



Financial Statements
June 30, 2017



Phoenix Rescue Mission™

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Independent Auditor's Report

The Board of Directors
Phoenix Gospel Mission, Inc. dba Phoenix Rescue Mission
Phoenix, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of Phoenix Gospel Mission, Inc. dba Phoenix Rescue Mission (the Mission), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 the Mission as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Eide Bailly LLP".

Phoenix, Arizona
October 30, 2017

Phoenix Gospel Mission, Inc. dba
Phoenix Rescue Mission
Statement of Financial Position
June 30, 2017

Current Assets	
Cash and cash equivalents	\$ 6,961,082
Current portion of promises to give	31,100
Inventories	34,333
Prepaid expenses and other current assets	119,121
Total current assets	7,145,636
Promises to Give, Less Current Portion	46,726
Investments	869,067
Assets Held Under Split-Interest Agreements	219,273
Property and Equipment, Net	13,960,906
Other	101,907
Total assets	\$ 22,343,515
Liabilities and Net Assets	
Current Liabilities	
Accounts payable	\$ 159,121
Accrued expenses and other liabilities	313,383
Current portion of liabilities under split interest agreements	13,198
Current portion of notes payable	196,870
Total current liabilities	682,572
Liabilities Under Split Interest Agreements, Less Current Maturities	102,956
Notes Payable, Less Current Portion	3,900,097
Other	80,720
Total liabilities	4,766,345
Net Assets	
Board designated operating reserves - unrestricted	3,616,022
Board designated endowment fund - unrestricted	869,067
Unrestricted	12,825,186
Total unrestricted net assets	17,310,275
Temporarily restricted	266,895
Total net assets	17,577,170
Total liabilities and net assets	\$ 22,343,515

Phoenix Gospel Mission, Inc. dba
Phoenix Rescue Mission
Statement of Activities
Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
Support and Revenue			
Contributions	\$ 9,782,618	\$ 146,147	\$ 9,928,765
Government grants and contracts	181,538	155,306	336,844
Donated supplies and services	4,903,281	-	4,903,281
Program service fees	464,309	-	464,309
Social enterprise revenue	83,930	-	83,930
Other income	124,914	-	124,914
Total support and revenue before net assets released from restriction	15,540,590	301,453	15,842,043
Net assets released from restrictions	125,626	(125,626)	-
Total support and revenue	15,666,216	175,827	15,842,043
Functional Expenses			
Program services	10,002,611	-	10,002,611
Supporting services			
Fundraising	3,158,454	-	3,158,454
Management and general	807,873	-	807,873
Total supporting services	3,966,327	-	3,966,327
Total functional expenses	13,968,938	-	13,968,938
Change in Net Assets	1,697,278	175,827	1,873,105
Net Assets, Beginning of Year	15,612,997	91,068	15,704,065
Net Assets, End of Year	\$ 17,310,275	\$ 266,895	\$ 17,577,170

Phoenix Gospel Mission, Inc. dba
Phoenix Rescue Mission
Statement of Functional Expenses
Year Ended June 30, 2017

	Program Services	Fundraising	Management and General	Total
Staff Salaries	\$ 2,452,873	\$ 845,276	\$ 410,158	\$ 3,708,307
Payroll Taxes and Employee Benefits	583,107	184,203	79,733	847,043
Total payroll costs	3,035,980	1,029,479	489,891	4,555,350
Professional Fees	5,862	217,018	216,674	439,554
Office Expenses	112,675	125,105	48,698	286,478
Technology	97,301	55,838	14,018	167,157
Occupancy	550,572	4,566	9,219	564,357
Vehicle and Travel	78,932	21,820	5,349	106,101
Insurance	77,150	730	21,714	99,594
Promotion and Fundraising	-	1,678,585	-	1,678,585
Direct Program Supplies and Other	838,417	-	-	838,417
Interest	225,885	4,353	-	230,238
Miscellaneous	59	8,396	36	8,491
Total expenses before donated supplies and depreciation and amortization	5,022,833	3,145,890	805,599	8,974,322
Donated Food and Supplies	4,274,342	-	-	4,274,342
Depreciation and Amortization	705,436	12,564	2,274	720,274
Total expenses	<u>\$ 10,002,611</u>	<u>\$ 3,158,454</u>	<u>\$ 807,873</u>	<u>\$ 13,968,938</u>

Phoenix Gospel Mission, Inc. dba
Phoenix Rescue Mission
Statement of Cash Flows
Year Ended June 30, 2017

Operating Activities	
Change in net assets	\$ 1,873,105
Adjustments to reconcile change in net assets to net cash for operating activities	
Gain on disposal of assets	(7,936)
Depreciation and amortization	720,274
Donated property and equipment	269,306
Realized and unrealized gain on board-designated endowment investments	(44,604)
Change in value of split interest agreements	(21,031)
Contributions received under split-interest agreements	(55,264)
Changes in operating assets and liabilities	
Estate receivable	85,000
Promises to give	81,107
Inventory	(26,638)
Prepaid expenses and other current assets	(21,410)
Other long-term assets	(24,360)
Accounts payable	(26,695)
Accrued expenses and other liabilities	65,932
Other long-term liabilities	24,360
Net Cash from Operating Activities	<u>2,891,146</u>
Investing Activities	
Purchases of property and equipment	(708,317)
Proceeds from sale of property and equipment	13,111
Net (additions to) withdrawals of assets held under split-interest agreements	(142,978)
Additions to board-designated endowment fund	(238,901)
Net Cash used for Investing Activities	<u>(1,077,085)</u>
Financing Activities	
Payments on notes payable	(118,882)
Proceeds from establishment of split-interest agreements	83,236
Payments to beneficiaries of split interest agreements	(5,084)
Net Cash used for Financing Activities	<u>(40,730)</u>
Net Increase in Cash and Cash Equivalents	1,773,331
Cash and Cash Equivalents, Beginning of Year	<u>5,187,751</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 6,961,082</u></u>
Supplemental Disclosure of Cash Flow Information	
Cash paid for interest	\$ 230,238
Donated property and equipment	269,306

Note 1 - Nature of Operations and Significant Accounting Policies

Mission and Nature of Operations

Phoenix Gospel Mission, Inc. dba Phoenix Rescue Mission (the Mission) is an Arizona non-profit corporation incorporated in May 1954. The Mission's purpose is to provide physical care, mental support, and spiritual guidance to men, women, and children who are destitute, homeless, or at risk of becoming homeless. Services include homeless emergency services, family and community outreach, vocational development and an addiction recovery program.

Homeless emergency services consist of on-site, hot meals three times a day, 365 days a year, to men, women, and children. Showers, clean clothing, chapel services, and counseling are available to anyone in need. Emergency shelter beds are accessible for men every night. Caseworkers in the shelter assist men with spiritual needs as well as day and permanent employment.

Family and community outreach helps families and individuals with basic needs. Special yearly events for Easter, back-to-school, Thanksgiving, and Christmas provide working poor families with new clothing and holiday meals. Outreach to the homeless in the local area consists of delivering food, water, Bibles, and encouragement.

The Changing Lives Center for Women and Children provides physical care, counseling, and spiritual guidance to women and their children who are homeless and struggle with physical addiction, abuse, and despair.

The Men's and Women's Addiction Recovery Program is a structured, 12 to 18 month Christ-centered process that helps them change their lives by dealing with their addictions using Christian principles. The program includes counseling, educational evaluation and advancement, Bible studies, as well as job search at the completion of the program. Upon graduation, they have the tools to hold a job in order to re-enter society as a contributing member in the local community and church.

In July 2016, the Mission started a Rescue Assess Place Unit (RAP). RAP is a maximum 7-day Christ-centered residential program for men, women, and mothers with children facing homelessness and seeking recovery from addiction or other life-controlling problems. RAP meets basic needs, builds relationships, provides opportunity for Christian growth, and assesses clients in order to place them in the appropriate solution pathway.

The Mission started a vocational development program, an eight month course designed to get participants back on their feet. Vocational programs include Mission Cookies and Mission Catering.

Concentrations of Credit Risk

The Mission maintains its cash accounts in various deposit accounts, the balances of which are periodically in excess of federally-insured limits.

Cash and Cash Equivalents

The Mission considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building project, permanent endowment, or other long-term purposes are excluded from this definition.

Promises to Give

Unconditional promises to give expected to be collected within one year at net realizable value. Unconditional promises to give that are expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The Organization determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. Management has made the assertion that no allowance is needed as of June 30, 2017.

Inventories

Donated inventories are stated at the estimated fair value per pound as determined by Feeding America and the Nation's Food Bank Network, a national association of food banks which provides assistance and valuation of food and grocery products. Inventory consists of donated food and goods that have not been distributed to one of the Mission's programs. In 2017, donated food is valued at \$1.52 per pound, donated water is valued at \$0.58 per pound, donated household goods are valued at \$2.67 per pound, health and beauty valued at \$33.01 per pound and donated clothing is valued at \$11.49 per pound.

Property and Equipment

Property and equipment additions over \$5,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. For the year ended June 30, 2017, there were no indicators of asset impairment.

Assets Held and Liabilities under Split-Interest Agreements

Charitable Gift Annuities

Under charitable gift annuity contracts, the Mission receives immediate and unrestricted title to contributed assets and agree to make fixed recurring payments over the stipulated period. Contributed assets are recorded at fair value on the date of receipt. The related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discounts rate designed to reflect the assumptions market participants would use in pricing the liability. The excess of contributed assets over the annuity liability is recorded as an unrestricted contribution. Upon termination of the annuity contract, the remaining liability is removed and recognized as income.

Investments

The Mission records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at fair value in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets available for use in general operations. Unrestricted board-designated net assets consist of net assets designated by the Board of Directors for operating reserve and board-designated endowment.

Temporarily Restricted Net Assets – Net assets subject to donor restrictions that may or will be met by expenditures or actions and/or the passage of time, and certain income earned on permanently restricted net assets that has not yet been appropriated for expenditure by our Board of Directors.

The Mission reports contributions as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose 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.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to the Mission's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received (Note 10).

Advertising Costs

Advertising costs are expensed as incurred, and approximated \$53,487 during the year ended June 30, 2017.

Income Taxes

The Mission is organized as an Arizona non-profit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contribution deduction under Section 170, and has been determined not to be a private foundation under Section 509(a)(1). The Mission is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Mission is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. The Mission has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Mission believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The entity would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying statement of functional expenses. Direct identifiable expenses are charged to program or supporting services. Expenses related to more than one function are charged to program and supporting services based on square footage or some other meaningful measurement.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

Note 2 - Fair Value Measurements and Disclosures

The Mission reports certain assets and liabilities at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Mission can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Mission develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk or liquidity profile of the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk or liquidity profile of the asset or liability.

The Mission’s investment assets are classified within Level 1 because they are comprised of open-end mutual funds with readily determinable fair values based on daily redemption values.

The following table presents assets measured at fair value on a recurring basis at June 30, 2017:

Assets	Total	Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Board-designated endowment investments				
Balanced equity mutual funds	\$ 869,067	\$ 869,067	\$ -	\$ -
	<u>\$ 869,067</u>	<u>\$ 869,067</u>	<u>\$ -</u>	<u>\$ -</u>

Note 3 - Net Investment Return

Net investment return consists of the following for the year ended June 30, 2017:

Board-designated endowment investments	
Interest and dividends	\$ 30,643
Net realized and unrealized gain	44,604
Less investment management and custodial fees	<u>(7,013)</u>
	<u>\$ 68,234</u>

Note 4 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2017:

Within one year	\$ 31,100
In one to five years	36,900
Thereafter	<u>19,574</u>
	87,574
Less discount to net present value at 5.5%	<u>(9,748)</u>
Promises to give, net	<u>\$ 77,826</u>

Note 5 - Property and Equipment

Property and equipment consisted of the following at June 30, 2017:

Cost and donated value	
Land	\$ 1,383,741
Buildings and improvements	15,663,052
Furniture and equipment	1,169,337
Vehicles	272,053
Construction in process	<u>78,632</u>
Total cost and donated value	18,566,815
Less accumulated depreciation	<u>(4,605,909)</u>
Property and equipment, net	<u>\$ 13,960,906</u>

Note 6 - Notes Payable

Notes payable consisted of the following at June 30, 2017:

Mortgage payable, collateralized by real property, payable in monthly installments of \$3,731, including interest of 3.94% with a final balloon payment of \$529,384 due upon maturity in December 2020. Loan and regulatory agreements restrict the use of the property in a manner consistent with the Mission's current programs.	\$ 606,418
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Mortgage payable, collateralized by real property, payable in monthly installments of \$25,003, including interest of 5.6% with a final balloon payment of \$3,491,000 due upon maturity in July 2017. Loan and regulatory agreements restrict the use of the property in a manner consistent with the Mission's current programs. The note was refinanced on July 10, 2017, payable in monthly installments of \$25,293, including interest of 3.6% with a final balloon payment of \$2,127,999 due upon maturity in July 2024.	3,490,549
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Less current maturities	4,096,967 <u>(196,870)</u>
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Total notes payable	<u>\$ 3,900,097</u>
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Future maturities of notes payable, after consideration of refinancing of mortgage payable noted above, are as follows:

Years ending June 30,		
2018	\$	196,870
2019		207,054
2020		214,745
2021		739,045
2022		206,301
Thereafter		<u>2,532,952</u>
Total annual debt maturities	\$	<u>4,096,967</u>

Note 7 - Leases

The Mission leases office equipment under various short and long-term leases. The leases expire at various dates through 2022.

Future minimum lease payments are as follows:

Years Ending December 31,	Operating Leases
2018	\$ 24,301
2019	14,033
2020	3,624
2021	3,624
2022	1,812
Total minimum lease payments	\$ 47,394

Total lease expense for the year ended June 30, 2017 totaled \$45,877.

Note 8 - Endowments

The Mission’s REACH endowment fund includes certain unrestricted net assets designated for endowment by the Board of Directors. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The purpose of the REACH endowment fund is to provide sustained funding to the Mission’s community outreach programs. These programs exist to serve the needs of homeless individuals, at-risk families, and at-risk elderly shut-ins through a variety of outreach services and activities. These services include the Hope Coach street outreach program to the homeless, distribution of food boxes, and other assistance to at-risk families and elderly shut-ins, and specific outreach activities benefiting pre-school and school-age children and youth who are at-risk.

As of June 30, 2017, the Mission had the following endowment net asset composition by type of fund:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated endowment fund	\$ 869,067	\$ -	\$ -	\$ 869,067

Investment and Spending Policy

The Mission has adopted investment and spending policies for the Board-designated endowment that attempts to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the Board-designated endowment assets. Over time, long-term rates of return should provide a relatively predictable and stable payout stream that increases over time at least as much as the general rate of inflation, and to achieve growth of the corpus that increases over time at least as much as the general rate of inflation. Actual returns in any given year may vary from this amount. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A significant portion of the funds are invested to seek growth of principal over time.

No more than one distribution per year will be taken from the Board-designated endowment. Distributions will be computed as a percentage of the total value of assets, based upon the aggregate value of all assets of the Board-designated endowment as of the last day of June. Contributions made to the Board-designated endowment during the last six months of the fiscal year, shall be excluded from the aggregate value including appreciation or depreciation of such assets. The Mission uses an endowment spending-rate formula to determine the maximum amount to spend from the Board-designated endowment each year. The rate, determined and adjusted from time to time by the Board of Directors, is applied to the aggregate value of all assets of the endowment as of the last day of June. Contributions made to the endowment during the last six months of the fiscal year, shall be excluded from the aggregate value including appreciation or depreciation of such assets. It is the intent of the Mission that no distributions will be made until the Board-designated endowment reaches total assets of more than \$1,000,000. In establishing this policy, the Mission considered the long-term expected return on the Board-designated endowment, and set the rate with the objective of maintaining the purchasing power of the Board-designated endowment over time.

Changes in Board-designated endowment net assets for the year ended June 30, 2017 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 585,562	\$ -	\$ -	\$ 585,562
Investment return				
Investment income, net of fees	23,630	-	-	23,630
Net realized and unrealized gain	44,604	-	-	44,604
	<u>68,234</u>	<u>-</u>	<u>-</u>	<u>68,234</u>
Contributions	<u>215,271</u>	<u>-</u>	<u>-</u>	<u>215,271</u>
Endowment net assets, end of year	<u>\$ 869,067</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 869,067</u>

Note 9 - Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2017 consisted of:

Time restrictions		
Promises to give	\$	12,500
Purpose restrictions		
Alumni Funds		540
2016 Movement Mortgage Water		32
2017 Movement Mortgage Water		30,727
Women for Change Grant		10,306
MPC Food Service Vocational Training Project		84,574
Thunderbird Charities		98,257
Board of Visitors - CLC Health Program		29,959
		29,959
Total time restricted net assets	\$	266,895

Net assets in the amount of \$78,625 were released from time restrictions during the year ended June 30, 2017.

Note 10 - Donated Food, Supplies, and Services

Donated food, supplies, and services are at their estimated fair value if they enhance the Mission's non-financial assets or require specialized skills that the Mission would normally purchase if not provided by donation.

No amounts have been reflected in the accompanying financial statements for certain donated volunteer services because they did not qualify under GAAP; however, over 2,000 volunteers have donated over 18,000 hours in 2017, in processing donated food as well in the Mission's other program services and administrative support.

The Mission capitalized \$269,306 of donated property, plant and equipment, all other donated food, supplies, and services were recognized as program expenses and comprised of the following at June 30, 2017:

	Program Services	Management and General	Fundraising	Total
Food	\$ 2,208,656	\$ -	\$ -	\$ 2,208,656
Water	703,859	-	-	703,859
Clothing	959,345	-	-	959,345
Household goods	232,313	-	-	232,313
Health and beauty	79,231	-	-	79,231
Other	719,877	-	-	719,877
	719,877	-	-	719,877
Total	\$ 4,903,281	\$ -	\$ -	\$ 4,903,281

Note 11 - Employee Benefit Plans

The Mission has a 401(k) plan that covers all employees who meet specified age and years of service requirements. The Mission matches 100% of the employee's contribution limited to 4% of their total compensation. Employer contributions to the 401(k) plan charged to operations were \$70,477 for the year ended June 30, 2017.

Note 12 - Deferred Compensation Plans

The Mission offers an unqualified deferred compensation plan (the Plan) for certain management under Section 457(b), eligible deferred compensation. Under this arrangement, participants are able to defer the payment of federal and state income taxes on their contributions to the Plan. In accordance with the Plan, eligible participants' deferrals are matched by the Mission at 100% of the deferral up to 6% of the participant's W-2 compensation. As of June 30, 2017, the Mission's liability for this deferred compensation plan was \$80,720 which is included in other liabilities. Contributions by employer for the year ended June 30, 2017 totaled \$9,000.

Note 13 - Contingencies

The Mission is also subject to certain claims that arise in the ordinary course of business. In the opinion of management, no pending or threatened claims, actions, or proceedings against the Mission are expected to have a material adverse effect on the Mission's operations or financial condition.

Note 14 - Related Party Transactions

During the year ended June 30, 2017, the Mission purchased contracted security services totaling \$197,434 from a company in which a member of the Mission's Board of Directors is a key employee.

Note 15 - Subsequent Events

The Mission has evaluated subsequent events through October 30, 2017, the date which the financial statements were available to be issued. The following significant events occurred subsequent to year ended June 30, 2017:

- On July, 10, 2017, the Mission refinanced the loan due July 1, 2017. There are further details within Note 6.
- The Mission will expand the Vocational Program to include Mission Possible Café, which will start operations in September 2017 and will open to the public in October 2017.
- The Mission purchased certain assets and assumed certain liabilities of Hope For Hunger, Inc., a nonprofit organization to expand its mission as of close of business September 15, 2017. The final purchase price cannot be determined at this time.
- The Mission entered into the Real Estate Purchase Agreement dated August 21, 2017 for the purchase of real property at 1540 West Van Buren Street, Phoenix, Arizona for approximately \$825,000. The Mission will utilize funds that were Board designated operating reserves as of June 30, 2017 to fund the purchase.
- The Mission has received loan commitments and awards in the amount of \$5,000,000 for an expansion of the Community Solutions Center. The project has not yet obtained zoning approval; therefore, the project cannot move forward. The Mission has not received any payments for the loan commitments and awards.