

KANSAS CITY RESCUE MISSION

FINANCIAL STATEMENTS

**Year Ended June 30, 2017
with
Independent Auditors' Report**

KANSAS CITY RESCUE MISSION

FINANCIAL STATEMENTS

June 30, 2017

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Keller & Owens, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Kansas City Rescue Mission

We have audited the accompanying financial statements of **Kansas City Rescue Mission** (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

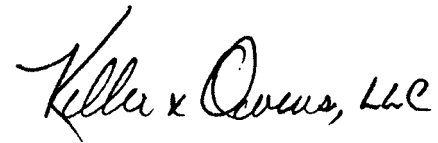
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Kansas City Rescue Mission** as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited **Kansas City Rescue Mission's** 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 11, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Kella x Owens, LLC". The signature is written in a cursive, flowing style.

Overland Park, Kansas
November 10, 2017

KANSAS CITY RESCUE MISSION

STATEMENT OF FINANCIAL POSITION

June 30, 2017

(With comparative totals as of June 30, 2016)

	<u>ASSETS</u>	
	<u>2017</u>	<u>2016</u>
Current Assets:		
Cash and cash equivalents	\$ 686,229	\$ 657,271
Certificates of deposit, at cost	501,076	245,762
Prepaid expense	17,282	-
Estate receivable	27,368	-
Pledges receivable	17,520	18,204
Inventory	82,009	111,238
Total Current Assets	1,331,484	1,032,475
Investments	154,383	92,784
Property and Equipment, net	<u>3,613,057</u>	<u>3,829,128</u>
Total Assets	<u>\$ 5,098,924</u>	<u>\$ 4,954,387</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 4,630	\$ 3,874
Accrued liabilities	<u>63,256</u>	<u>59,538</u>
Total Current Liabilities	67,886	63,412
Net Assets:		
Unrestricted	4,447,178	4,602,268
Temporarily restricted	441,477	198,280
Permanently restricted	<u>142,383</u>	<u>90,427</u>
Total Net Assets	<u>5,031,038</u>	<u>4,890,975</u>
Total Liabilities and Net Assets	<u>\$ 5,098,924</u>	<u>\$ 4,954,387</u>

See accompanying notes

KANSAS CITY RESCUE MISSION

STATEMENT OF ACTIVITIES Year Ended June 30, 2017

(With comparative totals for the year ended June 30, 2016)

	2017			2016	
	Unrestricted	Temporarily Restricted	Permanently Restricted		Total
Support and Revenue:					
Event revenue (excluding contributions)	6,475	\$ -	\$ -	6,475	\$ -
Less: Costs of direct benefits to donors	<u>(7,179)</u>	-	-	<u>(7,179)</u>	-
Net revenue (loss) from event	(704)	-	-	(704)	-
Contributions and grants	2,312,570	405,633	40,247	2,758,450	2,415,275
Donated services	207,298	-	-	207,298	120,051
Donated supplies	431,360	-	-	431,360	487,018
Shelter operation revenue	53,198	-	-	53,198	41,798
Investment income	8,712	-	9,352	18,064	18,038
Other income	5,398	-	-	5,398	20,656
Net asset reclassifications	-	(2,357)	2,357	-	-
Net assets released from restrictions	<u>160,079</u>	<u>(160,079)</u>	-	-	-
 Total Support and Revenue	 3,177,911	 243,197	 51,956	 3,473,064	 3,102,836
Expenses:					
Program services	2,777,184	-	-	2,777,184	2,713,769
General and administration	256,987	-	-	256,987	248,981
Resource development	<u>298,830</u>	-	-	<u>298,830</u>	<u>284,754</u>
 Total Expenses	 <u>3,333,001</u>	 -	 -	 <u>3,333,001</u>	 <u>3,247,504</u>
 Change in Net Assets	 (155,090)	 243,197	 51,956	 140,063	 (144,668)
Net Assets at Beginning of Year	<u>4,602,268</u>	<u>198,280</u>	<u>90,427</u>	<u>4,890,975</u>	<u>5,035,643</u>
Net Assets at End of Year	<u>\$ 4,447,178</u>	<u>\$ 441,477</u>	<u>\$ 142,383</u>	<u>\$ 5,031,038</u>	<u>\$ 4,890,975</u>

See accompanying notes

KANSAS CITY RESCUE MISSION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2017

(With comparative totals for the year ended June 30, 2016)

	Program Services										2017 Total	2016 Total	
	Shelter	Chaplaincy	Case Management	Christian Community of Recovery	Food Service	Health Clinic	Life Skills	Women's Center	Total Program Services	General and Administration			Resource Development
Building													
Utilities / insurance	\$ 18,366	\$ 9,130	\$ 5,593	\$ 30,161	\$ 25,862	\$ 2,088	\$ 4,633	\$ 31,572	\$ 127,405	\$ 4,177	\$ 2,118	\$ 133,700	\$ 126,843
Maintenance / repairs	6,262	3,176	2,162	10,170	10,306	877	1,693	17,031	51,677	1,470	749	53,896	54,257
Operations													
Equipment	4,978	3,167	3,745	7,445	9,613	2,013	3,845	9,308	44,114	1,534	813	46,461	47,999
Supplies	11,663	1,739	2,166	4,244	16,862	1,205	1,305	8,618	47,802	864	459	49,125	52,054
Community	2,417	2,417	2,417	2,417	2,417	2,417	2,417	2,417	19,336	-	58	19,394	23,004
Service fees	-	-	-	-	-	-	-	-	-	34,480	-	34,480	35,060
Bank fees and interest	-	-	-	-	-	-	-	-	-	17,178	-	17,178	15,599
Program	3,026	2,364	3,429	3,566	3,148	1,658	2,100	6,514	25,805	663	350	26,818	15,330
Postage	1,207	747	959	1,718	2,015	521	567	1,695	9,429	381	202	10,012	8,097
Resource Development													
Marketing	-	-	-	-	-	-	-	-	-	-	118,947	118,947	86,030
Donor communication	-	-	-	-	-	-	-	-	-	10,005	80,471	90,476	110,016
Personnel													
Payroll and benefits	161,805	98,811	88,315	222,235	182,568	81,518	78,506	383,346	1,297,104	157,486	78,555	1,533,145	1,529,170
Health and personnel insurance	21,028	8,175	15,643	25,607	25,276	13,148	11,559	34,483	154,919	21,486	5,101	181,506	219,313
Staff education	659	408	523	938	1,100	284	309	925	5,146	208	111	5,465	5,628
Direct Assistance													
Meals	-	-	-	-	54,431	-	-	-	54,431	-	-	54,431	48,178
Education and living grants	-	-	-	9,656	-	-	-	3,000	12,656	-	-	12,656	15,543
Clothing, ID and transportation	489	-	2,680	2,318	-	-	368	971	6,826	-	-	6,826	7,317
Medical	-	-	-	-	-	774	-	82	856	-	-	856	905
Transportation													
Maintenance and insurance	1,098	366	2,928	1,830	5,673	366	183	5,490	17,934	183	183	18,300	18,575
Gasoline and rentals	430	143	1,146	716	4,210	143	72	2,148	9,008	72	72	9,152	9,882
Special Projects - Restricted	5,347	2,287	6,453	6,798	4,465	2,071	2,159	4,137	33,717	308	6,891	40,916	33,367
Sub-Total	<u>238,775</u>	<u>132,930</u>	<u>138,159</u>	<u>329,819</u>	<u>347,946</u>	<u>109,083</u>	<u>109,716</u>	<u>511,737</u>	<u>1,918,165</u>	<u>250,495</u>	<u>295,080</u>	<u>2,463,740</u>	<u>2,462,167</u>
Donated Supplies Distributed	113,145	183	323	913	312,314	10,139	93	19,526	456,636	114	65	456,815	466,000
Donated Services Utilized	11,059	6,014	35,189	12,971	2,829	15,032	33,788	88,450	205,332	123	1,843	207,298	117,011
Depreciation Expense	20,385	9,622	4,519	45,322	30,047	1,011	3,797	82,348	197,051	6,255	1,842	205,148	202,326
Sub-Total	<u>144,589</u>	<u>15,819</u>	<u>40,031</u>	<u>59,206</u>	<u>345,190</u>	<u>26,182</u>	<u>37,678</u>	<u>190,324</u>	<u>859,019</u>	<u>6,492</u>	<u>3,750</u>	<u>869,261</u>	<u>785,337</u>
Total Expenses	<u>\$ 383,364</u>	<u>\$ 148,749</u>	<u>\$ 178,190</u>	<u>\$ 389,025</u>	<u>\$ 693,136</u>	<u>\$ 135,265</u>	<u>\$ 147,394</u>	<u>\$ 702,061</u>	<u>\$ 2,777,184</u>	<u>\$ 256,987</u>	<u>\$ 298,830</u>	<u>\$ 3,333,001</u>	<u>\$ 3,247,504</u>

See accompanying notes

KANSAS CITY RESCUE MISSION

STATEMENT OF CASH FLOWS Year Ended June 30, 2017

(With comparative totals for the year ended June 30, 2016)

	2017	2016
Cash Flows from Operating Activities:		
Change in net assets	\$ 140,063	\$ (144,668)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	205,148	202,326
Donated vehicle	(3,774)	-
Donated securities	(62,872)	(80,960)
Donated services for capitalized fixed assets	-	(3,040)
Donated materials for capitalized fixed assets	-	(19,937)
Loss (gain) on asset disposals	3,350	(4,000)
Realized and unrealized gain on investments	(6,246)	(8,376)
Increase in estate receivable	(27,368)	-
Decrease (increase) in pledges receivable	684	(256)
Increase in prepaid expense	(17,282)	-
Decrease (increase) in inventory	29,229	(1,081)
Increase (decrease) in accounts payable and accrued liabilities	4,474	(17,978)
Net Cash Provided (Used) by Operating Activities	265,406	(77,970)
Cash Flows from Investing Activities:		
Building and equipment additions	(1,269)	(113,316)
Certificates of deposit, at cost, net	(255,314)	(69)
Proceeds from sales of assets	12,616	4,000
Purchase of securities	(3,282)	(2,145)
Proceeds from sales of securities	10,801	39,551
Net Cash Used by Investing Activities	(236,448)	(71,979)
Net Change in Cash and Cash Equivalents	28,958	(149,949)
Cash and Cash Equivalents at Beginning of Year	657,271	807,220
Cash and Cash Equivalents at End of Year	\$ 686,229	\$ 657,271

See accompanying notes

KANSAS CITY RESCUE MISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Mission - Kansas City Rescue Mission (the Mission) is a Missouri non-profit corporation founded in 1950. It operates as a Christ-centered community, offering freedom and hope to the poor and homeless, empowering them to reach their full potential. The primary objective of the Mission is to help homeless and needy men and women in the urban core of Kansas City by providing faith-based services, including temporary shelter, transitional housing, meals, medical services, job training, and recovery programs.

The donor base of the Mission consists primarily of Kansas City area residents.

Advertising - Certain expenses to promote the general purpose and activities of the Mission are expensed as incurred and amounted to \$4,096 and \$7,996 for 2017 and 2016, respectively.

Basis of Accounting - The Mission's policy is to prepare its financial statements on the accrual basis of accounting; consequently, certain support and revenue are recognized when earned rather than when received and certain expenses are recognized when the obligation is incurred rather than when cash is disbursed.

Cash and Cash Equivalents - For purposes of the Statement of Cash Flows, cash includes cash in checking and money market accounts, and cash on hand.

Comparative Financial Information - The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Mission's 2016 financial statements from which the summarized information was derived.

Concentration of Cash Risk - The Mission maintains its cash in bank accounts that may exceed federally insured limits at times. The Mission has not experienced any losses in these accounts in the past, and management believes the Mission is not exposed to significant credit risks as they periodically evaluate the strength of the financial institutions in which the Mission deposits funds.

KANSAS CITY RESCUE MISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions - The Mission follows the accounting principles under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-605. In accordance with FASB ASC 958-605, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. 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, temporarily restricted net assets are reclassified to unrestricted net assets.

Donated Property and Equipment - Contributed property and equipment are recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Donated Supplies and Services - The Mission receives a significant amount of donated materials and services from businesses and individuals interested in supporting its ministry. The financial statements reflect the value of such items, which include food, clothing, medical supplies, personal care products, and linens, that are received and either used or distributed within the Mission's programs to recipients in need of assistance. The value of these items is determined by estimating the fair value at the date usability is determined, which approximates date of receipt in most cases. In addition, the Mission also receives vehicles which at the Mission's discretion can be either retained for use or resold. The financial statements would reflect the value of vehicles received, if any, at fair value at date of gift, and costs related to vehicle donations would be included as additions to the original fair value of the gift. Any vehicles remaining at year end would be included in the appropriate asset category based on the status determined by the Mission.

The financial statements also reflect the value of donated services, which primarily consisted of medical, ministerial, social service assistance, advertising and construction services. Other donated services were received, but were not recognized in the financial statements because they did not meet the criteria for recognition under FASB ASC 958-605.

KANSAS CITY RESCUE MISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Statement Presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in FASB ASC 958-210. Under FASB ASC 958-210, entities are required to report information regarding their financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted net assets are those currently available at the discretion of the Board for use in the entity's operations and those resources invested in land, buildings and equipment.

Temporarily restricted net assets are those which are stipulated by donors for specific operating purposes, special projects, or for the acquisition or construction of land, buildings and equipment.

Permanently restricted amounts are those restricted by donors in perpetuity as endowments or irrevocable trusts. Income from the assets held is added to the permanent endowment in accordance with donor stipulations.

Functional Expenses - The cost of providing various program and supporting services has been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes - The Mission is a non-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code except for taxes on unrelated business income, if any. The Mission has been classified as a publicly-supported organization which is not a private foundation under Section 509(a) of the Code.

In accordance with FASB ASC 740, the Mission's policy is to record a liability for any tax position that is beneficial to the Mission, including any related interest and penalties, when it is more likely than not the position taken by management with respect to the transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of June 30, 2017 and, accordingly, no liability has been accrued.

Inventories - Inventories consist of donated items such as food, clothing, medical supplies, linens, personal care products, and household items. Inventories are stated at their fair values which were established at the time of recording the items as gifts in kind received.

KANSAS CITY RESCUE MISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments - Investments in readily marketable securities are stated at fair value based on quoted market prices for identical assets. Realized and unrealized gains and losses are included in investment income in the accompanying Statement of Activities.

Property and Equipment - Property and equipment over a nominal amount are recorded at cost at the date of acquisition or fair value at date of donation, in the case of gift. Maintenance and repairs are charged to expense as incurred. When items of property or equipment are sold or retired, the related cost is removed from the accounts and any gain or loss is included in the change in net assets. Depreciation is provided over the estimated useful lives of the respective assets on the straight-line basis (three to forty years).

Subsequent Events - Management has evaluated events and transactions that have occurred since June 30, 2017 and reflected their effects, if any, in these financial statements through November 10, 2017, the date the financial statements were available to be issued.

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 the 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. Actual results could differ from those estimates.

KANSAS CITY RESCUE MISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

2. FAIR VALUE MEASUREMENTS OF ASSETS AND LIABILITIES

The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three-tier hierarchy of inputs is summarized in the three broad levels below:

- Level 1 - inputs are unadjusted quoted market prices in active independent markets for identical assets and liabilities;
- Level 2 - inputs are directly or indirectly observable estimates from quotes for similar but not identical assets and liabilities, market trades for identical assets not actively traded or other external independent means;
- Level 3 - inputs are unobservable and reflect assumptions on the part of the reporting entity.

The following table sets forth information about the level within the fair value hierarchy at which the Mission's financial assets and liabilities are measured on a recurring basis at June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets - Investments:				
Stock	\$ 154,383	\$ -	\$ -	\$ 154,383
Total investments – recurring basis	<u>\$ 154,383</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 154,383</u>

The following table sets forth information about the level within the fair value hierarchy at which the Mission's financial assets and liabilities are measured on a recurring basis at June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets - Investments:				
Stock	\$ 92,784	\$ -	\$ -	\$ 92,784
Total investments – recurring basis	<u>\$ 92,784</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 92,784</u>

KANSAS CITY RESCUE MISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

2. FAIR VALUE MEASUREMENTS OF ASSETS AND LIABILITIES (continued)

The realized and unrealized gain on investment is included in investment income on the Statement of Activities.

The carrying amounts of financial instruments including cash and cash equivalents, certificates of deposit at cost, pledges receivable, accounts payable, and accrued liabilities, approximated fair value due to their short-term nature.

3. PLEDGES RECEIVABLE

Pledges receivable represent estimated future payments from funding sources such as United Way. They are unsecured and considered fully collectible within a one-year period.

4. INVENTORY

Inventory consisted of the following items as of June 30:

	<u>2017</u>	<u>2016</u>
Food	\$ 36,396	\$ 59,512
Clothing	6,986	9,151
Medical	25,798	24,443
Linens	3,040	6,501
Personal care	9,762	11,351
Household items	<u>27</u>	<u>280</u>
Total Inventory	<u>\$ 82,009</u>	<u>\$ 111,238</u>

KANSAS CITY RESCUE MISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

5. INVESTMENTS

The marketable securities are long-term investments which consist of the following:

	<u>2017</u>	<u>2016</u>
Publicly-traded corporate stock	\$ 154,383	\$ 92,784
Total Investments	<u>\$ 154,383</u>	<u>\$ 92,784</u>

Investment income is composed of the following:

Interest and dividend income	\$ 11,818	\$ 9,662
Realized and unrealized gain	<u>6,246</u>	<u>8,376</u>
Total Investment Income	<u>\$ 18,064</u>	<u>\$ 18,038</u>

6. PROPERTY AND EQUIPMENT

Property and equipment is stated at the values described in Note 1 and includes the following at June 30:

Land	\$ 171,302	\$ 171,302
Buildings	4,785,810	4,785,810
Equipment	266,942	276,186
Furniture	77,879	77,879
Vehicles	62,508	70,092
Technology	<u>40,548</u>	<u>40,548</u>
	5,404,989	5,421,817
Less accumulated depreciation	<u>(1,793,102)</u>	<u>(1,592,689)</u>
	3,611,887	3,829,128
Construction in progress	<u>1,170</u>	<u>-</u>
Total Property and Equipment	<u>\$ 3,613,057</u>	<u>\$ 3,829,128</u>

KANSAS CITY RESCUE MISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

7. DONATED SERVICES

Approximately 3,870 and 2,569 hours of donated services, valued at \$207,298 and \$120,051 have been recorded in the financial statements in 2017 and 2016, respectively. In 2016, the donated services included \$3,040 that was capitalized as carpet installation.

8. DONATED SUPPLIES

Donated supplies are stated at the values described in Note 1 and include the following:

	<u>2017</u>	<u>2016</u>
Food	\$ 288,326	\$ 334,677
Clothing	82,424	77,651
Medical and hygiene	47,395	43,886
Linens	5,642	5,283
Program and operating	2,284	5,566
Other donated assets	<u>5,289</u>	<u>19,955</u>
Total Donated Supplies	<u>\$ 431,360</u>	<u>\$ 487,018</u>

9. DEFINED CONTRIBUTION PENSION PLAN

The Mission participates in a defined contribution pension plan that is made available to personnel. Employees are eligible to participate on their first day of employment by deferring compensation. Employees who have completed one year of service with 1,000 qualified hours are eligible to receive employer matching benefits. Benefits range from 2-6% of salary based on length of service. The Mission contributed \$33,315 and \$30,258 to the Plan during 2017 and 2016, respectively.

10. BOARD DESIGNATED UNRESTRICTED NET ASSETS

The Board has a goal to designate unrestricted net assets as emergency reserves to cover six months of budgeted expenses, which approximates \$1,362,500. At June 30, 2017, after considering the investment in property and equipment, and amounts already designated, the remaining amount of unrestricted net assets available for designation is \$777,532.

KANSAS CITY RESCUE MISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

10. BOARD DESIGNATED UNRESTRICTED NET ASSETS (continued)

As of June 30, 2017 and 2016, the Board set aside \$43,973 for transitional housing, derived from the proceeds from the sale of the previous transitional house known as Jarrette's Place.

As of June 30, 2017, the Board set aside \$12,616 for vehicles, derived from the proceeds of an insurance claim.

11. RESTRICTED NET ASSETS

Temporarily restricted net assets include amounts held for the following purposes:

	2017		2016	
	<u>Revenue</u>	Temporary Restrictions Satisfied/ <u>Reclassified</u>	Temporarily Restricted <u>Net Assets</u>	Temporarily Restricted <u>Net Assets</u>
Property improvements	\$ 308,361	\$ 7,697	\$ 342,891	\$ 42,227
Health clinic	130	796	5,522	6,188
Meals program	2,664	5,282	-	2,618
Women's center	37,196	30,423	11,437	4,664
Other shelter programs	24,805	64,720	64,107	104,022
Social enterprise	50	18,050	-	18,000
Endowment	-	2,357	-	2,357
Pledges receivable	32,427	33,111	17,520	18,204
Totals	\$ 405,633	\$ 162,436	\$ 441,477	\$ 198,280

Permanently restricted net assets include the following:

	2017	2016
Endowment	\$ 142,383	\$ 90,427

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11. RESTRICTED NET ASSETS (continued)

Temporarily restricted net assets consist of the following:

	<u>2017</u>	<u>2016</u>
Cash	\$ 423,957	\$ 177,719
Investments	-	2,357
Pledges receivable	<u>17,520</u>	<u>18,204</u>
Total Temporarily Restricted Net Assets	<u>\$ 441,477</u>	<u>\$ 198,280</u>

Per provisions of FASB ASC 958-605 regarding expiration of donor restrictions, the following expenses were incurred which satisfied the restricted purpose or occurrence of events specified by donors:

Purpose restrictions accomplished	\$ 126,968	\$ 180,185
Time restrictions expired	<u>33,111</u>	<u>52,567</u>
Total Net Assets Released From Restrictions	<u>\$ 160,079</u>	<u>\$ 232,752</u>

Permanently restricted net assets consist of the following:

Investments	<u>\$ 142,383</u>	<u>\$ 90,427</u>
Total Permanently Restricted Net Assets	<u>\$ 142,383</u>	<u>\$ 90,427</u>

During 2017, the Mission obtained a new endowment agreement that changed the treatment of investment income on previously contributed funds from temporarily restricted net assets to the permanent endowment.

12. ENDOWMENT

The Mission's endowment consists of a time-restricted endowment and a permanently restricted endowment, which are collectively invested. This endowment was established in conjunction with an agreement from a donor on November 1, 2015 which was revised on November 29, 2016. The agreement includes the following key provisions:

- The donor gave \$46,142 in stock in December 2014, which was set aside by the Board for a future endowment. In 2016, this was transferred to the permanently restricted endowment based on additional instructions received from the donor.
- The donor gave an additional \$41,474 in November 2015 as a permanently restricted endowment.

KANSAS CITY RESCUE MISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

12. ENDOWMENT (continued)

- The donor gave \$40,247 in stock in November 2016.
- The stock dividends earned on the stock are to be reinvested in the same stock and held in the permanent endowment.
- Beginning in 2021 the dividends will be changed to cash dividends, so that future distributions can be made from the cash.
- Distributions shall not commence until calendar year 2021.
- Any underwater (i.e. net loss) position of the endowment will not be replenished by unrestricted funds at any time.

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 (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the endowment, and (3) 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 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 UPMIFA, the Mission considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of the Mission and the donor-restricted endowment funds.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the Mission.
- The investment policies of the Mission.

The Mission's agreement with the donor stipulates that distributions from the Endowment shall only be made to the Mission for operational support. Such distributions shall not commence until calendar year 2021 and shall come from quarterly cash dividends. During 2017 and 2016, there were no distributions made from the endowment.

KANSAS CITY RESCUE MISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

12. ENDOWMENT (continued)

The following is a summary of the Mission's endowment net asset composition by type of fund as of June 30:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ -	\$ -	\$ 142,383	\$ 142,383
Total Endowment Assets	\$ -	\$ -	\$ 142,383	\$ 142,383
	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ -	\$ 2,357	\$ 90,427	\$ 92,784
Total Endowment Assets	\$ -	\$ 2,357	\$ 90,427	\$ 92,784

Changes in the Mission's endowment net assets for the years ended June 30, 2017 and 2016 are as follows:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 2,357	\$ 90,427	\$ 92,784
Contributions	-	-	40,247	40,247
Investment return:				
Interest and dividends	-	-	3,282	3,282
Net realized and unrealized gains	-	-	6,070	6,070
Total Investment Return	-	-	9,352	9,352
Reclassifications	-	(2,357)	2,357	-
Endowment net assets, end of year	\$ -	\$ -	\$ 142,383	\$ 142,383

KANSAS CITY RESCUE MISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

12. ENDOWMENT (continued)

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ 41,178	\$ -	\$ -	\$ 41,178
Contributions	-	-	41,474	41,474
Investment return:				
Interest and dividends	-	-	2,137	2,137
Net realized and unrealized gains	-	7,995	-	7,995
Total Investment Return	-	7,995	2,137	10,132
Reclassifications	(41,178)	(5,638)	46,816	-
Endowment net assets, end of year	\$ -	\$ 2,357	\$ 90,427	\$ 92,784

13. COMMITMENTS

The Mission has signed agreements for equipment leases and other services with original terms of 12 - 60 months. The following is a schedule by years of future minimum payments under these commitments:

Years ending June 30:	
2018	\$ 15,119
2019	10,044
Total Future Minimum Payments	\$ 25,163

For the year ended June 30, 2017, the Mission incurred expenses of \$15,119 related to these commitments.

KANSAS CITY RESCUE MISSION

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14. PUBLIC SUPPORT

Unrestricted contributions are gifts from individuals, businesses, clubs and foundations that are not restricted for a special use. Temporarily restricted contributions and grants consist of grants from foundations and corporations for a specific program. Special event revenue includes in-kind contributions for special events. Direct benefit expenses are the cost of the direct benefit or articles furnished to the donors; e.g., the cost of a meal for a fund-raising event.

15. WOMEN'S CENTER

In 2011, the Mission purchased a building to be used for a Women's Center. The Federal Home Loan Bank (FHLB) of Topeka awarded \$450,000 to the Mission for this project under the FHLB Affordable Housing Program (AHP). 100% of these funds have been disbursed and FHLB has awarded the grants in full to the Mission. The FHLB award will be forgiven in its entirety after 15 years providing the property is maintained as low-income housing and all required reports are filed. The forgivable grant accrues no interest.

In 2016, the Mission received a promise to give in the form of a matching gift challenge of \$147,093. The promise to give was matched in 2017 and the funds received will be used to renovate an ancillary building at the Women's Center. A contract for the renovations in the amount of \$315,104 was signed by the Mission in July 2017.

16. TAX CREDITS

In 2016, the Missouri Housing Development Commission reserved \$42,900 in operating tax credits in connection with the Mission's Learning Center program. All of the tax credits were used in 2016.

In 2017, the Missouri Housing Development Commission reserved \$8,250 in production tax credits in connection with the Mission's C-COR program's need to remodel a shared kitchen and living area space for the men and to remodel a small classroom. All of the tax credits were used in 2017.