – INVESTMENTS (CONTINUED)**

The Portfolio consists of various types of mutual funds, whose investment objectives range from growth and income to balance for the equity portion of the Portfolio and bond funds with varying durations typically not exceeding seven years for the bond portion of the Portfolio.

An analysis of the investments held as of June 30, 2013 is as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain/(Loss)</u>
Equities	\$1,145,722	\$1,281,957	\$ 136,235
Fixed income	425,381	405,736	(19,645)
Mixed funds	180,687	181,392	705
	<u>\$1,751,790</u>	<u>\$1,869,085</u>	<u>\$ 117,295</u>

The following schedule summarizes the investment return for the year ended June 30, 2013:

	<u>Unrestricted</u>
Interest and dividends	\$ 65,064
Realized gain	27,476
Unrealized gain	117,295
Management fees	<u>(18,607)</u>
Total investment return	<u>\$ 191,228</u>

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2013, is summarized as follows:

Land	\$5,081,153
Land improvements	31,309
Buildings and improvements	5,138,680
Construction and renovations in progress	10,079
Furniture, fixtures, and equipment	605,613
Vehicles	<u>133,200</u>
	11,000,034
Less accumulated depreciation	<u>(2,610,920)</u>
	<u>\$ 8,389,113</u>

Depreciation expense for the year ended June 30, 2013 was \$211,622.

**LONG BEACH RESCUE MISSION AND  
LONG BEACH RESCUE MISSION FOUNDATION  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 5 – PROPERTY AND EQUIPMENT (CONTINUED)**

Construction in progress relates to the design work on a new facade for the Lydia House. No debt was incurred related to the projects and thus no interest has been capitalized.

**NOTE 6 – ACCRUED LIABILITIES**

Accrued liabilities as of June 30, 2013 consisted of the following:

Accrued expenses	\$ 85
Sales tax payable	1,540
Deposits payable	800
Accrued compensated absences	58,634
	<u>\$61,059</u>

**NOTE 7 – COMPENSATED ABSENCES**

It is the Organization's policy to accrue vacation pay for its employees. Staff may accrue up to a maximum of 200 unused hours, based on years of service, which may be paid out at the end of their employment period. The liability for such absences is included in accrued liabilities on the statement of financial position. Employees are also granted sick pay, which is not an earned benefit. No payment of unused sick leave will be made upon termination of employment.

**NOTE 8 – EMPLOYEE BENEFIT PLANS**

The Organization has a tax deferred retirement plan under Internal Revenue Code Section 401(k) in which all eligible employees may participate. The employer makes a 3% match contribution to the plan on behalf of eligible employees. For the year ended June 30, 2013, matching contributions were \$14,506.

The Organization has an Employer Profit Sharing Plan in which all eligible employees receive a contribution based on approval and discretion from the Board. The allocations calculated on calendar year basis. For 2012 the Organization contributed \$53,338 (3% of eligible salaries) to the plan. For 2013, the Board will not be making a contribution.

**NOTE 9 – LEASES**

The Organization leases commercial property and parking space to several unrelated parties on various terms. The total rent received for the year ended June 30, 2013 was \$139,597. The Long Beach Rescue Mission Foundation rents space for Winter Shelter program to the City of Long Beach, the City subleases the same space to Long Beach Rescue Mission. The total rent revenue and corresponding expense was \$1 for the year ended June 30, 2013.

**LONG BEACH RESCUE MISSION AND  
LONG BEACH RESCUE MISSION FOUNDATION  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 9 – LEASES (continued)**

The Organization is committed under a real property lease for premises in Long Beach, Los Angeles County, expiring April 30, 2014. The lease is classified as an operating lease and is subject to the customary escalation clauses for real estate taxes and building operating expense, including maintenance and utilities. The lease requires the Organization to carry insurance at certain minimum limits.

Future minimum lease payments for all non-cancelable operating leases are as follows:

Year Ended <u>June 30,</u> 2014	<u>Amount</u>
	<u>\$ 55,440</u>

Rental expenses under the lease were \$63,888 for the year ended June 30, 2013.

**NOTE 10 – LONG-TERM DEBT**

Note payable to Beach Business Bank, bearing interest at 4.75%, payable in monthly installments of \$1,550, principal and interest, maturing November, 2037, secured by a Deed of Trust on real property and land located at 219 Anaheim St, Long Beach, California. Loan covenants require the Organization to maintain a minimum net worth of \$4,600,000 and a minimum debt coverage ratio of 1.25.

	<u>\$ 266,590</u>
Less portion considered current	<u>(6,067)</u>
Total long-term liabilities	<u><u>\$ 260,523</u></u>

Maturities of long term debt for the next five years are as follows:

Year Ended <u>June 30,</u>	<u>Amount</u>
2014	\$ 6,067
2015	6,361
2016	6,670
2017	6,994
2018	7,333
Thereafter	<u>233,165</u>
	<u><u>\$ 266,590</u></u>

The interest paid and accrued on the note for the year ended of June 30, 2013 was \$7,441.

**LONG BEACH RESCUE MISSION AND  
LONG BEACH RESCUE MISSION FOUNDATION  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 11 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at June 30, 2013 are available for the following purposes:

Support for Lydia and Samaritan Houses	\$ 255,536
Support for Lydia House	210,598
Seacoast Turkey Program	1,500
Christmas Store	10,283
Beds for Samaritan House	2,200
Chapel Renovation	3,338
Back to School Program	<u>5,327</u>
Total	<u>\$ 488,782</u>

**NOTE 12 – CONCENTRATIONS AND CREDIT RISK**

**Contributions Receivable**

Contributions receivable at June 30, 2013 consist of amounts due from one contributor.

The Organizations maintain cash balances in a financial institution as well as in money market investments. The balances at the financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The investments in money market funds and repurchase agreements are not insured by the FDIC. At June 30, 2013, the uninsured cash balance was \$9,173.

**NOTE 13 – CONTINGENCIES**

The Organization has received federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, management believes that any required reimbursements will not be material.

**NOTE 14 – RELATED PARTIES**

The Organization entered into an agreement with James Lewis, former President/CEO, whereby an interest-bearing homeowner equity line of credit of \$50,000 was made available to him on April 28, 2008. The note was secured by his personal residence. Interest, at a rate of 4.5 percent, is payable monthly on the unpaid balance. The note was paid in full on January 16, 2013.



**LONG BEACH RESCUE MISSION AND  
LONG BEACH RESCUE MISSION FOUNDATION  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 15 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

During the year ended June 30, 2013, the Organization paid \$7,606 in interest and no income taxes.

**NOTE 16 – SUBSEQUENT EVENT**

The Organization sold the Atlantic Farms property on December 26, 2013. Book value of the land and buildings associated with the property as of June 30, 2013 was \$2,794,402.

Management has evaluated subsequent events through April 7, 2014, the date the financial statements were available to be issued.

INDEPENDENT AUDITOR'S REPORT  
ON ADDITIONAL INFORMATION

To the Board of Directors of  
Long Beach Rescue Mission and  
Long Beach Rescue Mission Foundation

We have audited the combined financial statements of Long Beach Rescue Mission and Long Beach Rescue Mission Foundation as of and for the year ended June 30, 2013, and have issued our report thereon dated April 7, 2014, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the combined financial statements as a whole. The combining information in schedules I, II, III and IV is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Onisko & Scholz, LLP*

Long Beach, California  
April 7, 2014

**LONG BEACH RESCUE MISSION AND  
LONG BEACH RESCUE MISSION FOUNDATION  
SCHEDULE I - COMBINING STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2013**

	LBRM			LBRMF			ELIMINATIONS	COMBINED TOTALS
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total		
<b>ASSETS</b>								
Current Assets								
Cash and cash equivalents	\$ 35,859	\$ 216,434	\$ 252,293	\$ 123,601	\$ -	\$ 123,601	\$ -	\$ 375,894
Accounts receivable	1,000	-	1,000	24,913	-	24,913	(22,088)	3,825
Contribution receivable	-	15,312	15,312	-	-	-	-	15,312
Inventories	13,728	-	13,728	-	-	-	-	13,728
Prepaid expenses	20,171	-	20,171	4,484	-	4,484	-	24,655
Total Current Assets	<u>70,758</u>	<u>231,746</u>	<u>302,504</u>	<u>152,998</u>	<u>-</u>	<u>152,998</u>	<u>(22,088)</u>	<u>433,414</u>
Long-term investments	-	-	-	1,613,549	255,536	1,869,085	-	1,869,085
Property and equipment, net	5,594,711	-	5,594,711	2,794,402	-	2,794,402	-	8,389,113
Other Assets								
Loan fees, net	5,931	-	5,931	-	-	-	-	5,931
Deposits	5,280	-	5,280	-	-	-	-	5,280
Plots	1,682	-	1,682	-	-	-	-	1,682
Total Other Assets	<u>12,893</u>	<u>-</u>	<u>12,893</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,893</u>
<b>TOTAL ASSETS</b>	<u>\$ 5,678,362</u>	<u>\$ 231,746</u>	<u>\$ 5,910,108</u>	<u>\$ 4,560,949</u>	<u>\$ 255,536</u>	<u>\$ 4,816,485</u>	<u>\$ (22,088)</u>	<u>\$ 10,704,505</u>
<b>LIABILITIES AND NET ASSETS</b>								
Current Liabilities								
Accounts payable	\$ 29,263	\$ -	\$ 29,263	\$ 5,006	\$ -	\$ 5,006	\$ -	\$ 34,269
Accrued liabilities	82,747	-	82,747	400	-	400	(22,088)	61,059
Current portion of note payable	6,067	-	6,067	-	-	-	-	6,067
Total Current Liabilities	<u>118,077</u>	<u>-</u>	<u>118,077</u>	<u>5,406</u>	<u>-</u>	<u>5,406</u>	<u>(22,088)</u>	<u>101,395</u>
Note payable, net of current portion	260,523	-	260,523	-	-	-	-	260,523
Total Liabilities	<u>378,600</u>	<u>-</u>	<u>378,600</u>	<u>5,406</u>	<u>-</u>	<u>5,406</u>	<u>(22,088)</u>	<u>361,918</u>
Net Assets								
Unrestricted	5,299,762	-	5,299,762	4,555,543	-	4,555,543	-	9,855,305
Temporarily restricted	-	231,746	231,746	-	255,536	255,536	-	487,282
Total Net Assets	<u>5,299,762</u>	<u>231,746</u>	<u>5,531,508</u>	<u>4,555,543</u>	<u>255,536</u>	<u>4,811,079</u>	<u>-</u>	<u>10,342,587</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 5,678,362</u>	<u>\$ 231,746</u>	<u>\$ 5,910,108</u>	<u>\$ 4,560,949</u>	<u>\$ 255,536</u>	<u>\$ 4,816,485</u>	<u>\$ (22,088)</u>	<u>\$ 10,704,505</u>

**LONG BEACH RESCUE MISSION AND  
LONG BEACH RESCUE MISSION FOUNDATION  
SCHEDULE II - COMBINING STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013**

	LBRM			LBRMF			ELIMINATIONS	COMBINED TOTALS
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total		
<b>SUPPORT AND REVENUE</b>								
Contributions	\$ 1,511,159	\$ 312,320	\$ 1,823,479	\$ 4,250	\$ -	\$ 4,250	\$ -	\$ 1,827,729
Estates and bequests	348,765	-	348,765	74,592	-	74,592	-	423,357
Cold weather shelter contract	293,020	-	293,020	-	-	-	-	293,020
Private grants	529,550	-	529,550	-	-	-	(511,600)	17,950
Gifts in-kind	434,114	-	434,114	-	-	-	-	434,114
Special events	23,558	-	23,558	-	-	-	-	23,558
Less: Cost of direct benefits to donors	(19,618)	-	(19,618)	-	-	-	-	(19,618)
Interest and dividends	117	-	117	66,446	-	66,446	-	66,563
Rental income	52,653	-	52,653	86,944	-	86,944	-	139,597
Thrift store sales	117,133	-	117,133	-	-	-	-	117,133
Net realized gain on investments	-	-	-	27,476	-	27,476	-	27,476
Net unrealized loss on investments	-	-	-	117,295	-	117,295	-	117,295
Other revenue	8,342	-	8,342	-	-	-	-	8,342
Net assets released from restrictions	106,331	(106,331)	-	277,000	(277,000)	-	-	-
<b>Total Support and Revenue</b>	<b>3,405,124</b>	<b>205,989</b>	<b>3,611,113</b>	<b>654,003</b>	<b>(277,000)</b>	<b>377,003</b>	<b>(511,600)</b>	<b>3,476,516</b>
<b>OPERATING EXPENSES</b>								
Program services	2,651,945	-	2,651,945	655,783	-	655,783	(511,600)	2,796,128
Management and general	309,866	-	309,866	45,023	-	45,023	-	354,889
Fund-raising	589,193	-	589,193	-	-	-	-	589,193
<b>Total Operating Expenses</b>	<b>3,551,004</b>	<b>-</b>	<b>3,551,004</b>	<b>700,806</b>	<b>-</b>	<b>700,806</b>	<b>(511,600)</b>	<b>3,740,210</b>
Loss on disposition of asset	4,399	-	4,399	-	-	-	-	4,399
<b>Total Expenses</b>	<b>3,555,403</b>	<b>-</b>	<b>3,555,403</b>	<b>700,806</b>	<b>-</b>	<b>700,806</b>	<b>(511,600)</b>	<b>3,744,609</b>
<b>CHANGE IN NET ASSETS</b>	<b>(150,279)</b>	<b>205,989</b>	<b>55,710</b>	<b>(46,803)</b>	<b>(277,000)</b>	<b>(323,803)</b>	<b>-</b>	<b>(268,093)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>5,450,041</b>	<b>25,757</b>	<b>5,475,798</b>	<b>4,602,346</b>	<b>532,536</b>	<b>5,134,882</b>	<b>-</b>	<b>10,610,680</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 5,299,762</b>	<b>\$ 231,746</b>	<b>\$ 5,531,508</b>	<b>\$ 4,555,543</b>	<b>\$ 255,536</b>	<b>\$ 4,811,079</b>	<b>\$ -</b>	<b>\$ 10,342,587</b>

**LONG BEACH RESCUE MISSION AND  
LONG BEACH RESCUE MISSION FOUNDATION  
SCHEDULE III - COMBINING STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2013**

	LBRM				LBRMF				ELIMINATIONS	COMBINED TOTALS
	Program Services	Management and General	Fund-raising	Total	Program Services	Management and General	Fund-raising	Total		
Salaries and wages	758,330	\$ 244,154	\$ 99,222	\$ 1,101,706	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,101,706
Payroll taxes	43,114	19,578	6,390	69,082	-	-	-	-	-	69,082
Employee benefits	147,952	14,949	10,431	173,332	-	-	-	-	-	173,332
	949,396	278,681	116,043	1,344,120	-	-	-	-	-	1,344,120
Advertising and newsletter	1,025	-	288,045	289,070	-	-	-	-	-	289,070
Benevolence	19,102	-	-	19,102	-	-	-	-	-	19,102
Contributions and grants	200	-	-	200	511,600	-	-	511,600	(511,600)	200
Community development	6,196	-	401	6,597	-	-	-	-	-	6,597
Contracted services	232,371	-	-	232,371	-	-	-	-	-	232,371
Depreciation and amortization	168,485	9,418	2,848	180,751	24,204	6,827	-	31,031	-	211,782
Facility expense	236,933	-	-	236,933	6,848	1,598	-	8,446	-	245,379
Food supply and service	44,784	-	-	44,784	-	-	-	-	-	44,784
Fund-raising	-	-	71,125	71,125	-	-	-	-	-	71,125
In-kind expense	434,114	-	-	434,114	-	-	-	-	-	434,114
Interest	7,606	-	-	7,606	-	-	-	-	-	7,606
Insurance	74,764	5,717	1,143	81,624	8,936	2,521	-	11,457	-	93,081
Miscellaneous	6,367	109	-	6,476	2,045	5,799	-	7,844	-	14,320
Office expense	16,249	-	-	16,249	-	-	-	-	-	16,249
Postage and delivery	28,645	1,200	99,483	129,328	-	-	-	-	-	129,328
Printing and reproduction	20,388	-	-	20,388	-	-	-	-	-	20,388
Professional development	12,764	-	-	12,764	-	-	-	-	-	12,764
Professional fees	69,445	-	26,500	95,945	60,178	16,973	-	77,151	-	173,096
Programs and case management	36,830	-	-	36,830	-	-	-	-	-	36,830
Rent	66,967	-	-	66,967	-	-	-	-	-	66,967
Taxes and licenses	48,305	-	-	48,305	30,117	8,495	-	38,612	-	86,917
Travel and meals	11,323	-	-	11,323	-	-	-	-	-	11,323
Utilities and telephone	124,749	14,741	3,223	142,713	11,855	2,810	-	14,665	-	157,378
Vehicle expense	34,937	-	-	34,937	-	-	-	-	-	34,937
Total expenses:	2,651,945	309,866	608,811	3,570,622	655,783	45,023	-	700,806	(511,600)	3,759,828
Less expenses included with revenues on the combined statement of activities			(19,618)	(19,618)	-	-	-	-	-	(19,618)
Total expenses included in the expense section of the combined statement of activities:	<u>\$ 2,651,945</u>	<u>\$ 309,866</u>	<u>\$ 589,193</u>	<u>\$ 3,551,004</u>	<u>\$ 655,783</u>	<u>\$ 45,023</u>	<u>\$ -</u>	<u>\$ 700,806</u>	<u>\$ (511,600)</u>	<u>\$ 3,740,210</u>

**LONG BEACH RESCUE MISSION AND  
LONG BEACH RESCUE MISSION FOUNDATION  
SCHEDULE IV - COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2013**

	LBRM			LBRMF			ELIMINATIONS	COMBINED TOTALS
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>								
Change in net assets	\$ (150,279)	\$ 205,989	\$ 55,710	\$ (46,803)	\$ (277,000)	\$ (323,803)	\$ -	\$ (268,093)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:								
Depreciation	180,591	-	180,591	31,031	-	31,031	-	211,622
Amortization of loan fees	160	-	160	-	-	-	-	160
Loss on sale of property and equipment	4,398	-	4,398	-	-	-	-	4,398
Net realized gain on investments	-	-	-	(27,476)	-	(27,476)	-	(27,476)
Net unrealized gain on investments	-	-	-	(117,295)	-	(117,295)	-	(117,295)
Changes in operating assets and liabilities:								
Accounts receivable	49,417	-	49,417	(20,701)	-	(20,701)	15,235	43,951
Contribution receivable	-	(15,312)	(15,312)	67,500	-	67,500	-	52,188
Gift cards	(4,226)	-	(4,226)	-	-	-	-	(4,226)
Prepaid expenses	(98)	-	(98)	(4,484)	-	(4,484)	-	(4,582)
Deposits	5,000	-	5,000	-	-	-	-	5,000
Accounts payable	(52,128)	-	(52,128)	(695)	-	(695)	(15,235)	(68,058)
Accrued liabilities	4,439	-	4,439	400	-	400	-	4,839
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>37,274</u>	<u>190,677</u>	<u>227,951</u>	<u>(118,523)</u>	<u>(277,000)</u>	<u>(395,523)</u>	<u>-</u>	<u>(167,572)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
Purchases of property and equipment	(585,661)	-	(585,661)	-	-	-	-	(585,661)
Proceeds from sale of investments	-	-	-	551,141	277,000	828,141	-	828,141
Purchase of investments	-	-	-	(565,804)	-	(565,804)	-	(565,804)
Collection of note receivable	-	-	-	50,000	-	50,000	-	50,000
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>(585,661)</u>	<u>-</u>	<u>(585,661)</u>	<u>35,337</u>	<u>277,000</u>	<u>312,337</u>	<u>-</u>	<u>(273,324)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>								
Proceeds from note payable	270,000	-	270,000	-	-	-	-	270,000
Payments for debt issue costs	(6,091)	-	(6,091)	-	-	-	-	(6,091)
Principal payments	(3,410)	-	(3,410)	-	-	-	-	(3,410)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<u>260,499</u>	<u>-</u>	<u>260,499</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>260,499</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	(287,888)	190,677	(97,211)	(83,186)	-	(83,186)	-	(180,397)
<b>BEGINNING CASH AND CASH EQUIVALENTS</b>	323,747	25,757	349,504	206,787	-	206,787	-	556,291
<b>ENDING CASH AND CASH EQUIVALENTS</b>	<u>\$ 35,859</u>	<u>\$ 216,434</u>	<u>\$ 252,293</u>	<u>\$ 123,601</u>	<u>\$ -</u>	<u>\$ 123,601</u>	<u>\$ -</u>	<u>\$ 375,894</u>