

**DOWNTOWN JIMMIE HALE MISSION**

**FINANCIAL STATEMENTS**

**Year Ended June 30, 2018**

Downtown Jimmie Hale Mission

Table of Contents

	PAGE NO.
Independent Auditor's Report.....	1-2
Statement of Assets, Liabilities and Net Assets - Cash Basis.....	3
Statement of Support, Revenue, Expenses and Changes in Net Assets- Cash Basis .....	4
Statement of Functional Expenses - Cash Basis.....	5
Statement of Cash Flows - Cash Basis .....	6
Notes to Financial Statements .....	7-10

**POYTHRESS, HUGHETT & MATHEWS, L.L.C.**

*Certified Public Accountants*

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Downtown Jimmie Hale Mission

We have audited the accompanying financial statements of Downtown Jimmie Hale Mission (a nonprofit organization), which comprise the statement of assets, liabilities and net assets – cash basis as of June 30, 2018, and the related statements of support, revenue, expenses and changes in net assets - cash basis, functional expenses – cash basis, and cash flows – cash basis 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 the modified cash basis of accounting as described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

**Auditor's 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 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 financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Downtown Jimmie Hale Mission as of June 30, 2018, and its support, revenue, and expenses and its cash flows for the year then ended in accordance with the modified cash basis of accounting described in Note 2.

## **Basis of Accounting**

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

*Poythress, Hughett & Mathews, L.L.C.*

Poythress, Hughett & Mathews, L.L.C.  
September 5, 2018

**DOWNTOWN JIMMIE HALE MISSION**  
**STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - CASH BASIS**  
**JUNE 30, 2018**

**Assets**

Cash and cash equivalents	\$ 3,706,856
Property and equipment - net	<u>8,889,977</u>
 Total Assets	 <u><u>\$ 12,596,833</u></u>

**Liabilities and Net Assets**

Liabilities:	
Pinson Property loan	\$ 1,268,348
Total Liabilities	<u>\$ 1,268,348</u>
 Net Assets (all unrestricted)	 <u>11,328,485</u>
 Total Liabilities and Net Assets	 <u><u>\$ 12,596,833</u></u>

The accompanying notes are an integral part of this statement

**DOWNTOWN JIMMIE HALE MISSION**  
**STATEMENT OF SUPPORT, REVENUE, EXPENSES AND CHANGES IN NET ASSETS**  
**CASH BASIS**  
**YEAR ENDED JUNE 30, 2018**

Support and Revenue:		
Support:		
Contributions		\$ 5,663,855
Thrift store/Recycling Center sales (of mostly donated items)	\$ 1,691,994	
Less merchandise purchased	<u>(46,179)</u>	
Net from Thrift store sales		<u>1,645,815</u>
Total Support		\$ 7,309,670
Revenue:		
Interest income	\$ 35,554	
Rent income	\$ 127,196	
Less Rent expense - Depreciation	(11,614)	
Less Rent expense - other	<u>(103,422)</u>	
Net Rent income (loss)		12,160
Miscellaneous program revenue	<u>67,164</u>	
Total Revenue		<u>114,878</u>
Total Support and Revenue		\$ 7,424,548
Expenses:		
Program Services:		
Thrift Stores/Recycling Center	\$ 1,753,971	
Men's Center	1,617,442	
Women's Center	638,373	
Substance abuse Center	847,120	
Discovery Club Center	<u>218,645</u>	
Total Program Services		\$ 5,075,551
Supporting Services		
General and Administrative expenses	\$ 2,045,433	
Fundraising expenses	<u>818,969</u>	
Total Supporting Services		<u>2,864,402</u>
Total Expenses		\$ 7,939,953
Increase in Net Assets		\$ (515,405)
Net Assets, Beginning of Year		<u>11,843,890</u>
Net Assets, End of Year		<u>\$ 11,328,485</u>

The accompanying notes are an integral part of this statement

**DOWNTOWN JIMMIE HALE MISSION**  
**STATEMENT OF FUNCTIONAL EXPENSES - CASH BASIS**  
**YEAR ENDED JUNE 30, 2018**

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries and wages	2,589,110	1,056,257		3,645,367
Advertising	21,901	70,267	682,776	774,944
Hospital insurance	400,416	105,994		506,410
Depreciation expense	295,988	75,659		371,647
Payroll taxes	215,310	81,795		297,105
Electric	257,612	8,839		266,451
Kitchen supplies	172,559			172,559
Printing		54,712	82,068	136,780
Repairs and maintenance	124,912	10,273		135,185
Contract labor/consulting		117,307		117,307
Retirement/Pensions	68,357	36,132		104,489
Insurance - liability		97,417		97,417
Water	83,343	3,332		86,675
Office supplies	72,855	13,636		86,491
Building lease	86,447			86,447
Miscellaneous	37,995	48,344		86,339
Telephone	61,597	14,744		76,341
Postage		13,531	54,125	67,656
Janitorial	65,022	1,213		66,235
Insurance - workers compensation		64,221		64,221
Garbage	58,067			58,067
Vehicle lease	56,583			56,583
Vehicle fuel	41,662	12,692		54,354
Gas	48,799	1,517		50,316
New equipment	44,953	3,379		48,332
Insurance - disability/life	30,951	15,471		46,422
Special events		40,511		40,511
Benevolence men	39,461			39,461
Strategic planning		35,283		35,283
Interest expense	31,379			31,379
Vehicle insurance	24,185	4,420		28,605
Organization dues		23,105		23,105
Medical	22,742			22,742
Processing fees	21,207			21,207
Vehicle maintenance	15,121	4,185		19,306
Class allowances	19,041			19,041
Literature/Supplies	17,127	886		18,013
Training/staff enrichment	13,819	1,132		14,951
Conventions/meetings		13,457		13,457
Accounting		12,150		12,150
Employer funded Medicare expense	8,713	2,912		11,625
Learning center	9,197			9,197
Broker fees	7,993			7,993
Building improvements	3,725			3,725
Security	3,531			3,531
Fire protection	2,042			2,042
Benevolence women	1,205			1,205
Legal fees		660		660
Children enrichment	624			624
<b>Total</b>	<b>\$ 5,075,551</b>	<b>\$ 2,045,433</b>	<b>\$ 818,969</b>	<b>\$ 7,939,953</b>

The accompanying notes are an integral part of this statement

**DOWNTOWN JIMMIE HALE MISSION  
STATEMENT OF CASH FLOWS - CASH BASIS  
YEAR ENDED JUNE 30, 2018**

<b>Cash Flows from Operating Activities</b>		
Increase (decrease) in net assets	\$	(515,405)
Adjustments to reconcile increase in net assets to net assets provided by operating activities:		
Depreciation expense		<u>383,261</u>
Net Cash provided (used) by operating activities	\$	(132,144)
 <b>Cash flows from Investing Activities</b>		
Purchase of property and equipment		<u>(124,310)</u>
Net Cash provided (used) by investing activities		(124,310)
 <b>Cash flows from Financing Activities</b>		
Repayment of loans	\$	<u>(55,022)</u>
Net Cash provided (used) by financing activities		<u>(55,022)</u>
Net Increase (Decrease) in cash	\$	(311,476)
Cash - Beginning of year		<u>4,018,332</u>
Cash - End of year	\$	<u><u>3,706,856</u></u>
 <b>Supplemental Information</b>		
Cash paid for interest	\$	<u>48,680</u>
Noncash transactions		None

The accompanying notes are an integral part of this statement



**DOWNTOWN JIMMIE HALE MISSION**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 1 - Nature of Activities**

Downtown Jimmie Hale Mission (“Mission”) was formed in 1944 to help the hungry, hurting, and homeless by ministering to their physical and spiritual needs in Jesus’ name.

Activities of the Mission are funded mainly through public support either in the form of cash donations or through donations of clothing and other noncash items. These donated items are made available to the public, at low prices, through thrift stores operated by the Mission.

The Mission operates the following programs:

Shepura Men’s Center:

A bed shelter and recovery program

Royal Pines Recovery Center:

A 16-week men’s substance abuse recovery program

Jessie’s Place for Women and Children:

Women and children’s intermediate shelter

Discovery Club Center:

School Outreach Program

Stewart Learning Centers:

Computer based education remediation and job readiness centers

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

*Date of Management’s Review*

Management has evaluated subsequent events through September 5, 2018, the date on which the financial statements were available to be issued.

*Basis of Accounting*

The financial statements of Downtown Jimmie Hale Mission have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. This basis differs from generally accepted accounting principles primarily because the Mission does not record revenue from donated merchandise until it is sold and the cash is received. Additionally, the Mission records contribution revenue when received instead of recognizing unconditional promises to give in the period the promise is received and contributed services are not recognized as income. Also, expenses are not recorded until cash is disbursed.

Modifications to the cash basis of accounting include recording property and equipment as fixed assets (rather than being expensed upon purchase) and recognizing depreciation on such property and equipment. Additionally, loan proceeds and repayment of loans are accounted for as debt incurred and repaid rather than as income and expense.

**DOWNTOWN JIMMIE HALE MISSION**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 2 - Summary of Significant Accounting Policies (continued)**

*Financial Statement Presentation*

The Mission has adopted Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-For-Profit Organizations. Under SFAS No. 117, the Mission is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. (There currently are no restricted net assets). As permitted by the statement, the Organization does not use fund accounting.

*Cash and Cash Equivalents*

For purposes of the Statement of Cash Flows, the Mission considers all bank accounts, money market funds and petty cash funds as cash and cash equivalents.

*Property and Equipment*

Property and equipment is stated at cost. Acquisitions of property and equipment in excess of \$1,000 are capitalized. Donated property and equipment are not recorded as assets (under the modified cash basis of accounting). Depreciation is computed using the straight-line and the double declining methods over estimated useful lives of the respective assets, which range as follows:

	<u>Years</u>
Furniture & equipment	5-15
Automotive equipment	5
Buildings	27-40

*Estimates*

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from estimates.

*Income Taxes*

Downtown Jimmie Hale Mission is a not-for-profit religious organization exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and is classified as other than a private foundation. The federal nonprofit tax returns for the years ended June 30, 2015 through June 30, 2018 are within the statute of limitations for IRS examinations. The Mission is subject to unrelated business income tax on its rental revenues to the extent the rental property is financed.

**Note 3 - Employee Retirement Plan**

The Mission has a defined contribution retirement plan covering all employees who work at least 20 hours per week and worked at least 1000 hours in the plan year (with no waiting period). The Mission makes matching contributions to the plan each month equal to 4% of compensation of all participating employees that contribute at least 2% of their compensation. If the employee does not meet this contribution threshold, the Mission does not offer any matching contribution. The Mission's matching contributions for the current year totaled \$104,489.

**DOWNTOWN JIMMIE HALE MISSION**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 4 - Functional Allocation of Expenses**

The costs of providing program services and supporting services have been summarized on a functional basis in the statement of support, revenue and expenses. Accordingly, certain costs have been allocated between the program and supporting services.

Certain joint costs of informational materials and activities that include a fund-raising appeal have been incurred and allocated between the fund-raising and the general and administrative functions. These joint costs relate to expenditures for advertising, postage expenses and printing costs. The portions allocated to each functional expense category are reflected on the statement of functional expenses – cash basis.

**Note 5 – Property and Equipment**

The following is a summary of property and equipment, less accumulated depreciation at June 30, 2018:

Land	\$	1,243,870
Buildings and improvements		10,979,110
Furniture and equipment		709,478
Automotive equipment		288,932
Total Cost	\$	13,221,390
Less: accumulated depreciation		4,331,413
Property and equipment - net	\$	8,889,977

Depreciation expense for the year ended June 30, 2018 totaled \$383,261.

**Note 6 - Commitments**

**Facility Leases:**

The Mission has a non-cancelable operating lease for its recycling/distribution center. There is also a month to month lease on its Discovery Club Center. These leases expire as follows:

Discovery Club Center	Month to month	
Distribution Center	July 31, 2019	No renewal options

**Vehicle Leases:**

The Mission has also entered into leases for vehicles. These leases terms range five to six years. Future minimum lease payments under facility and vehicle leases as of June 30, 2018 are:

Years ending June 30:	Facilities	Vehicles	Total
2019	53,125	38,916	92,041
2020	4,438	31,836	36,274
2021		25,151	25,151
2022		15,792	15,792
2023		15,792	15,792
2024		4,748	4,748
Total	\$ 57,563	\$ 132,235	\$ 189,798

**DOWNTOWN JIMMIE HALE MISSION**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 7 – Concentrations, Credit Risk**

**Geographic area of operations/donor base**

The mission operates in and its donor base is mainly from the Birmingham, Alabama area and surrounding regions. In the current year, one contributor (a trust) gave approximately 19 % of the total contributions.

**Note 8 – Notes payable**

**Note Payable for the purchase of the Pinson Bargain Center/Shopping Center:**

The Mission has financed the purchase of the Pinson property with a mortgage dated September 22, 2014 and collateralized by the financed real estate. The note bears interest at 3.70% and the monthly payments are calculated using an 83-month amortization with the entire remaining balance due on September 25, 2021.

**Interest Expense:**

Interest expense in the amount of \$48,680 was paid on the loan during the year and is reflected as an expense in these financial statements.

**Loan Maturities:**

Year ended June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	57,869	45,833	103,702
2020	60,047	43,655	103,702
2021	62,307	41,395	103,702
2022	1,088,125	9,986	1,098,111
Total	<u>\$ 1,268,348</u>	<u>\$ 140,869</u>	<u>\$ 1,409,217</u>

**Note 9 – Grant Agreement**

The Mission completed the Royal Pines construction project on around August 16, 2011. Funding for the project included an \$800,000 subsidy under a grant agreement sponsored by Regions Bank. Under the terms of the agreement, the Mission signed a promissory note for \$800,000 at zero percent interest to be repaid only if the units at Royal Pines do not remain occupied by households at or below levels specified in the agreement during the 15-year period following project completion (through August 16, 2026). There is also a related mortgage and security agreement whereby the real estate at the Royal Pines Recovery Center secures the note.