

BAY AREA RESCUE MISSION

**Financial Statements for the Years Ended
December 31, 2018 and 2017
and Independent Auditors' Report**

BAY AREA RESCUE MISSION

TABLE OF CONTENTS

	PAGE
Independent Auditors' Report	1-2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4-5
Statements of Functional Expenses	6-7
Statements of Cash Flows	8
Notes to Financial Statements	9-14

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Bay Area Rescue Mission
Richmond, California

We have audited the accompanying financial statements of Bay Area Rescue Mission (a California nonprofit organization) ("BARM") which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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 BARM's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BARM 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.

Harrison & Lane, a.c.

Pleasanton, California

July 31, 2019

BAY AREA RESCUE MISSION

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2018 AND 2017

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,393,995	\$ 2,453,243
Accounts receivable, net	4,790	5,000
Contributions and grants receivable	196,828	100,000
Prepaid expenses and other assets	42,222	48,825
Total current assets	2,637,835	2,607,068
Property and equipment, net	1,939,646	1,818,176
Total assets	<u>\$ 4,577,481</u>	<u>\$ 4,425,244</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	<u>\$ 275,785</u>	<u>\$ 272,758</u>
Total current liabilities	<u>275,785</u>	<u>272,758</u>
Total liabilities	<u>275,785</u>	<u>272,758</u>
NET ASSETS:		
Net assets without donor restrictions	3,626,684	3,514,641
Net assets with donor restrictions	675,012	637,845
Total net assets	<u>4,301,696</u>	<u>4,152,486</u>
Total liabilities and net assets	<u>\$ 4,577,481</u>	<u>\$ 4,425,244</u>

See notes to financial statements.

BAY AREA RESCUE MISSION

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2018

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
REVENUE AND SUPPORT:			
Contributions and grants	\$ 4,897,620	\$ 210,849	\$ 5,108,469
Social enterprise	108,007	-	108,007
Special events	280,631	-	280,631
Less: direct benefit to attendees	(133,070)	-	(133,070)
Other revenue	12,676	-	12,676
Contributed clothing and goods	4,692,626	-	4,692,626
Contributed services	155,904	-	155,904
	<u>10,014,394</u>	<u>210,849</u>	<u>10,225,243</u>
Net assets released from restrictions	<u>173,682</u>	<u>(173,682)</u>	<u>-</u>
	<u>10,188,076</u>	<u>37,167</u>	<u>10,225,243</u>
EXPENSES:			
Program services			
Community distribution	3,486,308	-	3,486,308
Men's services	2,145,036	-	2,145,036
Family center	1,924,953	-	1,924,953
Support services:			
Administrative	898,456	-	898,456
Fundraising	1,621,280	-	1,621,280
	<u>10,076,033</u>	<u>-</u>	<u>10,076,033</u>
CHANGE IN NET ASSETS	<u>112,043</u>	<u>37,167</u>	<u>149,210</u>
NET ASSETS, BEGINNING OF YEAR	<u>3,514,641</u>	<u>637,845</u>	<u>4,152,486</u>
NET ASSETS, END OF YEAR	<u>\$ 3,626,684</u>	<u>\$ 675,012</u>	<u>\$ 4,301,696</u>

See notes to financial statements.

BAY AREA RESCUE MISSION

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2017

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
REVENUE AND SUPPORT:			
Contributions and grants	\$ 4,865,343	\$ 209,540	\$ 5,074,883
Social enterprise	75,100	-	75,100
Special events	332,286	-	332,286
Less: direct benefit to attendees	(130,093)	-	(130,093)
Other revenue	10,323	-	10,323
Contributed clothing and goods	4,693,679	-	4,693,679
Contributed services	144,172	-	144,172
	<u>9,990,810</u>	<u>209,540</u>	<u>10,200,350</u>
Total revenue and support			
Net assets released from restrictions	<u>131,981</u>	<u>(131,981)</u>	<u>-</u>
Total revenue, support, and net assets released from restrictions	<u>10,122,791</u>	<u>77,559</u>	<u>10,200,350</u>
EXPENSES:			
Program services:			
Community distribution	3,536,278	-	3,536,278
Men's services	2,174,386	-	2,174,386
Family center	1,958,965	-	1,958,965
Support services:			
Administrative	886,571	-	886,571
Fundraising	1,559,902	-	1,559,902
	<u>10,116,102</u>	<u>-</u>	<u>10,116,102</u>
Total expenses			
CHANGE IN NET ASSETS	<u>6,689</u>	<u>77,559</u>	<u>84,248</u>
NET ASSETS, BEGINNING OF YEAR	<u>3,507,952</u>	<u>560,286</u>	<u>4,068,238</u>
NET ASSETS, END OF YEAR	<u>\$ 3,514,641</u>	<u>\$ 637,845</u>	<u>\$ 4,152,486</u>

See notes to financial statements.

BAY AREA RESCUE MISSION

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Program Services				Support Services		
	Community Distribution	Men's Services	Family Center	Total Program	Administrative	Fundraising	Total
Gifts in kind	\$ 3,066,309	\$ 914,574	\$ 867,647	\$ 4,848,530	\$ -	\$ -	\$ 4,848,530
Payroll, taxes, benefits	224,488	882,247	719,472	1,826,207	730,301	372,192	2,928,700
Contract services/professional fees	43,353	49,351	54,492	147,196	87,452	1,036,196	1,270,844
Facilities & equipment expense	80,781	205,511	205,444	491,736	38,161	26,384	556,281
Non-personnel expenses	544	12,813	16,991	30,348	9,029	151,312	190,689
Supplies	15,945	38,565	36,075	90,585	1,338	819	92,742
Other expense	625	11,237	11,001	22,863	15,678	31,441	69,982
Outreach	35,664	2,013	2,013	39,690	1,900	2,226	43,816
Vehicle expenses	18,504	11,672	1,603	31,779	7,354	212	39,345
Direct support	-	16,678	10,065	26,743	2,311	87	29,141
Travel and meetings expense	95	375	150	620	4,932	411	5,963
Total	\$ 3,486,308	\$ 2,145,036	\$ 1,924,953	\$ 7,556,297	\$ 898,456	\$ 1,621,280	\$ 10,076,033

See notes to financial statements.

BAY AREA RESCUE MISSION

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Program Services				Support Services		
	Community Distribution	Men's Services	Family Center	Total Program	Administrative	Fundraising	Total
Gifts in kind	\$ 3,065,218	\$ 909,784	\$ 862,847	\$ 4,837,849	\$ -	\$ -	\$ 4,837,849
Payroll, taxes, benefits	295,404	915,798	657,636	1,868,838	739,391	358,393	2,966,622
Contract services/professional fees	40,968	54,397	135,071	230,436	48,604	997,324	1,276,364
Facilities & equipment expense	64,168	218,595	246,963	529,726	43,691	30,523	603,940
Non-personnel expenses	1,915	8,276	7,436	17,627	15,611	138,789	172,027
Supplies	6,205	29,531	28,931	64,667	4,298	3,844	72,809
Other expense	785	2,466	4,273	7,524	17,787	30,342	55,653
Outreach	42,022	3,536	3,905	49,463	2,500	19	51,982
Vehicle expenses	19,428	14,583	1,383	35,394	7,314	138	42,846
Direct support	-	17,266	10,417	27,683	30	-	27,713
Travel and meetings expense	165	154	103	422	7,345	530	8,297
Total	\$ 3,536,278	\$ 2,174,386	\$ 1,958,965	\$ 7,669,629	\$ 886,571	\$ 1,559,902	\$ 10,116,102

See notes to financial statements.

BAY AREA RESCUE MISSION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 149,210	\$ 84,248
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation and amortization	111,492	95,272
Loss on sale and disposal of property and equipment	15,517	-
Change in allowance for doubtful accounts	(1,126)	(4,835)
Changes in assets and liabilities that provided (used) cash:		
Accounts receivable	1,336	(165)
Prepaid expenses and other assets	6,603	(3,975)
Contributions and grants receivable	(96,828)	(82,134)
Accounts payable and accrued expenses	3,027	36,349
Payable to agencies in trust	-	(6,498)
Net cash provided by operating activities	<u>189,231</u>	<u>118,262</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of property and equipment	5,500	-
Purchases of property and equipment	<u>(253,979)</u>	<u>(149,983)</u>
Net cash used in investing activities	<u>(248,479)</u>	<u>(149,983)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(59,248)	(31,721)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,453,243</u>	<u>2,484,964</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,393,995</u>	<u>\$ 2,453,243</u>

See notes to financial statements.

BAY AREA RESCUE MISSION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

1. ORGANIZATION

Nature of Operation - The Bay Area Rescue Mission (“BARM”) is a Christian not-for-profit organization incorporated in California. BARM is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code, and is also exempt from state income taxes. The primary source of revenue is contributions by the public.

BARM was founded in 1965 to meet the physical needs of the poor and needy with the primary purpose of preaching of the gospel of Jesus Christ for the salvation of their souls. To that end, BARM provides the homeless and needy of the San Francisco Bay Area with a comprehensive array of emergency and long-term services, including, food, clothing, shelter, recovery programs, life-skills and job-skills training, job placement, family reconciliation, and spiritual counseling. BARM offers these services through three primary programs which are organized and conducted as follows:

- **MEN’S SERVICES** - where men struggling with homelessness, addictions, and other life debilitating circumstances can receive both short-term emergency services (including overnight shelter, meals, and case management and referral services) and long-term recovery and transitional programming, which includes 12-18 months of housing and life transformational programming centered on the Gospel and an empowering, holistic curriculum aimed at helping guests heal, reconnect into supportive relationships, and transition into healthy living outside the mission.
- **FAMILY CENTER** - where single women, as well as women and children, struggling with homelessness and difficult circumstances can find both short-term emergency services and relief (shelter, meals, wraparound case management support) and more long-term life transformational recovery programming for families who express need for more rehabilitative support, which includes support groups, counseling, and a holistic curriculum grounded in the Gospel aimed at helping families build supportive networks and transition into stable, healthy environments outside the mission.
- **COMMUNITY DISTRIBUTION** - an outreach center where donated in-kind gifts are gathered and distributed both internally, to short-term emergency services guest and long-term recovery program participants, and externally, to both the local community in need near the mission and the greater Bay Area through grocery recovery and gift sharing with a variety of similar agencies offering services to those in need. In-kind gifts include food, clothing, personal hygiene products, home goods, and school supplies. Our community distribution facilitates the extension of BARM’s ministry and services to those in need throughout the San Francisco Bay Area irrespective of their homeless status.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") No. 958-205. Under ASC 958-205, BARM is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Fair Value - ASC 820 includes a fair value hierarchy that is intended to increase the consistency and comparability in fair value measurements and related disclosures. The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources while unobservable inputs reflect a reporting entity's pricing based upon their own market assumptions. The fair value hierarchy consists of the following three levels:

Level 1 - instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.

Level 2 - instrument valuations are obtained from readily-available pricing sources for comparable instruments.

Level 3 - instrument valuations are obtained without observable market values and require a high level of judgment to determine the fair value.

Cash and Cash Equivalents - Cash equivalents are all highly liquid investments with a maturity of three months or less when purchased, unless held for reinvestment as part of the investment portfolio, pledged to secure loan agreements or otherwise restricted or designated. The carrying amount approximates fair value because of the short maturity of those instruments.

Accounts, Contributions and Grants Receivable - Accounts receivable are recorded at the value of the revenue earned and require payment within thirty days. Account balances with charges over thirty days old are considered delinquent and management begins collection efforts at this time. Delinquent accounts receivable do not accrue interest. Unconditional contributions and grants receivable are reported at fair value and are recognized in the period promised. Delinquent contributions and grants receivable do not accrue interest. BARM continually monitors the credit worthiness of each account and recognizes allowances for estimated bad debts on accounts that are no longer estimated to be collectible. BARM regularly adjusts any allowance for subsequent collections and final determination that a receivable is no longer collectible. Bad debt recoveries are included in income as realized. Allowances for bad debts are presented net on the statements of financial position, and totaled \$5,929 and \$4,803 at December 31, 2018 and 2017, respectively.

Property and Equipment - Property and equipment items purchased by BARM are recorded at cost. BARM follows the practice of capitalizing all expenditures for land, buildings and equipment over \$2,500. The fair value of donated property and equipment is similarly capitalized. Depreciation has been provided on the straight-line method based upon the estimated useful lives of the assets.

Classification of Net Assets - BARM reports information regarding its financial position and activities according to two classes of net assets, as applicable: net asset without donor restrictions and net assets with donor restrictions.

- Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- Net Assets With Donor Restrictions - Net assets subject to donor imposed restrictions.

Contributions - Contributions are generally recorded only upon receipt, unless evidence of an unconditional promise to give has been received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. Conditional promises to give are not included as support until such time as the conditions are substantially met. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Contributions whose restrictions are met during the period are presented as net assets released from restrictions on the statements of activities.

Contributed services and contributed clothing and goods are recognized at fair value as contribution revenue and expense at the time of donation. Fair value is determined using Level 3 management estimates and similar third-party data. Any significant balances held at year end are capitalized as inventory and are expensed at the time of distribution.

Income Taxes - Under provision of Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code, BARM is exempt from income taxes, except for net income from unrelated business income. There were no unrelated business activities in 2018 or 2017, respectively. Accordingly, no tax expense was incurred during the years ending December 31, 2018 or 2017, respectively.

BARM has evaluated its tax positions taken for all open tax years. Currently, the 2014 through 2017 information returns are open and subject to examination. In management's judgment there are no uncertain tax positions as of December 31, 2018.

Functional Expense Classification - BARM charges and allocates its expenses on a functional basis among its program and support services. Expenses that can be identified with the program or support service are assigned directly. Expenses common to several functions are allocated based on a measure of usage that best relates to the particular expense.

Concentrations and Credit Risk - Financial instruments which potentially subject BARM to credit risk consist principally of cash and equivalents. BARM's cash is maintained in demand deposits and in money funds. Cash balances at December 31, 2018 exceeded federal depository insurance limits by approximately \$436,000.

Reclassifications - Certain 2017 balances have been reclassified to conform to the 2018 financial statement presentation.

Subsequent Events - Subsequent events have been evaluated through July 31, 2019, which is the date the financial statements were available to be issued.

3. PROPERTY AND EQUIPMENT

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

	<u>2018</u>	<u>2017</u>
Land	\$ 428,101	\$ 428,101
Buildings and improvements	1,902,341	1,890,891
Equipment	291,350	175,476
Furniture and fixtures	167,661	135,506
Vehicles	273,520	289,002
Construction in progress	516,535	447,780
Less: accumulated depreciation	<u>(1,639,862)</u>	<u>(1,548,580)</u>
Net property and equipment	<u>\$ 1,939,646</u>	<u>\$ 1,818,176</u>

Depreciation expense for the year ended December 31, 2018 and 2017 was \$111,492 and \$95,272, respectively.

4. NET ASSETS

Net assets with restrictions are available for the following purposes or periods:

	<u>2018</u>	<u>2017</u>
Bridge of Hope project	\$ 659,270	\$ 612,114
Other program expenses	13,587	17,865
Implied time restrictions	<u>2,155</u>	<u>7,866</u>
Total net assets with donor restrictions	<u>\$ 675,012</u>	<u>\$ 637,845</u>

Implied time restrictions consist of contributions receivable without explicit donor defined use restrictions. Implied time restrictions are released upon collection of the related contribution receivable.

5. LIQUIDITY

Financial assets available for general expenditures within one year at December 31, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 2,393,995	\$ 2,453,243
Accounts receivable, net	4,790	5,000
Contributions and grants receivable	<u>196,828</u>	<u>100,000</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,595,613</u>	<u>\$ 2,558,243</u>

BARM manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

BARM has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 30 days operating expenses. BARM has a policy to target a year-end balance of reserves of unrestricted, undesignated net assets to meet 60 to 90 days of expected expenditures. To achieve these targets, BARM forecasts its future cash flows and monitors its liquidity monthly, and monitors its reserves annually. During the years ended December 31, 2018 and 2017, the level of liquidity and reserves was managed within the policy requirements.

6. CONTRIBUTED SERVICES

BARM receives pro bono health services and other supporting professional services from a variety of professionals in support of BARM's Men's Services and Family Center programs. BARM received professional services with a fair value of \$155,904 and \$144,171 for the years ended December 31, 2018 and 2017, respectively.

7. RETIREMENT PLAN

BARM has a defined contribution plan (the "Plan") covering all employees who meet minimum requirements. The Plan conforms to the provisions set by the Internal Revenue Service Code Section 403(b). BARM may make discretionary contributions based on eligible employees' annual compensation, which are fully vested upon contribution. BARM made discretionary contributions of \$77,165 and \$79,376 to the Plan during the years ended December 31, 2018 and 2017, respectively.

8. RELATED PARTY TRANSACTIONS

BARM contracted for media services with a company managed and partially owned by a board member of BARM. Expenses paid to the company totaled \$16,735 and \$29,365 for the years ended December 31, 2018 and 2017.