

**The Westminster Rescue Mission, Inc.**

**Audited Financial Statements**

**For the Years Ended August 31, 2017 and 2016**

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# STURGILL & ASSOCIATES LLP

CERTIFIED PUBLIC ACCOUNTANTS

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## Independent Auditors' Report

Board of Directors  
The Westminster Rescue Mission, Inc.

We have audited the accompanying financial statements of The Westminster Rescue Mission, Inc. (a nonprofit organization), which comprise the statements of financial position as of August 31, 2017 and 2016, 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 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 financial position of The Westminster Rescue Mission, Inc. as of August 31, 2017 and 2016, 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.

*Sturgill & Associates LLP*

Westminster, Maryland  
December 15, 2017

**The Westminster Rescue Mission, Inc.**  
**Statements of Financial Position**  
**August 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 885,932	\$ 47,438
Accounts receivable	-	267
Prepaid expenses	25,477	22,079
Total current assets	<u>911,409</u>	<u>69,784</u>
<b>Property and equipment</b>		
Buildings	3,778,428	4,245,314
Furniture and fixtures	47,126	33,454
Machinery and equipment	178,176	164,821
Land	98,405	98,405
Vehicles	94,908	90,237
	<u>4,197,043</u>	<u>4,632,231</u>
Less: accumulated depreciation	(1,873,070)	(1,917,789)
Total property and equipment	<u>2,323,973</u>	<u>2,714,442</u>
<b>Other asset</b>		
Designated cash	215,771	305,008
<b>Total assets</b>	<u><u>\$ 3,451,153</u></u>	<u><u>\$ 3,089,234</u></u>
<b>Liabilities and net assets</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 12,557	\$ 17,599
Accrued leave	11,983	10,148
Payroll liabilities	20,654	12,401
Deferred fundraising revenue	3,000	-
Total current liabilities	<u>48,194</u>	<u>40,148</u>
<b>Net assets</b>		
Unrestricted	3,217,419	2,868,890
Temporarily restricted	185,540	180,196
Total net assets	<u>3,402,959</u>	<u>3,049,086</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 3,451,153</u></u>	<u><u>\$ 3,089,234</u></u>

See accompanying notes

**The Westminster Rescue Mission, Inc.**  
**Statements of Activities**  
**For the Years Ended August 31, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
<b>Unrestricted net assets</b>		
Support		
Contributions	\$ 470,364	\$ 404,147
Fundraising income	-	24,628
Grants	28,400	16,422
In-kind donations	187,412	216,134
Total support	686,176	661,331
Revenues		
Thrift stores	184,474	216,634
Recycling income	21,514	43,379
Interest income	243	133
Gain (loss) on asset disposal	453,790	(2,383)
Other income	5,453	8,013
Total revenues	665,474	265,776
Total support and revenues	1,351,650	927,107
Net assets released from restrictions	374,654	329,883
Total unrestricted support and revenues	1,726,304	1,256,990
Expenses and losses		
Program services		
Residential and rehabilitation	748,259	654,118
Thrift stores	312,870	418,503
Total program services	1,061,129	1,072,621
Supporting services		
Management and general	124,489	137,591
Fundraising	192,159	163,966
Total supporting services	316,648	301,557
Total expenses	1,377,777	1,374,178
Decrease in unrestricted net assets before other gain (loss)	348,527	(117,188)
Other gain (loss) - write-off barn rebuild costs	-	(73,940)
Increase (decrease) in unrestricted net assets	348,527	(191,128)
<b>Temporarily restricted net assets</b>		
Grants	380,000	320,000
Net assets released from donor restrictions		
Satisfied by payments	(374,654)	(329,883)
Increase (decrease) in temporarily restricted net assets	5,346	(9,883)
Increase (decrease) in net assets	353,873	(201,011)
Net assets at beginning of year	3,049,086	3,250,097
Net assets at end of year	\$ 3,402,959	\$ 3,049,086

See accompanying notes

**The Westminster Rescue Mission, Inc.**  
**Statements of Functional Expenses**  
**For the Year Ended August 31, 2017, Comparative Totals for August 31, 2016**

	Program Services	Supporting Services		2017 Total	2016 Total
		Management and General	Fundraising		
Compensation	\$ 452,199	\$ 42,311	\$ 27,717	\$ 522,227	\$ 519,164
Payroll taxes	31,444	3,963	2,409	37,816	39,087
	<u>483,643</u>	<u>46,274</u>	<u>30,126</u>	<u>560,043</u>	<u>558,251</u>
Advertising	-	620	619	1,239	5,514
Appraisal	-	7,000	-	7,000	-
Auto expense	36,690	3,991	1,996	42,677	29,862
Bank charges	4,083	-	-	4,083	4,112
Client expenses	5,812	-	-	5,812	5,427
Depreciation expense	121,682	12,487	-	134,169	126,430
Dues and subscriptions	3,081	-	-	3,081	3,256
Food	5,125	-	-	5,125	5,774
Fuel and oil	23,907	3,269	272	27,448	34,925
Human resources	-	2,717	-	2,717	2,810
Insurance	39,469	6,624	449	46,542	50,016
Licenses and permits	304	42	4	350	1,033
Maintenance and repairs	55,125	6,990	582	62,697	34,009
Marketing	-	-	151,122	151,122	147,159
Miscellaneous	4,469	90	-	4,559	1,715
Office expense	9,310	6,483	6,483	22,276	23,996
Outside services	7,840	-	-	7,840	3,441
Pantry	4,609	-	-	4,609	6,046
Postage	-	4,451	-	4,451	3,248
Professional fees	-	15,900	-	15,900	17,430
Security	615	-	-	615	3,058
Special events	-	-	-	-	99
Supplies	4,501	-	-	4,501	5,917
Rent	-	-	-	-	389
Telephone	6,496	811	68	7,375	10,286
Thrift stores merchandise	184,474	-	-	184,474	216,634
Trash removal	10,315	1,146	-	11,461	11,906
Travel	353	353	-	706	1,498
Utilities	49,226	5,241	438	54,905	59,937
<b>Total functional expenses</b>	<u><b>\$ 1,061,129</b></u>	<u><b>\$ 124,489</b></u>	<u><b>\$ 192,159</b></u>	<u><b>\$ 1,377,777</b></u>	<u><b>\$ 1,374,178</b></u>

See accompanying notes

**The Westminster Rescue Mission, Inc.**  
**Statements of Cash Flows**  
**For the Years Ended August 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Operating activities</b>		
Increase (decrease) in net assets	\$ 353,873	\$ (201,011)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Depreciation	134,169	126,430
(Gain) loss on asset disposal	(453,790)	2,383
(Increase) decrease in accounts receivable	267	(100)
(Increase) decrease in grants receivable	-	2,584
(Increase) decrease in prepaid expenses	(3,398)	2,863
Increase (decrease) in accounts payable	(5,042)	10,210
Increase (decrease) in accrued leave	1,835	(54)
Increase (decrease) in payroll liabilities	8,253	1,946
Increase (decrease) in deferred fundraising revenue	3,000	-
Write-off barn rebuild costs	-	73,940
Contributions restricted for long term purposes	(380,000)	(320,000)
Net cash used in operating activities	<u>(340,833)</u>	<u>(300,809)</u>
<b>Investing activities</b>		
Purchase of equipment and improvements	(58,929)	(123,936)
Proceeds from sale of equipment	769,019	1,650
Transfer (to) from designated accounts	89,237	119,564
Net cash provided by (used) in investing activities	<u>799,327</u>	<u>(2,722)</u>
<b>Financing activities</b>		
Collections of contributions restricted for long term purposes	380,000	320,000
Net cash provided by financing activities	<u>380,000</u>	<u>320,000</u>
Net increase in cash	838,494	16,469
Cash at beginning of year	47,438	30,969
Cash at end of year	<u>\$ 885,932</u>	<u>\$ 47,438</u>

See accompanying notes



**The Westminster Rescue Mission, Inc.**  
**Notes to the Financial Statements**  
**August 31, 2017 and 2016**

**Note A - Nature of Organization**

The Westminster Rescue Mission, Inc. (the Mission) is a long term, faith-based, residential addiction recovery center for men. Founded in 1968, this 501(c)(3) non-profit outreach ministry exists to advance the Kingdom of God by proclaiming God's Word and by partnering with local churches, businesses, social service organizations, caring supporters and volunteers, in order to provide ministries of relief, rescue, and other services for individual and families in need. The Mission is deeply committed to helping men overcome drug and alcohol addiction in an environment that is Christ-centered, therapeutic, and dedicated to their physical, emotional and spiritual well being. The Mission also compassionately serves people in need in Carroll County, Maryland with food and clothing distributions. The Mission Store is a retail operation on the property, selling used clothing, housewares and furniture to the general public.

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

**Basis of Accounting**

The financial statements are presented in accordance with accounting principles generally accepted in the United States of America on an accrual basis. Consequently, revenues are recognized when earned, and expenses are recognized when incurred.

**Contributions, Donated Materials and Services**

Contributions are recorded when received. All contributions are available for unrestricted use unless specifically restricted by the donor.

Donated materials, consisting of used clothing, furniture, household goods, etc. are received by the Mission and processed for sale in its thrift stores or sold as scrap. In accordance with accounting principles generally accepted in the United States of America the value of the materials donated is recorded as in-kind donations based on subsequent sales values. When the items are sold revenue and program expense are recorded.

A number of individuals have donated significant amounts of their time to the Mission; however, these donated services are not reflected in the financial statements since the services do not meet the criteria for recognition as contributed services.

Contributed property and equipment is recorded at fair value at the date of donation. 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.

**The Westminster Rescue Mission, Inc.**  
**Notes to the Financial Statements**  
**August 31, 2017 and 2016**

**Note B - Summary of Significant Accounting Policies- continued**

**Use of Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Actual results could differ from these estimates.

**Property and Equipment**

All acquisitions of property and equipment in excess of \$200 and all expenditures for repairs, maintenance and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are stated at cost, or, if donated, at fair market value at the date of donation. Depreciation is provided over the estimated useful lives of the assets using the straight-line method.

**Net Assets**

The Mission classifies its net assets as unrestricted, temporarily restricted or permanently restricted in accordance with the Financial Accounting Standard Board. Temporarily restricted assets are those subject to a donor imposed restriction that permits the Mission to use the donated assets as specified and that is satisfied by either the passage of time or by actions of the Mission. The Mission has no permanently restricted assets at this time.

**Advertising**

Advertising costs are expensed as incurred.

**Functional Expenses**

Expenses are charged directly to program, management and general, or fundraising categories based on specific identification where feasible. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Mission.

**Income Taxes**

The Mission, a non-profit organization under Section 501(c)(3) of the Internal Revenue Code, is exempt from federal and state income taxes and accordingly, no provision for income taxes is included in the financial statements.

The income tax returns of the Mission are subject to examination by the taxing authorities, generally for three years after they are filed.

**The Westminster Rescue Mission, Inc.**  
**Notes to the Financial Statements**  
**August 31, 2017 and 2016**

**Note C – Designated Cash**

Designated cash is maintained in separate bank accounts and consists of the following at August 31:

	<u>2017</u>	<u>2016</u>
Restricted grant funds for pastor compensation	\$ -	\$ 100,872
Restricted grant funds for program support	100,970	57,053
Restricted funds for client expenses and special projects	535	14,415
Future campaign for capital improvements and staff compensation funding	114,266	132,668
	<u>\$ 215,771</u>	<u>\$ 305,008</u>

These amounts are not considered cash for the purposes of the Statements of Cash Flows.

**Note D – Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following:

	<u>2017</u>	<u>2016</u>
Grant for pastor compensation	\$ -	\$ 100,872
Grants for program support	177,149	57,053
Renovation for community resource center	-	12,304
Client expenses and special projects	535	2,111
Buy A Brick and capital improvements	7,856	7,856
	<u>\$ 185,540</u>	<u>\$ 180,196</u>

**Note E – Marketing Expense**

In March 2011, the Mission entered into an agreement with Russ Reid Company, Inc. to provide marketing services in the anticipation of increasing donor contributions. A new three-year agreement was signed in March 2015 for services through December 31, 2017.

For the years ended August 31, 2017 and 2016, marketing fees paid totaled \$125,931 and \$121,882, respectively, and contributions received related to these fees totaled \$181,076 and \$178,367, respectively.

**The Westminster Rescue Mission, Inc.**  
**Notes to the Financial Statements**  
**August 31, 2017 and 2016**

**Note F – Related Party Transactions**

During the years ended August 31, 2017 and 2016 the Mission received grants totaling \$262,500 and \$255,000, respectively, from organizations affiliated with members of the Board of Directors.

Members of the Board of Directors gave contributions totaling \$87,112 and \$98,568, respectively, to the Mission during the years ended August 31, 2017 and 2016.

The total support of grants and contributions received from organizations affiliated with the Board of Directors and directly from the Board of Directors was approximately 26% and 38% of total unrestricted support and revenues for the years ended August 31, 2017 and 2016, respectively.

**Note G – Concentration of Risk**

The Mission has cash balances in one financial institution. The balances at the financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Mission has not experienced any loss in such accounts. At August 31, 2017 and 2016 the uninsured balances are \$844,619 and \$108,940, respectively. The Mission believes it is not exposed to any significant credit risk on its cash balances.

A substantial amount of grants and contributions were received from various Board members and organizations affiliated with two of the members as disclosed in Note F.

**Note H – Gain (loss) on Asset Disposal**

In July 2017, the Mission sold its building on West Main St., in Westminster, MD; the location of a second thrift store. The Mission's sole thrift store is now operated on the Mission campus on Lucabaugh Mill Road in Westminster, MD. Details of the Gain (loss) on asset disposal on the Statement of Activities is as follows:

	2017	2016
West Main St., Westminster, MD		
Sales price	\$ 775,000	
Selling costs	(5,980)	
Book value of property	(314,590)	
	454,430	
Sale and scrap of old assets	(640)	(2,383)
Gain (loss) on asset disposal	\$ 453,790	\$ (2,383)

**The Westminster Rescue Mission, Inc.**  
**Notes to the Financial Statements**  
**August 31, 2017 and 2016**

**Note I – Write off Barn Rebuild Costs**

In April 2012, a barn located on the Mission's property at Lucabaugh Mill Road in Westminster, MD was completely destroyed by fire. Costs related to site preparation for building a new barn structure were \$73,940 through the year ended August 31, 2016. The Board of Directors has determined that a new structure will not be built on the old site and these costs have been written off and are reflected in the Statement of Activities for the year ended August 31, 2016.

**Note J – Food Pantry Operations**

As a member of the Maryland Food Bank, the Mission participates in Feeding America and other food source networks intended to reclaim surplus food from stores and restaurants and redistribute it to people in need. The Mission operates an on-site pantry as well as distributes to other providers for use in senior centers, in-school pantries, and soup kitchens. During the year ended August 31, 2017, over 1 million pounds of surplus food was collected from over 40 local stores and restaurants and redistributed to people in need in Carroll County, including through the kitchen to feed the men in the residential recovery program. During the year ended August 31, 2016 the Mission collected 895,000 pounds of surplus food.

**Note K – Subsequent Events**

The Mission has evaluated subsequent events through December 15, 2017, the date which the financial statements were available to be issued.