

KANSAS CITY RESCUE MISSION

FINANCIAL STATEMENTS

**Year Ended June 30, 2018
with
Independent Auditors' Report**

KANSAS CITY RESCUE MISSION

FINANCIAL STATEMENTS

June 30, 2018

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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, 2018, 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.

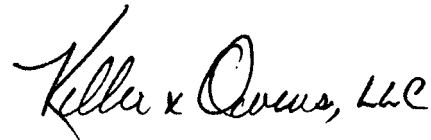
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2018, 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** 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 10, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, 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 "Keller & Owens, LLC". The signature is written in a cursive, flowing style.

Overland Park, Kansas
March 22, 2019

KANSAS CITY RESCUE MISSION

STATEMENT OF FINANCIAL POSITION

June 30, 2018

(With comparative totals as of June 30, 2017)

	<u>ASSETS</u>	
	<u>2018</u>	<u>2017</u>
Current Assets:		
Cash and cash equivalents	\$ 280,299	\$ 686,229
Certificates of deposit, at cost	506,812	501,076
Prepaid expense	-	17,282
Estate receivable	19,843	27,368
Pledges receivable	19,036	17,520
Inventory	87,486	82,009
Total Current Assets	913,476	1,331,484
Investments	193,129	154,383
Property and Equipment, net	<u>3,753,805</u>	<u>3,613,057</u>
Total Assets	<u>\$ 4,860,410</u>	<u>\$ 5,098,924</u>
	<u>LIABILITIES AND NET ASSETS</u>	
Current Liabilities:		
Accounts payable	3,342	\$ 4,630
Accrued liabilities	<u>73,188</u>	<u>63,256</u>
Total Current Liabilities	76,530	67,886
Net Assets:		
Unrestricted	4,305,543	4,447,178
Temporarily restricted	297,063	441,477
Permanently restricted	<u>181,274</u>	<u>142,383</u>
Total Net Assets	<u>4,783,880</u>	<u>5,031,038</u>
Total Liabilities and Net Assets	<u>\$ 4,860,410</u>	<u>\$ 5,098,924</u>

See accompanying notes

KANSAS CITY RESCUE MISSION

STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

(With comparative totals for the year ended June 30, 2017)

	2018			Total	2017 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and Revenue:					
Event revenue (excluding contributions)	\$ -	\$ -	\$ -	\$ -	\$ 6,475
Less: Costs of direct benefits to donors	-	-	-	-	(7,179)
Net revenue (loss) from event	-	-	-	-	(704)
Contributions and grants	2,186,583	375,711	55,812	2,618,106	2,758,450
Donated services	201,438	-	-	201,438	207,298
Donated supplies	402,933	-	-	402,933	431,360
Shelter operation revenue	30,496	-	-	30,496	53,198
Investment income (loss)	7,729	-	(16,921)	(9,192)	18,064
Other income	6,374	-	-	6,374	5,398
Net assets released from restrictions	<u>520,125</u>	<u>(520,125)</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total Support and Revenue	 3,355,678	 (144,414)	 38,891	 3,250,155	 3,473,064
Expenses:					
Program services	3,041,612	-	-	3,041,612	2,777,184
General and administration	208,663	-	-	208,663	256,987
Resource development	<u>247,038</u>	<u>-</u>	<u>-</u>	<u>247,038</u>	<u>298,830</u>
 Total Expenses	 <u>3,497,313</u>	 <u>-</u>	 <u>-</u>	 <u>3,497,313</u>	 <u>3,333,001</u>
 Change in Net Assets	 (141,635)	 (144,414)	 38,891	 (247,158)	 140,063
 Net Assets at Beginning 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>
 Net Assets at End of Year	 <u>\$ 4,305,543</u>	 <u>\$ 297,063</u>	 <u>\$ 181,274</u>	 <u>\$ 4,783,880</u>	 <u>\$ 5,031,038</u>

See accompanying notes

KANSAS CITY RESCUE MISSION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2018

(With comparative totals for the year ended June 30, 2017)

	Program Services										2018 Total	2017 Total	
	Shelter	Chaplaincy	Case Management	Christian Community of Recovery	Food Service	Health Clinic	Life Skills	Women's Center	Social Enterprise	General and Administration			Resource Development
Building													
Utilities / insurance	\$ 20,959	\$ 9,584	\$ 6,203	\$ 34,741	\$ 26,584	\$ 1,864	\$ 5,693	\$ 31,189	\$ -	\$ 772	\$ 615	\$ 138,204	\$ 133,700
Maintenance / repairs	7,919	4,310	4,315	7,932	9,106	4,305	4,307	14,011	-	5	3	56,213	53,896
Operations													
Equipment	8,268	4,172	4,924	9,797	10,944	3,269	4,379	11,987	-	808	398	58,946	46,461
Supplies	12,007	637	806	2,404	18,126	492	682	7,977	-	246	78	43,455	49,125
Community	1,822	1,262	1,262	1,823	1,823	1,262	1,262	3,506	-	-	-	14,022	19,394
Service fees	-	-	-	-	-	-	-	-	-	23,294	167	23,461	34,480
Bank fees and interest	-	-	-	-	-	-	-	-	1,049	35,236	-	36,285	17,178
Program	4,493	2,867	3,880	5,736	4,893	2,180	2,452	8,961	-	220	108	35,790	26,818
Postage	1,328	682	862	1,769	1,872	515	582	1,500	-	169	83	9,362	10,012
Resource Development													
Marketing	-	-	-	-	-	-	-	-	-	-	99,888	99,888	118,947
Donor communication	-	-	-	-	-	-	-	-	-	8,766	89,705	98,471	90,476
Personnel													
Payroll and benefits	195,451	106,836	100,389	260,975	197,192	91,273	82,978	443,762	-	124,763	50,047	1,653,666	1,533,145
Health and personnel insurance	27,993	9,002	21,583	29,997	36,561	18,012	21,760	38,226	-	13,472	5,095	221,701	181,506
Staff education	410	274	282	429	433	267	270	743	-	7	4	3,119	5,465
Direct Assistance													
Meals	-	-	-	-	68,281	-	-	-	-	-	-	68,281	54,431
Education and living grants	-	-	-	11,146	-	-	-	3,582	-	-	-	14,728	12,656
Clothing, ID and transportation	643	-	2,749	2,096	-	-	-	532	-	-	-	6,020	6,826
Medical	-	-	-	-	-	505	-	154	-	-	-	659	856
Transportation													
Maintenance and insurance	1,113	371	2,967	2,226	5,563	371	371	5,192	-	185	185	18,544	18,300
Gasoline and rentals	456	152	1,217	912	4,080	152	152	2,129	-	76	76	9,402	9,152
Special Projects - Restricted	7,430	1,891	2,437	4,325	3,085	1,773	3,797	24,285	39,966	60	30	89,079	40,916
Sub-Total	<u>290,292</u>	<u>142,040</u>	<u>153,876</u>	<u>376,308</u>	<u>388,543</u>	<u>126,240</u>	<u>128,685</u>	<u>597,736</u>	<u>41,015</u>	<u>208,079</u>	<u>246,482</u>	<u>2,699,296</u>	<u>2,463,740</u>
Donated Supplies Distributed	122,091	19	25	278	248,200	10,987	17	12,458	-	5	2	394,082	456,815
Donated Services Utilized	11,127	14,102	43,058	12,555	11,326	16,618	21,345	36,815	16,423	47	22	183,438	207,298
Depreciation Expense	21,358	9,639	5,845	47,415	31,109	1,063	4,783	98,221	-	532	532	220,497	205,148
Sub-Total	<u>154,576</u>	<u>23,760</u>	<u>48,928</u>	<u>60,248</u>	<u>290,635</u>	<u>28,668</u>	<u>26,145</u>	<u>147,494</u>	<u>16,423</u>	<u>584</u>	<u>556</u>	<u>798,017</u>	<u>869,261</u>
Total Expenses	<u>\$ 444,868</u>	<u>\$ 165,800</u>	<u>\$ 202,804</u>	<u>\$ 436,556</u>	<u>\$ 679,178</u>	<u>\$ 154,908</u>	<u>\$ 154,830</u>	<u>\$ 745,230</u>	<u>\$ 57,438</u>	<u>\$ 208,663</u>	<u>\$ 247,038</u>	<u>\$ 3,497,313</u>	<u>\$ 3,333,001</u>

See accompanying notes

KANSAS CITY RESCUE MISSION

STATEMENT OF CASH FLOWS

Year Ended June 30, 2018

(With comparative totals for the year ended June 30, 2017)

	2018	2017
Cash Flows from Operating Activities:		
Change in net assets	\$ (247,158)	\$ 140,063
Adjustment to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	220,497	205,148
Donated construction	(18,000)	-
Donated vehicle	(3,374)	(3,774)
Donated securities	(55,812)	(62,872)
Loss on asset disposals	3,063	3,350
Realized and unrealized loss (gain) on investments	22,806	(6,246)
Decrease (increase) in estate receivable	7,525	(27,368)
(Increase) decrease in pledges receivable	(1,516)	684
Decrease (increase) in prepaid expense	17,282	(17,282)
(Increase) decrease in inventory	(5,477)	29,229
Increase in accounts payable and accrued liabilities	8,644	4,474
Net Cash (Used) Provided by Operating Activities	(51,520)	265,406
Cash Flows from Investing Activities:		
Building and equipment additions	(342,934)	(1,269)
Certificates of deposit, at cost, net	(5,736)	(255,314)
Proceeds from sales of assets	-	12,616
Purchase of securities	(5,740)	(3,282)
Proceeds from sales of securities	-	10,801
Net Cash Used by Investing Activities	(354,410)	(236,448)
Net Change in Cash and Cash Equivalents	(405,930)	28,958
Cash and Cash Equivalents at Beginning of Year	686,229	657,271
Cash and Cash Equivalents at End of Year	\$ 280,299	\$ 686,229

See accompanying notes

KANSAS CITY RESCUE MISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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 \$1,815 and \$4,096 for 2018 and 2017, 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 and cash equivalents 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 2017 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, 2018

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, 2018

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.

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, 2018 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, 2018

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. Investment income and realized and unrealized gains and losses are reflected in the Statement of Activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions. 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, 2018 and reflected their effects, if any, in these financial statements through March 22, 2019, 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, 2018

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, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets - Investments:				
Stock	<u>\$ 193,129</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 193,129</u>
Total investments – recurring basis	<u>\$ 193,129</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 193,129</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, 2017:

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

KANSAS CITY RESCUE MISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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>2018</u>	<u>2017</u>
Food	\$ 35,619	\$ 36,396
Clothing	8,220	6,986
Medical	25,956	25,798
Linens	4,214	3,040
Personal care	13,477	9,762
Household items	<u>-</u>	<u>27</u>
Total Inventory	<u>\$ 87,486</u>	<u>\$ 82,009</u>

KANSAS CITY RESCUE MISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

5. INVESTMENTS

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

	<u>2018</u>	<u>2017</u>
Publicly-traded corporate stock	\$ 193,129	\$ 154,383
Total Investments	<u>\$ 193,129</u>	<u>\$ 154,383</u>

Investment income is composed of the following:

Interest and dividend income	\$ 13,614	\$ 11,818
Realized and unrealized (loss) gain	<u>(22,806)</u>	<u>6,246</u>
Total Investment (Loss) Income	<u>\$ (9,192)</u>	<u>\$ 18,064</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	5,127,065	4,785,810
Equipment	278,206	266,942
Furniture	77,879	77,879
Vehicles	71,168	62,508
Technology	<u>40,548</u>	<u>40,548</u>
	5,766,168	5,404,989
Less accumulated depreciation	<u>(2,012,363)</u>	<u>(1,793,102)</u>
	3,753,805	3,611,887
Construction in progress	<u>-</u>	<u>1,170</u>
Total Property and Equipment	<u>\$ 3,753,805</u>	<u>\$ 3,613,057</u>

KANSAS CITY RESCUE MISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

7. DONATED SERVICES

Approximately 2,644 and 3,870 hours of donated services, valued at \$201,438 and \$207,298 have been recorded in the financial statements in 2018 and 2017, respectively. In 2017, \$18,000 of these services were capitalized.

8. DONATED SUPPLIES

Donated supplies are stated at the values described in Note 1 and include the following at June 30:

	<u>2018</u>	<u>2017</u>
Food	\$ 247,369	\$ 288,326
Clothing	87,335	82,424
Medical and hygiene	59,505	47,395
Linens	4,095	5,642
Program and operating	1,255	2,284
Other donated assets	<u>3,374</u>	<u>5,289</u>
Total Donated Supplies	<u>\$ 402,933</u>	<u>\$ 431,360</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 \$25,707 and \$33,315 to the Plan during 2018 and 2017, respectively.

10. BOARD DESIGNATED UNRESTRICTED NET ASSETS

As of June 30, 2018 and 2017, the Board set aside \$26,404 and \$43,973, respectively, for transitional housing, derived from the proceeds from the sale of the previous transitional house known as Jarrette's Place.

KANSAS CITY RESCUE MISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

10. BOARD DESIGNATED UNRESTRICTED NET ASSETS (continued)

As of June 30, 2018 and 2017, the Board set aside \$5,196 and \$12,616, respectively, 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:

	2018		2017	
	Revenue	Temporary Restrictions Satisfied/ Reclassified	Temporarily Restricted Net Assets	Temporarily Restricted Net Assets
Property improvements	\$ 137,072	\$ 355,057	\$ 124,906	\$ 342,891
Health clinic	-	540	4,982	5,522
Meals program	8,218	8,218	-	-
Women's center	26,313	30,416	7,334	11,437
Other shelter programs	30,550	48,741	45,916	64,107
Social enterprise	114,888	41,015	73,873	-
Succession	21,800	784	21,016	-
Pledges receivable	36,870	35,354	19,036	17,520
Totals	\$ 375,711	\$ 520,125	\$ 297,063	\$ 441,477

Permanently restricted net assets include the following:

	2018	2017
Endowment	\$ 181,274	\$ 142,383

KANSAS CITY RESCUE MISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

11. RESTRICTED NET ASSETS (continued)

Temporarily restricted net assets consist of the following:

	<u>2018</u>	<u>2017</u>
Cash	\$ 278,027	\$ 423,957
Pledges receivable	<u>19,036</u>	<u>17,520</u>
Total Temporarily Restricted Net Assets	<u>\$ 297,063</u>	<u>\$ 441,477</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	\$ 484,771	\$ 126,968
Time restrictions expired	<u>35,354</u>	<u>33,111</u>
Total Net Assets Released From Restrictions	<u>\$ 520,125</u>	<u>\$ 160,079</u>

Permanently restricted net assets consist of the following:

Investments	<u>\$ 181,274</u>	<u>\$ 142,383</u>
Total Permanently Restricted Net Assets	<u>\$ 181,274</u>	<u>\$ 142,383</u>

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.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2018

12. ENDOWMENT (continued)

- The donor gave \$55,812 and \$40,247 in stock in November 2017 and November 2016, respectively.
- 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 2018 and 2017, there were no distributions made from the endowment.

KANSAS CITY RESCUE MISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

12. ENDOWMENT (continued)

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

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ -	\$ -	\$ 181,274	\$ 181,274
Total Endowment Assets	\$ -	\$ -	\$ 181,274	\$ 181,274
	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ -	\$ -	\$ 142,383	\$ 142,383
Total Endowment Assets	\$ -	\$ -	\$ 142,383	\$ 142,383

Changes in the Mission's endowment net assets for the years ended June 30, 2018 and 2017 are as follows:

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ -	\$ 142,383	\$ 142,383
Contributions	-	-	55,812	55,812
Investment return:				
Interest and dividends	-	-	5,885	5,885
Net realized and unrealized gains	-	-	(22,806)	(22,806)
Total Investment Return	-	-	(16,921)	(16,921)
Endowment net assets, end of year	\$ -	\$ -	\$ 181,274	\$ 181,274

KANSAS CITY RESCUE MISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

12. ENDOWMENT (continued)

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
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

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:	
2019	\$ <u>10,044</u>
Total Future Minimum Payments	\$ <u>10,044</u>

For the year ended June 30, 2018, the Mission incurred expenses of \$15,119 related to these commitments.

KANSAS CITY RESCUE MISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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.

16. TAX CREDITS

In 2018, the Missouri Housing Development Commission reserved \$45,000 in production tax credits, the Mission was able to qualify for \$18,645 and had to recapture the remaining \$26,355. 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.

17. NEW ACCOUNTING PRONOUNCEMENTS

ASU 2014-09, Revenue from Contracts with Customers

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The standard permits the use of either the retrospective or cumulative effect transition method.

KANSAS CITY RESCUE MISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

17. NEW ACCOUNTING PRONOUNCEMENTS (continued)

In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606)*, which deferred the effective date of the new revenue recognition standard for one year. The new standard is effective for fiscal years beginning after December 15, 2018. Early application is permitted.

ASU 2016-14, Not-for-Profit Entities

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*, to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's (NFP's) liquidity, financial performance, and cash flows. The amendments in this ASU are to be applied retrospectively, and are effective for annual financial statements issued for fiscal years beginning after December 15, 2017, with early adoption permitted.

ASU 2016-02, Leases

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The amendments in this ASU are to be applied using a modified retrospective approach. The amendments are effective for annual financial statements issued for fiscal years beginning after December 15, 2019, with early adoption permitted.

ASU 2018-08, Not-for-profit Entities

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this ASU are to be applied on a modified prospective basis. Retrospective application is permitted. For transactions in which the entity serves as the resource recipient, the amendments should be applied for fiscal years beginning after December 15, 2018. For transactions in which the entity serves as the resource provider, the amendments should be applied for fiscal years beginning after December 15, 2019. Early adoption is permitted.

The Mission is evaluating the effect that these standards will have on its financial statements and related disclosures.

KANSAS CITY RESCUE MISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

18. SUBSEQUENT EVENT

The Mission established a \$150,000 nondisclosable revolving line of credit with a financial institution on January 10, 2019, secured by certificates of deposit held at that financial institution. The interest rate is 4.720% fixed and interest is billed and paid monthly. Principal can be repaid at any time. The entire outstanding principal and any unpaid interest is due November 1, 2019. Nothing has been borrowed as of the date of this report.