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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Atlantic City Rescue Mission, Inc.
Atlantic City, New Jersey

Report on the Financial Statements

I have audited the accompanying statements of financial position of Atlantic City Rescue Mission, Inc. (a nonprofit organization) as of December 31, 2016, and the related statements of activity and changes in net assets and statement of functional expenses, for the year then ended.

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.

Auditor's Responsibility


My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Atlantic City Rescue Mission, Inc as of December 31, 2016, and the changes in its net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.


CLAYTON D SIMPSON, LLC

May 14, 2018

ATLANTIC CITY RESCUE MISSION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

ASSETS

Current:

Cash and cash equivalents	\$	99,156
Accounts receivable, trade		32,245
Inventory		518,731
Prepaid expenses		2,295

Total current assets		652,427
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Non-current:

Office furniture and equipment, at cost, less accumulated depreciation		3,318,534
Art		58,500
Investments		130,407

Total non-current assets		3,507,441
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Total Assets	\$	4,159,868
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LIABILITIES AND NET ASSETS

Current:

Accounts payable	\$	243,656
Accrued payroll and related expenses		61,235
Current maturities of long-term debt		82,576

Total current liabilities		387,467
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Non-Current:

Long-term debt		158,408
Russ Reid		232,660
Gift annuities payable		57,848

Total liabilities		836,383
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Commitments

Net Assets:

Unrestricted

Net investments in property and equipment		3,318,534
Designated for long-term investment		130,407
Undesignated		(155,374)

Total unrestricted		3,293,567
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Temporarily restricted		29,918
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Permanently restricted		-
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Total Net Assets		3,323,485
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Total Liabilities and Net Assets	\$	4,159,868
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See accompanying notes to the financial statements and independent auditors' report.

ATLANTIC CITY RESCUE MISSION, INC.
STATEMENT OF ACTIVITY AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Unrestricted support, revenues and gains (losses)				
Contributions	\$ 2,615,900	\$ 37,949	\$ -	\$ 2,653,850
Donated Food, clothing and supplies	760,406	-	-	760,406
Special events	2,370	-	-	2,370
Shelter/welfare income	66,234	-	-	66,234
Program service fees	132,837	-	-	132,837
Investment return (loss)	(6,467)	-	-	(6,467)
Other	93,262.71	-	-	93,263
Total Support, Revenues and Gains (Losses)	3,664,543	37,949	-	3,702,491
Net assets released from restrictions				
Satisfaction of program restrictions	55,046	(55,046)	-	-
Total Support and Revenues	3,719,589	(17,097)	-	3,702,491
Expenses				
Program services	2,299,444	-	-	2,299,444
Supporting services				
Management and general	988,622	-	-	988,622
Fund-raising	502,374	-	-	502,374
Total supporting services	1,490,996	-	-	1,490,996
Total Expenditures	3,790,440	-	-	3,790,441
Change in Net Assets	(70,850)	(17,097)	-	(87,949)
Removal of restrictions	-	-	-	-
Net Assets at Beginning of Year	3,364,419	47,015	-	3,411,434
Net Assets at End of Year	\$ 3,293,569	\$ 29,918	-	\$ 3,323,485

See accompanying notes to the financial statements and independent auditors' report.

**ATLANTIC CITY RESCUE MISSION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Supporting Services			Total Expenses
	Program Services	Management and General	Fund Raising	
Salaries and wages	\$ 860,274	\$ 376,641	\$ 101,880	\$1,338,795
Payroll taxes	100,765	44,704	22,905	168,374
Benefits	275,192	101,078	53,731	430,001
Total labor costs	1,236,231	522,423	178,516	1,937,170
Bank charges	-	8,525	-	8,525
Community relations'	-	3,150	-	3,150
Continuing education	-	-	-	-
Depreciation	91,738	40,164	10,864	142,766
Donor acquisition, development & appeals	-	-	145,217	145,217
Dues & subscriptions	733	4,384	3,075	8,192
Food service - gifts in kind	499,475	-	-	499,475
Food service - other	6,697	-	-	6,697
Health and program services - other	11,278	-	-	11,278
Insurance	131,042	57,372	15,519	203,934
Interest expense	-	5,825	-	5,825
Meals and entertainment	-	35	53	88
Miscellaneous	33	143,694	-	143,727
Office supplies	2,597	4,149	650	7,396
Printing, postage and publication	760	1,199	24,875	26,834
Property taxes	-	13,044	-	13,044
Rent	95,176	32,931	9,763	137,871
Professional fees	-	61,161	43,750	104,911
Property and equipment maintenance	59,297	24,515	-	83,811
Software and services	279	5,489	53,910	59,678
Telephone	16,071	4,515	1,368	21,954
Trash removal	16,425	-	-	16,425
Travel and conventions	13,869	4,502	870	19,241
Utilities	117,743	51,545	13,944	183,232
	\$ 2,299,444	\$ 988,622	\$ 502,374	\$3,790,440

See accompanying notes to the financial statements and independent auditors' report.

ATLANTIC CITY RESCUE MISSION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016

Cash Flows from Operating Activities:	
Cash received from activities	\$ 3,709,548
Cash paid to employees and suppliers	(3,724,303)
Interest and dividends received	136
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Net Cash Provided (Used) by Operating Activities	(14,619)
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Cash Flows from Investing Activities:	
Acquisition of Equipment	(10,264)
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Net Cash Provided (Used) by Investing Activities	(10,264)
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Cash Flows from Financing Activities:	
Decrease in gift annuity obligations	(3,774)
Principal payments on debt	(37,484)
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	(41,258)
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Increase (Decrease) in Cash and Cash Equivalents	(66,141)
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Cash and Cash Equivalents at Beginning of Year	165,297
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Cash and Cash Equivalents at End of Year	\$ 99,156
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Cash Flows from Operating Activities:	
Changes in Net Assets	\$ (87,949)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	142,766
Unrealized (gains) losses on investments	(4,357)
Change in assets and liabilities:	
Decrease (increase) in inventory	(260,931)
Decrease (increase) in investments	6,805
Decrease (increase) in accounts receivable	7,057
Decrease (increase) in prepaid expenses	33,599
Increase (decrease) in accounts payable	118,009
Increase (decrease) in accrued expenses	30,382
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Total adjustments	73,330
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Net Cash Provided (used) by Operating Activities	\$ (14,619)

See accompanying notes to the financial statements and independent auditors' report.

ATLANTIC CITY RESCUE MISSION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

1-ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Atlantic City Rescue Mission, Inc. is a non-denominational organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The purpose of the Mission is to provide the ministry of rehabilitation for those who are addicted to gambling, alcohol, and drugs. Meals and shelter are also provided for needy transients, which include single men, single women, mothers and their children.

Basis of Presentation

The accompanying financial statements have been presented in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Net assets, support and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

To ensure the observance of limitations and restrictions placed on the use of resources available to the Mission, resources for various purposes are classified for accounting purposes into classes established according to their nature and purpose. Net assets of the Mission are divided into three classes: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted net assets are net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations and include board-designated funds, or funds that have been segregated by the board to be spent only on specified purposes.

Temporarily restricted net assets result from contributions whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Mission pursuant to these stipulations. Net assets may be temporarily restricted for various purposes, such as use in future periods or use for specified purposes.

Permanently restricted net assets are those that are subject to donor-imposed restrictions which will never lapse, thus requiring that the funds be permanently retained. In 2016, all restrictions were released.

Use of Estimates

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

ATLANTIC CITY RESCUE MISSION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

1-ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Cash and Equivalents

For purposes of the statement of cash flows, the Mission considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, with the exception of money market funds which are included with investments.

Accounts Receivable

Accounts receivable are stated at the amounts management expects to collect. Management evaluates its accounts receivable and records an allowance for doubtful accounts, when deemed necessary, based on a combination of historical experience, aging analysis, and information on specific accounts. Based on the Mission's review of accounts receivable, no allowance for doubtful accounts was considered necessary at December 31, 2016.

Investment Valuation

GAAP defines fair value, provides guidance for measuring fair value, and requires certain disclosures, based on a fair value hierarchy. This fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

- Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
- Level 3: Unobservable inputs that reflect the Mission's own assumptions.

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value based on quoted prices in active markets (national security exchanges) for identical assets, with gains and losses included in the statement of activities and changes in net assets. Donated investments are reflected as contributions at their fair values at date of receipt.

ATLANTIC CITY RESCUE MISSION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

I-ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include U.S. Government obligations, mutual funds and money market funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows.

Intermission Gift Annuity Investments

The Mission has established a gift annuity plan whereby donors may contribute assets to the organization, in exchange for the right to receive a fixed dollar annual return during their lifetimes. This transaction provides for a portion of the transfer to be considered a charitable contribution for income tax purposes. The difference between the amount of the annuity and the liability for future payments, determined on an actuarial basis, is recognized as income at the date of the gift. Upon the death of the annuitant (or the last joint annuitant), income distributions cease. The actuarial liability for annuities payable is evaluated annually (giving effect to the investment income and payments to annuitants) and any surplus or deficiency is recognized in the statement of activities and changes in net assets.

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreements. Due to the nature of the valuation inputs, the investment is classified within Level 2 of the hierarchy.

Property and Equipment

Property and equipment are stated at cost, or, if donated, at the estimated fair market value at the date of donation. Depreciation is recorded using the straight-line method at various rates calculated to all

Estimated useful live:	
Land improvements	40 years
Buildings	40 years
Building improvements	15 - 20 years
Furniture, fixtures & equipment	5 - 10 years
Automobiles and trucks	3 - 5 years

ATLANTIC CITY RESCUE MISSION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

1- ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

The Mission capitalizes purchases and donations with a value over \$5,000 and a usable life of at least 5 years. Planned major maintenance activities and their estimated cost are presented to the board for approval when a necessity is recognized.

Restricted and Unrestricted Revenue

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Depending on the terms of the grant, certain restricted grants received are recorded as refundable advances until they are expended for the purposes of the grant, at which time they are recognized as revenue. If, at the end of the grant term, the funding agency requests a return of unexpended monies, such funds are then reclassified as due to grantor.

Bequests are recorded as revenue based on valid wills with measurable proceeds.

Donated Food, Clothing, and Services

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted support. If there are no donor stipulations regarding how long those donated assets must be maintained, the Mission reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Mission reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Included in unrestricted contributions and program services expense is the estimated value of donated food, clothing, capitalizable assets and supplies received and utilized by the Mission in the amount of \$760,406 for 2016.

ATLANTIC CITY RESCUE MISSION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

In addition, the Mission receives a significant amount of donated services from unpaid volunteers who assist in program services and fund raising projects. No amounts have been recognized in the statement of activities and changes in net assets for these unpaid volunteers because the criteria for recognition under GAAP have not been satisfied. During 2016, approximately 24,000 volunteer hours were donated.

Income Tax Status

The Mission qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and has been classified as an organization that is not a private foundation under Section 509(a)(2), and therefore qualifies for the charitable contribution deduction under Section 170(b)(1)(a).

Federal and state information returns for years prior to 2013 are no longer subject to examination by tax authorities.

Subsequent Events

These financial statements were approved by management and available for issuance on May 14, 2018. Management has evaluated subsequent events through this date.

2-PROGRAM AND SUPPORTING SERVICES

Expenses are allocated to programs and supporting services on the basis of time and expense analysis. The following program and supporting services are included in the accompanying financial statements:

Men's Ministry / Single Women's Ministry

This is a long-term program that is offered to men and an emergency shelter service to single women. It is a multi-faceted program for those seeking release from alcohol, drug and gambling addiction. The program consists of in-depth personal counseling, class sessions, discussion groups, basic Bible studies, in-house work therapy and work readiness training.

ATLANTIC CITY RESCUE MISSION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

2- PROGRAM AND SUPPORTING SERVICES (Continued)

Family Life Center

The Family Life Center is a haven for homeless mothers and children. Up to 11 families can stay as long as they need to until they can move back into permanent housing. Safe shelter, meals, counseling, parenting classes for mothers, and homework help for the children are all available.

Barnabas House

Barnabas House is a transitional housing facility in Wildwood, New Jersey, for male graduates of addiction recovery programs. All graduates must find outside employment and contribute a portion of their pay towards the program (client fees). In addition, graduates must attend regular meetings as well as individual counseling sessions.

Community Service

Community service consists of housing location and placement, transportation assistance, information and referral services, and community outreach.

Kitchen

Breakfast, lunch and dinner are prepared 7 days a week; in addition food baskets are given to the local needy. Over 400,000 meals a year are provided.

Street Outreach

Seven days a week, in conjunction with local police and government agencies, attempts are made to bring the homeless into the shelter of the Mission, and to save lives during freezing weather.

Other

Meals, shelter and clothing are a homeless person's immediate needs, but they also need services to help them get back on their feet again. Some of the other programs offered include the Goshen Farm where the Mission runs a 3-1/2 acre farm. Clients along with volunteers harvest over 30,000 pounds of low-cost, healthy produce for the shelter. Liaisons with rehabilitative and therapeutic agencies include the onsite AtlantiCare Behavioral Health clinic and AtlantiCare Mission Healthcare, also onsite.

General and Administrative

General and administrative services include those functions necessary to obtain and manage the Mission's financial and other resources, ensure an adequate working environment, develop and administer Mission programs and services and, in conjunction with the Board, oversee the articulation of Mission policies and procedures, as well as long-term Mission strategies.)

ATLANTIC CITY RESCUE MISSION, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016

2- PROGRAM AND SUPPORTING SERVICES (Continued)

Development

Development includes those functions necessary to encourage and secure private financial support from individuals, foundations and corporations.

3- INVESTMENTS

The following table presents the fair value measurements of assets recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the value measurement falls at December 31, 2016.

	Fair Value Measurement Using			
	Quoted Prices in Active Markets for Identical Assets Fair Value	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Equities	\$ 6,149	\$ 6,149	\$	\$
Intermission gift annuity	124,258		124,258	
Total investments	\$ 130,407	\$ 6,149	\$ 124,258	\$ -

Investment income and adjustment of actuarial liability was earned and recorded as follows:

	Net Investment Actuarial Income	Adjustment of Liability	Total
Interest and dividend income	\$ 6,177	\$ -	\$ 6,177
Unrealized gain on investments	(438)	429	(9)
Payment to annuitants		(2,335)	(2,335)
Adjustment of actuarial calculation		(1,467)	(1,467)
Total	\$ 5,739	\$ (3,373)	\$ 2,366

ATLANTIC CITY RESCUE MISSION, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016

4- PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2016 consisted of the following:

Land	\$ 974,402
Land improvements	409,936
Building and improvements	5,143,267
Furniture, fixtures and equipment	652,253
Automobiles and trucks	156,359
	7,336,217
Less - Accumulated depreciation and amortization	4,017,683
<u>Total</u>	<u>\$3,318,534</u>

5- LOAN PAYABLE

The Mission has a loan secured by a first lien mortgage on property located in Wildwood, New Jersey. The loans payable in monthly installments of \$2,660 and bear interest at 5%. The loan matures March 1, 2023. As of December 31, 2016, the balance outstanding was \$182,245.

The Mission agreed to terms with a previous vendor of marketing services to pay the obligation over 60 months at 3% interest in monthly installments of \$6,006. The obligation was discounted at 6.75% interest thereby reducing the effective obligation from \$329,000 to \$298,000. Payments began in September 2016

In addition, the Mission has a long-term unsecured payable to a vendor for services rendered. Amounts due over the next 5 years:

2017	\$ 82,576
2018	91,000
2019	94,286
2020	97,698
2021	55,081
thereafter	53,003
	<u>\$473,644</u>

6- TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of funds restricted by donors to be used for the following specific purposes:

2016 :Client assistance and services	\$ 29,918
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ATLANTIC CITY RESCUE MISSION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

7 OPERATING LEASE COMMITMENTS

The Mission entered into a lease agreement to rent a single-family home to provide temporary housing to individuals and families that are in need of housing assistance. The lease was for 3 years and expires on December 31, 2017. The monthly rent (including sewer) was \$1,032. Total rent expense for 2016 for this unit was \$10,740.

The Mission's second lease agreement is for space located near the Mission, with a lease term of three years commencing February 2015 and ending January 2018. The monthly rent for this location is \$7,500. Total rent expense for 2016 was \$90,000.

Future minimum lease payments for the space is as follows:

2017....\$90,0000.

The Mission had additional rental expense for this property and rental costs and on equipment leases that are month to month and do not have specific end dates. The additional rent expense incurred for these leases in 2016 was \$37,131.

8- - CONCENTRATION OF CREDIT RISK FOR CASH

Financial instruments which potentially subject the Mission to concentration of credit risk consist principally of cash balances in financial institutions which are insured by the Federal Deposit Insurance Corporation or Securities Investor Protection Corporation, subject to certain limitations.

9- ECONOMICDEPENDENCY

The Mission receives support from federal and state government agencies in the form of aid and specific grants and contracts. A significant reduction in the level of this support could have an effect on the Mission's programs and activities.