

NORTHLANDS RESCUE MISSION, INC.
GRAND FORKS, NORTH DAKOTA

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Northlands Rescue Mission, Inc.
Grand Forks, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of Northlands Rescue Mission, Inc. (a nonprofit organization), 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 Northlands Rescue Mission, Inc. 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.



BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

October 25, 2017

NORTHLANDS RESCUE MISSION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

ASSETS

CURRENT

Cash and cash equivalents	\$ 5,198
Grants receivable	18,052
Inventory	100,951
Prepaid expenses	835
Total	<u>125,036</u>

PROPERTY AND EQUIPMENT

Property and equipment, net of accumulated depreciation of \$1,006,896	<u>633,561</u>
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TOTAL ASSETS **\$ 758,597**

LIABILITIES AND NET ASSETS

CURRENT

Accounts payable	\$ 6,858
Salaries payable	11,838
Vacation payable	18,858
Payroll taxes payable	1,687
Accrued interest payable	90
Short term note payable	20,000

TOTAL LIABILITIES **59,331**

NET ASSETS:

Unrestricted - undesignated	565,657
Temporarily restricted	133,608

TOTAL NET ASSETS **699,265**

TOTAL LIABILITIES AND NET ASSETS **\$ 758,596**

See Notes to the Financial Statements

NORTHLANDS RESCUE MISSION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES, GAINS, AND OTHER SUPPORT:			
Contributions			
Foundations	\$ 1,500	\$ 20,000	\$ 21,500
Food	457,958	-	457,958
Special events	229,285	-	229,285
Backpack program	-	116,876	116,876
Contracts	69,000	-	69,000
Grants	-	19,400	19,400
Other contributions	706,775	37,348	744,123
Building rental income	65,000	-	65,000
Net assets released from restrictions			
Restrictions satisfied by payments	<u>104,794</u>	<u>(104,794)</u>	<u>-</u>
TOTAL REVENUES, GAINS AND OTHER SUPPORT	<u>1,634,312</u>	<u>88,830</u>	<u>1,723,142</u>
EXPENSES:			
Program services			
Rescue, Rebuild & Restore	1,021,416	-	1,021,416
Supporting services			
Management and general	383,732	-	383,732
Fundraising	<u>285,278</u>	<u>-</u>	<u>285,278</u>
TOTAL EXPENSES	<u>1,690,426</u>	<u>-</u>	<u>1,690,426</u>
CHANGE IN NET ASSETS	(56,114)	88,830	32,716
NET ASSETS AT BEGINNING OF YEAR	<u>621,771</u>	<u>44,778</u>	<u>666,549</u>
NET ASSETS AT END OF YEAR	<u>\$ 565,657</u>	<u>\$ 133,608</u>	<u>\$ 699,265</u>

See Notes to the Financial Statements

NORTHLANDS RESCUE MISSION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in Net Assets	\$ 32,716
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:	
Noncash Items Included in Change in Net Assets:	
Depreciation expense	52,465
Amortization expense	5,510
Effects on Operating Cash Flows Due to Changes In:	
Grants receivable	6,206
Inventory	(62,503)
Prepaid expenses	1,801
Accounts payable	(6,910)
Salaries payable	6,392
Vacation payable	9,066
Payroll taxes payable	455
Accrued interest payable	<u>(951)</u>
CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>44,247</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of property and equipment	<u>(42,681)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Net advances (payments) on line of credit	(229,625)
Repayment of long-term debt	<u>(20,709)</u>
CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(250,334)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(248,768)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>253,965</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 5,197</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash paid for interest	\$ 5,049
SUPPLEMENTAL SCHEDULE OF NONCASH ACTIVITIES:	
In-kind contributions of clothing and food	457,958
Donation of accounting and maintenance services, rent and other operating expenses to related party	90,433

See Notes to the Financial Statements

NORTHLANDS RESCUE MISSION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Program Services	Supporting Services		Total
	Rescue, Rebuild & Restore	Management and General	Fundraising	
Compensation and related expenses:				
Compensation	\$ 283,334	\$ 267,467	\$ 28,689	\$ 579,490
Payroll expenses and benefits	33,587	31,706	3,401	68,694
Appeal letters and contracted fund-raising	-	-	148,908	148,908
Depreciation	49,842	2,623	-	52,465
Amortization	-	5,510	-	5,510
Food	403,042	-	-	403,042
Donations	90,433	-	-	90,433
Special events	2,031	-	59,234	61,265
Backpack program	32,921	-	-	32,921
Meetings and conferences	118	6,547	171	6,836
Professional fees	-	23,045	-	23,045
Contract labor	2,279	-	-	2,279
Insurance	3,672	2,238	-	5,910
Security expense	8,877	-	-	8,877
Resident services	9,164	-	-	9,164
Supplies:				
Office	347	17,931	14,997	33,275
Kitchen	4,821	-	-	4,821
Other	7,172	192	-	7,364
Facility	32,813	870	-	33,683
Communications	7,486	2,660	-	10,146
Technology	40,550	2,537	16,533	59,620
Transportation	5,161	2,033	-	7,194
Interest	-	4,098	-	4,098
Miscellaneous	3,766	14,275	13,345	31,386
Total	<u>\$ 1,021,416</u>	<u>\$ 383,732</u>	<u>\$ 285,278</u>	<u>\$ 1,690,426</u>

See Notes to the Financial Statements

NORTHLANDS RESCUE MISSION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Northlands Rescue Mission, Inc. (a not-for-profit North Dakota corporation), is a non-denominational religious organization which is engaged primarily in offering and furnishing spiritual and religious assistance, guidance and counsel to persons in need of the same and who request such assistance. Men and women stay in facilities leased by the Shelter for Homeless, Inc. The Organization provides food, emergency shelter, clothing, basic hygiene items and educational opportunities to homeless individuals. The Organization is supported primarily through donor contributions, grants and the United Way.

Basis of Accounting

The accompanying financial statements are prepared in accordance with generally accepted accounting principles on the accrual basis of accounting. This method recognizes revenues when earned, and expenses are recognized when incurred.

Cash and Cash Equivalents

For the statement of financial position and the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment that is purchased is recorded at cost. The Organization's policy is to provide depreciation on a straight-line basis. The Organization maintains a threshold level of \$5,000 for capitalizing property and equipment. Buildings and equipment are depreciated over estimated lives from three to forty years. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation.

Contributed Services, Clothing, Food and Other Items

Contributions of services are recognized in the financial statements if the services enhance or create nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services to the Northlands Rescue Mission, Inc., did not meet these specifications; therefore, during the year ended June 30, 2017, the value of contributed services have not been recorded.

People, businesses and various groups donate clothing, food and miscellaneous items to the Northlands Rescue Mission, Inc. for their use or for the use of the clients they serve. The value of donated food, for financial statement purposes, was calculated by taking the total number of meals served per year times the estimated cost per meal less actual food purchased.

NORTHLANDS RESCUE MISSION, INC.
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions.

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method.

Inventory

The Organization's inventory consists of food items that were purchased or donated from people, businesses and various groups. Inventories purchased are stated at cost (first in, first-out). Donated inventory is valued based on prices at local grocery stores.

Financing Costs

Financing costs are being amortized using the straight-line method over the 15 year term of the related debt which approximates the effective interest method. The related debt was paid off in 2017 and the remaining financing costs were written-off.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state statutes. The Internal Revenue Service has also ruled that the Organization is not a private foundation.

The Organization's policy is to evaluate the likelihood that its uncertain tax positions will prevail upon examination based on the extent to which those positions have substantial support within the Internal Revenue Code and Regulations, Revenue Rulings, court decisions, and other evidence.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NORTHLANDS RESCUE MISSION, INC.
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

Net Assets

All financial transactions have been recorded and reported as either unrestricted or temporarily restricted net assets:

Unrestricted net assets consist of investments and otherwise unrestricted amounts that are available for use in carrying out the mission of Northlands Rescue Mission, Inc. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily restricted net assets represent those amounts that are donor restricted for specific purposes. When a donor restriction expires, that is, when a stipulated time restriction ends or a 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.

Functional Classification of Expenses

The Organization allocates its expenses on a functional basis among its various programs including fund-raising activities and support services. Expenses and support services that can be identified with a specific program are allocated directly according to their natural expenditure classification. Other expenses that are common to several programs are allocated based on various relationships.

NOTE 2 GRANTS RECEIVABLE

Grants receivable consisted of an amount from United Way of \$18,052 at June 30, 2017.

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30, 2017:

	Balance 6/30/2016	Additions	Disposals	Balance 6/30/2017
Land	\$ 28,393	\$ -	\$ -	\$ 28,393
Buildings	1,043,541	-	-	1,043,541
Equipment	525,842	42,681	-	568,523
Accumulated Depreciation	<u>(954,432)</u>	<u>(52,464)</u>	-	<u>(1,006,896)</u>
Net	<u>\$ 643,344</u>	<u>\$ (9,783)</u>	<u>\$ -</u>	<u>\$ 633,561</u>

NOTE 4 NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30, 2017:

Time restricted for subsequent periods	\$ 12,933
Donor restricted for specific purpose	<u>120,675</u>
	<u>\$ 133,608</u>

NORTHLANDS RESCUE MISSION, INC.
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

NOTE 5 RELATED PARTY TRANSACTIONS

The Organization is related to Shelter for Homeless, Inc. through common board members and also common management.

Office Space

The Organization leases to Shelter for Homeless, Inc. the building located at 420 Division Avenue, Grand Forks, ND, except the Chaplain's, Women Coordinator's and Director's offices, the education classroom, and the library. For June 30, 2017, the rental agreement calls for rent paid in the amount of \$65,000 per fiscal year plus the lessee shall pay all operating expenses, including but not limited to, utilities, insurance, property taxes, and other expenses that may occur.

Service Agreements

The Organization entered into a management services agreement with the Shelter for Homeless, Inc. The agreement calls for the payment of \$45,000 per year to the Organization for accounting services for the year ended June 30, 2017. This amount is listed under Contracts on the Statement of Activities.

The Organization also entered into a maintenance service agreement with the Shelter for Homeless, Inc. The agreement calls for the payment of \$24,000 per year to the Organization for maintenance services for the year ended June 30, 2017. This amount is listed under Contracts on the Statement of Activities.

Donation

The Organization made a donation to Shelter for Homeless, Inc. during the year ended June 30, 2017 in the amount of \$90,433. This amount included payments for accounting services, maintenance services, rent expense, and other operating expenses paid on behalf of Shelter for Homeless, Inc. This amount is listed under Donations on the Statement of Functional Expenses.

NOTE 6 SHORT TERM NOTE PAYABLE

Northlands Rescue Mission, Inc. has a \$250,000 line of credit from Bremer Bank. Details of the Organization's line of credit for the year ended June 30, 2017 is as follows:

<u>Payable</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance 6/30/2017</u>	<u>Collateral</u>
Bremer Bank	* 5.5%	8/2/2017	\$ 20,000	Secured by Mortgage

* Variable interest rate

NORTHLANDS RESCUE MISSION, INC.
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

NOTE 7 LONG-TERM DEBT

The long-term debt was payable to Bremer Bank and required monthly principal and interest payments in the amount of \$536 and has a maturity date of April 1, 2021. The note is secured by the business assets of Northlands Rescue Mission, Inc. This debt was paid in full as of June 30, 2017.

A summary of changes in debt for the year ended June 30, 2017 is as follows:

<u>Interest</u> <u>Rate</u>	<u>Balance</u> <u>7/1/2016</u>	<u>Principal</u> <u>Payments</u>	<u>Balance</u> <u>6/30/2017</u>	<u>Current</u> <u>Portion</u>
4.67%	\$ 20,710	\$ (20,710)	\$ -	\$ -

NOTE 8 CONCENTRATIONS

The Organization maintains cash at a local bank. The total cash on deposit with the bank was fully insured by FDIC coverage at June 30, 2017.

NOTE 9 SUBSEQUENT EVENTS

No significant events have occurred subsequent to the Organization's year end. Subsequent events have been evaluated through October 25, 2017, the date which the financial statements were available to be issued.

