

*Financial Statements*



*Serving Six Counties*

**JUNE 30, 2019 AND 2018**

**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, 2019 and 2018, 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, 2019 and 2018, 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*

**December 3, 2019**  
**Lafayette, Indiana**

**KOKOMO RESCUE MISSION, INC.**

**STATEMENTS OF FINANCIAL POSITION**

As of June 30,

|  | <u>2019</u>         | <u>2018</u>         |
|--|---------------------|---------------------|
| <b>ASSETS</b>  |                     |                     |
| <b>CURRENT ASSETS</b>  |                     |                     |
| Cash and Cash Equivalents  | \$ 498,186          | \$ 589,722          |
| Accounts Receivable  | 239,316             | -                   |
| Contribution Receivable  | 56,788              | 8,693               |
| Grants Receivable--Restricted  | 89,975              | -                   |
| Inventory  | 108,300             | 110,740             |
| Prepaid Expenses   | <u>52,841</u>       | <u>49,968</u>       |
| <b>TOTAL CURRENT ASSETS</b>  | <b>1,045,406</b>    | <b>759,123</b>      |
| <b>PROPERTY AND EQUIPMENT, NET</b>   | <b>2,898,243</b>    | <b>2,464,778</b>    |
| <b>OTHER ASSETS</b>  |                     |                     |
| Beneficial Interest in Assets Held by the<br>Community Foundation of Howard County | 8,636               | 8,554               |
| Investments  | <u>4,518</u>        | <u>4,526</u>        |
|  | <u>13,154</u>       | <u>13,080</u>       |
|  | <u>\$ 3,956,803</u> | <u>\$ 3,236,981</u> |

See Notes to Financial Statements.

**LIABILITIES**

|                                  | <u>2019</u>       | <u>2018</u>       |
|----------------------------------|-------------------|-------------------|
| <b>CURRENT LIABILITIES</b>       |                   |                   |
| Accounts Payable                 | \$ 11,980         | \$ 2,381          |
| Accrued Expenses--               |                   |                   |
| Accrued Wages                    | 49,862            | 36,769            |
| Other Withholdings Payable       | 3,674             | 5,154             |
| Sales Tax Payable                | -                 | 1,936             |
|                                  | <u>          </u> | <u>          </u> |
| <b>TOTAL CURRENT LIABILITIES</b> | <b>65,516</b>     | <b>46,240</b>     |

**NET ASSETS**

|                                     |                            |                            |
|-------------------------------------|----------------------------|----------------------------|
| <b>Without Donor Restrictions--</b> |                            |                            |
| Undesignated                        | 3,061,554                  | 2,823,957                  |
| Board Designated                    | <u>233,671</u>             | <u>192,133</u>             |
|                                     | <b>3,295,225</b>           | <b>3,016,090</b>           |
| <br>                                |                            |                            |
| <b>With Donor Restrictions</b>      | <u>596,062</u>             | <u>174,651</u>             |
|                                     | <u>3,891,287</u>           | <u>3,190,741</u>           |
|                                     |                            |                            |
|                                     | <u><b>\$ 3,956,803</b></u> | <u><b>\$ 3,236,981</b></u> |

**KOKOMO RESCUE MISSION, INC.**

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

|  | 2019                |                            |                         | 2018                |                            |                         |
|--|---------------------|----------------------------|-------------------------|---------------------|----------------------------|-------------------------|
|  | Total               | Without Donor Restrictions | With Donor Restrictions | Total               | Without Donor Restrictions | With Donor Restrictions |
| <b>REVENUE, GAINS AND OTHER SUPPORT</b>  |                     |                            |                         |                     |                            |                         |
| Contributions  | \$ 1,410,007        | \$ 1,384,382               | \$ 25,625               | \$ 1,340,026        | \$ 1,290,624               | \$ 49,402               |
| Gifts-In-Kind  | 909,033             | 909,033                    | -                       | 833,222             | 833,222                    | -                       |
| Grants   | 59,644              | 13,644                     | 46,000                  | 46,822              | 5,450                      | 41,372                  |
| Grants--Federal Lending  | 502,938             | -                          | 502,938                 | -                   | -                          | -                       |
| Special Events   | 112,414             | 112,414                    | -                       | 118,644             | 118,644                    | -                       |
| Program Revenue  | 12,827              | 12,827                     | -                       | 23,459              | 23,459                     | -                       |
| Store Sales  | 351,465             | 351,465                    | -                       | 338,772             | 338,772                    | -                       |
| Salvage  | 87,511              | 87,511                     | -                       | 103,879             | 103,879                    | -                       |
| Interest Income  | 2,296               | 2,296                      | -                       | 3,162               | 3,162                      | -                       |
| (Loss) on Disposal of Assets   | -                   | -                          | -                       | (2,250)             | (2,250)                    | -                       |
| Insurance Proceeds, Net  | 239,316             | 239,316                    | -                       | -                   | -                          | -                       |
| Increase in Beneficial Interest in Assets Held<br>by the Community Foundation of Howard County | 82                  | -                          | 82                      | 336                 | -                          | 336                     |
| Miscellaneous  | 13,010              | 13,010                     | -                       | 15,854              | 15,854                     | -                       |
|  | <u>3,700,543</u>    | <u>3,125,898</u>           | <u>574,645</u>          | <u>2,821,926</u>    | <u>2,730,816</u>           | <u>91,110</u>           |
| NET ASSETS RELEASED FROM RESTRICTIONS  | -                   | 153,634                    | (153,634)               | -                   | 54,821                     | (54,821)                |
| <b>TOTAL REVENUE, GAINS, AND OTHER SUPPORT</b>   | <u>3,700,543</u>    | <u>3,279,532</u>           | <u>421,011</u>          | <u>2,821,926</u>    | <u>2,785,637</u>           | <u>36,289</u>           |
| <b>EXPENSES</b>  |                     |                            |                         |                     |                            |                         |
| Program Services   | 2,380,837           | 2,380,837                  | -                       | 2,268,133           | 2,268,133                  | -                       |
| Management and General   | 272,863             | 272,863                    | -                       | 263,394             | 263,394                    | -                       |
| Fundraising  | 346,697             | 346,697                    | -                       | 326,461             | 326,461                    | -                       |
| <b>TOTAL EXPENSES</b>  | <u>3,000,397</u>    | <u>3,000,397</u>           | <u>-</u>                | <u>2,857,988</u>    | <u>2,857,988</u>           | <u>-</u>                |
| <b>INCREASE (DECREASE) IN NET ASSETS BEFORE<br/>UNREALIZED GAIN ON INVESTMENTS</b>             | <u>700,146</u>      | <u>279,135</u>             | <u>421,011</u>          | <u>(36,062)</u>     | <u>(72,351)</u>            | <u>36,289</u>           |
| UNREALIZED GAIN ON INVESTMENTS   | 400                 | -                          | 400                     | 314                 | -                          | 314                     |
| <b>INCREASE (DECREASE) IN NET ASSETS</b>   | <u>700,546</u>      | <u>279,135</u>             | <u>421,411</u>          | <u>(35,748)</u>     | <u>(72,351)</u>            | <u>36,603</u>           |
| NET ASSETS--Beginning of Year  | <u>3,190,741</u>    | <u>3,016,090</u>           | <u>174,651</u>          | <u>3,226,489</u>    | <u>3,088,441</u>           | <u>138,048</u>          |
| <b>NET ASSETS--End of Year</b>   | <u>\$ 3,891,287</u> | <u>\$ 3,295,225</u>        | <u>\$ 596,062</u>       | <u>\$ 3,190,741</u> | <u>\$ 3,016,090</u>        | <u>\$ 174,651</u>       |

See Notes to Financial Statements.

**KOKOMO RESCUE MISSION, INC.**

**STATEMENTS OF FINANCIAL POSITION**

As of June 30,

|                                   | 2019                |                     |                        |                   | 2018                |                     |                        |                   |
|-----------------------------------|---------------------|---------------------|------------------------|-------------------|---------------------|---------------------|------------------------|-------------------|
|                                   | Total               | Program Services    | Management And General | Fundraising       | Total               | Program Services    | Management And General | Fundraising       |
| Salaries                          | \$ 966,755          | \$ 693,524          | \$ 169,034             | \$ 104,197        | \$ 942,387          | \$ 683,927          | \$ 163,879             | \$ 94,581         |
| Employee Benefits                 | 225,713             | 148,686             | 58,224                 | 18,803            | 229,740             | 169,717             | 42,020                 | 18,003            |
| Payroll Taxes                     | 68,011              | 49,369              | 11,473                 | 7,169             | 65,880              | 49,208              | 11,991                 | 4,681             |
| Cost of Sales - Thrift Shops      | 348,140             | 348,140             | -                      | -                 | 338,650             | 338,650             | -                      | -                 |
| Utilities                         | 132,551             | 152,627             | (23,190)               | 3,114             | 125,890             | 115,354             | 5,990                  | 4,546             |
| Postage                           | 29,572              | 358                 | 8                      | 29,206            | 28,927              | 702                 | 4                      | 28,221            |
| Printing                          | 73,874              | 128                 | 78                     | 73,668            | 63,229              | 6                   | -                      | 63,223            |
| Food                              | 20,622              | 20,283              | 77                     | 262               | 15,912              | 15,747              | 165                    | -                 |
| Other Program Services            | 83,199              | 81,150              | 2,049                  | -                 | 76,342              | 76,342              | -                      | -                 |
| Vehicle Expenses                  | 18,844              | 21,466              | (2,819)                | 197               | 20,504              | 19,256              | 1,176                  | 72                |
| Telephone                         | 17,421              | 12,276              | 1,959                  | 3,186             | 17,287              | 11,174              | 1,349                  | 4,764             |
| Equipment Maintenance and Support | 17,680              | 16,379              | 1,030                  | 271               | 26,209              | 25,311              | 629                    | 269               |
| Building Repairs and Security     | 39,549              | 34,994              | 3,631                  | 924               | 27,416              | 26,199              | 790                    | 427               |
| Store Supplies                    | 30,734              | 30,371              | 293                    | 70                | 29,137              | 28,655              | 482                    | -                 |
| Insurance                         | 23,593              | -                   | 23,593                 | -                 | 20,853              | 16,766              | 4,087                  | -                 |
| Professional Fees                 | 46,561              | 13,707              | 17,587                 | 15,267            | 33,355              | 12,220              | 18,344                 | 2,791             |
| Office Software/Expenses          | 30,674              | 14,803              | 2,003                  | 13,868            | 28,520              | 6,658               | 1,477                  | 20,385            |
| Other Expenses                    | 68,904              | 68,792              | 112                    | -                 | 28,753              | 28,340              | 413                    | -                 |
| Advertising                       | 62,778              | 1,373               | 499                    | 60,906            | 72,170              | 2,354               | 425                    | 69,391            |
| In-Kind Distributions             | 547,481             | 535,709             | -                      | 11,772            | 515,619             | 503,922             | -                      | 11,697            |
| Membership Dues                   | 3,663               | 140                 | 3,483                  | 40                | 4,444               | 185                 | 4,214                  | 45                |
| Staff Development                 | 7,950               | 3,136               | 3,711                  | 1,103             | 9,444               | 3,205               | 5,947                  | 292               |
| Rental Expense                    | 1,900               | 1,900               | -                      | -                 | 3,250               | 3,250               | -                      | -                 |
| Service Charges                   | 9,038               | 6,336               | 28                     | 2,674             | 7,575               | 4,490               | 12                     | 3,073             |
| Depreciation                      | 125,190             | 125,190             | -                      | -                 | 126,495             | 126,495             | -                      | -                 |
| <b>TOTAL EXPENSES</b>             | <b>\$ 3,000,397</b> | <b>\$ 2,380,837</b> | <b>\$ 272,863</b>      | <b>\$ 346,697</b> | <b>\$ 2,857,988</b> | <b>\$ 2,268,133</b> | <b>\$ 263,394</b>      | <b>\$ 326,461</b> |

See Notes to Financial Statements.



**KOKOMO RESCUE MISSION, INC.**

**STATEMENTS OF CASH FLOWS**  
For the Years Ended June 30,

|   | <b>2019</b>       | <b>2018</b>       |
|---|-------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                   |                   |
| Increase (Decrease) in Net Assets   | \$ 700,546        | \$ (35,748)       |
| Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities-- |                   |                   |
| Depreciation  | 125,190           | 126,495           |
| Change in Contributed Inventory   | 2,440             | 21,237            |
| In-Kind Contributions of Property and Equipment   | (7,500)           | -                 |
| Loss on Disposal of Assets  | -                 | 2,250             |
| Beneficial Interest in Assets Held by<br>The Community Foundation of Howard County                        | (82)              | (336)             |
| Unrealized (Gain) on Investments  | (400)             | (314)             |
| Realized (Gain) on Investments  | -                 | (321)             |
| (Increase) Decrease in Assets--   |                   |                   |
| Accounts Receivable   | (239,316)         | -                 |
| Contributions Receivable  | (48,095)          | (8,693)           |
| Grant Receivable  | -                 | 10,000            |
| Grant Receivable--Restricted  | (89,975)          | -                 |
| Prepaid Expenses  | (2,873)           | (18,484)          |
| Increase (Decrease) in Liabilities--  |                   |                   |
| Accounts Payable  | 9,599             | 1,045             |
| Accrued Wages   | 13,093            | (1,739)           |
| Other Withholdings Payable  | (1,480)           | 778               |
| Sales Tax Payable   | (1,936)           | 95                |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>  | <b>459,211</b>    | <b>96,265</b>     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                   |                   |
| Purchases of Investments  | -                 | (408)             |
| Proceeds From Sale of Investments   | 408               | 4,453             |
| Purchases of Property and Equipment   | (551,155)         | (19,751)          |
| <b>NET CASH (USED) BY INVESTING ACTIVITIES</b>  | <b>(550,747)</b>  | <b>(15,706)</b>   |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>   | <b>(91,536)</b>   | <b>80,559</b>     |
| <b>CASH AND CASH EQUIVALENTS--Beginning of Year</b>   | <b>589,722</b>    | <b>509,163</b>    |
| <b>CASH AND CASH EQUIVALENTS--End of Year</b>   | <b>\$ 498,186</b> | <b>\$ 589,722</b> |

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION--**

Non-Cash Investing Activities included an in-kind donation of a truck of \$7,500 in 2019.

# KOKOMO RESCUE MISSION, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

### 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, 2019 and 2018**

**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 \$125,190 and \$126,495 for the years ended June 30, 2019 and 2018, respectively.
- I) **Contributions**--The Mission accounts for contributions in accordance with the recommendations of the Accounting Standards, whereas, contributions received are recorded as without donor restricted or with donor 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 two classes:
- 1) ***Net Assets Without Donor Restrictions***--Net assets that are not subject to donor-imposed stipulations.
  - 2) ***Net Assets With Donor Restrictions***--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, and not subject to appropriation or expenditure; and those that will be maintained in perpetuity.

**KOKOMO RESCUE MISSION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019 and 2018**

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

- J) Net Assets (Continued)--Net assets of the 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 net assets without donor restrictions.**

All donor-restricted contributions are recorded as increases in net assets with donor restrictions, depending on the restriction. When a restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions 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, 2019 and 2018, in-kind contributions of items for resale in the thrift shop totaled \$348,140 and \$338,650, respectively and all remaining in-kind contributions totaled \$560,893 and \$494,572, 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, 2019 and 2018, advertising costs totaled \$62,778 and \$72,170, 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, 2019 and 2018

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 2015 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.

N) New Accounting Pronouncement--On August 18, 2016, FASB issued ASU 2016-14 Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net assets classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Mission has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Additionally, the Mission has elected to early adopt ASU 2016-01 which removes the requirement for fair value disclosures of financial instruments.

NOTE 2: CASH AND CASH EQUIVALENTS

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

|                  | <u>2019</u>       | <u>2018</u>       |
|------------------|-------------------|-------------------|
| Checking         | \$ 233,600        | \$ 109,981        |
| Savings          | 243,947           | 462,399           |
| Petty Cash       | 1,500             | 1,500             |
| Cash Equivalents | <u>19,139</u>     | <u>15,842</u>     |
|                  | <u>\$ 498,186</u> | <u>\$ 589,722</u> |

**KOKOMO RESCUE MISSION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019 and 2018**

**NOTE 3: LIQUIDITY AND AVAILABILITY**

The following represents the Mission's financial assets as of June 30, 2019:

|  |                          |
|--|--------------------------|
| <b>Financial assets at year end--</b>  |                          |
| Cash and Cash Equivalents  | \$ 498,186               |
| Accounts Receivable  | 239,136                  |
| Contribution Receivable  | 56,788                   |
| Grants Receivable--Restricted  | 89,975                   |
| Investments  | <u>4,518</u>             |
|  | <b>888,603</b>           |
| <br>   |                          |
| <b>Less amounts not available to be used within one year--</b>                                 |                          |
| Board Designated   | 233,671                  |
| Net assets with donor restrictions   | <u>81,711</u>            |
|  | <u><b>315,382</b></u>    |
| <br>   |                          |
| <b>Financial assets available to meet general expenditures<br/>over the next twelve months</b> | <b><u>\$ 573,221</u></b> |

Related receivables of \$89,975 are in fact reimbursements for funds already spent by the Mission, and are therefore available for general operations upon receipt. As part of the Mission's liquidity management, the Board of Directors has designated funds in the amount of \$233,671. Every month the Board puts aside \$3,400 to be deposited in the Mission's savings account, however the funds are available for withdrawal as deemed necessary by the Board. The Mission's financial assets are structured in a way to be available as general expenditures, liabilities, and other obligations come due. It is necessary to have an appropriate level of cash available due to irregular nature of monthly revenue streams and consistent monthly expenditures (operating and programmatic expenses). Further, the Mission has a line of credit with available funds up to \$390,000. The line of credit matures September 2020 (See Note 5).

**NOTE 4: 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, 2019 and 2018, the amount of cash over the FDIC limit was \$-0- and \$142,133, respectively.

**KOKOMO RESCUE MISSION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019 and 2018**

**NOTE 5: FEDERAL HOME LOAN BANK GRANTS**

The Mission is in the thirteenth year of a fifteen year grant in the amount of \$74,800 from the Federal Home Loan Bank of Indianapolis (FHLBI) for the Transition home located in Kokomo, Indiana. During the year ended June 30, 2019, a fire at the location resulted in a total loss. The Mission was able to temporarily relocate the majority of the occupants. The FHLB of Indianapolis granted a total forgiveness of the associated loan on December 2, 2019. The related donor restricted net asset was removed as of June 30, 2019. The Mission has recorded an insurance receivable in the amount of \$239,316 for year ended June 30, 2019. The Mission is required to use \$11,304 to replace contents belonging to the women that were affected by the fire.

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 was started, and a grant application was submitted to the Federal Home Loan Bank of Pittsburgh (FHLBP) for the same amount. In December 2018, the FHLBP awarded the Mission a commitment of Affordable Housing Program (AHP) funding in the amount of \$650,000. As of June 30, 2019, the Mission has recorded income totaling \$502,938 from the FHLBP. Total income recorded includes \$502,938 of funds expended. The remaining portion of \$147,589 is considered to be a conditional grant, as receipt of the funds is conditional upon the Mission first expending its own funds before requesting reimbursement from FHLBP. The Mission has until December 13, 2022, to meet the conditions of the grant, which were unmet as of June 30, 2019.

Related to this, in September 2018, the Mission opened an unsecured \$390,000 line of credit with a prime interest rate. As of June 30, 2019, the line had a balance of \$-0- with an interest rate of 5.50%. The line had an original maturity date of September 2019, but was subsequently renewed and now matures September 2020.

**NOTE 6: NONMONETARY EXCHANGE TRANSACTION**

In April 2019, the Mission entered into a lease with Vision Properties, LLP. Midwest Eye Consultants have agreed to cover the cost of asphaltting a parking lot that the Mission owns, in exchange for free rent for five parking spots. The parking lot was resurfaced on June 11, 2019. The cost per spot is \$15 per month with a lease term of seventy-seven months commencing April 2019 and expiring September 2025 for a total of \$5,775, which represents the amount of consideration given up. No gain or loss was recognized on the exchange of free parking for this service.

**KOKOMO RESCUE MISSION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019 and 2018**

**NOTE 7: INVENTORY**

Inventory consisted of the following at June 30:

|                   | <u>2019</u>       | <u>2018</u>       |
|-------------------|-------------------|-------------------|
| Food and Supplies | \$ 75,425         | \$ 78,428         |
| Thrift Shop       | <u>32,875</u>     | <u>32,312</u>     |
|                   | <u>\$ 108,300</u> | <u>\$ 110,740</u> |

**NOTE 8: PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at June 30:

|                               | <u>2019</u>         | <u>2018</u>         |
|-------------------------------|---------------------|---------------------|
| Building and Improvements     | \$ 4,163,156        | \$ 4,148,947        |
| Furniture and Equipment       | 170,400             | 162,900             |
| Vehicles                      | 184,047             | 161,452             |
| Construction in Progress      | <u>514,351</u>      | <u>-</u>            |
|                               | 5,031,954           | 4,473,299           |
| Less Accumulated Depreciation | <u>(2,609,866)</u>  | <u>(2,484,676)</u>  |
|                               | 2,422,088           | 1,988,623           |
| Land                          | <u>476,155</u>      | <u>476,155</u>      |
| Property and Equipment, Net   | <u>\$ 2,898,243</u> | <u>\$ 2,464,778</u> |

**NOTE 9: 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, 2019 and 2018

**NOTE 9: BENEFICIAL INTEREST IN ASSETS HELD BY THE COMMUNITY FOUNDATION OF HOWARD COUNTY (Continued)**

At June 30, 2019 and 2018, the Mission has recorded a beneficial interest in assets held by the Foundation in the amounts of \$8,636 and \$8,554, respectively, and the beneficial interest is included in net assets with donor restrictions. As of June 30, 2019 and 2018, the change in beneficial interest was \$82 and \$335, respectively. As of June 30, 2019, 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<br>Gift Value | Market<br>Value | Surplus  |
|---|------------------------|-----------------|----------|
| Beneficial Interest in Assets<br>Held by the Community<br>Foundation of Howard County | \$ 5,000               | \$ 8,636        | \$ 3,636 |

**NOTE 10: INVESTMENTS**

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

|                   | 2019     | 2018     |
|-------------------|----------|----------|
| Common Stock      | \$ 4,418 | \$ 4,426 |
| U.S. Savings Bond | 100      | 100      |
|                   | \$ 4,518 | \$ 4,526 |

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

|                  | 2019   | 2018   |
|------------------|--------|--------|
| Realized Gains   | \$ -   | \$ 231 |
| Unrealized Gains | 400    | 314    |
|                  | \$ 400 | \$ 545 |

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, 2019 and 2018

**NOTE 11: NET ASSETS**

Net assets with donor restrictions, subject to purpose or time restrictions consisted of the following at June 30:

|                                    | 2019       | 2018       |
|------------------------------------|------------|------------|
| MUFF                               | \$ 5,407   | \$ 5,361   |
| Community Foundation               | 3,636      | 3,554      |
| Food to You                        | 1,566      | 631        |
| FHLB Grant Award                   | 502,938    | 74,800     |
| Demaree Grant Award                | 16,241     | 23,768     |
| Job Readiness Grant                | 13,634     | 11,576     |
| Taylor/Armstrong--Special Projects | 500        | 15,000     |
| Open Arms--Special Projects        | 22,097     | 22,097     |
| Back to School                     | 10,169     | 469        |
| Nutritional Assistant              | 5,000      | -          |
| Others                             | 6,787      | 9,308      |
|                                    | \$ 587,975 | \$ 166,564 |

Net assets with donor restrictions not subject to appropriation or expenditure included in Beneficial Interest in Assets Held by the Community Foundation of Howard County and investments consisted of the following at June 30:

|                             | 2019     | 2018     |
|-----------------------------|----------|----------|
| 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, 2019 and 2018**

**NOTE 12: 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, 2019 and 2018, respectively.

**NOTE 13: 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 2020. The lease expense under these arrangements totaled \$15,000 and \$15,000 for the years ended June 30, 2019 and 2018, respectively.

The minimum lease payment commitments under this operating lease for the years following June 30, 2019 are as follows:

|      |    |               |
|------|----|---------------|
| 2020 | \$ | 12,000        |
| 2021 |    | <u>1,000</u>  |
|      | \$ | <u>13,000</u> |

**NOTE 14: 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>2019</u>         | <u>2018</u>         |
|----------------------|---------------------|---------------------|
| Shelter              | \$ 572,263          | \$ 568,665          |
| Outreach             | 1,053,284           | 975,849             |
| Thrift Shops         | 741,281             | 712,057             |
| Food to You and MUFF | <u>14,009</u>       | <u>11,562</u>       |
|                      | <u>\$ 2,380,837</u> | <u>\$ 2,268,133</u> |

**KOKOMO RESCUE MISSION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019 and 2018**

**NOTE 15: ENDOWMENT**

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

| <u>June 30, 2019</u>   | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> |
|--|---------------------------------------|------------------------------------|
| Endowment Net Assets,<br>Beginning of Year   | \$ -                                  | \$ 12,572                          |
| Investment Return:<br>Net Appreciation, Realized and Unrealized<br>and Change in Beneficial Interest in Assets<br>Held by the Community Foundation of<br>Howard County | <u>-</u>                              | <u>481</u>                         |
| Endowment Net Assets, End of Year  | <u>\$ -</u>                           | <u>\$ 13,053</u>                   |
|  |                                       |                                    |
| <u>June 30, 2018</u>   | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> |
| Endowment Net Assets,<br>Beginning of Year   | \$ -                                  | \$ 11,923                          |
| Investment Return:<br>Net Appreciation, Realized and Unrealized<br>and Change in Beneficial Interest in Assets<br>Held by the Community Foundation of<br>Howard County | <u>-</u>                              | <u>649</u>                         |
| Endowment Net Assets, End of Year  | <u>\$ -</u>                           | <u>\$ 12,572</u>                   |

There were no funds with deficiencies as of June 30, 2019 or 2018.

**KOKOMO RESCUE MISSION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019 and 2018**

**NOTE 15: 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 net assets with donor restrictions (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 is classified as temporarily net assets with donor restrictions 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, 2019 and 2018**

**NOTE 15: 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 16: ENDOWMENT OWNED BY THIRD PARTY**

In 2017 Dick and Joan McCain established an endowment fund (the Fund) with the Carroll 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 \$6,727,512 and \$6,115,158 for the years ended June 30, 2019 and 2018, respectively.

**KOKOMO RESCUE MISSION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019 and 2018**

**NOTE 17: SUBSEQUENT EVENTS**

**The Mission has evaluated subsequent events through December 3, 2019, the date which the financial statements were available to be issued.**