



**MONTANA RESCUE MISSION, INC.  
FINANCIAL STATEMENTS  
JUNE 30, 2016 and 2015**

**KEVIN T. KING & COMPANY, P.C.**  
  
CERTIFIED PUBLIC ACCOUNTANT

**MONTANA RESCUE MISSION, INC.**

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# KEVIN T. KING & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANT

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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, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our 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, 2016 and 2015, 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.

*Kevin T. King & Company, P.C.*

Kevin T. King & Company, P.C.  
Billings, Montana  
November 28, 2016

**MONTANA RESCUE MISSION  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2016 AND 2015**

| ASSETS   |                     |                     |
|--|---------------------|---------------------|
|  | 2016                | 2015                |
| Current Assets                                     |                     |                     |
| Cash and cash equivalents                          | \$ 304,204          | \$ 342,758          |
| Total Current Assets                               | 304,204             | 342,758             |
| Property and Equipment                             |                     |                     |
| Land   | 190,207             | 286,457             |
| Buildings and improvements                         | 2,803,961           | 2,709,153           |
| Equipment, furniture and fixtures                  | 667,674             | 646,536             |
| Vehicles   | 79,046              | 79,046              |
| Subtotal   | 3,740,888           | 3,721,192           |
| Accumulated Depreciation                           | (2,231,635)         | (2,084,312)         |
| Total Property and Equipment                       | 1,509,253           | 1,636,880           |
| Other Assets                                       |                     |                     |
| Beneficial interest in charitable remainder trusts | 886,306             | 1,001,108           |
| Investments  | 1,245,133           | 1,575,260           |
| Deposits   | 25,532              | 25,532              |
| Total Other Assets                                 | 2,156,971           | 2,601,900           |
| Total Assets                                       | <u>\$ 3,970,428</u> | <u>\$ 4,581,538</u> |
| LIABILITIES AND NET ASSETS                         |                     |                     |
|  | 2016                | 2015                |
| Current Liabilities                                |                     |                     |
| Current maturities of deferred gift annuities      | \$ 744              | \$ 744              |
| Current maturities of long-term debt               | 175,246             | 10,727              |
| Accounts payable                                   | 50,760              | 60,645              |
| Accrued liabilities                                | 86,564              | 157,853             |
| Accrued liability for compensated absences         | 110,439             | 165,478             |
| Total Current Liabilities                          | 423,753             | 395,447             |
| Long-Term Liabilities                              |                     |                     |
| Deferred gift annuities, net of current maturities | 34,447              | 48,501              |
| Notes payable, net of current maturities           | -                   | 176,516             |
| Total Long-Term Liabilities                        | 34,447              | 225,017             |
| Total Liabilities                                  | 458,200             | 620,464             |
| Net Assets   |                     |                     |
| Unrestricted                                       | 1,916,199           | 2,273,819           |
| Temporarily restricted                             | 886,306             | 1,001,108           |
| Permanently restricted                             | 709,723             | 686,147             |
|  | <u>3,512,228</u>    | <u>3,961,074</u>    |
| Total Liabilities and Net Assets                   | <u>\$ 3,970,428</u> | <u>\$ 4,581,538</u> |

The accompanying notes are an integral part of these financial statements

**MONTANA RESCUE MISSION  
STATEMENT OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

|   | 2016                |                           |                           |                     | 2015                |                           |                           |                     |
|---|---------------------|---------------------------|---------------------------|---------------------|---------------------|---------------------------|---------------------------|---------------------|
|   | Unrestricted        | Temporarily<br>Restricted | Permanently<br>Restricted | Total               | Unrestricted        | Temporarily<br>Restricted | Permanently<br>Restricted | Total               |
| <b>Support, Revenue and Reclassifications</b>       |                     |                           |                           |                     |                     |                           |                           |                     |
| Contributions                                       | \$ 1,468,443        | \$ -                      | \$ 23,576                 | \$ 1,492,019        | \$ 1,429,270        | \$ -                      | \$ 19,168                 | \$ 1,448,438        |
| Bargain center revenue                              | 1,624,728           |                           |                           | 1,624,728           | 1,870,064           | -                         | -                         | 1,870,064           |
| Gifts in-kind                                       | 247,848             | -                         | -                         | 247,848             | 274,859             | -                         | -                         | 274,859             |
| Investment income                                   | 31,375              | -                         | -                         | 31,375              | 28,169              | -                         | -                         | 28,169              |
| Building rent                                       | 4,500               | -                         | -                         | 4,500               | -                   | -                         | -                         | -                   |
| Other income (losses)                               | 23,415              | -                         | -                         | 23,415              | 80,030              | -                         | -                         | 80,030              |
| Special events                                      | 1,450               | -                         | -                         | 1,450               | 1,700               | -                         | -                         | 1,700               |
| Change in value of charitable<br>remainder trusts   | -                   | (114,802)                 | -                         | (114,802)           | -                   | (62,410)                  | -                         | (62,410)            |
| Change in value of deferred annuities               | 4,866               | -                         | -                         | 4,866               | (2,395)             | -                         | -                         | (2,395)             |
| Net assets released from restrictions:              |                     |                           |                           |                     |                     |                           |                           |                     |
| Satisfaction of purpose restrictions                | -                   | -                         | -                         | -                   | -                   | -                         | -                         | -                   |
| <b>Total Support, Revenue and Reclassifications</b> | <b>3,406,625</b>    | <b>(114,802)</b>          | <b>23,576</b>             | <b>3,315,399</b>    | <b>3,681,697</b>    | <b>(62,410)</b>           | <b>19,168</b>             | <b>3,638,455</b>    |
| <b>Expenses</b>                                     |                     |                           |                           |                     |                     |                           |                           |                     |
| Program Expenses                                    |                     |                           |                           |                     |                     |                           |                           |                     |
| Men's and Women's Shelter Ministries                | 1,372,980           | -                         | -                         | 1,372,980           | 1,442,940           | -                         | -                         | 1,442,940           |
| Bargain Centers                                     | 1,395,952           | -                         | -                         | 1,395,952           | 1,606,048           | -                         | -                         | 1,606,048           |
| Total Program Services                              | 2,768,932           | -                         | -                         | 2,768,932           | 3,048,988           | -                         | -                         | 3,048,988           |
| Support Expenses                                    |                     |                           |                           |                     |                     |                           |                           |                     |
| General and Administrative                          | 567,042             | -                         | -                         | 567,042             | 584,972             | -                         | -                         | 584,972             |
| Fundraising   | 428,271             | -                         | -                         | 428,271             | 339,193             | -                         | -                         | 339,193             |
| Total Support Expenses                              | 995,313             | -                         | -                         | 995,313             | 924,165             | -                         | -                         | 924,165             |
| Total Expenses                                      | 3,764,245           | -                         | -                         | 3,764,245           | 3,973,153           | -                         | -                         | 3,973,153           |
| Change in Net Assets                                | (357,620)           | (114,802)                 | 23,576                    | (448,846)           | (291,456)           | (62,410)                  | 19,168                    | (334,698)           |
| Net Assets, Beginning of Year                       | 2,273,819           | 1,001,108                 | 686,147                   | 3,961,074           | 2,565,275           | 1,063,518                 | 666,979                   | 4,295,772           |
| Net Assets, End of Year                             | <u>\$ 1,916,199</u> | <u>\$ 886,306</u>         | <u>\$ 709,723</u>         | <u>\$ 3,512,228</u> | <u>\$ 2,273,819</u> | <u>\$ 1,001,108</u>       | <u>\$ 686,147</u>         | <u>\$ 3,961,074</u> |

The accompanying notes are an integral part of these financial statements

**MONTANA RESCUE MISSION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

|  | <u>Program Services</u>                             |                            | <u>Supporting Services</u>            |                    | <u>Total</u>        |
|--|---|----------------------------|---------------------------------------|--------------------|---------------------|
|  | <u>Men's and<br/>Women's Shelter<br/>Ministries</u> | <u>Bargain<br/>Centers</u> | <u>General and<br/>Administrative</u> | <u>Fundraising</u> |                     |
| Employee Expenses                                    |   |                            |                                       |                    |                     |
| Salaries and wages                                   | \$ 606,769  | \$ 645,359                 | \$ 345,403                            | \$ 160,585         | \$ 1,758,116        |
| Payroll taxes and workers'<br>compensation insurance | 66,226  | 69,172                     | 35,083                                | 20,135             | 190,616             |
| Employee benefits                                    | 78,173  | 72,909                     | 39,711                                | 6,692              | 197,485             |
| Total Employee Expenses                              | <u>751,168</u>                                      | <u>787,440</u>             | <u>420,197</u>                        | <u>187,412</u>     | <u>2,146,217</u>    |
| Other Expenses                                       |   |                            |                                       |                    |                     |
| Advertising  | -   | 9,771                      | 1,082                                 | 52,042             | 62,895              |
| Computer supplies and expenses                       | 22,181  | 4,246                      | 7,105                                 | 1,827              | 35,359              |
| Conferences and training                             | 5,081   | 1,126                      | 4,880                                 | 1,095              | 12,182              |
| Credit card processing fees                          | -   | 43,827                     | -                                     | 5,036              | 48,863              |
| Depreciation   | 94,567  | 31,056                     | 21,699                                | -                  | 147,322             |
| Dues and subscriptions                               | 7,584   | 4,278                      | 16,976                                | 7,718              | 36,556              |
| Insurance  | 19,368  | 16,351                     | 9,970                                 | -                  | 45,689              |
| Interest expense                                     | -   | -                          | 8,299                                 | -                  | 8,299               |
| Maintenance and repairs                              | 61,976  | 20,620                     | 6,922                                 | 3,129              | 92,647              |
| Other expenses                                       | 800   | 1,312                      | 4,998                                 | 1                  | 7,111               |
| Postage and delivery                                 | 1,330   | 2,129                      | 1,363                                 | 47,733             | 52,555              |
| Printing   | 268   | 1,995                      | 144                                   | 106,145            | 108,552             |
| Professional services                                | 1,004   | 6,583                      | 34,559                                | 14,835             | 56,981              |
| Lease expense  | 4,320   | 281,755                    | -                                     | -                  | 286,075             |
| Security   | 1,147   | 5,742                      | 482                                   | 1,140              | 8,511               |
| Special event expenses                               | 200   | 1,639                      | 2,046                                 | -                  | 3,885               |
| Special gifts and recognition                        | -   | -                          | 604                                   | -                  | 604                 |
| Supplies:  |   |                            |                                       |                    |                     |
| General  | 16,108  | 6,278                      | 2,287                                 | 108                | 24,781              |
| Food and kitchen                                     | 268,284   | -                          | -                                     | -                  | 268,284             |
| Minor equipment                                      | 451   | 245                        | 380                                   | -                  | 1,076               |
| Taxes, licenses and fees                             | 23,228  | 68,206                     | 6,497                                 | -                  | 97,931              |
| Temporary services                                   | 1,963   | 33,420                     | -                                     | -                  | 35,383              |
| Travel and meals                                     | -   | -                          | -                                     | 50                 | 50                  |
| Travel assistance                                    | 8,138   | -                          | -                                     | -                  | 8,138               |
| Utilities  | 79,273  | 65,752                     | 16,537                                | -                  | 161,562             |
| Vehicles   | 4,541   | 2,181                      | 15                                    | -                  | 6,737               |
| Total Other Expenses                                 | <u>621,812</u>                                      | <u>608,512</u>             | <u>146,845</u>                        | <u>240,859</u>     | <u>1,618,028</u>    |
| Total Expenses                                       | <u>\$ 1,372,980</u>                                 | <u>\$ 1,395,952</u>        | <u>\$ 567,042</u>                     | <u>\$ 428,271</u>  | <u>\$ 3,764,245</u> |

**MONTANA RESCUE MISSION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

|  | Program Services                           |                     | Supporting Services           |                   | Total               |
|--|--|---------------------|-------------------------------|-------------------|---------------------|
|  | Men's and<br>Women's Shelter<br>Ministries | Bargain<br>Centers  | General and<br>Administrative | Fundraising       |                     |
| Employee Expenses                                    |  |                     |                               |                   |                     |
| Salaries and wages                                   | \$ 611,034                                 | \$ 819,238          | \$ 380,326                    | \$ 89,689         | \$ 1,900,287        |
| Payroll taxes and workers'<br>compensation insurance | 75,053                                     | 102,466             | 38,383                        | 18,453            | 234,355             |
| Employee benefits                                    | 70,167                                     | 98,340              | 39,539                        | 6,968             | 215,014             |
| Total Employee Expenses                              | 756,254                                    | 1,020,044           | 458,248                       | 115,110           | 2,349,656           |
| Other Expenses                                       |  |                     |                               |                   |                     |
| Advertising  | 530  | 34,732              | 2,465                         | 23,697            | 61,424              |
| Computer supplies and expenses                       | 15,324                                     | 4,080               | 5,599                         | 2,056             | 27,059              |
| Conferences and training                             | 7,303                                      | 1,751               | 8,677                         | 5,071             | 22,802              |
| Credit card processing fees                          | -  | 45,823              | -                             | 4,477             | 50,300              |
| Depreciation   | 92,365                                     | 30,333              | 21,194                        | -                 | 143,892             |
| Dues and subscriptions                               | 6,978                                      | 3,089               | 12,922                        | 8,429             | 31,418              |
| Insurance  | 18,673                                     | 15,186              | 3,603                         | -                 | 37,462              |
| Interest expense                                     | -  | -                   | 8,896                         | -                 | 8,896               |
| Maintenance and repairs                              | 66,403                                     | 31,684              | 8,273                         | 4,173             | 110,533             |
| Other expenses                                       | -  | -                   | 383                           | -                 | 383                 |
| Postage and delivery                                 | 1,662                                      | 1,683               | 1,139                         | 38,671            | 43,155              |
| Printing   | 269  | 4,309               | 318                           | 125,309           | 130,205             |
| Professional services                                | -  | -                   | 25,804                        | 9,848             | 35,652              |
| Lease expense  | 4,320                                      | 265,092             | -                             | -                 | 269,412             |
| Residential benefits and supplies                    | 400  | -                   | -                             | -                 | 400                 |
| Security   | 1,742                                      | 6262                | 612                           | 1140              | 9,756               |
| Special event expenses                               | -  | -                   | 2,614                         | -                 | 2,614               |
| Special gifts and recognition                        | -  | 190                 | 104                           | -                 | 294                 |
| Supplies:  |  |                     |                               |                   |                     |
| General  | 12,427                                     | 6,881               | 3,076                         | 816               | 23,200              |
| Food and kitchen                                     | 306,270                                    | -                   | -                             | -                 | 306,270             |
| Minor equipment                                      | 2,132                                      | 1,839               | 145                           | -                 | 4,116               |
| Taxes, licenses and fees                             | 60,481                                     | 39,021              | 6,799                         | -                 | 106,301             |
| Temporary services                                   | -  | 27,289              | -                             | -                 | 27,289              |
| Travel and meals                                     | -  | -                   | 98                            | 17                | 115                 |
| Travel assistance                                    | 6,366                                      | -                   | -                             | -                 | 6,366               |
| Utilities  | 78,187                                     | 64,130              | 13,882                        | -                 | 156,199             |
| Vehicles   | 4,854                                      | 2,630               | 121                           | 379               | 7,984               |
| Total Other Expenses                                 | 686,686                                    | 586,004             | 126,724                       | 224,083           | 1,623,497           |
| Total Expenses                                       | <u>\$ 1,442,940</u>                        | <u>\$ 1,606,048</u> | <u>\$ 584,972</u>             | <u>\$ 339,193</u> | <u>\$ 3,973,153</u> |

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



**MONTANA RESCUE MISSION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

|   | 2016              | 2015              |
|---|-------------------|-------------------|
| Cash Flows From Operating Activities  |                   |                   |
| Change in net assets  | \$ (448,846)      | \$ (334,698)      |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                   |                   |
| Depreciation  | 147,322           | 143,892           |
| (Gain) disposal of property and equipment   | (13,761)          | -                 |
| Realized (gains) on investments   | (39,708)          | (21,750)          |
| Unrealized (gains) on investments   | 78,080            | 98,514            |
| Change in value of charitable remainder trusts  | 114,802           | 62,410            |
| Change in value of charitable gift annuities  | (14,796)          | 2,395             |
| Accounts payable  | (9,885)           | (25,973)          |
| Accrued liabilities   | (71,289)          | 59,155            |
| Accrued liability for compensated absences  | (55,039)          | 43,014            |
| Total Provided by (Used in) Operating Activities  | <u>(313,120)</u>  | <u>26,959</u>     |
| Cash Flows From Investing Activities  |                   |                   |
| Proceeds from the sale of property and equipment  | 110,011           | -                 |
| Purchase of property and equipment  | (115,945)         | (46,673)          |
| Proceeds from the sale of investments   | 343,330           | 813,486           |
| Purchase of investments   | <u>(51,575)</u>   | <u>(784,952)</u>  |
| Total (Used in) Investing Activities  | 285,821           | (18,139)          |
| Cash Flows From Financing Activities  |                   |                   |
| Repayment of principal on notes payable   | (11,997)          | (11,484)          |
| Payments on charitable gift annuities   | (744)             | (744)             |
| Proceeds from charitable gift annuities   | <u>1,486</u>      | <u>833</u>        |
| Total Provided by (Used in) Financing Activities  | <u>(11,255)</u>   | <u>(11,395)</u>   |
| Increase (Decrease) in Cash and Equivalents   | (38,554)          | (2,575)           |
| Cash and Equivalents - Beginning of Year  | <u>342,758</u>    | <u>345,333</u>    |
| Cash and Equivalents - End of Year  | <u>\$ 304,204</u> | <u>\$ 342,758</u> |
| Supplemental Information  |                   |                   |
| Cash paid during the year for interest  | <u>\$ 8,299</u>   | <u>\$ 8,896</u>   |

**MONTANA RESCUE MISSION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization and Purpose

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.*

Nature of Activities

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 two 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.

Basis of Accounting

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.

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

**MONTANA RESCUE MISSION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Basis of Accounting (Continued)

Temporarily restricted net assets – 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.

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 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 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.

**MONTANA RESCUE MISSION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**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, 2016, 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. |

**MONTANA RESCUE MISSION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**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     |

**MONTANA RESCUE MISSION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**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 Tax Matters

The Mission is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Mission complies with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740-10, relating to accounting for uncertain tax positions. ASC 740-10 prescribes a recognition threshold and measurement process for accounting for uncertain tax positions and also provides guidance on various related matters such as derecognition, interest, penalties and disclosures required. As of June 30, 2016 and 2015, the Mission had no uncertain tax positions requiring accrual.

**MONTANA RESCUE MISSION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 2. DEFERRED GIFT ANNUITIES**

The Mission accounts for deferred gift annuities as disclosed in Note 1. As of June 30, 2016 and 2015, the Mission was obligated under nineteen (19) and thirty-two (32) deferred gift annuities, respectively. The original date of the gift annuities range from December 27, 2000 through December 31, 2015 and the net present values were calculated utilizing discount rates ranging from 2.00% to 7.40%. One of the deferred gift 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 July 31, 2016 through December 31, 2049. The Mission will begin quarterly payment of \$1,410 beginning in July 2016.

**NOTE 3. RETIREMENT PLAN**

The Mission has adopted a retirement program under § 403 (b) of the Internal Revenue Code through Envoy Financial. 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 gross 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, 2016 and 2015 were \$15,731 and \$15,542, respectively.

**MONTANA RESCUE MISSION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 4. BENEFICIAL INTERESTS IN CHARITABLE REMAINDER TRUSTS**

As of June 30, 2016 and 2015, the Mission had been named as the beneficiary in several charitable remainder trusts. The charitable remainder trusts are valued as disclosed in Note 1.

|  | <u>June 30, 2016</u> | <u>June 30, 2015</u> |
|--|----------------------|----------------------|
| Trust A - Life beneficiary to receive 9.00% of annual trust value, distributed quarterly. Mission to receive one-half of remaining trust upon death of life beneficiary.               | \$ 705,077           | \$ 808,393           |
| 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. | 83,276               | 85,396               |
| 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.   | <u>97,953</u>        | <u>107,320</u>       |
|  | <u>\$ 886,306</u>    | <u>\$ 1,001,109</u>  |

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.



**MONTANA RESCUE MISSION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**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, 2016           |                         | June 30, 2015           |                         |
|---------------------|-------------------------|-------------------------|-------------------------|-------------------------|
|                     | <u>Cost</u>             | <u>Fair Value</u>       | <u>Cost</u>             | <u>Fair Value</u>       |
| Mutual Funds        | 1,156,246               | 1,242,123               | 1,382,502               | 1,572,322               |
| Government & Agency | <u>2,593</u>            | <u>3,010</u>            | <u>2,593</u>            | <u>2,938</u>            |
|                     | <u><u>1,158,839</u></u> | <u><u>1,245,133</u></u> | <u><u>1,385,095</u></u> | <u><u>1,575,260</u></u> |

Investment income for the years ended June 30, 2016 and 2015 consisted of the following:

|                               | June 30, 2016           | June 30, 2015           |
|-------------------------------|-------------------------|-------------------------|
| Interest and Dividends        | \$ 70,645               | \$ 104,933              |
| Realized gains (losses)       | 39,708                  | 21,750                  |
| Unrealized gains and (losses) | <u>(79,080)</u>         | <u>(98,514)</u>         |
|                               | <u><u>\$ 31,273</u></u> | <u><u>\$ 28,169</u></u> |

**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 made on December 15, 2012.

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, 2016 and 2015 was \$175,246 and \$187,243, respectively.

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

|       |                          |
|-------|--------------------------|
| 2017  | <u>175,246</u>           |
| Total | <u><u>\$ 175,246</u></u> |

**MONTANA RESCUE MISSION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 7. TEMPORARILY RESTRICTED NET ASSETS**

Temporary restrictions on net assets as of June 30, 2016 and 2015 related primarily to charitable remainder trust funds total \$886,306 and \$1,001,108, 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. INTERPRETAION OF RELEVANT LAWS**

Uniform Prudent Management of Institutional Funds Act (UPMIFA) (Montana Code Annotated [MCA] 72-30-101)

The Board of Trustees in consultation with its legal counsel determined it holds net assets that meet the definition of endowment funds under UPMIFA. As a result, the Mission classifies contributions made to endowment funds as permanently restricted net assets. The value is established on the date of the contribution. Earnings on endowment funds are classified as temporarily restricted net assets until appropriated for expenditure by the Mission unless required to be added to the corpus and then the earnings are classified as permanently restricted.

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. The Mission's investment and payout policies work together to achieve these objectives. The investment policy attempts to establish an achievable return objective through diversification of and prescribed allocation amounts assets classes, restrictions on asset quality, and limitations on concentrations of holdings by sector and company. To achieve its long-term rate-of-return objectives, the Mission relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and income (interest and dividends). The Mission's asset allocation places a greater emphasis on equity-based investments in order to achieve its long-term return objectives within prudent risk parameters.

The payout policy calculates the amount of money distributed annually from the Mission's endowed funds. The Mission has a policy for appropriating for expenditures no more than 80% of the dividend and interest income generated each year. The payout policy is subject to annual review and modification by the Board of Trustees. Changes in the payout policy are guided by the standards described in UPMIFA.

Qualified endowment credit (MCA 15-30-165)

Montana law provides for a tax credit against Montana income tax liability for individuals and businesses in exchange from planned gifts made by an individual tax payer to a qualified endowment or a direct gift made by a business to a qualified endowment.

Montana Charitable Gift Annuity Exemption Act (MCA 33-20-701)

Montana law requires charitable organizations that offer charitable gift annuities to meet certain requirements set forth by the Montana Insurance Commissioner. Annual registration is required.

**MONTANA RESCUE MISSION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 9. ENDOWMENT FUNDS**

Endowment net asset composition by type of fund consists of the following as of June 30, 2016:

|                                     | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>        |
|-------------------------------------|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Donor-restricted<br>endowment funds | \$ -                | \$ 886,306                        | \$ 709,723                        | \$ 1,596,029        |
| Board-designated<br>endowment funds | <u>535,410</u>      | <u>-</u>                          | <u>-</u>                          | <u>535,410</u>      |
| Total endowment<br>funds            | <u>\$ 535,410</u>   | <u>\$ 886,306</u>                 | <u>\$ 709,723</u>                 | <u>\$ 2,131,439</u> |

Endowment net asset composition by type of fund consists of the following as of June 30, 2015:

|                                     | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>        |
|-------------------------------------|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Donor-restricted<br>endowment funds | \$ -                | \$ 1,001,108                      | \$ 686,147                        | \$ 1,687,255        |
| Board-designated<br>endowment funds | <u>889,113</u>      | <u>-</u>                          | <u>-</u>                          | <u>889,113</u>      |
| Total endowment<br>funds            | <u>\$ 889,113</u>   | <u>\$ 1,001,108</u>               | <u>\$ 686,147</u>                 | <u>\$ 2,576,368</u> |

**MONTANA RESCUE MISSION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 9. ENDOWMENT FUNDS (Continued)**

Changes in endowment net assets for the year ending June 30, 2016 are as follows:

|  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>        |
|--|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Endowment net assets                   |                     |                                   |                                   |                     |
| June 30, 2015                          | \$ 889,113          | \$ 1,001,108                      | \$ 686,147                        | \$ 2,576,368        |
| Additions                              | -                   | -                                 | 23,576                            | 23,576              |
| Investment return:                     |                     |                                   |                                   |                     |
| Interest and dividends                 | 70,645              | -                                 | -                                 | 70,645              |
| Net realized and<br>unrealized gains   | (39,372)            | (114,802)                         | -                                 | (154,174)           |
| Appropriation of<br>endowment assets   | (384,976)           | -                                 | -                                 | (384,976)           |
| Endowment net assets,<br>June 30, 2016 | <u>\$ 535,410</u>   | <u>\$ 886,306</u>                 | <u>\$ 709,723</u>                 | <u>\$ 2,131,439</u> |

Changes in endowment net assets for the year ending June 30, 2015 are as follows:

|  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>        |
|--|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Endowment net assets                   |                     |                                   |                                   |                     |
| June 30, 2014                          | \$ 1,013,579        | \$ 1,063,518                      | \$ 666,979                        | \$ 2,744,076        |
| Additions                              | -                   | -                                 | 19,168                            | 19,168              |
| Investment return:                     |                     |                                   |                                   |                     |
| Interest and dividends                 | 104,825             | -                                 | -                                 | 104,825             |
| Net realized and<br>unrealized gains   | (76,764)            | (62,410)                          | -                                 | (139,174)           |
| Appropriation of<br>endowment assets   | (152,527)           | -                                 | -                                 | (152,527)           |
| Endowment net assets,<br>June 30, 2015 | <u>\$ 889,113</u>   | <u>\$ 1,001,108</u>               | <u>\$ 686,147</u>                 | <u>\$ 2,576,368</u> |

**MONTANA RESCUE MISSION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 10. 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, 2016:

|                     | <u>Fair Value Measurements</u> |                |                | <u>Total</u>        |
|---------------------|--------------------------------|----------------|----------------|---------------------|
|                     | <u>Level 1</u>                 | <u>Level 2</u> | <u>Level 3</u> |                     |
| Government & agency | \$ 3,010                       | \$ -           | \$ -           | \$ 3,010            |
| Mutual funds        | 1,242,123                      | -              | -              | 1,242,123           |
| Total               | <u>\$ 1,245,133</u>            | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ 1,245,133</u> |

Investments are carried at fair value and consist of the following as of June 30, 2015:

|                     | <u>Fair Value Measurements</u> |                |                | <u>Total</u>        |
|---------------------|--------------------------------|----------------|----------------|---------------------|
|                     | <u>Level 1</u>                 | <u>Level 2</u> | <u>Level 3</u> |                     |
| Government & agency | \$ 2,938                       | \$ -           | \$ -           | \$ 2,938            |
| Mutual funds        | 1,572,322                      | -              | -              | 1,572,322           |
| Total               | <u>\$ 1,575,260</u>            | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ 1,575,260</u> |

**NOTE 11. LEASE OBLIGATIONS**

Effective April 1, 2011 the Mission entered into a five (5) year lease agreement for its Heights Bargain Center. The lease called for monthly payments of \$9,697 until April 1, 2016. On April 1, 2016, the Mission agreed to extend its lease for the Heights Bargain Center for an additional two (2) years, which calls for monthly rental payments of \$10,390. 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, 2016 and 2015 was \$118,443 and \$116,367, respectively.

**MONTANA RESCUE MISSION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 11. 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. On July 1, 2015, the Organization renewed the lease for another five (5) year term calling for lease payments of \$13,310 per month. 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, 2016 and 2015 was \$159,720 and \$145,200, respectively.

In addition, the Mission leases warehouse, parking and other miscellaneous leases on a month-to-month basis. Total rent expense for those leases included in the statement of activities for the years ended June 30, 2016 and 2015 was \$7,912 and \$7,848, respectively.

Future minimum rental payments are:

| <u>Year</u> |                          |
|-------------|--------------------------|
| 2017        | 284,400                  |
| 2018        | 263,620                  |
| 2019        | 159,720                  |
| 2020        | <u>159,720</u>           |
| Total       | <u><u>\$ 867,460</u></u> |

**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, 2016 and 2015 were \$6,542 and \$27,259, 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.

**MONTANA RESCUE MISSION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**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.

The Mission has evaluated subsequent events through November 28, 2016, which is the date the financial statements were available to be issued.