



**MONTANA RESCUE MISSION, INC.
FINANCIAL STATEMENTS
JUNE 30, 2015 and 2014**

KEVIN T. KING & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANT

MONTANA RESCUE MISSION, INC.

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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, 2015 and 2014, 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, 2015 and 2014, 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 30, 2015

**MONTANA RESCUE MISSION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014**

ASSETS		
	2015	2014
Current Assets		
Cash and cash equivalents	\$ 342,758	\$ 345,333
Total Current Assets	342,758	345,333
Property and Equipment		
Land	286,457	286,457
Buildings and improvements	2,709,153	2,683,337
Equipment, furniture and fixtures	646,536	625,680
Vehicles	79,046	94,046
Subtotal	3,721,192	3,689,520
Accumulated Depreciation	(2,084,312)	(1,955,421)
Total Property and Equipment	1,636,880	1,734,099
Other Assets		
Beneficial interest in charitable remainder trusts	1,001,108	1,063,518
Investments	1,575,260	1,680,558
Deposits	25,532	25,532
Total Other Assets	2,601,900	2,769,608
Total Assets	\$ 4,581,538	\$ 4,849,040
LIABILITIES AND NET ASSETS		
	2015	2014
Current Liabilities		
Current maturities of deferred gift annuities	\$ 744	\$ 744
Current maturities of long-term debt	10,727	10,727
Accounts payable	60,645	86,618
Accrued liabilities	157,853	98,698
Accrued liability for compensated absences	165,478	122,464
Total Current Liabilities	395,447	319,251
Long-Term Liabilities		
Deferred gift annuities, net of current maturities	48,501	46,017
Notes payable, net of current maturities	176,516	188,000
Total Long-Term Liabilities	225,017	234,017
Total Liabilities	620,464	553,268
Net Assets		
Unrestricted	2,273,819	2,565,275
Temporarily restricted	1,001,108	1,063,518
Permanently restricted	686,147	666,979
Total Liabilities and Net Assets	\$ 4,581,538	\$ 4,849,040

The accompanying notes are an integral part of these financial statements

**MONTANA RESCUE MISSION
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support, Revenue and Reclassifications								
Contributions	\$ 1,429,270	\$ -	\$ 19,168	\$ 1,448,438	\$ 1,494,946	\$ -	\$ 67,515	\$ 1,562,461
Bargain center revenue	1,870,064			1,870,064	2,018,562	-	-	2,018,562
Gifts in-kind	274,859	-	-	274,859	210,438	-	-	210,438
Investment income	28,169	-	-	28,169	228,331	-	-	228,331
Building rent	-	-	-	-	-	-	-	-
Other income (losses)	80,030	-	-	80,030	85,368	-	-	85,368
Special events	1,700	-	-	1,700	27,972	-	-	27,972
Change in value of charitable remainder trusts	-	(62,410)	-	(62,410)	-	5,267	-	5,267
Change in value of deferred annuities	(2,395)	-	-	(2,395)	(2,083)	-	-	(2,083)
Net assets released from restrictions:								
Satisfaction of purpose restrictions	-	-	-	-	-	-	-	-
Total Support, Revenue and Reclassifications	3,681,697	(62,410)	19,168	3,638,455	4,063,534	5,267	67,515	4,136,316
Expenses								
Program Expenses								
Men's and Women's Shelter Ministries	1,442,940	-	-	1,442,940	1,308,130	-	-	1,308,130
Bargain Centers	1,606,048	-	-	1,606,048	1,772,081	-	-	1,772,081
Total Program Services	3,048,988	-	-	3,048,988	3,080,211	-	-	3,080,211
Support Expenses								
General and Administrative	584,972	-	-	584,972	498,140	-	-	498,140
Fundraising	339,193	-	-	339,193	448,496	-	-	448,496
Total Support Expenses	924,165	-	-	924,165	946,636	-	-	946,636
Total Expenses	3,973,153	-	-	3,973,153	4,026,847	-	-	4,026,847
Change in Net Assets	(291,456)	(62,410)	19,168	(334,698)	36,687	5,267	67,515	109,469
Net Assets, Beginning of Year	2,565,275	1,063,518	666,979	4,295,772	2,528,588	1,058,251	599,464	4,186,303
Net Assets, End of Year	<u>\$ 2,273,819</u>	<u>\$ 1,001,108</u>	<u>\$ 686,147</u>	<u>\$ 3,961,074</u>	<u>\$ 2,565,275</u>	<u>\$ 1,063,518</u>	<u>\$ 666,979</u>	<u>\$ 4,295,772</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, 2015

	Program Services		Supporting Services		Total
	Men's and Women's Shelter Ministries	Bargain Centers	General and Administrative	Fundraising	
Employee Expenses					
Salaries and wages	\$ 611,034	\$ 819,238	\$ 380,326	\$ 89,689	\$ 1,900,287
Payroll taxes and workers' 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	6,262	612	1,140	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>

MONTANA RESCUE MISSION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Men's and Women's Shelter Ministries</u>	<u>Bargain Centers</u>	<u>General and Administrative</u>	<u>Fundraising</u>	
Employee Expenses					
Salaries and wages	\$ 597,402	\$ 902,467	\$ 279,754	\$ 141,860	\$ 1,921,483
Payroll taxes and workers' compensation insurance	86,544	100,693	36,045	14,279	237,561
Employee benefits	42,376	103,083	39,170	17,112	201,741
Total Employee Expenses	726,322	1,106,243	354,969	173,251	2,360,785
Other Expenses					
Advertising	1,671	39,718	318	51,153	92,860
Computer supplies and expenses	13,772	3,500	8,165	4,580	30,017
Conferences and training	8,470	688	7,893	4,680	21,731
Credit card processing fees	-	47,993	-	4,690	52,683
Depreciation	85,159	27,966	19,541	-	132,666
Dues and subscriptions	5,605	3,364	6,802	9,823	25,594
Insurance	19,039	11,196	2,131	-	32,366
Interest expense	0	0	9,319	-	9,319
Maintenance and repairs	50,858	31,252	11,559	7,087	100,756
Other expenses	26	1,537	878	-	2,441
Postage and delivery	718	4,532	944	30,991	37,185
Printing	358	3,529	439	90,841	95,167
Professional services	15,375	3,806	32,982	39,705	91,868
Lease expense	1,440	264,867	-	-	266,307
Residential benefits and supplies	464	-	-	-	464
Security	2,099	5667	8,276	0	16,042
Special event expenses	-	-	2,559	27975	30,534
Special gifts and recognition	-	663	1,381	442	2,486
Supplies:					
General	18,043	11,127	2,681	2,152	34,003
Food and kitchen	232,505	-	-	-	232,505
Minor equipment	4,539	749	3,367	-	8,655
Taxes, licenses and fees	6,735	84,776	6,120	164	97,795
Telephone	-	-	387	-	387
Temporary services	3,988	28,802	395	-	33,185
Travel and meals	-	-	154	63	217
Travel assistance	6,182	-	-	-	6,182
Utilities	97,488	85,777	16,873	-	200,138
Vehicles	7,274	4,329	7	899	12,509
Total Other Expenses	581,808	665,838	143,171	275,245	1,666,062
Total Expenses	\$ 1,308,130	\$ 1,772,081	\$ 498,140	\$ 448,496	\$ 4,026,847

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

**MONTANA RESCUE MISSION
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	2015	2014
Cash Flows From Operating Activities		
Change in net assets	\$ (334,698)	\$ 109,469
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	143,892	132,666
(Gain) disposal of property and equipment	-	-
Realized (gains) on investments	(21,750)	(1,689)
Unrealized (gains) on investments	98,514	(160,306)
Change in value of charitable remainder trusts	62,410	(5,267)
Change in value of charitable gift annuities	2,395	2,083
Accounts receivable - other	-	250
Accounts payable	(25,973)	7,938
Accrued liabilities	59,155	4,510
Accrued liability for compensated absences	43,014	(63,765)
Total Provided by (Used in) Operating Activities	<u>26,959</u>	<u>25,889</u>
Cash Flows From Investing Activities		
Purchase of property and equipment	(46,673)	(220,315)
Proceeds from the sale of investments	813,486	3,041
Purchase of investments	<u>(784,952)</u>	<u>(65,840)</u>
Total (Used in) Investing Activities	(18,139)	(283,114)
Cash Flows From Financing Activities		
Repayment of principal on notes payable	(11,484)	(10,976)
Payments on charitable gift annuities	(744)	(744)
Proceeds from charitable gift annuities	<u>833</u>	<u>7,984</u>
Total Provided by (Used in) Financing Activities	<u>(11,395)</u>	<u>(3,736)</u>
Increase (Decrease) in Cash and Equivalents	(2,575)	(260,961)
Cash and Equivalents - Beginning of Year	<u>345,333</u>	<u>606,294</u>
Cash and Equivalents - End of Year	<u>\$ 342,758</u>	<u>\$ 345,333</u>
Supplemental Information		
Cash paid during the year for interest	<u>\$ 8,896</u>	<u>\$ 9,319</u>

MONTANA RESCUE MISSION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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 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.

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.

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, 2015 AND 2014

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 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.

MONTANA RESCUE MISSION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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, 2015, 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, 2015 AND 2014

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, 2015 AND 2014

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.

MONTANA RESCUE MISSION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Uncertain Tax Positions (Continued)

The Mission's evaluation on June 30, 2015 revealed no uncertain tax positions that would have a material impact on the financial statements. The June 30, 2012 through June 30, 2015 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. DEFERRED GIFT ANNUITIES

The Mission accounts for deferred gift annuities as disclosed in Note 1. As of June 30, 2015 and 2014, the Mission was obligated under thirty-two (32) and thirty-one (31) deferred gift annuities, respectively. The original date of the gift annuities range from December 27, 2000 through December 31, 2014 and the net present values were calculated utilizing discount rates ranging from 2.20% 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 December 31, 2021 through December 31, 2049.

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, 2015 and 2014 were \$15,542 and \$18,846, respectively.

MONTANA RESCUE MISSION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 4. BENEFICIAL INTERESTS IN CHARITABLE REMAINDER TRUSTS

As of June 30, 2015 and 2014, 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, 2015</u>	<u>June 30, 2014</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.	\$ 808,393	\$ 863,641
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.	85,396	88,863
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>107,320</u>	<u>111,014</u>
	<u>\$ 1,001,109</u>	<u>\$ 1,063,518</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, 2015 AND 2014

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, 2015		June 30, 2014	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Mutual Funds	1,382,502	1,572,322	1,405,534	1,677,679
Government & Agency	<u>2,593</u>	<u>2,938</u>	<u>2,593</u>	<u>2,879</u>
	<u><u>1,385,095</u></u>	<u><u>1,575,260</u></u>	<u><u>1,408,127</u></u>	<u><u>1,680,558</u></u>

Investment income for the years ended June 30, 2015 and 2014 consisted of the following:

	June 30, 2015	June 30, 2014
Interest and Dividends	\$ 104,933	\$ 65,985
Realized gains (losses)	21,750	1,689
Unrealized gains and (losses)	<u>(98,514)</u>	<u>160,306</u>
	<u><u>\$ 28,169</u></u>	<u><u>\$ 227,980</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, 2015 and 2014 was \$187,243 and \$198,727, respectively.

MONTANA RESCUE MISSION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 6. CREDIT ARRANGEMENTS AND FINANCING ACTIVITIES (Continued)

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

2016	11,379
2017	<u>175,864</u>
Total	<u><u>\$ 187,243</u></u>

NOTE 7. TEMPORARILY RESTRICTED NET ASSETS

Temporary restrictions on net assets as of June 30, 2015 and 2014 related primarily to charitable remainder trust funds total \$1,001,108 and \$1,063,518, 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.

MONTANA RESCUE MISSION, INC.
NOTES TO THE FINANCIAL STATEMENTS
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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, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,001,108	\$ 686,147	\$ 1,687,255
Board-designated endowment funds	<u>889,113</u>	<u>-</u>	<u>-</u>	<u>889,113</u>
Total endowment 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, 2015 AND 2014

NOTE 8. PERMANENTLY RESTRICTED NET ASSETS (Continued)

Endowment net asset composition by type of fund consists of the following as of June 30, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,063,518	\$ 666,979	\$ 1,730,497
Board-designated endowment funds	<u>1,013,579</u>	<u>-</u>	<u>-</u>	<u>1,013,579</u>
Total endowment funds	<u>\$ 1,013,579</u>	<u>\$ 1,063,518</u>	<u>\$ 666,979</u>	<u>\$ 2,744,076</u>

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently 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 unrealized gains	(76,764)	(62,410)	-	(139,174)
Appropriation of endowment assets	<u>(152,527)</u>	<u>-</u>	<u>-</u>	<u>(152,527)</u>
Endowment net assets, 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, 2015 AND 2014

NOTE 8. PERMANENTLY RESTRICTED NET ASSETS (Continued)

Changes in endowment net assets for the year ending June 30, 2014 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets				
June 30, 2013	\$ 856,300	\$ 1,058,251	\$ 599,464	\$ 2,514,015
Additions	-	-	67,515	67,515
Investment return:				
Interest and dividends	65,985	-	-	65,985
Net realized and unrealized gains	160,306	5,267	-	165,573
Appropriation of endowment assets	<u>(69,012)</u>	<u>-</u>	<u>-</u>	<u>(69,012)</u>
Endowment net assets, June 30, 2014	<u>\$ 1,013,579</u>	<u>\$ 1,063,518</u>	<u>\$ 666,979</u>	<u>\$ 2,744,076</u>

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.

MONTANA RESCUE MISSION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 9. FAIR VALUE MEASUREMENTS (Continued)

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	<u>1,572,322</u>	<u>-</u>	<u>-</u>	<u>1,572,322</u>
Total	<u>\$ 1,575,260</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,575,260</u>

Investments are carried at fair value and consist of the following as of June 30, 2014:

	<u>Fair Value Measurements</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Government & agency	\$ 2,879	\$ -	\$ -	\$ 2,879
Mutual funds	<u>1,677,679</u>	<u>-</u>	<u>-</u>	<u>1,677,679</u>
Total	<u>\$ 1,680,558</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,680,558</u>

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, 2015 and 2014 was and \$116,367 each year.

MONTANA RESCUE MISSION, INC.
NOTES TO THE FINANCIAL STATEMENTS
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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. On July 1, 2015, the Organization renewed the lease for another 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, 2015 and 2014 was \$145,200 each year.

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, 2015 and 2014 was \$7,848 and \$4,740, respectively.

Future minimum rental payments are:

<u>Year</u>	
2016	246,933
2017	159,720
2018	159,720
2019	159,720
2020	<u>159,720</u>
Total	<u><u>\$ 885,813</u></u>

NOTE 11. 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, 2015 and 2014 were \$27,259 and \$18,650, 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.
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NOTE 12. 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 13. 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 30, 2015, which is the date the financial statements were available to be issued.