

**NORTHLANDS RESCUE MISSION, INC.
GRAND FORKS, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S' REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position as of June 30, 2016	3
Statement of Financial Position as of June 30, 2015	4
Statement of Activities for the Year Ended June 30, 2016	5
Statement of Activities for the Year Ended June 30, 2015	6
Statement of Cash Flows for the Year Ended June 30, 2016	7
Statement of Cash Flows for the Year Ended June 30, 2015	8
Statement of Functional Expenses for the Year Ended June 30, 2016	9
Statement of Functional Expenses for the Year Ended June 30, 2015	10
Notes to the Financial Statements	11



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 statements of financial position of Northlands Rescue Mission, Inc. (a nonprofit organization), as of June 30, 2016 and 2015, and we were engaged to audit the related statements of activities, cash flows, and functional expenses 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 audits.

We conducted our audits of the statements of financial position 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.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the results of operations or cash flows.

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 on the statements of financial position but not sufficient to be able to issue an opinion on the statements of operations, functional expenses or cash flows.

Basis for Disclaimer of Opinion on Results of Operations, Functional Expenses and Cash Flows

Because of the inadequacy of accounting records for 2015 and 2016, we were unable to obtain sufficient appropriate audit evidence regarding the amounts reported in the statements of activities, cash flows and functional expenses, and we were unable to obtain sufficient appropriate audit evidence regarding the results of operations, cash flows and functional expenses by other auditing procedures.

Disclaimer of Opinion on Results of Operations, Functional Expenses and Cash Flows

Because of the significance of the matter discussed in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the results of operations, functional expenses and cash flows for the years ended June 30, 2016 and 2015. Accordingly, we do not express an opinion on the results of operations, cash flows and functional expenses for the years ended June 30, 2016 and 2015.

Basis for Qualified Opinion on the Statements of Financial Position

Because we were not engaged as auditors until after the end of the year, we were not present to observe the taking of physical inventories at June 30, 2016 (stated at \$38,448) and a physical inventory had not been taken as of June 30, 2015 (stated at \$74,895) and we were unable to obtain sufficient appropriate audit evidence about inventory quantities and costs by other auditing procedures.

Qualified Opinion on the Statements of Financial Position

In our opinion, except for the possible effects of the matter discussed in the Basis for Qualified Opinion on the Statements of Financial Position paragraph, the statements of financial position present fairly, in all material respects, the financial position of Northlands Rescue Mission, Inc. as of June 30, 2016 and 2015, in accordance with accounting principles generally accepted in the United States of America.



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

February 17, 2017

NORTHLANDS RESCUE MISSION, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2016

ASSETS

CURRENT	
Cash and cash equivalents	\$ 253,965
Grants receivable	24,258
Inventory	38,448
Prepaid expenses	2,636
Total	<u>319,307</u>
PROPERTY AND EQUIPMENT	
Property and equipment, net of accumulated depreciation of \$954,432	<u>643,344</u>
OTHER ASSETS	
Financing costs, net of accumulated amortization of \$11,882	<u>5,510</u>
TOTAL ASSETS	<u>\$ 968,161</u>

LIABILITIES

CURRENT	
Accounts payable	\$ 13,767
Salaries payable	5,446
Vacation payable	9,792
Payroll taxes payable	1,232
Accrued interest payable	1,041
Current portion of long-term debt	6,370
Short term note payable	249,625
Total	<u>287,273</u>
LONG-TERM	
Long-term note payable	<u>14,339</u>
TOTAL LIABILITIES	<u>301,612</u>
NET ASSETS:	
Unrestricted - undesignated	621,771
Temporarily restricted	44,778
TOTAL NET ASSETS	<u>666,549</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 968,161</u>

See Notes to the Financial Statements

NORTHLANDS RESCUE MISSION, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2015

ASSETS

CURRENT	
Cash and cash equivalents	\$ 115,150
Grants receivable	23,623
Inventory	74,895
Prepaid expenses	<u>2,636</u>
Total	<u>216,304</u>
PROPERTY AND EQUIPMENT	
Property and equipment, net of accumulated depreciation of \$901,495	<u>671,426</u>
OTHER ASSETS	
Financing costs, net of accumulated amortization of \$10,725	<u>6,667</u>
TOTAL ASSETS	<u><u>\$ 894,397</u></u>

LIABILITIES

CURRENT	
Accounts payable	\$ 12,030
Salaries payable	4,002
Vacation payable	16,131
Payroll taxes payable	2,096
Accrued interest payable	413
Current portion of long-term debt	<u>5,815</u>
Total	<u>40,487</u>
LONG-TERM	
Long-term note payable	<u>20,692</u>
TOTAL LIABILITIES	<u>61,179</u>
NET ASSETS:	
Unrestricted - undesignated	649,748
Temporarily restricted	<u>183,470</u>
TOTAL NET ASSETS	<u>833,218</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 894,397</u></u>

See Notes to the Financial Statements

NORTHLANDS RESCUE MISSION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES, GAINS, AND OTHER SUPPORT:			
Contributions			
Foundations	\$ 111,520	\$ 14,000	\$ 125,520
Food	140,939	-	140,939
Clothing	10,763	-	10,763
Special events	172,850	-	172,850
Backpack program	-	38,594	38,594
Contracts	69,000	-	69,000
Grants	11,420	24,258	35,678
Other contributions	854,185	20,286	874,471
Building rental income	65,000	-	65,000
Net assets released from restrictions			
Restrictions satisfied by payments	<u>235,830</u>	<u>(235,830)</u>	<u>-</u>
TOTAL REVENUES, GAINS AND OTHER SUPPORT	<u>1,671,507</u>	<u>(138,692)</u>	<u>1,532,815</u>
 EXPENSES:			
Program services			
Rescue, Rebuild & Restore	1,023,414	-	1,023,414
Supporting services			
Management and general	363,094	-	363,094
Fundraising	<u>312,976</u>	<u>-</u>	<u>312,976</u>
 TOTAL EXPENSES	<u>1,699,484</u>	<u>-</u>	<u>1,699,484</u>
 CHANGE IN NET ASSETS	(27,977)	(138,692)	(166,669)
 NET ASSETS AT BEGINNING OF YEAR	<u>649,748</u>	<u>183,470</u>	<u>833,218</u>
 NET ASSETS AT END OF YEAR	<u>\$ 621,771</u>	<u>\$ 44,778</u>	<u>\$ 666,549</u>

See Notes to the Financial Statements

NORTHLANDS RESCUE MISSION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES, GAINS, AND OTHER SUPPORT:			
Contributions			
Foundations	\$ 30,987	\$ 29,000	\$ 59,987
Food	140,939	-	140,939
Clothing	10,763	-	10,763
Special events	200,354	-	200,354
Kids Plus program	-	16,604	16,604
Contracts	73,415	-	73,415
Grants	101,778	23,623	125,401
Other contributions	850,620	34,476	885,096
Building rental income	65,000	-	65,000
Net assets released from restrictions			
Restrictions satisfied by payments	<u>165,918</u>	<u>(165,918)</u>	<u>-</u>
TOTAL REVENUES, GAINS AND OTHER SUPPORT	<u>1,639,774</u>	<u>(62,215)</u>	<u>1,577,559</u>
EXPENSES:			
Program services			
Rescue, Rebuild & Restore	1,015,592	-	1,015,592
Supporting services			
Management and general	378,999	-	378,999
Fundraising	<u>384,386</u>	<u>-</u>	<u>384,386</u>
TOTAL EXPENSES	<u>1,778,977</u>	<u>-</u>	<u>1,778,977</u>
CHANGE IN NET ASSETS	(139,203)	(62,215)	(201,418)
NET ASSETS AT BEGINNING OF YEAR	<u>788,951</u>	<u>245,685</u>	<u>1,034,636</u>
NET ASSETS AT END OF YEAR	<u>\$ 649,748</u>	<u>\$ 183,470</u>	<u>\$ 833,218</u>

See Notes to the Financial Statements

NORTHLANDS RESCUE MISSION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:	
Increase (Decrease) in Net Assets	\$ (166,669)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided (Used) by Operating Activities:	
Noncash Items Included in Change in Net Assets:	
Depreciation expense	52,937
Amortization expense	1,157
Effects on operating cash flows due to changes in:	
Grants receivable	(635)
Inventory	36,447
Accounts payable	1,737
Salaries payable	1,444
Vacation payable	(6,339)
Payroll taxes payable	(864)
Accrued interest payable	<u>628</u>
 CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 <u>(80,157)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of Property and Equipment	<u>(24,855)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES:	
Net advances (payments) on line of credit	249,625
Repayment of long-term debt	<u>(5,798)</u>
 CASH PROVIDED (USED) BY FINANCING ACTIVITIES	 <u>243,827</u>
 CHANGE IN CASH AND CASH EQUIVALENTS	 138,815
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	 <u>115,150</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	 <u><u>\$ 253,965</u></u>
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash paid for interest	\$ 5,730
 SUPPLEMENTAL SCHEDULE OF NONCASH ACTIVITIES:	
In-kind contributions of clothing and food	\$ 151,732
Donation of accounting and maintenance services, rent and other operating expenses to related party	\$ 157,059

See Notes to the Financial Statements

NORTHLANDS RESCUE MISSION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:	
Increase (Decrease) in Net Assets	\$ (201,418)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided (Used) by Operating Activities:	
Noncash Items Included in Change in Net Assets:	
Depreciation expense	50,862
Amortization expense	1,162
Effects on operating cash flows due to changes in:	
Grants receivable	14,397
Prepaid expenses	1,906
Accounts payable	(10,617)
Salaries payable	(18,459)
Vacation payable	698
Payroll taxes payable	875
Accrued interest payable	<u>(92)</u>
CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(160,686)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Repayment of long-term debt	<u>(6,251)</u>
CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(6,251)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(166,937)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>282,087</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 115,150</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash paid for interest	\$ 1,041
SUPPLEMENTAL SCHEDULE OF NONCASH ACTIVITIES:	
In-kind contributions of clothing and food	\$ 151,732
Donation of accounting and maintenance services, rent and other operating expenses to related party	\$ 148,049

See Notes to the Financial Statements

NORTHLANDS RESCUE MISSION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Program Services</u>	<u>Supporting Services</u>		
	<u>Rescue, Rebuild & Restore</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Compensation and related expenses:				
Compensation	\$ 302,090	\$ 215,968	\$ 73,282	\$ 591,340
Payroll expenses and benefits	54,014	38,615	13,103	105,732
Appeal letters and contracted fund-raising	89	1,017	123,219	124,325
Depreciation	50,290	2,647	-	52,937
Amortization	-	1,157	-	1,157
Food	195,079	-	-	195,079
Donations	157,059	-	-	157,059
Special events	327	2,129	55,639	58,095
Backpack program	65,404	-	90	65,494
Clothing	10,763	-	-	10,763
Meetings and conferences	227	4,055	890	5,173
Professional fees	5,677	28,928	20,400	55,005
Contract labor	1,109	69	-	1,178
Insurance	3,200	6,408	-	9,608
Security expense	11,440	-	-	11,440
Resident services	51,545	-	-	51,545
Supplies:				
Office	2,789	14,137	12,076	29,002
Kitchen	7,574	-	-	7,574
Other	6,892	103	52	7,047
Facility	63,848	3,981	-	67,829
Communications	6,197	2,828	461	9,485
Technology	9,237	13,338	6,917	29,492
Transportation	7,559	-	533	8,092
Interest	5,312	523	523	6,358
Miscellaneous	5,692	27,192	5,791	38,675
Total	<u>\$ 1,023,414</u>	<u>\$ 363,094</u>	<u>\$ 312,976</u>	<u>\$ 1,699,484</u>

See Notes to the Financial Statements

NORTHLANDS RESCUE MISSION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

	Program Services	Supporting Services		Total
	Rescue, Rebuild & Restore	Management and General	Fundraising	
Compensation and related expenses:				
Compensation	\$ 367,008	\$ 262,379	\$ 89,029	\$ 718,416
Payroll expenses and benefits	\$ 52,472	37,512	12,728	102,712
Appeal letters and contracted fund-raising	136	1,547	187,509	189,192
Depreciation	48,319	2,543	-	50,862
Amortization	-	1,162	-	1,162
Food	159,183	-	-	159,183
Donations	148,049	-	-	148,049
Special events	373	2,428	63,463	66,264
Kids Plus program	42,798	-	59	42,857
Clothing	10,763	-	-	10,763
Meetings and conferences	107	1,911	420	2,438
Professional fees	4,197	21,384	15,080	40,661
Contract labor	20,954	1,306	-	22,260
Insurance	4,106	8,222	-	12,328
Security expense	6,075	-	-	6,075
Resident services	79,396	-	-	79,396
Supplies:				
Office	1,468	7,440	6,355	15,263
Kitchen	13,939	-	-	13,939
Other	6,471	97	49	6,617
Facility	23,587	1,471	-	25,058
Communications	6,429	2,934	477	9,840
Technology	6,457	9,324	4,835	20,616
Transportation	8,899	-	628	9,527
Interest	793	78	78	949
Miscellaneous	3,613	17,261	3,676	24,550
Total	<u>\$ 1,015,592</u>	<u>\$ 378,999</u>	<u>\$ 384,386</u>	<u>\$ 1,778,977</u>

See Notes to the Financial Statements

NORTHLANDS RESCUE MISSION, INC.
NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2016 AND 2015

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 or more 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 years ended June 30, 2016 and 2015, 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
AS OF JUNE 30, 2016 AND 2015

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.

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
AS OF JUNE 30, 2016 AND 2015

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 amounts from United Way of \$24,258 and \$23,623 at June 30, 2016 and June 30, 2015, respectively.

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30, 2016:

	Balance 6/30/2015	Additions	Disposals	Balance 6/30/2016
Land	\$ 28,393	\$ -	\$ -	\$ 28,393
Buildings	1,043,541	-	-	1,043,541
Equipment	500,987	24,855	-	525,842
Accumulated Depreciation	(901,495)	(52,937)	-	(954,432)
Net	<u>\$ 671,426</u>	<u>\$ (28,082)</u>	<u>\$ -</u>	<u>\$ 643,344</u>

NORTHLANDS RESCUE MISSION, INC.
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2016 AND 2015

Property and equipment consists of the following as of June 30, 2015:

	<u>Balance</u> <u>6/30/2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>6/30/2015</u>
Land	\$ 28,393	\$ -	\$ -	\$ 28,393
Buildings	1,043,541	-	-	1,043,541
Equipment	500,987	-	-	500,987
Accumulated Depreciation	<u>(850,633)</u>	<u>(50,862)</u>	<u>-</u>	<u>(901,495)</u>
Net	<u>\$ 722,288</u>	<u>\$ (50,862)</u>	<u>\$ -</u>	<u>\$ 671,426</u>

NOTE 4 NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30, 2016:

Time restricted for subsequent periods	\$ 24,258
Donor restricted for specific purpose	<u>20,520</u>
	<u>\$ 44,778</u>

Temporarily restricted net assets are available for the following purposes at June 30, 2015:

Time restricted for subsequent periods	\$ 23,623
Donor restricted for specific purpose	<u>159,847</u>
	<u>\$ 183,470</u>

NOTE 5 RELATED PARTY TRANSACTIONS

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, 2016 and 2015, 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 years ended June 30, 2016 and 2015.

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 years ended June 30, 2016 and 2015.

NORTHLANDS RESCUE MISSION, INC.
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2016 AND 2015

Donation

The Organization made a donation to Shelter for Homeless, Inc. during the years ended June 30, 2016 and 2015 in the amount of \$157,059 and \$148,049, respectively. These amounts included payments for accounting services, maintenance services, rent expenses, and other operating expenses paid on behalf of Shelter for Homeless, Inc.

NOTE 6 SHORT TERM NOTE PAYABLE

Northlands Rescue Mission, Inc. has a \$250,000 line of credit from Bremer Bank. The activity on the line of credit for the year ended June 30, 2016 was as follows:

Balance 7/1/2015	Advances	Payments	Balance 6/30/2016
\$ -	\$ 456,000	\$ (206,375)	\$ 249,625

There was no activity on the line of credit for the year ended June 30, 2015.

NOTE 7 LONG-TERM DEBT

The long-term debt is payable to Bremer Bank and requires 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.

A summary of changes in debt for the year ended June 30, 2016 is as follows:

Interest Rate	Balance 7/1/2015	Principal Payments	Balance 6/30/2016	Current Portion
4.67%	\$ 26,507	\$ (5,798)	\$ 20,709	\$ 6,370

The following is a schedule by year of the principal payments due on the loan as of June 30, 2016:

Year Ending June 30	<u>Mortgage Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 6,370	\$ 830
2018	6,674	526
2019	6,992	208
2020	673	2
Total	<u>\$ 20,709</u>	<u>\$ 1,566</u>

NORTHLANDS RESCUE MISSION, INC.
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2016 AND 2015

A summary of changes in debt for the year ended June 30, 2015 is as follows:

<u>Interest Rate</u>	<u>Balance 7/1/2014</u>	<u>Principal Payments</u>	<u>Balance 6/30/2015</u>	<u>Current Portion</u>
6.00%	\$ 32,758	\$ (6,251)	\$ 26,507	\$ 5,815

The following is a schedule by year of the principal payments due on the loan as of June 30, 2015:

Year Ending June 30	<u>Mortgage Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 5,815	\$ 1,385
2017	6,370	830
2018	6,674	526
2019	6,992	208
2020	656	2
Total	<u>\$ 26,507</u>	<u>\$ 2,951</u>

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, 2016 and 2015.

NOTE 9 SUBSEQUENT EVENTS

No significant events have occurred subsequent to the Organization's year end. Subsequent events have been evaluated through February 17, 2017, the date which the financial statements were available to be issued.