MONTANA RESCUE MISSION, INC.
FINANCIAL STATEMENTS
JUNE 30, 2013 and 2012

MONTANA RESCUE MISSION, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Montana Rescue Mission

Report on the Financial Statements

We have audited the accompanying financial statements of Montana Rescue Mission, Inc., which comprise the statement of financial position as of June 30, 2013, 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.

Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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 Montana Rescue Mission, Inc. as of June 30, 2013, 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.

Other Matter

The financial statements of Montana Rescue Mission, Inc. for the year ended June 30, 2012, were audited by another auditor who expressed an unmodified opinion on those statements on November 1, 2012.

Kevin T. King & Company, P.C.

Kevin T. King & Company, P.C.
Billings, Montana
January 6, 2014

MONTANA RESCUE MISSION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

ASSETS

	2013	2012
Current Assets		
Cash and cash equivalents	$ 606,294	$ 453,770
Accounts receivable - other	250	2,339
Total Current Assets	606,544	456,109
Property and Equipment		
Land	286,457	286,457
Buildings and improvements	2,508,651	2,469,568
Equipment, furniture and fixtures	580,051	543,088
Vehicles	94,046	106,510
Subtotal	3,469,205	3,405,623
Accumulated Depreciation	(1,822,755)	(1,724,474)
Total Property and Equipment	1,646,450	1,681,149
Other Assets		
Beneficial interest in charitable remainder trusts	1,058,251	1,017,167
Investments	1,455,764	1,179,043
Deposits	25,532	25,532
Total Other Assets	2,539,547	2,221,742
Total Assets	$ 4,792,541	$ 4,359,000

LIABILITIES AND NET ASSETS

	2013	2012
Current Liabilities		
Current maturities of deferred gift annuities	$ 744	$ 744
Current maturities of long-term debt	9,958	135,352
Accounts payable	78,680	17,832
Accrued liabilities	94,188	10,936
Accrued liability for compensated absences	186,229	198,650
Total Current Liabilities	369,799	363,514
Long-Term Liabilities		
Deferred gift annuities, net of current maturities	36,694	27,056
Notes payable, net of current maturities	199,745	209,648
Total Long-Term Liabilities	236,439	236,704
Total Liabilities	606,238	600,218
Net Assets		
Unrestricted	2,528,588	2,208,592
Temporarily restricted	1,058,251	1,017,167
Permanently restricted	599,464	533,023
	4,186,303	3,758,782
Total Liabilities and Net Assets	$ 4,792,541	$ 4,359,000

The accompanying notes are an integral part of these financial statements

MONTANA RESCUE MISSION
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013				2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support, Revenue and Reclassifications								
Contributions	$ 1,604,346	$ -	$ 66,441	$ 1,670,787	$ 1,301,851	$ -	$ -	$ 1,301,851
Bargain center revenue	2,166,885			2,166,885	2,082,327	-	-	2,082,327
Gifts in-kind	12,435	-	-	12,435	-	-	-	-
Investment income	117,796	-	-	117,796	32,986	-	-	32,986
Building rent	1,925	-	-	1,925	12,000	-	-	12,000
Other income (losses)	53,341	-	-	53,341	8,331	-	-	8,331
Special events	30,884	-	-	30,884	9,287	-	-	9,287
Change in value of charitable remainder trusts	-	41,084	-	41,084	-	(73,830)	-	(73,830)
Change in value of deferred annuities	(1,563)	-	-	(1,563)	-	(1,976)	-	(1,976)
Net assets released from restrictions:								
Satisfaction of purpose restrictions	-	-	-	-	16,909	(16,909)	-	-
Total Support, Revenue and Reclassifications	3,986,049	41,084	66,441	4,093,574	3,463,691	(92,715)	-	3,370,976
Expenses								
Program Expenses								
Men's and Women's Shelter Ministries	1,056,656	-	-	1,056,656	1,162,709	-	-	1,162,709
Bargain Centers	1,835,564	-	-	1,835,564	1,823,986	-	-	1,823,986
Total Program Services	2,892,220	-	-	2,892,220	2,986,695	-	-	2,986,695
Support Expenses								
General and Administrative	428,546	-	-	428,546	308,237	-	-	308,237
Fundraising	345,287	-	-	345,287	371,624	-	-	371,624
Total Support Expenses	773,833	-	-	773,833	679,861	-	-	679,861
Total Expenses	3,666,053	-	-	3,666,053	3,666,556	-	-	3,666,556
Change in Net Assets	319,996	41,084	66,441	427,521	(202,865)	(92,715)	-	(295,580)
Net Assets, Beginning of Year	2,208,592	1,017,167	533,023	3,758,782	2,411,457	1,109,882	533,023	4,054,362
Net Assets, End of Year	$ 2,528,588	$ 1,058,251	$ 599,464	$ 4,186,303	$ 2,208,592	$ 1,017,167	$ 533,023	$ 3,758,782

The accompanying notes are an integral part of these financial statements

MONTANA RESCUE MISSION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

	Program Services		Supporting Services		
	Men's and Women's Shelter Ministries	Bargain Centers	General and Administrative	Fundraising	Total
Employee Expenses					
Salaries and wages	$ 541,575	$ 902,187	$ 282,841	$ 91,779	$ 1,818,382
Payroll taxes and workers' compensation insurance	74,336	107,397	22,922	10,532	215,187
Employee benefits	36,611	104,991	17,200	12,585	171,387
Total Employee Expenses	652,522	1,114,575	322,963	114,896	2,204,956
Other Expenses					
Advertising	1,078	64,648	532	44,538	110,796
Computer supplies and expenses	17,301	5,408	6,968	2,840	32,517
Conferences and training	3,915	6,612	8,067	4,019	22,613
Credit card processing fees	-	43,975	-	4,184	48,159
Depreciation	81,358	26,718	18,669	-	126,745
Dues and subscriptions	5,542	2,968	10,833	2,939	22,282
Insurance	12,482	10,483	1,355	-	24,320
Interest expense	-	-	9,535	-	9,535
Maintenance and repairs	72,738	44,489	9,134	7,437	133,798
Other expenses	2,608	2,123	2,366	989	8,086
Postage and delivery	762	1,381	1,206	15,592	18,941
Printing	-	6,094	1,442	50,943	58,479
Professional services	50	50	25,264	31,462	56,826
Lease expense	1,153	263,967	-		265,120
Residential benefits and supplies	400	-	-	-	400
Security	1,662	9,808	405	1,020	12,895
Special event expenses	-	-	-	60,862	60,862
Special gifts and recognition	-	970	524	-	1,494
Supplies:					
General	33,310	11,639	4,104	2,371	51,424
Food and kitchen	34,953	-	-	-	34,953
Minor equipment	8,976	1,575	-	1,130	11,681
Taxes, licenses and fees	9,088	83,189	-	-	92,277
Telephone	14,146	1,485	-	-	15,631
Temporary services	12,050	47,361	-	-	59,411
Travel and meals	-	-	35	65	100
Travel assistance	1,553	-	-	-	1,553
Utilities	84,578	79,420	3,991	-	167,989
Vehicles	4,431	6,626	1,153	-	12,210
Total Other Expenses	404,134	720,989	105,583	230,391	1,461,097
Total Expenses	$ 1,056,656	$ 1,835,564	$ 428,546	$ 345,287	$ 3,666,053

MONTANA RESCUE MISSION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012

	Program Services		Supporting Services		
	Men's and Women's Shelter Ministries	Bargain Centers	General and Administrative	Fundraising	Total
Employee Expenses					
Salaries and wages	$ 576,262	$ 919,702	$ 189,156	$ 121,884	$ 1,807,004
Payroll taxes and workers' compensation insurance	75,351	105,552	16,460	13,391	210,754
Employee benefits	47,111	96,509	20,987	18,023	182,630
Total Employee Expenses	698,724	1,121,763	226,603	153,298	2,200,388
Other Expenses					
Advertising	1,630	58,911	-	31,994	92,535
Computer supplies and expenses	9,498	3,271	3,226	4,617	20,612
Conferences and training	2,819	205	7,780	486	11,290
Credit card processing fees	-	37,710	-	4,100	41,810
Depreciation	73,041	23,987	15,043	1,717	113,788
Dues and subscriptions	6,157	2,622	6,612	1,762	17,153
Insurance	16,076	12,176	930	37	29,219
Grant expenses	20,039	-	-	-	20,039
Maintenance and repairs	57,791	21,660	1,927	10,182	91,560
Other expenses	3,589	5,158	4,533	811	14,091
Postage and delivery	618	1,467	825	29,080	31,990
Printing	59	6,607	950	74,034	81,650
Professional services	-	100	33,907	55,601	89,608
Lease expense	39,600	264,990	-	-	304,590
Residential benefits and supplies	10,149	-	-	-	10,149
Security	2766	8592	-	1020	12,378
Special event expenses	2578	200	1243	234	4,255
Special gifts and recognition	70	414	322	256	1,062
Supplies:					
General	42,133	9,210	2,897	1,419	55,659
Food and kitchen	35,778	-	-	-	35,778
Minor equipment	4,564	5,428	-	-	9,992
Taxes, licenses and fees	16,079	91,418	-	-	107,497
Telephone	10,203	1,780	861	861	13,705
Temporary services	2,551	45,231	-	-	47,782
Travel and meals	-	-	147	115	262
Travel assistance	11,741	-	-	-	11,741
Utilities	89,414	85,038	-	-	174,452
Vehicles	5,042	16,048	431	-	21,521
Total Other Expenses	463,985	702,223	81,634	218,326	1,466,168
Total Expenses	$ 1,162,709	$ 1,823,986	$ 308,237	$ 371,624	$ 3,666,556

The accompanying notes are an integral part of these financial statements.

MONTANA RESCUE MISSION
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
Cash Flows From Operating Activities		
Change in net assets	$ 427,521	$ (295,580)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	126,745	113,788
(Gain) loss on disposal of property and equipment	97,550	(121)
Unrealized (gains) and loss on investments	(79,519)	5,209
Change in value of charitable remainder trusts	(41,084)	73,830
Change in value of charitable gift annuities	1,563	1,914
Accounts receivable - other	2,089	2,511
Prepaid expenses	-	5,681
Deposits	-	(5,000)
Accounts payable	60,848	(22,992)
Accrued liabilities	83,252	(52,208)
Accrued liability for compensated absences	(12,421)	119,823
Total Provided by (Used in) Operating Activities	666,544	(53,145)
Cash Flows From Investing Activities		
Proceeds from the sale of property and equipment	7,450	137,044
Purchase of property and equipment	(197,046)	(471,561)
Proceeds from the sale of investments	77,118	102,897
Purchase of investments	(274,320)	(28,135)
Total (Used in) Investing Activities	(386,798)	(259,755)
Cash Flows From Financing Activities		
Proceeds from the issuance of notes payable	-	345,000
Repayment of principal on notes payable	(135,297)	-
Payments on charitable gift annuities	(744)	(744)
Proceeds from charitable gift annuities	8,819	2,788
Total Provided by (Used in) Financing Activities	(127,222)	347,044
Increase (Decrease) in Cash and Equivalents	152,524	34,144
Cash and Equivalents - Beginning of Year	453,770	419,626
Cash and Equivalents - End of Year	$ 606,294	$ 453,770

Supplemental Information

	2013	2012
Cash paid during the year for interest	$ 9,535	$ -

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>Organization and Purpose</u>
Founded in 1955, the Montana Rescue Mission (Mission/the Organization) is a not-for-profit organization exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code.

The purpose of the Mission is to meet people at their point of need, physical and spiritual. Through practical programs of public awareness and education, shelter, food and clothing distribution and through Christian teaching and disciple work, the Mission aims to return the poor, needy and homeless to society as self-sufficient, productive citizens. The Organization has adopted the following mission statement.

> *To provide emergency, temporary care and rehabilitative services, from a distinctly Christian perspective, for those seeking help and solutions.*

<u>Nature of Activities</u>
The Montana Rescue Mission provides temporary housing for the homeless. The Mission maintains two separate facilities: one for women, children and families, and one for men. Each facility includes a chapel, kitchen, and dining area. Residents are provided with counseling services, Christian teaching and disciple work. The Mission is supported primarily through donor contributions. In addition, the Mission operates three thrift stores. The thrift stores receive and distribute clothing, furniture, household goods, and other items, received as in-kind contributions, to the poor and homeless and also sells such items to the general public in order to generate revenues used in other programs.

<u>Basis of Accounting</u>
The financial statements of the Mission have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recorded when incurred.

The statement of presentation is in accordance with FASB (Financial Accounting Standards Board) ASC (Accounting Standards Codification) 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*. Under ASC 958-205, the Mission is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

> <u>Unrestricted net assets</u> – Resources that are not restricted by donor-imposed stipulations. Generally these assets represent the operating assets of the Mission.

> <u>Temporarily restricted net assets</u> – Resources that are limited by donor stipulations that expire with the passage of time or upon completion of charitable goals. This category consists of undistributed earnings on permanent endowment funds and funds held for a specific project. All temporarily restricted net assets are designated for client services.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Permanently restricted net assets – Resources from donors to permanent endowments. The value of contributions to permanent endowments is never spent. Generally, the earnings on permanent endowments are classified as temporarily restricted until appropriated for expenditure based upon the Mission's payout policy or other terms of the gift agreement. In some cases, the terms of the gift agreement require appreciated earning to also be permanently restricted. All permanently restricted net assets are restricted to client services.

Contributions

Under FASB ASC 720-25, *Other Expenses-Contributions Made*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence of any donor restrictions. It is the Mission's policy to report contributions whose restrictions are met in the same reporting period as unrestricted contributions.

The Mission reports gifts of cash or other assets as temporarily or permanently restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Mission reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted. Absent donor stipulations regarding how long the donated assets must be maintained, the Mission reports expirations of donor restrictions when the donated or acquired assets are placed in service.

The Mission receives substantial donations of food, clothing, household, and miscellaneous items that are either distributed to those individuals the Mission supports, or sold in its thrift stores. The Organization currently does not recognize donations of food, clothing, household, and miscellaneous items received at its shelters and thrift stores because the donated items have uncertain values and consist of an extremely large number of items such that valuing them at the date of donation would be impractical.

The Mission does not accept gifts of non-cash assets which are inconsistent and not in accordance with the Organization's mission unless such assets can be converted into a form which allows the Organization to further its mission.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Mission considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. The carrying amounts reported on the statement of financial position approximate their fair value due to their short term maturity and/or liquidity.

Concentration of Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Mission's deposits may not be returned to it. The Mission does not have a deposit policy for custodial credit risk. As of June 30, 2013, the Mission's bank balances were entirely insured by the FDIC.

Investment securities are exposed to various risks, such as interest rate, credit and market risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statement of financial position.

Investments

Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are reported at their fair value in the statement of financial position with the annual change in fair value being recorded as unrealized gains (losses) in current revenue and support for the year.

Fair Value Measurements of Investments

Investments are stated at fair value following applicable requirements of accounting policies generally accepted in the United States of America. Fair value is defined as the price the Mission would receive upon selling an asset in an orderly transaction between market participants at the measurement date. Fair market values are determined by the most relevant available and observable inputs and are classified into three levels.

Level 1 Quoted prices in active markets for identical assets or liabilities. Example: listed securities.

Level 2 Directly or indirectly observable inputs other than quoted prices included in Level 1. Example: thinly traded securities.

Level 3 Unobservable inputs that are not corroborated by market data and reflect the entity's assumptions for pricing. Example: private equity funds.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements of Investments (Continued)
Inputs are used in applying the valuation techniques and broadly refer to the assumptions that the Mission uses to make valuation decisions, assumptions about risk. Inputs may include quoted market prices, recent transactions, manager statements, periodicals, newspapers, provisions with agreements with investment managers, and other factors. An investment's level within the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the Mission's perceived risk of that investment.

Investments in cash equivalents, mutual funds, debt securities, and certain domestic and international equities are valued based on quoted market prices, and are therefore, typically classified within Level 1.

Although the Mission uses its best judgment in determining fair value, the values presented herein are not necessarily indicative of the amount that the Mission could realize in a current transaction. Future events could affect the estimates of fair value and could be material to the financial statements. These events could also affect the amount realized upon redemption of the investments.

Property and Equipment
It is the Mission's policy to capitalize substantially all assets acquired that have useful life of more than one year and a cost or donated value of $500 or more. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Mission reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Mission reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Property and equipment is depreciated using the straight-line method over the following estimated useful lives:

Land	n/a
Buildings and improvements	7- 39 years
Equipment, furniture and fixtures	5 -10 years
Vehicles	5 years

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Asset Impairment

The Organization reviews and evaluates its long lived assets for impairment when events and changes in circumstances indicate that the related carrying amounts of its assets may not be recoverable. Impairment is considered to exist if changes in operating conditions raise doubts about the Organization's ability to fully recover or benefit from the carrying value of a particular asset. If the assets are impaired, a calculation of fair market is performed, and if the fair market value is lower than the carrying value of the assets, the assets are reduced to their fair market value.

Beneficial Interest in Charitable Remainder Trusts

The Mission recognizes beneficial interests in charitable remainder trusts in the year that it becomes aware of such beneficial interest and is provided with appropriate information necessary for valuing the interests. The value is determined by calculating the estimated present value of future distributions the Organization expects to receive over the term of the split-interest agreement. Changes in the value of split-interest agreements are recognized as they occur, utilizing the same valuation technique as used in the original recognition, but revising assumptions such as discount rates to reflect current market conditions.

Functional Expenses

Direct identifiable expenses are charged to programs and supporting services as appropriate. Expenses related to more than one function are charged to programs and supporting services on the basis of period time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Mission.

Estimates

The preparation of the Mission's 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 and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Mission is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Uncertain Tax Positions

The Mission has adopted FASB ASC 740-10-25, *Accounting for Uncertainty in Income Taxes*. The Mission will record a liability for uncertain tax positions when it is more likely than not that a tax position would not be sustained if examined by the taxing authority. The Mission continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Uncertain Tax Positions (Continued)
The Mission's evaluation on June 30, 2013 revealed no uncertain tax positions that would have a material impact on the financial statements. The June 30, 2010 through June 30, 2013 tax years remain subject to examination by the IRS and Montana Department of Revenue. The Mission does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

NOTE 2. ACCOUNTS RECEIVABLE – OTHER

Accounts receivable – other consists of employee salary and wage advances, miscellaneous receivables, and initial funds advanced to fund the employee's Internal Revenue Code §125 "cafeteria plan" adopted to provide employees with pre-tax salary and wage deferrals for qualified benefits including medical and child care. The funds advanced to the cafeteria plan will be returned to the Mission as surplus funds become available. As of June 30, 2013 and 2012, the balance of this account included $250 and $2,339, respectively, due from the cafeteria plan.

No allowance for doubtful accounts is provided for. Management reviews accounts receivable on an on-going basis and accounts deemed uncollectible are written off when it is determined they are not likely to be realized. Management does not believe this method of accounting to be a material departure from accounting procedures generally accepted in the United States of America. The Organization does not assess finance charges on overdue accounts receivable.

NOTE 3. DEFERRED GIFT ANNUITIES

The Mission accounts for deferred gift annuities as disclosed in Note 1. As of June 30, 2013 and 2012, the Mission was obligated under twenty-seven (27) and twenty-two (22) deferred gift annuities, respectively. The original date of the gift annuities range from December 27, 2000 through December 31, 2012 and the net present values were calculated utilizing discount rates ranging from 3.15% to 7.40%. One of the deferred girt annuities established quarterly payments of $186 ($744 annually) that commenced on September 30, 2011; the remaining deferred gift annuities established annual or quarterly payments to commence on dates ranging from December 31, 2021 through December 31, 2049.

NOTE 4. BENEFICIAL INTERESTS IN CHARITABLE REMAINDER TRUSTS

As of June 30, 2013 and 2012, the Mission had been named as the beneficiary in several charitable remainder trusts. The charitable remainder trusts are valued as disclosed in Note 1.

Trust A - Life beneficiary to receive 9.00% of annual trust value, distributed quarterly. Mission to receive one-half of remaing trust upon death of life beneficiary.	$ 859,552	$ 836,199
Trust B- Mission to receive one-half of income annually for a period of 20 years commencing in 1997. Upon expiration of the 20 years. Mission to receive one-half of the trust corpus.	81,284	77,059
Trust C- Life beneficiaries to receive 7.00% of annual trust value, distributed annually. Mission to receive one-sixth of remaining trust upon death of the second life beneficiary.	117,415	103,909
	$ 1,058,251	$ 1,017,167

As discussed in Note 1, generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. Valuing the beneficial interests in charitable remainder trust is considered to be a significant estimate.

NOTE 5. INVESTMENTS

The Mission's investments are valued at their current fair market value based upon the values determined by published sources. Investments are comprised of the following:

	June 30, 2013		June 30, 2012	
	Cost	Fair Value	Cost	Fair Value
Mutual Funds	1,339,567	1,452,959	$ 1,129,587	$ 1,228,015
Government & Agency	2,593	2,805	2,593	2,708
	1,342,160	1,455,764	1,132,180	1,230,723

Investment income for the years ended June 30, 2013 and 2012 consisted of the following:

	June 30, 2013	June 30, 2012
Interest and Dividends	$ 38,277	$ 38,195
Realized gains (losses)	70,833	9,270
Unrealized gains and (losses)	8,686	(14,479)
	$ 117,796	32,986

NOTE 6. CREDIT ARRANGEMENTS AND FINANCING ACTIVITIES

On June 5, 2012, the Organization entered into two credit facilities totaling $345,000 in order to acquire the real estate from which it operates its administrative offices and which it had been previously leasing as described in Note 10. Both credit facilities are payable to US Bank.

The first credit facility is a $125,000 note bearing interest at the rate of 4.00% with interest payable monthly and a single payment of principal due on December 15, 2012, unsecured. The remaining principal balance as of June 30, 2012 was $125,000. There was no remaining principal balance due as of June 30, 2013.

The second credit facility is a $220,000 note bearing interest at the rate of 4.49% payable in 59 monthly installments of $1,691 beginning on July 15, 2012 and a final payment of remaining principal (plus interest) estimated to be approximately $163,100 on June 15, 2017. The debt is secured by a deed of trust on real property. The remaining principal balance as of June 30, 2013 and 2012 was $209,703 and $220,000, respectively.

NOTE 6. CREDIT ARRANGEMENTS AND FINANCING ACTIVITIES (Continued)

The maturities of the notes payable for the fiscal years ending June 30th are as follows:

2014	$ 9,958
2015	10,727
2016	11,246
2017	177,772
Total	$ 209,703

NOTE 7. TEMPORARILY RESTRICTED NET ASSETS

Temporary restrictions on net assets as of June 30, 2013 and 2012 related primarily to charitable remainder trust funds total $1,058,251 and $1,017,167, respectively. Other temporarily restricted net assets consist of support for which specified purpose or time restrictions had not yet been met at year-end.

NOTE 8. PERMANENTLY RESTRICTED NET ASSETS

The Organization has adopted the provisions of FASB ASC 958-250-45, *Not-for-Profit Organizations: Net Asset Classifications of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA).* The provision provides guidance on classifying net assets associated with donor restriction endowment funds held by organizations that are subject to an enacted version of UPMIFA in 2007.

The Mission's endowment consists of two individual funds established to support the Organization's mission. Its endowment includes both donor-restricted and board-designated endowment funds and funds to be held for more than one year which are subject to the investment policy. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the governing board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

Uniform Prudent Management of Institutional Funds Act (UPMIFA) (Montana Code Annotated [MCA] 721-30-101) - The Board of Directors, has interpreted UPMIFA enacted in the state of Montana as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Mission classifies as permanently restricted net assets (a) the original value of the 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.

NOTE 8. PERMANENTLY RESTRICTED NET ASSETS (Continued)

The remaining portion of the donor-restricted endowment fund (primarily realized and unrealized gains and losses and investment income) is classified as temporarily restricted net assets or unrestricted net assets (based on the endowment's purpose) 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 purpose of the Mission and the donor restricted endowment fund
- 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

Endowment net asset composition by type of fund consists of the following as of June 30, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 1,058,251	$ 599,464	$ 1,657,715
Board-designated endowment funds	856,300	-	-	856,300
Total endowment funds	$ 856,300	$ 1,058,251	$ 599,464	$ 2,514,015

NOTE 8. PERMANENTLY RESTRICTED NET ASSETS (Continued)

Endowment net asset composition by type of fund consists of the following as of June 30, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 1,017,167	$ 533,023	$ 1,550,190
Board-designated endowment funds	646,020	-	-	646,020
Total endowment funds	$ 646,020	$ 1,017,167	$ 533,023	$ 2,196,210

Changes in endowment net assets for the year ending June 30, 2013 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets June 30, 2012	$ 646,020	$ 1,017,167	$ 533,023	$ 2,196,210
Additions	92,484	-	66,441	158,925
Investment return:				
Interest and dividends	38,277	-	-	38,277
Net realized and unrealized gains	79,519	41,084	-	120,603
Appropriation of endowment assets	-	-	-	-
Endowment net assets, June 30, 2013	$ 856,300	$ 1,058,251	$ 599,464	$ 2,514,015

NOTE 8. PERMANENTLY RESTRICTED NET ASSETS (Continued)

Changes in endowment net assets for the year ending June 30, 2012 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets June 30, 2011	$ 723,282	$ 1,090,997	$ 533,023	$ 2,347,302
Additions	-	-	-	-
Investment return:				
Interest and dividends	46,837	456	-	47,293
Net realized and unrealized gains	(14,479)	(73,830)	-	(88,309)
Appropriation of endowment assets	(109,620)	4,396	-	(105,224)
Endowment net assets, June 30, 2012	$ 646,020	$ 1,022,019	$ 533,023	$ 2,201,062

Mission's investment and payout policies – endowment funds

The Mission has adopted investment and spending policies for endowment assets that are designed and intended to provide a predictable stream of funding to programs while seeking to maintain the purchasing power of the Mission's endowment assets. Endowment assets include those assets of donor-restricted funds that the Mission must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds.

The Organization has a policy for appropriating for expenditures no more than 80% of the dividend and interest income generated each year. When establishing the annual distribution, the Organization considers the long-term expected return on its endowment along with the factors noted above in making a determination to appropriate or accumulate donor-restricted endowment funds. The Mission seeks to earn a long-term total rate of return sufficient to produce growth of endowment assets net of distributions, inflation, and investment expenses. Actual returns in any year may vary from this amount.

NOTE 9. FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require disclosure of the fair value of financial instruments, whether or not recognized in the statement of financial position. A financial instrument is defined as cash, evidence of ownership interest in an entity, or a contract that both impose a contractual obligation on one entity to deliver cash or another financial instrument to a second entity.

Investments are carried at fair value and consist of the following as of June 30, 2013:

	Fair Value Measurents			
	Level 1	Level 2	Level 3	Total
Government & agency	$ 2,805	$ -	$ -	$ 2,805
Mutual funds	1,452,959	-	-	1,452,959
Total	$ 1,455,764	$ -	$ -	$ 1,455,764

Investments are carried at fair value and consist of the following as of June 30, 2012:

	Fair Value Measurents			
	Level 1	Level 2	Level 3	Total
Government & agency	$ 2,753	$ -	$ -	$ 2,753
Mutual funds	1,176,290	-	-	1,176,290
Total	$ 1,179,043	$ -	$ -	$ 1,179,043

NOTE 10. LEASE OBLIGATIONS

Effective April 1, 2011 the Mission entered into a five (5) year lease agreement for its Heights Bargain Center. The lease calls for monthly payments of $9,697 until April 1, 2016. The lease contains an option to renew for three (3) additional five year periods with rent increases based upon the cumulative consumer price index on each renewal date. In addition to the monthly rental charge, the Mission agrees to pay for all charges for use of consumption of heat, sewer, water, gas, snow removal, electricity or any other utility services and agrees to pay all real estate taxes and assumptions, insurance, ordinary repairs and maintenance, and common area expenses assessed. The rent expense included in the statement of activities for the years ended June 30, 2013 and 2012 was and $116,367 each year.

NOTE 10. LEASE OBLIGATIONS (Continued)

The Mission leases a building for its West End Bargain Center under a ten (10) year lease agreement dated May 1, 2005. The lease calls for monthly rental payments of $12,100. The contains an option to renew for two (2) additional five year periods with a 10.00% increase in rent upon each renewal if the option is exercised. In addition to the monthly rental charge, the Mission agrees to pay for all charges for use or consumption of heat, sewer, water, gas, snow removal, electricity or any other utility services and agrees to pay all real estate taxes and assessments, insurance and ordinary repairs and maintenance. Total rent expense included in the statement of activities for the years ended June 30, 2013 and 2012 was $145,200 each year.

The Mission began leasing the faculties for its new administrative office space on July 5, 2008. The lease agreement called for monthly rental payment of $3,600. In addition to the monthly rental charge, the Mission agreed to pay for all charges for use of consumption of heat, sewer, water, gas, snow removal, electricity or any other utility services and agreed to pay all real estate taxes and assumptions, insurance, ordinary repairs and maintenance, and common area expenses assessed. The rent expense included in the statement of activities for the year ended June 30, 2012 was $39,600. On June 5, 2012, the Mission purchased this real estate and continued to use the facility for its administrative offices and its programs.

In addition, the Mission leases warehouse space on a month-to-month basis. Total rent expense for those leases included in the statement of activities for the years ended June 30, 2013 and 2012 was $3,556 and $3,423, respectively.

Future minimum rental payments are:

Year		
2014	$	261,564
2015		237,364
2016		87,273
	$	586,201

NOTE 11. RETIRMENT PLAN

The Mission has adopted a retirement program under § 403 (b) of the Internal Revenue Code through the Christian Retirement Coalition. Employees may make contributions to the plan through a payroll deduction after one year of service. The Mission will match the employee contribution for 1.00% of salaries and wages, increasing by 1.00% per year up to a maximum of 5.00% for five years of service and thereafter. Total employer contributions to the retirement plan for the years ended June 30, 2013 and 2012 were $17,057 and $14,487, respectively.

NOTE 12. COMMITMENTS AND CONTINGENCIES

The Mission has elected to self-insure unemployment insurance coverage in accordance with the laws of the State of Montana. Under this self-insurance plan, the Organization pays a minimal administrative fund tax rate to the State of Montana and is liable for all unemployment claims assessed against it. Total unemployment claims assessed against the Mission for the years ended June 30, 2013 and 2012 were $9,922 and $23,978, respectively. Such amounts are substantially less than the employer tax rate that would have been paid had the Mission not elected to be self-insured. However, if employment of a substantial number of employees, qualifying for unemployment benefits, was to occur, the unemployment claims assessed the Mission could exceed the tax that would have been paid if the Mission was not self-insured.

NOTE 13. CONCENTRATION OF CREDIT RISK

The Mission has concentrated its credit risk for cash by maintaining deposits in banks located within the same geographic region and by investing in funds and securities that are not insured by the federal government.

NOTE 14. SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after year end but before the financial statements are issued. The Mission recognizes in the financial statements the effect of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. With the exception of the matter discussed below, there were no material subsequent events that required recognition or additional disclosure in these financial statements.

On September 28, 2013, the Mission discontinued operations at its downtown bargain center. The Mission decided to use the store for addition storage to supports its two remaining bargain centers.

The Mission has evaluated subsequent events through January 6, 2014, which is the date the financial statements were available to be issued.