

Financial Statements



Serving Six Counties

JUNE 30, 2018 AND 2017

KOKOMO RESCUE MISSION, INC.

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Kokomo Rescue Mission, Inc.
Kokomo, Indiana**

We have audited the accompanying financial statements of Kokomo Rescue Mission, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 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.

Auditor's 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 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.

INDEPENDENT AUDITOR'S REPORT--CONTINUED

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kokomo Rescue Mission, Inc. as of June 30, 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.

Huth Thompson LLP

October 25, 2018
Lafayette, Indiana

KOKOMO RESCUE MISSION, INC.

STATEMENTS OF FINANCIAL POSITION

As of June 30,

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 589,722	\$ 509,163
Contribution Receivable	8,693	-
Grant Receivable	-	10,000
Inventory	110,740	131,977
Prepaid Expenses	<u>49,968</u>	<u>31,484</u>
TOTAL CURRENT ASSETS	759,123	682,624
PROPERTY AND EQUIPMENT, NET	2,464,778	2,573,772
OTHER ASSETS		
Beneficial Interest in Assets Held by the Community Foundation of Howard County	8,554	8,218
Investments	<u>4,526</u>	<u>7,936</u>
	<u>13,080</u>	<u>16,154</u>
	<u>\$ 3,236,981</u>	<u>\$ 3,272,550</u>

See Notes to Financial Statements.

LIABILITIES

	<u>2018</u>	<u>2017</u>
CURRENT LIABILITIES		
Accounts Payable	\$ 2,381	\$ 1,336
Accrued Expenses--		
Accrued Wages	36,769	38,508
Other Withholdings Payable	5,154	4,376
Sales Tax Payable	<u>1,936</u>	<u>1,841</u>
TOTAL CURRENT LIABILITIES	46,240	46,061

NET ASSETS

Unrestricted--		
Undesignated	2,823,957	2,939,275
Board Designated	<u>192,133</u>	<u>149,166</u>
	3,016,090	3,088,441
Temporarily Restricted	166,564	129,961
Permanently Restricted	<u>8,087</u>	<u>8,087</u>
	<u>3,190,741</u>	<u>3,226,489</u>
	<u>\$ 3,236,981</u>	<u>\$ 3,272,550</u>

KOKOMO RESCUE MISSION, INC.

**STATEMENTS OF ACTIVITIES
For the Years Ended June 30,**

	2018				2017			
	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted
REVENUE, GAINS AND OTHER SUPPORT								
Contributions	\$ 1,340,026	\$ 1,290,624	\$ 49,402	\$ -	\$ 1,306,056	\$ 1,209,161	\$ 96,895	\$ -
Gifts-In-Kind	833,222	833,222	-	-	993,706	993,706	-	-
Grants	46,822	5,450	41,372	-	61,977	5,000	56,977	-
Special Events	118,644	118,644	-	-	122,832	122,832	-	-
Program Revenue	23,459	23,459	-	-	15,892	15,892	-	-
Store Sales	338,772	338,772	-	-	322,516	322,516	-	-
Salvage	103,879	103,879	-	-	75,693	75,693	-	-
Interest Income	3,162	3,162	-	-	142	142	-	-
(Loss) on Disposal of Assets	(2,250)	(2,250)	-	-	-	-	-	-
Increase in Beneficial Interest in Assets Held by the Community Foundation of Howard County	336	-	336	-	746	-	746	-
Miscellaneous	15,854	15,854	-	-	15,884	15,884	-	-
	<u>2,821,926</u>	<u>2,730,816</u>	<u>91,110</u>	<u>-</u>	<u>2,915,444</u>	<u>2,760,826</u>	<u>154,618</u>	<u>-</u>
NET ASSETS RELEASED FROM RESTRICTIONS	-	54,821	(54,821)	-	-	116,452	(116,452)	-
TOTAL REVENUE, GAINS, AND OTHER SUPPORT	<u>2,821,926</u>	<u>2,785,637</u>	<u>36,289</u>	<u>-</u>	<u>2,915,444</u>	<u>2,877,278</u>	<u>38,166</u>	<u>-</u>
EXPENSES								
Program Services	2,268,133	2,268,133	-	-	2,289,282	2,289,282	-	-
Management and General	263,394	263,394	-	-	269,116	269,116	-	-
Fundraising	326,461	326,461	-	-	309,839	309,839	-	-
TOTAL EXPENSES	<u>2,857,988</u>	<u>2,857,988</u>	<u>-</u>	<u>-</u>	<u>2,868,237</u>	<u>2,868,237</u>	<u>-</u>	<u>-</u>
INCREASE (DECREASE) IN NET ASSETS BEFORE UNREALIZED GAIN ON INVESTMENTS	(36,062)	(72,351)	36,289	-	47,207	9,041	38,166	-
UNREALIZED GAIN ON INVESTMENTS	314	-	314	-	1,043	722	321	-
INCREASE (DECREASE) IN NET ASSETS	<u>(35,748)</u>	<u>(72,351)</u>	<u>36,603</u>	<u>-</u>	<u>48,250</u>	<u>9,763</u>	<u>38,487</u>	<u>-</u>
NET ASSETS--Beginning of Year	<u>3,226,489</u>	<u>3,088,441</u>	<u>129,961</u>	<u>8,087</u>	<u>3,178,239</u>	<u>3,078,678</u>	<u>91,474</u>	<u>8,087</u>
NET ASSETS--End of Year	<u>\$ 3,190,741</u>	<u>\$ 3,016,090</u>	<u>\$ 166,564</u>	<u>\$ 8,087</u>	<u>\$ 3,226,489</u>	<u>\$ 3,088,441</u>	<u>\$ 129,961</u>	<u>\$ 8,087</u>

See Notes to Financial Statements.

KOKOMO RESCUE MISSION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30,

	2018				2017			
	Total	Program Services	Management And General	Fundraising	Total	Program Services	Management And General	Fundraising
Salaries	\$ 942,387	\$ 683,927	\$ 163,879	\$ 94,581	\$ 903,774	\$ 668,794	\$ 151,607	\$ 83,373
Employee Benefits	229,740	169,717	42,020	18,003	207,087	136,141	54,436	16,510
Payroll Taxes	65,880	49,208	11,991	4,681	62,594	46,112	12,255	4,227
Cost of Sales - Thrift Shops	338,650	338,650	-	-	317,649	317,649	-	-
Utilities	125,890	115,354	5,990	4,546	116,540	106,731	5,553	4,256
Postage	28,927	702	4	28,221	30,577	12	54	30,511
Printing	63,229	6	-	63,223	70,633	419	154	70,060
Food	15,912	15,747	165	-	14,668	14,660	8	-
Other Program Services	76,342	76,342	-	-	59,736	59,136	600	-
Vehicle Expenses	20,504	19,256	1,176	72	20,506	19,265	1,162	79
Telephone	17,287	11,174	1,349	4,764	18,838	12,590	1,136	5,112
Equipment Maintenance and Support	26,209	25,311	629	269	14,304	12,199	972	1,133
Building Repairs and Security	27,416	26,199	790	427	55,271	53,176	1,857	238
Store Supplies	29,137	28,655	482	-	25,631	24,300	1,329	2
Insurance	20,853	16,766	4,087	-	12,369	290	12,079	-
Professional Fees	33,355	12,220	18,344	2,791	31,492	8,766	17,855	4,871
Office Software/Expenses	28,520	6,658	1,477	20,385	11,753	1,162	1,174	9,417
Other Expenses	28,753	28,340	413	-	36,252	36,170	82	-
Advertising	72,170	2,354	425	69,391	75,220	9,013	491	65,716
In-Kind Distributions	515,619	503,922	-	11,697	636,838	626,246	-	10,592
Membership Dues	4,444	185	4,214	45	4,603	185	4,373	45
Staff Development	9,444	3,205	5,947	292	7,312	4,838	1,778	696
Rental Expense	3,250	3,250	-	-	3,000	3,000	-	-
Service Charges	7,575	4,490	12	3,073	6,790	3,628	161	3,001
Depreciation	126,495	126,495	-	-	124,800	124,800	-	-
TOTAL EXPENSES	\$ 2,857,988	\$ 2,268,133	\$ 263,394	\$ 326,461	\$ 2,868,237	\$ 2,289,282	\$ 269,116	\$ 309,839

See Notes to Financial Statements.

KOKOMO RESCUE MISSION, INC.

STATEMENTS OF CASH FLOWS
For the Years Ended June 30,

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ (35,748)	\$ 48,250
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities--		
Depreciation	126,495	124,800
Change in Contributed Inventory	21,237	(1,885)
Loss on Disposal of Assets	2,250	-
Beneficial Interest in Assets Held by The Community Foundation of Howard County	(336)	(745)
Unrealized (Gain) on Investments	(314)	(1,043)
Realized (Gain) on Investments	(321)	-
Forgiveness of Debt	-	(2,500)
(Increase) Decrease in Assets--		
Contributions Receivable	(8,693)	-
Grant Receivable	10,000	(10,000)
Prepaid Expenses	(18,484)	(6,800)
Increase (Decrease) in Liabilities--		
Accounts Payable	1,045	(1,298)
Accrued Wages	(1,739)	10,474
Other Withholdings Payable	778	1,568
Sales Tax Payable	95	60
NET CASH PROVIDED BY OPERATING ACTIVITIES	96,265	160,881
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(408)	-
Proceeds From Sale of Investments	4,453	-
Purchases of Property and Equipment	(19,751)	(51,279)
NET CASH (USED) BY INVESTING ACTIVITIES	(15,706)	(51,279)
NET INCREASE IN CASH AND CASH EQUIVALENTS	80,559	109,602
CASH AND CASH EQUIVALENTS--Beginning of Year	509,163	399,561
CASH AND CASH EQUIVALENTS--End of Year	\$ 589,722	\$ 509,163

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION--

Non-Cash Financing Activities included forgiveness of note payable principal of \$2,500 in 2017.

KOKOMO RESCUE MISSION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 1: MISSION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of Kokomo Rescue Mission, Inc.'s significant accounting policies consistently applied in the preparation of the accompanying financial statements are as follows:

- A) **Nature of Activities**--Kokomo Rescue Mission, Inc. (the "Mission"), a non-denominational Christian social service agency, was established in 1953. The Mission provides a Christ-centered response to the problems of poverty and homelessness in North Central Indiana. The Mission is supported through public contributions, thrift store sales, and investment income.
- B) **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 certain reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- C) **Cash and Cash Equivalents**--For the purposes of the statement of cash flows, the Mission considers highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.
- D) **Receivables**--Receivables consist of unpaid contributions and grants. Uncollectible receivables are charged directly to expense when they are determined to be uncollectible. Use of this method does not result in a material difference from the valuation method required by accounting principles generally accepted in the United States of America.
- E) **Promises to Give**--Unconditional promises to give are recognized when the donor makes a promise to give to the Mission that is, in substance, unconditional. Unconditional promises to give that are expected to be collected in future years are recorded at present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Conditional promises to give are not included as support until the conditions are substantially met.
- F) **Inventory**--Inventories represent contributions of food, supplies, and items for resale to customers in the Mission's thrift stores. These contributed items are recorded at their fair value. The fair value of food and supply items is determined by comparable retail rates. The fair value of the thrift store items is determined by the sales price received for the goods sold.

KOKOMO RESCUE MISSION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 1: MISSION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

- G) **Investments**--Pursuant to FASB Accounting Standards Codification (Accounting Standards), investments are carried at fair value based on market prices. Unrealized gains and losses are included in the statement of activities. Investment income, when received, is shown net of investment fees.
- H) **Property and Equipment**--Items greater than \$2,500 are capitalized as property and equipment and are reported at cost or, if donated, at fair market value on the date of donation. Property and equipment are depreciated on the straight-line method over their estimated useful lives ranging from three to forty years. Maintenance, repairs, and minor renewals are charged to operations as incurred. Improvements and major renewals are capitalized. Depreciation expense was \$126,495 and \$124,800 for the years ended June 30, 2018 and 2017, respectively.
- I) **Contributions**--The Mission accounts for contributions in accordance with the recommendations of the Accounting Standards, whereas, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Contributions are reported when made, which is generally when cash is received, unconditional promises are made, or ownership of donated assets is transferred to the Mission. Bequests are reported as support at the time the Mission has established right to the bequest and proceeds are measureable.
- J) **Net Assets**--In accordance with Accounting Standards, the net assets of the Mission are reported in each of the following three classes:
- 1) ***Unrestricted Net Assets***--Net assets that are not subject to donor-imposed stipulations.
 - 2) ***Temporarily Restricted Net Assets***--Net Assets subject to donor-imposed stipulations that may or will be met, either by actions of the Mission and/or the passage of time.
 - 3) ***Permanently Restricted Net Assets***--Net assets subject to donor-imposed stipulations that the assets be maintained permanently by the Mission. Generally the donors of these assets permit the Mission to use all or part of the income earned on any related investments for general or specific purposes.

KOKOMO RESCUE MISSION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

**NOTE 1: MISSION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

- J) Net Assets (Continued)--Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. All other assets, including board designated amounts, are unrestricted and are reported as part of the unrestricted class.**

All donor-restricted contributions are recorded as increases in temporarily or permanently restricted net assets, depending on 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 as net assets released from restrictions. Restrictions on gifts of fixed assets or contributions restricted for the purchase of fixed assets expire when the asset is placed in service, unless otherwise stipulated by the donor.

- K) Donated Goods and Services--The Mission records various types of in-kind support including food and supply items, items for resale and program distributions in the thrift shops, property and equipment, and professional services. Food, supplies, and thrift shop items are presented on the basis explained in Note 1F. Property and equipment donated is capitalized on the basis explained in Note 1H. Contributed professional services are recognized if the services either create or enhance long-lived assets, or require specialized skills and would typically need to be purchased if not provided by the donation. For the years ended June 30, 2018 and 2017, in-kind contributions of items for resale in the thrift shop totaled \$338,650 and \$317,649, respectively and all remaining in-kind contributions totaled \$494,572 and \$676,057, respectively.**

The Mission also receives significant donations of time from volunteers that do not meet the two recognized criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the financial statements.

- L) Advertising--The Mission expenses advertising as incurred. For the years ended June 30, 2018 and 2017, advertising costs totaled \$72,170 and \$75,220, respectively.**

- M) Income Taxes--The Mission is incorporated in the state of Indiana and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and similar provisions of the State Code. The Mission is classified as a publicly supported organization rather than a private foundation under Section 509(a)(1). Contributions to the Mission are deductible for income tax purposes.**

KOKOMO RESCUE MISSION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

**NOTE 1: MISSION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

M) Income Taxes (Continued)--Accounting Standards require entities to disclose in their financial statements the nature of any uncertainties in their tax position. Tax years including 2014 and later are subject to examination by tax authorities. Areas that IRS and state tax authorities consider when examining tax returns of a charity include, but may not be limited to, tax exempt status and the existence and amount of unrelated business income. The Mission does not believe that it has any uncertain tax positions with respect to these or other matters, and therefore, has not recorded any unrecognized tax benefits or liabilities. The Mission is not aware of any circumstances or events that make it reasonably possible that tax benefits or liabilities may increase or decrease within 12 months of the date of these financial statements.

NOTE 2: CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following at June 30:

	<u>2018</u>	<u>2017</u>
Checking	\$ 109,981	\$ 341,399
Savings	462,399	149,166
Petty Cash	1,500	1,650
Cash Equivalents	<u>15,842</u>	<u>16,948</u>
	<u>\$ 589,722</u>	<u>\$ 509,163</u>

NOTE 3: CONCENTRATIONS OF CREDIT RISK

At certain times during the year, the Mission maintained cash deposits with its banks which exceeded the amount insured by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2018 and 2017, the amount of cash over the FDIC limit was \$142,133 and \$-0-, respectively.

KOKOMO RESCUE MISSION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 4: INVENTORY

Inventory consisted of the following at June 30:

	<u>2018</u>	<u>2017</u>
Food and Supplies	\$ 78,428	\$ 100,658
Thrift Shop	<u>32,312</u>	<u>31,319</u>
	<u>\$ 110,740</u>	<u>\$ 131,977</u>

NOTE 5: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2018</u>	<u>2017</u>
Building and Improvements	\$ 4,148,947	\$ 4,150,511
Furniture and Equipment	162,900	166,704
Vehicles	<u>161,452</u>	<u>161,452</u>
	4,473,299	4,478,667
Less Accumulated Depreciation	<u>(2,484,676)</u>	<u>(2,381,050)</u>
	1,988,623	2,097,617
Land	<u>476,155</u>	<u>476,155</u>
Property and Equipment, Net	<u>\$ 2,464,778</u>	<u>\$ 2,573,772</u>

NOTE 6: BENEFICIAL INTEREST IN ASSETS HELD BY THE COMMUNITY FOUNDATION OF HOWARD COUNTY

During 2010, the Mission transferred irrevocably \$5,000 to The Community Foundation of Howard County (the Foundation) and created an Endowment to solely benefit the Mission. The Foundation is granted variance power in the endowment agreement. On an annual basis, the Mission has the option to receive income distributions from the fund held at the Foundation. While this endowment is treated as a quasi-endowment between the Mission and the Foundation, these funds were permanently endowed by donors to the Mission and the principal portion of the funds received from donors must be held in perpetuity.

KOKOMO RESCUE MISSION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 6: BENEFICIAL INTEREST IN ASSETS HELD BY THE COMMUNITY FOUNDATION OF HOWARD COUNTY (Continued)

At June 30, 2018 and 2017, the Mission has recorded a beneficial interest in assets held by the Foundation in the amounts of \$8,554 and \$8,218, respectively, and the beneficial interest is included in permanently restricted net assets. As of June 30, 2018 and 2017, the change in beneficial interest was \$335 and \$746, respectively. As of June 30, 2018, the market value of the Mission's beneficial interest is a surplus over its historic gift value. The following table shows the net surplus of the Mission's beneficial interest.

	Historic Gift Value	Market Value	Surplus
Beneficial Interest in Assets			
Held by the Community			
Foundation of Howard County	\$ 5,000	\$ 8,554	\$ 3,554

NOTE 7: INVESTMENTS

Investments are stated at fair market value. Investments consisted of the following for the years ended June 30:

	2018	2017
World Stock	\$ -	\$ 4,131
Common Stock	4,426	3,705
U.S. Savings Bond	100	100
	\$ 4,526	\$ 7,936

Investment returns consisted of the following for the years ended June 30:

	2018	2017
Realized Gains	\$ 321	\$ -
Unrealized Gains	314	1,043
	\$ 635	\$ 1,043

The investment portfolio is subject to the volatility of the securities marketplace, and, accordingly, its fair value may increase or decrease on a basis unrelated to management's investment decisions.

KOKOMO RESCUE MISSION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 8: NOTE PAYABLE

The Mission had a non-interest bearing note to an individual due on demand. During the year ended June 30, 2017, the remainder of this loan was forgiven in the amount of \$2,500, resulting in a gain. At June 30, 2018 and 2017, the note payable balance totaled \$-0- for both years. Management has elected not to disclose amortization of any discount or premium or the effective interest rate of the note payable due to the insignificance of the balance.

NOTE 9: NET ASSETS

Temporarily restricted net assets included in cash and cash equivalents consisted of the following at June 30:

	2018	2017
MUFF	\$ 5,361	\$ 1,206
Community Foundation	3,554	3,218
Food to You	631	1,541
FHLB Grant Award	74,800	74,800
Demaree Grant Award	23,768	24,773
Job Readiness Grant	11,576	10,000
Taylor/Armstrong--HVAC Award	15,000	-
Open Arms--Special Projects	22,097	4,085
Others	9,777	10,338
	\$ 166,564	\$ 129,961

Permanently restricted net assets included in Beneficial Interest in Assets Held by the Community Foundation of Howard County and investments consisted of the following at June 30:

	2018	2017
Endowment--Community Foundation of Howard County	\$ 5,000	\$ 5,000
Endowment--McCain	3,087	3,087
	\$ 8,087	\$ 8,087

KOKOMO RESCUE MISSION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 10: PENSION PLAN

The Mission has a defined contribution 403(b) retirement plan for all eligible employees. Employees may make any contribution desired to the maximum limit allowed by law. The Mission may make employer contributions at the discretion of management. Employer contributions totaled \$-0- for both years ended June 30, 2018 and 2017, respectively.

NOTE 11: LEASE COMMITMENTS

The Mission leases Food to You space under non-cancelable leases that qualify as operating leases under Accounting Standards. The lease expires August 2019. The lease expense under these arrangements totaled \$15,000 and \$15,000 for the years ended June 30, 2018 and 2017, respectively.

The minimum lease payment commitments under this operating lease for the years following June 30, 2018 are as follows:

2019	\$	15,000
2020		<u>1,250</u>
	\$	<u>16,250</u>

NOTE 12: FUNCTIONAL EXPENSES

For the purposes of the statement of functional expenses, the Mission directly charges all costs to each respective program service, management and general, or fundraising cost centers. Program expenses are comprised of the following for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Shelter	\$ 568,665	\$ 604,840
Outreach	975,849	1,049,588
Thrift Shops	712,057	626,216
Food to You and MUFF	<u>11,562</u>	<u>8,638</u>
	<u>\$ 2,268,133</u>	<u>\$ 2,289,282</u>

KOKOMO RESCUE MISSION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 13: ENDOWMENT

For the years ended June 30, the Mission had the following permanent endowment related activities:

<u>June 30, 2018</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment Net Assets, Beginning of Year	\$ -	\$ 3,836	\$ 8,087
Investment Return: Net Appreciation, Realized and Unrealized and Change in Beneficial Interest in Assets Held by the Community Foundation of Howard County	<u>-</u>	<u>649</u>	<u>-</u>
Endowment Net Assets, End of Year	<u>\$ -</u>	<u>\$ 4,485</u>	<u>\$ 8,087</u>
<u>June 30, 2017</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment Net Assets, Beginning of Year	\$ -	\$ 2,769	\$ 8,087
Investment Return: Net Appreciation, Realized and Unrealized and Change in Beneficial Interest in Assets Held by the Community Foundation of Howard County	<u>-</u>	<u>1,067</u>	<u>-</u>
Endowment Net Assets, End of Year	<u>\$ -</u>	<u>\$ 3,836</u>	<u>\$ 8,087</u>

There were no funds with deficiencies as of June 30, 2018 or 2017.

KOKOMO RESCUE MISSION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 13: ENDOWMENT (Continued)

The Mission's endowments include donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Mission has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Mission classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Mission in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with the UPMIFA, the Mission considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Mission and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Mission
- (7) The investment policies of the Mission

KOKOMO RESCUE MISSION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 13: ENDOWMENT (Continued)

Return Objectives and Risk Parameters

The Mission has adopted investment and spending policies for endowment assets that attempt to achieve real growth in the endowment fund's principal value after inflation and spending, to have the endowment fund participate in a diversified investment portfolio, to have equity and fixed income investments that are diversified among various asset classes in order to minimize the risk of large losses, and to maximize total return within reasonable and prudent levels of risk. Endowment assets include those assets of donor-restricted funds that the Mission must hold in perpetuity.

Strategies Employed for Achieving Objectives

The Mission targets a diversified asset allocation that places a greater emphasis on a balanced portfolio of investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Income received from the Fund shall be distributed from time to time as approved by the Board of Directors.

NOTE 14: ENDOWMENT OWNED BY THIRD PARTY

During the year a donor established an endowment fund (the Fund) with the Howard County Community Foundation to benefit the Mission. In accordance with Accounting Standards, this Fund is not recorded on the Mission's books as the donor established the Fund; not the Mission. Annual distributions from the Fund are anticipated subject to the Community Foundation's spending policy, beginning in June 2019. The Fund totaled \$6,115,158 at June 30, 2018.

KOKOMO RESCUE MISSION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 15: FAIR VALUE MEASUREMENTS

The Mission follows Accounting Standards which provides a framework for measuring fair value. Accounting standards define fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Accounting standards require that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. Accounting standards also establish a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

There are three general valuation techniques that may be used to measure fair value, as described below:

- A) Market approach – Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sales transactions, market trades, or other sources.
- B) Cost approach – Based on the amount that currently would be required to replace the service capacity of an asset (replacement cost); and
- C) Income approach – Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (including present value techniques and option pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

Assets were measured at fair value during the years ended June 30, 2018 and 2017. Assets measured at fair value used the market approach for Level 1 and Level 2 inputs.

KOKOMO RESCUE MISSION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 15: FAIR VALUE MEASUREMENTS (Continued)

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

	<u>Fair Value Measurements at Reporting Date Using:</u>			
	Fair Value	Quoted Prices In Active Markets for Identical Assets/ Liabilities Level 1	Significant Other Observable Inputs Level 2	Significant Other Unobservable Inputs Level 3
<u>2018</u>				
Recurring Fair Value Measurements--				
Financial Assets--				
World Stock	\$ -	\$ -	\$ -	\$ -
Common Stock	4,426	4,426	-	-
U.S. Savings Bond	100	100	-	-
Beneficial Interest in Assets Held by the Community				
Foundation of Howard County	8,554	-	8,554	-
Nonrecurring Fair Value Measurements--				
Contributions Receivable	<u>8,693</u>	<u>-</u>	<u>8,693</u>	<u>-</u>
Total Assets	<u>\$ 21,773</u>	<u>\$ 4,526</u>	<u>\$ 17,247</u>	<u>\$ -</u>
<u>2017</u>				
Recurring Fair Value Measurements--				
Financial Assets--				
World Stock	\$ 4,131	\$ 4,131	\$ -	\$ -
Common Stock	3,705	3,705	-	-
U.S. Savings Bond	100	100	-	-
Beneficial Interest in Assets Held by the Community				
Foundation of Howard County	<u>8,218</u>	<u>-</u>	<u>8,218</u>	<u>-</u>
Total Assets	<u>\$ 16,154</u>	<u>\$ 7,936</u>	<u>\$ 8,218</u>	<u>\$ -</u>

KOKOMO RESCUE MISSION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 16: SUBSEQUENT EVENTS

On August 15, 2018, the Kokomo Rescue Mission signed a construction agreement to remodel a house at the corner of Taylor Street and Armstrong Street in Kokomo, Indiana for a women's shelter. The labor and materials will cost \$650,525. This construction has been started, and a grant application has been submitted to the Federal Home Loan Bank for the same amount. Related to this, in September 2018, the Mission opened an unsecured \$390,000 line of credit with a prime interest rate.

The Mission has evaluated subsequent events through October 25, 2018, the date which the financial statements were available to be issued.