



**LONG BEACH RESCUE MISSION AND
LONG BEACH RESCUE MISSION FOUNDATION
COMBINED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2018**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying combined financial statements of Long Beach Rescue Mission and Long Beach Rescue Mission Foundation (nonprofit organizations), which comprise the combined statement of financial position as of June 30, 2018, and the related combined statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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, 2018, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Onisko & Scholz, LLP

Long Beach, California
February 12, 2019

**LONG BEACH RESCUE MISSION AND
LONG BEACH RESCUE MISSION FOUNDATION
COMBINED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 426,233	\$ 33,422	\$ 459,655
Accounts receivable	7,405	-	7,405
Contributions receivable	-	1,600	1,600
Inventories	4,854	-	4,854
Prepaid expenses	30,129	-	30,129
Total Current Assets	<u>468,621</u>	<u>35,022</u>	<u>503,643</u>
Investments	<u>4,689,680</u>	<u>-</u>	<u>4,689,680</u>
Property and equipment, net	<u>5,058,512</u>	<u>-</u>	<u>5,058,512</u>
Other Assets			
Loan fees, net	4,708	-	4,708
Funds held for others	82,518	-	82,518
Total Other Assets	<u>87,226</u>	<u>-</u>	<u>87,226</u>
TOTAL ASSETS	<u><u>\$ 10,304,039</u></u>	<u><u>\$ 35,022</u></u>	<u><u>\$ 10,339,061</u></u>
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable	\$ 109,657	\$ -	\$ 109,657
Accrued liabilities	81,236	-	81,236
Current portion of note payable	7,689	-	7,689
Total Current Liabilities	<u>198,582</u>	<u>-</u>	<u>198,582</u>
Note payable, net of current portion	<u>227,282</u>	<u>-</u>	<u>227,282</u>
Total Liabilities	<u>425,864</u>	<u>-</u>	<u>425,864</u>
Net Assets			
Unrestricted	9,878,175	-	9,878,175
Temporarily restricted	-	35,022	35,022
Total Net Assets	<u>9,878,175</u>	<u>35,022</u>	<u>9,913,197</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 10,304,039</u></u>	<u><u>\$ 35,022</u></u>	<u><u>\$ 10,339,061</u></u>

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

**LONG BEACH RESCUE MISSION AND
LONG BEACH RESCUE MISSION FOUNDATION
COMBINED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Contributions	\$ 2,311,189	\$ 14,267	\$ 2,325,456
Estates and bequests	742,293	21,530	763,823
Private grants	170,410	-	170,410
Gifts in-kind	688,492	-	688,492
Cold weather shelter contract	47,550	-	47,550
Program service fees	55,920	-	55,920
Special events	\$ 68,400		
Less: Cost of direct benefit to donors	<u>(65,189)</u>	-	3,211
Interest and dividends	116,099	-	116,099
Rental income	50,515	-	50,515
Thrift store sales	262,166	-	262,166
Other revenue	14,647	-	14,647
Net realized gain on investments	102,964	-	102,964
Net unrealized gain on investments	118,909	-	118,909
	<u>4,684,365</u>	<u>35,797</u>	<u>4,720,162</u>
 Net assets released from restrictions	 <u>51,773</u>	 <u>(51,773)</u>	 <u>-</u>
 Total Support and Revenue	 <u>4,736,138</u>	 <u>(15,976)</u>	 <u>4,720,162</u>
 EXPENSES			
Program services	2,911,171	-	2,911,171
Management and general	429,466	-	429,466
Fund-raising	760,663	-	760,663
	<u>4,101,300</u>	<u>-</u>	<u>4,101,300</u>
 Total Expenses	 <u>4,101,300</u>	 <u>-</u>	 <u>4,101,300</u>
 CHANGE IN NET ASSETS	 <u>634,838</u>	 <u>(15,976)</u>	 <u>618,862</u>
 NET ASSETS, BEGINNING OF YEAR	 <u>9,243,337</u>	 <u>50,998</u>	 <u>9,294,335</u>
 NET ASSETS, END OF YEAR	 <u><u>\$ 9,878,175</u></u>	 <u><u>\$ 35,022</u></u>	 <u><u>\$ 9,913,197</u></u>

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

**LONG BEACH RESCUE MISSION AND
LONG BEACH RESCUE MISSION FOUNDATION
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018**

	Program Services		Supporting Services		TOTAL
	Community Services	Total	Management and General	Fund-raising	
Salaries and wages	\$ 856,324	\$ 856,324	\$ 264,455	\$ 59,962	\$ 1,180,741
Payroll taxes	71,367	71,367	24,061	3,931	99,359
Employee benefits	170,993	170,993	20,893	2,246	194,132
	<u>1,098,684</u>	<u>1,098,684</u>	<u>309,409</u>	<u>66,139</u>	<u>1,474,232</u>
Advertising and newsletter	17,700	17,700	-	434,699	452,399
Benevolence	49,277	49,277	-	-	49,277
Community development	6,213	6,213	-	-	6,213
Depreciation and amortization	194,394	194,394	10,721	3,223	208,338
Facility expense	246,174	246,174	8,556	4,457	259,187
Food supply and services	40,670	40,670	-	-	40,670
In-kind expense	688,492	688,492	-	-	688,492
Interest	-	-	12,318	-	12,318
Insurance	97,940	97,940	16,278	2,750	116,968
Miscellaneous	697	697	4,918	-	5,615
Office expense	24,333	24,333	-	3,698	28,031
Postage and delivery	19,753	19,753	-	158,293	178,046
Printing and reproduction	17,527	17,527	-	-	17,527
Professional development	9,878	9,878	-	-	9,878
Professional fees	90,316	90,316	49,784	57,485	197,585
Programs and case management	35,937	35,937	-	11,675	47,612
Rent	2,136	2,136	-	-	2,136
Special events expense	12,926	12,926	-	82,540	95,466
Taxes and licenses	47,384	47,384	6,318	-	53,702
Travel and meals	12,345	12,345	134	400	12,879
Utilities and telephone	143,495	143,495	11,030	493	155,018
Vehicle expense	<u>54,900</u>	<u>54,900</u>	<u>-</u>	<u>-</u>	<u>54,900</u>
Total expenses	2,911,171	2,911,171	429,466	825,852	4,166,489
Less expenses included with revenues on the combined statement of activities	-	-	-	(65,189)	(65,189)
Expenses included in the expense section of the combined statement of activities	<u>\$ 2,911,171</u>	<u>\$ 2,911,171</u>	<u>\$ 429,466</u>	<u>\$ 760,663</u>	<u>\$ 4,101,300</u>

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

**LONG BEACH RESCUE MISSION AND
LONG BEACH RESCUE MISSION FOUNDATION
COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Change in net assets	\$ 634,838	\$ (15,976)	\$ 618,862
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities			
Depreciation	208,090	-	208,090
Amortization of loan fees	248	-	248
Net realized gain on investments	(102,964)	-	(102,964)
Net unrealized gain on investments	(118,909)	-	(118,909)
Changes in operating assets and liabilities:			
Accounts receivable	3,733	-	3,733
Contributions receivable	-	6,630	6,630
Inventories	(426)	-	(426)
Prepaid expenses	(9,591)	-	(9,591)
Deposits	9,875	-	9,875
Funds held for others	1,264	-	1,264
Accounts payable	(14,850)	-	(14,850)
Accrued liabilities	4,924	-	4,924
	<u>616,232</u>	<u>(9,346)</u>	<u>606,886</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment	(35,903)	-	(35,903)
Proceeds from sale of investments	886,332	-	886,332
Purchases of investments	(1,168,010)	-	(1,168,010)
	<u>(317,581)</u>	<u>-</u>	<u>(317,581)</u>
NET CASH USED BY INVESTING ACTIVITIES			
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal payments on note payable	(6,307)	-	(6,307)
	<u>(6,307)</u>	<u>-</u>	<u>(6,307)</u>
NET CASH USED BY FINANCING ACTIVITIES			
CHANGE IN CASH AND CASH EQUIVALENTS	292,344	(9,346)	282,998
CASH AND CASH EQUIVALENTS, beginning of year	133,889	42,768	176,657
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 426,233</u>	<u>\$ 33,422</u>	<u>\$ 459,655</u>

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

**LONG BEACH RESCUE MISSION AND
LONG BEACH RESCUE MISSION FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2018**

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 it owns.

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 combined financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP") and follow the recommendations of the Accounting Standards Codification ("ASC") 958-205, Financial Statements of Not for Profit Organizations.

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.

During the year ended June 30, 2018 the Organization did not receive any permanently restricted contributions.

**LONG BEACH RESCUE MISSION AND
LONG BEACH RESCUE MISSION FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting for Contributions

GAAP requires 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 donor 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 maintains a bank account for its program participants. These funds are not considered cash and cash equivalents and are reported with other asset on the statement of financial position.

Accounts Receivable

The accounts receivable consist primarily of rent due from leased properties and are stated at the amounts that management expects to collect from outstanding balances. Management believes the accounts receivable as of June 30, 2018, 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 and contributions 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. No value is placed on Thrift Store inventory at the time of receipt because the value is undeterminable. Inventories are stated at the lower of cost (determined by the first-in, first-out method) or net realizable value.

**LONG BEACH RESCUE MISSION AND
LONG BEACH RESCUE MISSION FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2018**

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 have declined and may 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

Loan cost of \$6,090, associated with note payable, is being amortized over the term of the loan using a straight-line method. Amortization expense for the year ended June 30, 2018 was \$248.

Contributed Materials and Services

The Organization receives food donations from various businesses and individuals. Food donations have been recorded as in-kind income and expense based on the fair market value. During the year ended June 30, 2018, the Organization received food inventory with a fair value on the date of donation of \$688,492. No value has been recorded for the remaining food inventory, as the inventory would have no resale value.

The Organization receives periodic donations of materials and supplies 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. During the year ended June 30, 2018, the Organization did not receive donations of other than food donations above.

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.

**LONG BEACH RESCUE MISSION AND
LONG BEACH RESCUE MISSION FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2018**

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 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.

Generally, the Organization's returns are subject to examination by the federal and state taxing authorities for three and four years, respectively, after the returns are filed. There are no returns under examination as of June 30, 2018.

Fair Value of Financial Instruments

Financial assets and liabilities are recorded at their fair market value in accordance with ASC 820, *Fair Value Measurements*. This standard defines fair value and establishes a hierarchy for reporting the reliability of input measurements used to assess fair value for all assets and liabilities. ASC 820 defines fair value as the selling price that would be received for an asset, or paid to transfer a liability, in the principal or most advantageous market on the measurement date. The hierarchy prioritizes fair value measurements based on the types of inputs used in the valuation technique. The inputs are categorized in the following 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.

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 reported amount of the note payable approximated fair value because of the market value interest rates the instruments bear.

**LONG BEACH RESCUE MISSION AND
LONG BEACH RESCUE MISSION FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising Costs

Advertising primarily consists of the Organization's newsletter and seasonal donation solicitations. The Organization expenses advertising production costs the first time the advertising occurs. Advertising expense for the year ended June 30, 2018 was \$452,399.

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.

Recent Accounting Pronouncements

In July 2015, the FASB issued ASU 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory*. The standard requires entities to measure most inventory "at the lower of cost and net realizable value," thereby simplifying the current guidance under which an entity must measure inventory at the lower of cost of market (market in this context is defined as one of three different measures, one of which is net realizable value). The standard is effective for the Company prospectively beginning July 1, 2017. The adoption of ASU 2015-11 did not have a material impact on the Company's financial statements.

NOTE 2 – CONTRIBUTIONS RECEIVABLE

Contributions receivable as of June 30, 2018 consisted of outstanding bequests and grants receivable and are due as follows:

Less than one year	\$	1,600
One to five years		-
	<u>\$</u>	<u>1,600</u>

**LONG BEACH RESCUE MISSION AND
LONG BEACH RESCUE MISSION FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 – INVESTMENTS

An analysis of the investments held as of June 30, 2018 is as follows:

	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Gain/(Loss)</u>
Equities	\$ 2,317,729	\$ 1,815,422	\$ 502,307
Fixed income	766,737	795,951	(29,214)
Mutual funds	855,475	870,082	(14,607)
Alternative investments	185,734	184,650	1,084
Real assets	459,609	428,836	30,773
Agency fund at LBCF	104,396	100,000	4,396
	<u>\$ 4,689,680</u>	<u>\$ 4,194,941</u>	<u>\$ 494,739</u>

The Organization has contributed \$100,000 to the Long Beach Community Foundation ("LBCF") in order to establish a quasi-endowment agency fund. This fund is administered by the LBCF for the benefit of the Organization. A portion of the fund's earnings is made available for distribution to the Organization periodically.

The following schedule summarizes the investment return for the year ended June 30, 2018:

	<u>Unrestricted</u>
Interest and dividends	\$ 116,099
Realized gain	102,964
Unrealized gain	118,909
Management fees	<u>(45,458)</u>
Total investment return	<u>\$ 292,514</u>

The scheduled maturities for fixed income securities are as follows at June 30, 2018:

	<u>Par Value</u>	<u>Fair Value</u>
1 – 5 years	\$ 583,000	\$ 582,172
5 – 10 years	155,000	154,299
15 – 20 years	30,000	30,266
	<u>\$ 768,000</u>	<u>\$ 766,737</u>

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Investments are managed by professional investment managers who have responsibility for investing the funds in various investment classes. Due to the level of risk associated with certain securities, it is at least reasonably possible that changes in the near term could materially affect account balances and the amounts reported in the accompanying financial statements.

**LONG BEACH RESCUE MISSION AND
LONG BEACH RESCUE MISSION FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2018, is summarized as follows:

Land	\$3,252,174
Land improvements	31,309
Buildings and improvements	4,411,515
Construction in progress	10,079
Furniture, fixtures, and equipment	727,144
Vehicles	139,000
	<u>8,571,221</u>
Less accumulated depreciation	<u>(3,512,709)</u>
	<u>\$ 5,058,512</u>

Depreciation expense for the year ended June 30, 2018 was \$208,090.

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 5 – ACCRUED LIABILITIES

Accrued liabilities as of June 30, 2018 consisted of the following:

Accrued compensated absences	\$ 72,559
Other payables	4,312
Sales tax payable	4,365
	<u>\$ 81,236</u>

NOTE 6 – COMPENSATED ABSENCES

It is the Organization's policy to accrue vacation pay for its employees. Staff may accrue up to a maximum of 360 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 7 – 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.

**LONG BEACH RESCUE MISSION AND
LONG BEACH RESCUE MISSION FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 – 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, 2018 was \$50,515.

NOTE 9 – 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, 2018, matching contributions were \$11,692.

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. The Board will not be making a contribution for the year ended June 30, 2018.

NOTE 10 – LONG-TERM DEBT

Note payable to Banc of California, bearing interest at 5.336%, 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.	\$ 234,971
Less portion considered current	<u>(7,689)</u>
Total long-term liabilities	<u>\$ 227,282</u>

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

Year Ended <u>June 30,</u>	<u>Amount</u>
2019	7,689
2020	8,063
2021	8,454
2022	8,864
2023	9,295
Thereafter	<u>192,606</u>
	<u>\$ 234,971</u>

The interest paid on the note for the year ended of June 30, 2018 was \$12,292.

Loan covenants require the Organization to maintain a minimum net worth of \$4,600,000 and a minimum debt coverage ratio of 1.25.

**LONG BEACH RESCUE MISSION AND
LONG BEACH RESCUE MISSION FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 11 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2018 are available for the following purposes:

Restricted Until Collected and Available for Use	\$1,600
Recreation Day for Women	4,433
Support for Lydia House	249
Workforce development	10,189
Food mixer	20
Samaritan House	3,531
Homeless youth program	15,000
Total	<u>\$35,022</u>

NOTE 12 – FAIR VALUE MEASUREMENTS

Fair values of assets measured at June 30, 2018 are as follows:

	Level 1	Level 2	Level 3	Total
<u>Measured on a Recurring Basis:</u>				
Stocks, options, ETFs, equity funds	\$2,356,117	\$ -	\$ -	\$2,356,117
Government obligations	345,474	-	-	345,474
Corporate bonds	-	421,264	-	421,264
Fixed income mutual funds	817,085	-	-	817,085
Alternative investments	-	-	185,734	185,734
Real assets	258,674	200,936	-	459,610
Agency fund at Community Foundation	-	-	104,396	104,396
Total	<u>\$3,777,350</u>	<u>\$622,200</u>	<u>\$290,130</u>	<u>\$4,689,680</u>
<u>Measured on a Nonrecurring Basis:</u>				
Contributions and bequests receivable		\$ -	\$1,600	\$1,600
Non-cash contributions		688,492	-	688,492
Total		<u>\$688,492</u>	<u>\$1,600</u>	<u>\$690,092</u>

Equities are measured at fair value using quoted market prices. They are classified as Level 1, as they are traded in active markets for which closing stock prices are readily available.

U.S. Treasures, Mutual funds and Real Assets fund investments are classified as Level 1, as they are listed in over-the-counter markets for which quoted market prices are available from

**LONG BEACH RESCUE MISSION AND
LONG BEACH RESCUE MISSION FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 13 – FAIR VALUE MEASUREMENTS (continued)

sources such as financial publications.

Corporate bonds and Real Estate Investment Trusts are classified in Level 2 category, as they are valued using significant other observable input, particularly dealer market prices for comparable investment as of the valuation date.

Alternative investments are classified as Level 3, as they are illiquid and may not be valued daily. The fair value of those investments has been estimated using net asset value per share or its equivalents. The valuation is provided as of the most recent date available.

The investments held by Long Beach Community Foundation are valued using Level 3 measurements. Fair value measurements are based on the fair value of the underlying assets, as reported by the fund manager.

The fair value of contributed material, supplies and services has been measured on a non-recurring basis using quoted prices for similar assets (Level 2 input).

The fair value of contributions receivable is measured on a nonrecurring basis using an income approach with estimates of future cash flows (Level 3 inputs).

The following summarizes the changes in fair value measurements using significant unobservable inputs (Level 3) for the year ended June 30, 2018:

Balance, June 30, 2017	\$ 252,361
Purchases	36,556
Investment income, gains and losses	<u>1,213</u>
Balance, June 30, 2018	<u>\$ 290,130</u>

NOTE 14 – CONCENTRATIONS AND CREDIT RISK

Cash

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. In addition, securities and cash in investment accounts are protected by Securities Investor Protection Corporation (SIPC). SIPC protects the clients against the loss of their securities up to a maximum of \$500,000, including \$250,000 for claims for cash. At various times during the year ended June 30, 2018, there were balances in the financial institutions that were over the FDIC limit. At June 30, 2018, the Organization had uninsured cash balances of \$31,646.

Support

Approximately 22 percent of the Organization's support for the year ended June 30, 2018 was from one donor.

**LONG BEACH RESCUE MISSION AND
LONG BEACH RESCUE MISSION FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 15 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

During the year ended June 30, 2018, the Organization paid \$12,318 in interest and no income taxes.

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 12, 2019, the date the financial statements were available to be issued.

ADDITIONAL INFORMATION



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INDEPENDENT AUDITORS' 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, 2018, and have issued our report thereon dated February 12, 2019, 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
February 12, 2019

**LONG BEACH RESCUE MISSION AND
LONG BEACH RESCUE MISSION FOUNDATION
SCHEDULE I - COMBINING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018**

	LBRM		LBRMF		ELIMINATIONS	COMBINED TOTALS
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
ASSETS						
Current Assets						
Cash and cash equivalents	\$ 166,294	\$ 33,422	\$ 199,716	\$ 259,939	\$ -	\$ 259,939
Accounts receivable	14,251	-	14,251	-	-	-
Contributions receivable	-	-	-	-	1,600	1,600
Inventories	4,854	-	4,854	-	-	-
Prepaid expenses	26,819	-	26,819	3,310	-	3,310
Total Current Assets	212,218	33,422	245,640	263,249	1,600	264,849
Investments	-	-	-	4,689,680	-	4,689,680
Property and equipment, net	5,058,512	-	5,058,512	-	-	-
Other Assets						
Loan fees, net	4,708	-	4,708	-	-	-
Funds held for others	82,518	-	82,518	-	-	-
Total Other Assets	87,226	-	87,226	-	-	-
TOTAL ASSETS	\$ 5,357,956	\$ 33,422	\$ 5,391,378	\$ 4,952,929	\$ 1,600	\$ 4,954,529
						\$ (6,846)
						\$ 10,339,061
LIABILITIES AND NET ASSETS						
Current Liabilities						
Accounts payable	\$ 109,657	\$ -	\$ 109,657	\$ 6,846	\$ -	\$ 6,846
Accrued liabilities	81,236	-	81,236	-	-	-
Current portion of note payable	7,689	-	7,689	-	-	-
Total Current Liabilities	198,582	-	198,582	6,846	-	6,846
Note payable, net of current portion	227,282	-	227,282	-	-	-
Total Liabilities	425,864	-	425,864	6,846	-	6,846
Net Assets						
Unrestricted	4,932,092	-	4,932,092	4,946,083	-	4,946,083
Temporarily restricted	-	33,422	33,422	-	1,600	1,600
Total Net Assets	4,932,092	33,422	4,965,514	4,946,083	1,600	4,947,683
TOTAL LIABILITIES AND NET ASSETS	\$ 5,357,956	\$ 33,422	\$ 5,391,378	\$ 4,952,929	\$ 1,600	\$ 4,954,529
						\$ (6,846)
						\$ 10,339,061

**LONG BEACH RESCUE MISSION AND
LONG BEACH RESCUE MISSION FOUNDATION
SCHEDULE II - COMBINING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

	LBRM		LBRMF		Total	Eliminations	COMBINED TOTALS
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted			
SUPPORT AND REVENUE							
Contributions	\$ 2,311,189	\$ 14,267	\$ -	\$ -	\$ 763,823	\$ -	\$ 2,325,456
Estates and bequests	-	-	-	-	-	-	763,823
Private grants	542,295	-	-	-	-	-	170,410
Gifts in-kind	688,492	-	-	-	-	(371,885)	688,492
Cold weather shelter contract	47,550	-	-	-	-	-	47,550
Program service fees	55,920	-	-	-	-	-	55,920
Special events, net	3,211	-	-	-	-	-	3,211
Interest and dividends	70	-	-	-	-	-	116,099
Rental income	50,515	-	-	-	-	-	50,515
Thrift store sales	262,166	-	-	-	-	-	262,166
Other revenue	14,647	-	-	-	-	-	14,647
Net unrealized gain on investments	-	-	-	-	-	-	118,909
Net realized gain on investments	-	-	-	-	-	-	102,964
	3,976,055	14,267	3,990,322	21,530	1,101,725	(371,885)	4,720,162
Net assets released from restrictions	23,613	(23,613)	-	(28,160)	-	-	-
Total Support and Revenue	3,999,668	(9,346)	3,990,322	(6,630)	1,101,725	(371,885)	4,720,162
EXPENSES							
Program services	2,911,171	-	371,885	-	371,885	(371,885)	2,911,171
Management and general	373,981	-	55,485	-	55,485	-	429,466
Fund-raising	760,663	-	-	-	-	-	760,663
Total Expenses	4,045,815	-	427,370	-	427,370	(371,885)	4,101,300
CHANGE IN NET ASSETS	(46,147)	(9,346)	680,985	(6,630)	674,355	-	618,862
NET ASSETS, BEGINNING OF YEAR	4,978,239	42,768	4,265,098	8,230	4,273,328	-	9,294,335
NET ASSETS, END OF YEAR	\$ 4,932,092	\$ 33,422	\$ 4,946,083	\$ 1,600	\$ 4,947,683	\$ -	\$ 9,913,197

**LONG BEACH RESCUE MISSION AND
LONG BEACH RESCUE MISSION FOUNDATION
SCHEDULE III - COMBINING STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018**

	LBRM			LBRMF			COMBINED
	Program Services	Management and General	Fund-raising	Total	Program Services	Management and General	TOTALS
Salaries and wages	\$ 856,324	\$ 264,455	\$ 59,962	\$ 1,180,741	\$ -	\$ -	\$ 1,180,741
Payroll taxes	71,367	24,061	3,931	99,359	-	-	99,359
Employee benefits	170,993	20,893	2,246	194,132	-	-	194,132
	<u>1,098,684</u>	<u>309,409</u>	<u>66,139</u>	<u>1,474,232</u>	-	-	<u>1,474,232</u>
Advertising and newsletter	17,700	-	434,699	452,399	-	-	452,399
Benevolence	49,277	-	-	49,277	-	-	49,277
Contributions and grants	-	-	-	-	371,885	-	(371,885)
Community development	6,213	-	-	6,213	-	-	6,213
Depreciation and amortization	194,394	10,721	3,223	208,338	-	-	208,338
Facility expense	246,174	8,471	4,457	259,102	-	85	259,187
Food supply and services	40,670	-	-	40,670	-	-	40,670
In-kind expense	688,492	-	-	688,492	-	-	688,492
Interest	-	12,318	-	12,318	-	-	12,318
Insurance	97,940	12,669	2,750	113,359	-	3,609	116,968
Miscellaneous	697	2,937	-	3,634	-	1,981	5,615
Office expense	24,333	-	3,698	28,031	-	-	28,031
Postage and delivery	19,753	-	158,293	178,046	-	-	178,046
Printing and reproduction	17,527	-	-	17,527	-	-	17,527
Professional development	9,878	-	-	9,878	-	-	9,878
Professional fees	90,316	(26)	57,485	147,775	-	49,810	197,585
Programs and case management	35,937	-	11,675	47,612	-	-	47,612
Rent	2,136	-	-	2,136	-	-	2,136
Special events expense	12,926	-	82,540	95,466	-	-	95,466
Taxes and licenses	47,384	6,318	-	53,702	-	-	53,702
Travel and meals	12,345	134	400	12,879	-	-	12,879
Utilities and telephone	143,495	11,030	493	155,018	-	-	155,018
Vehicle expense	54,900	-	-	54,900	-	-	54,900
	<u>2,911,171</u>	<u>373,981</u>	<u>825,852</u>	<u>4,111,004</u>	<u>371,885</u>	<u>55,485</u>	<u>4,166,489</u>
Total expenses							
Less expenses included with revenues on the combined statement of activities	-	-	(65,189)	(65,189)	-	-	(65,189)
Total expenses included in the expense section of the combined statement of activities	\$ 2,911,171	\$ 373,981	\$ 760,663	\$ 4,045,815	\$ 371,885	\$ 55,485	\$ 4,101,300

CASH FLOWS FROM OPERATING ACTIVITIES

- Change in net assets
- Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities
- Depreciation
- Amortization of loan fees
- Net realized gain on investments
- Net unrealized gain on investments
- Changes in operating assets and liabilities:
 - Accounts receivable
 - Contributions receivable
 - Inventories
 - Prepaid expenses
 - Deposits
 - Funds held for others
 - Accounts payable
 - Accrued liabilities

NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

CASH FLOWS FROM INVESTING ACTIVITIES

- Purchases of property and equipment
- Proceeds from sale of investments
- Purchases of investments

NET CASH USED BY INVESTING ACTIVITIES

CASH FLOWS FROM FINANCING ACTIVITIES

- Principal payments on note payable

NET CASH USED BY FINANCING ACTIVITIES

CHANGE IN CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS, beginning of year

CASH AND CASH EQUIVALENTS, end of year

**NET CASH PROVIDED (USED)
BY OPERATING ACTIVITIES**

CASH FLOWS FROM INVESTING ACTIVITIES
Purchases of property and equipment
Proceeds from sale of investments
Purchases of investments

NET CASH USED BY INVESTING ACTIVITIES

CASH FLOWS FROM FINANCING ACTIVITIES
Principal payments on note payable

NET CASH USED BY FINANCING ACTIVITIES

CHANGE IN CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS, beginning of year