

NORTHLANDS RESCUE MISSION, INC.

GRAND FORKS, NORTH DAKOTA

FINANCIAL STATEMENTS

JUNE 30, 2014

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INDEPENDENT AUDITORS' 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 North Dakota Corporation, not for profit), which comprise the statement of financial position as of June 30, 2014, 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.

*Members of North Dakota Society of CPAs
Members of American Institute of Certified Public Accountants*

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, 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.

DREES, RISKEY & VALLAGER, LTD.

Drees, Risky & Vallager Ltd

Certified Public Accountants

Grand Forks, North Dakota
August 29, 2014

NORTHLANDS RESCUE MISSION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014

ASSETS:	
Cash and cash equivalents	\$ 282,087
Grants receivable	38,020
Inventory	74,895
Prepaid expenses	4,542
Property and equipment, net of accumulated depreciation	722,288
Intangible assets, net of accumulated amortization	7,829
TOTAL ASSETS	<u>\$ 1,129,661</u>
LIABILITIES:	
Accounts payable	\$ 22,647
Salaries payable	22,461
Vacation payable	15,433
Payroll taxes payable	1,221
Current portion of long-term debt	4,010
Other payables	505
Long term note payable	28,748
TOTAL LIABILITIES	<u>95,025</u>
NET ASSETS:	
Unrestricted - undesignated	788,951
Temporarily restricted	245,685
TOTAL NET ASSETS	<u>1,034,636</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 1,129,661</u>

The accompanying notes to financial statements are an integral part of this statement.

NORTHLANDS RESCUE MISSION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES, GAINS, AND OTHER SUPPORT:			
Contributions			
Foundations	\$ 63,584	\$ 20,000	\$ 83,584
Food	224,012	-	224,012
Clothing and miscellaneous	26,494	-	26,494
Special events	213,876	162,768	376,644
Kids Plus program	-	5,328	5,328
Contracts	58,601	-	58,601
Other contributions	821,562	-	821,562
Building rental income	65,000	-	65,000
Other	28,669	-	28,669
Net assets released from restrictions			
Restrictions satisfied by payments	80,322	(80,322)	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	<u>1,582,120</u>	<u>107,774</u>	<u>1,689,894</u>
EXPENSES:			
Program services			
Rescue, Rebuild & Restore	862,685	-	862,685
Supporting services			
Management and general	343,508	-	343,508
Fund-raising	366,124	-	366,124
TOTAL EXPENSES	<u>1,572,317</u>	<u>-</u>	<u>1,572,317</u>
CHANGE IN NET ASSETS	9,803	107,774	117,577
NET ASSETS AT BEGINNING OF YEAR	<u>779,148</u>	<u>137,911</u>	<u>917,059</u>
NET ASSETS AT END OF YEAR	<u>\$ 788,951</u>	<u>\$ 245,685</u>	<u>\$ 1,034,636</u>

The accompanying notes to financial statements are an integral part of this statement.

NORTHLANDS RESCUE MISSION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014

	Program		Supporting Services		Total
	Services	Management	Fund-raising	Fund-raising	
	Rescue, Rebuild & Restore	and General	Fund-raising	Fund-raising	Total
Compensation and related expenses:					
Compensation	\$ 307,471	\$ 219,815	\$ 74,587	\$ 601,873	
Payroll expenses and benefits	29,603	21,163	7,181	57,947	
Appeal letters and contracted fund-raising	127	1,444	174,983	176,554	
Depreciation	44,874	2,362	-	47,236	
Amortization	-	1,159	-	1,159	
Food	259,432	-	-	259,432	
Donations	64,000	-	-	64,000	
Special events	427	2,778	72,612	75,817	
Kids Plus program	10,141	-	14	10,155	
Clothing and miscellaneous	32,688	-	-	32,688	
Meetings and conferences	745	13,281	2,915	16,941	
Professional fees	1,922	9,793	6,906	18,621	
Insurance	1,073	2,149	-	3,222	
Security expense	27,374	-	-	27,374	
Supplies:					
Cleaning	12	-	-	12	
Office	2,211	11,206	9,572	22,989	
Other	27,487	411	207	28,105	
Facility	16,714	1,042	-	17,756	
Communications	9,686	4,420	720	14,826	
Technology	10,505	15,168	7,866	33,539	
Transportation	5,826	-	411	6,237	
Interest	2,609	257	257	3,123	
Miscellaneous	7,758	37,060	7,893	52,711	
	<u>\$ 862,685</u>	<u>\$ 343,508</u>	<u>\$ 366,124</u>	<u>\$ 1,572,317</u>	

The accompanying notes to financial statements are an integral part of this statement.

NORTHLANDS RESCUE MISSION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

CASH FLOWS FROM (TO) OPERATING ACTIVITIES:	
Change in net assets	\$ 117,577
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	47,236
Amortization	1,159
(Increase) decrease in operating assets:	
Grants receivable	(114)
Receivable/payable - Shelter for Homeless, Inc.	(9,500)
Prepaid expenses	853
Inventory	22,629
Increase (decrease) in operating liabilities:	
Accounts payable	10,528
Other payables	(6)
Payroll withholdings	379
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>190,741</u>
CASH FLOWS FROM (TO) INVESTING ACTIVITIES:	
Purchase of property and equipment	<u>(72,733)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(72,733)</u>
CASH FLOWS FROM (TO) FINANCING ACTIVITIES:	
Long-term borrowing	<u>(4,051)</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(4,051)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	113,957
BEGINNING CASH AND CASH EQUIVALENTS	<u>168,130</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 282,087</u>

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NORTHLANDS RESCUE MISSION, INC.
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Other:

Interest paid

\$ 3,123

The accompanying notes to financial statements are an integral part of this statement.

NORTHLANDS RESCUE MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Northlands Rescue Mission, Inc. (a North Dakota corporation, not for profit), 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. 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, 2014, the value of contributed services have not been recorded.

People, businesses and various groups donate clothing and miscellaneous items to the Northlands Rescue Mission, Inc. for their use or for the use of the clients they serve. For the year ended June 30, 2014, 12,926 items of clothing and miscellaneous household items were given to people in need. The estimated total value of the items given away was \$26,494. The estimated dollar value of these items was determined based on prices at a local thrift store.

NORTHLANDS RESCUE MISSION, INC.
NOTES TO FINANCIAL STATEMENTS

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.

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, business and various groups. Inventories purchased are stated at cost (first in, first-out). Donated inventory is valued based on prices at local grocery stores.

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.

Generally, income tax returns for the Organization are subject to examination by the Internal Revenue Service for three years after the due date of the returns. Tax returns for years 2010 and forward are still open to examination.

Use of Estimates

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

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.

NORTHLANDS RESCUE MISSION, INC.
NOTES TO FINANCIAL STATEMENTS

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.

Contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

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.

Subsequent Events

The Organization has evaluated subsequent events through August 29, 2014, the date the financial statements were available to be issued.

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Land	\$	28,393
Building		1,043,541
Furniture and fixtures		<u>500,987</u>
		1,572,921
Less: accumulated depreciation		<u>(850,633)</u>
	\$	<u>722,288</u>

NOTE 3 - INTANGIBLE ASSETS

The Organization's intangible assets are amortized over 180 months. The following are details relative to the Organization's intangible assets as of June 30, 2014:

Amortized intangible assets	As of June 30, 2014	
	Gross Carrying Amount	Accumulated Amortization
Debt fees	<u>\$ 17,392</u>	<u>\$ (9,563)</u>

NORTHLANDS RESCUE MISSION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Time restricted for subsequent periods	\$	36,520
Donor restricted for specific purpose		<u>209,165</u>
	\$	<u>245,685</u>

NOTE 5 - LEASE AGREEMENT WITH SHELTER FOR HOMELESS, INC.

The Organization has leased 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 class room, and the library. The rental agreement calls for rent to be paid in the amount of \$65,000 per year effective July 1, 2013, plus the lessee shall pay all operating expenses, including but not limited to utilities, insurance, property taxes and other expenses that may occur.

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 effective July 1, 2013.

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 effective July 1, 2013.

NOTE 6 - SHORT TERM NOTE PAYABLE

Northlands Rescue Mission, Inc. drew down, and subsequently paid off \$30,000 on the \$250,000 line of credit from Bremer Bank during the year ended June 30, 2014.

NOTE 7 - LONG TERM DEBT

The long term debt is payable to Bremer Bank. The debt bears a fixed interest rate of 5.98 percent with principal and interest payments payable monthly. The debt 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 the Northlands Rescue Mission, Inc. The aggregate amount of future principal payments on the above long-term debt as of June 30, 2014 is as follows:

Years ending June 30,		
2015	\$	4,010
2016		4,404
2017		5,095
2018		5,303
2019		5,630
Later years		<u>8,316</u>
Total due	\$	<u>32,758</u>