

**City Rescue Mission of Lansing
Lansing, Michigan**

FINANCIAL STATEMENTS

December 31, 2017

City Rescue Mission of Lansing

TABLE OF CONTENTS

December 31, 2017

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
Statement of Assets, Liabilities, and Net Assets - Modified Cash Basis	3
Statement of Support, Revenues, and Expenses - Modified Cash Basis	4
Statement of Functional Expenses - Modified Cash Basis	5
Statement of Cash Flows - Modified Cash Basis	6
Notes to Financial Statements	7-10
SUPPLEMENTARY INFORMATION	
Schedule of Functional Expenses by Program - Modified Cash Basis	11-13



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
City Rescue Mission of Lansing
Lansing, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of City Rescue Mission of Lansing (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets - modified cash basis as of December 31, 2017, and the related statements of support, revenues, and expenses - modified cash basis; functional expenses - modified cash basis; and cash flows - modified cash basis 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 the modified cash basis of accounting as described in Note B; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of financial statements in the circumstances. Management is also responsible for 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 assets, liabilities, and net assets of City Rescue Mission of Lansing as of December 31, 2017, and its support, revenues, and expenses and cash flows for the year then ended, in accordance with the modified cash basis of accounting as described in Note B.

Basis of Accounting

We draw attention to Note B of the financial statements, which describes the basis of accounting. The financial statements have been prepared on the modified cash basis of accounting, which is a basis other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses by program - modified cash basis, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Stevens Kirinovic & Tucker, P.C.

STEVENS, KIRINOVIC & TUCKER, P.C.
Certified Public Accountants

August 13, 2018

City Rescue Mission of Lansing

STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS

December 31, 2017

ASSETS

Current assets

Cash	\$ 682,125
Marketable securities	12,069
Accounts receivable	202
Inventory	135

TOTAL ASSETS

\$ 694,531

LIABILITIES AND NET ASSETS

LIABILITIES

Current liabilities

Accrued liabilities	\$ 17,601
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NET ASSETS

Unrestricted	582,413
Temporarily restricted	94,517

Total net assets

676,930

TOTAL LIABILITIES AND NET ASSETS

\$ 694,531

City Rescue Mission of Lansing

STATEMENT OF SUPPORT, REVENUES, AND EXPENSES - MODIFIED CASH BASIS

Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUES				
Support				
Contributions	\$ 2,323,598	\$ 840,950	\$ -	\$ 3,164,548
Revenues				
Thrift store sales, net	276,689	-	-	276,689
Other sales	700	-	-	700
Other				
Interest	5,306	-	-	5,306
Miscellaneous	628	-	-	628
Net assets released from restrictions	839,937	(784,624)	(55,313)	-0-
TOTAL SUPPORT AND REVENUES	3,446,858	56,326	(55,313)	3,447,871
EXPENSES				
Program services	2,942,791	-	-	2,942,791
Supporting services				
Management and general	390,522	-	-	390,522
Fundraising	69,473	-	-	69,473
TOTAL EXPENSES	3,402,786	-0-	-0-	3,402,786
CHANGE IN NET ASSETS	44,072	56,326	(55,313)	45,085
Net assets, beginning of year	538,341	38,191	55,313	631,845
Net assets, end of year	<u>\$ 582,413</u>	<u>\$ 94,517</u>	<u>\$ -0-</u>	<u>\$ 676,930</u>

See accompanying notes to financial statements.

City Rescue Mission of Lansing

STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS

Year Ended December 31, 2017

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries	\$ 1,020,220	\$ 242,673	\$ -	\$ 1,262,893
Payroll taxes	75,902	11,906	-	87,808
Fringe benefits	88,835	31,552	-	120,387
Total salaries and related expenses	1,184,957	286,131	-0-	1,471,088
Contracted services	51,078	36,219	-	87,297
Utilities	105,748	-	-	105,748
Occupancy	150,327	-	-	150,327
Maintenance and repairs	208,242	-	-	208,242
Food	719,034	-	-	719,034
Supplies and materials	449,057	3,515	-	452,572
Buildings, furniture, and equipment	24,574	260	-	24,834
Telephone	9,266	-	-	9,266
Postage	-	2,010	22,562	24,572
Interest	-	372	-	372
Bank charges	5,464	-	-	5,464
Printing	113	44,732	46,911	91,756
Transportation	11,360	33	-	11,393
Conferences and meetings	-	3,860	-	3,860
Insurance	20,223	2,266	-	22,489
Other	3,348	11,124	-	14,472
TOTAL EXPENSES	\$ 2,942,791	\$ 390,522	\$ 69,473	\$ 3,402,786

See accompanying notes to financial statements.

City Rescue Mission of Lansing

STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS

Year Ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 45,085
Adjustments to reconcile change in net assets to net cash provided by operating activities	
(Increase) in accounts receivable	(202)
Increase in accrued liabilities	<u>1,773</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	46,656
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of marketable securities	<u>(5,083)</u>
NET INCREASE IN CASH DURING THE YEAR	41,573
Cash, beginning of year	<u>640,552</u>
Cash, end of year	<u>\$ 682,125</u>
Interest paid	<u>\$ 372</u>

See accompanying notes to financial statements.

City Rescue Mission of Lansing

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A: DESCRIPTION OF ORGANIZATION

City Rescue Mission of Lansing (the Mission) was organized in 1911 as a private, nonprofit corporation to meet physical needs and to bring those with spiritual needs to Jesus Christ. As part of this mission, they provide food, clothing, and shelter to the needy in Michigan's capital area at no cost to the men, women, and children served. The Mission operates under an appointed Board of Directors and an Executive Director. The majority of the Mission's revenue is from contributions from the general public.

City Rescue Mission of Lansing maintains the following programs:

Advocacy - Case management is provided for adult guests of the Mission at the women and children's shelter and the men's shelter. The women and children's shelter is a secure facility, providing a safe haven for those seeking shelter from domestic abuse. Referral assistance is provided to other local service agencies from both shelters.

Counseling - Provides individual and group counseling services for men and women. These services are free and made available to shelter guests and non-guests.

Children's Program - Provides children's chapel with supervised play with a volunteer group, and occasional special activities for the children at the women and children's shelter. While in shelter tutoring is provided by the local school district where the children may receive help on their school work. Birth to five playgroup is provided weekly through the intermediate school district for moms and their children where they learn the importance of positive interaction with their children and learning through play.

Clothing - Clothing donated to the Mission is sorted by staff and volunteers at the Thrift Store. Items in season and in sellable condition are tagged and taken to the sales floor. Guests of the Mission are given vouchers to shop there for free. Unneeded clothing items are sent to another organization to use/recycle.

Food - Meals are provided to shelter guests at the men's shelter and at the women and children's shelter. The men's shelter, in the Michigan Avenue facility, is connected to the public dining room. The public dining room is open 365 days a year and provides meals to the homeless and the non-homeless population. The Food Pantry provides boxes of food supplies to guests moving into their new housing situation.

Personal Needs - The personal needs closet, at the Michigan Avenue facility, provides personal hygiene items to the homeless (guests and non-guests of the Mission) as well as guests from the low-income, non-homeless population. The women and children's shelter, at the Maplewood Center, also provides personal hygiene items to guests at that shelter.

Shelter - Shelter, meals, personal needs items, and clothing to guests are provided. Former guests are invited back to utilize other services (available for the low-income, non-homeless population).

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Mission do not conform to U.S. generally accepted accounting principles (GAAP) as applicable to nonprofit entities as noted below under basis of accounting. The Financial Accounting Standards Board (FASB) is the accepted standard-setting body for establishing nonprofit accounting and financial reporting principles.

The following is a summary of the significant accounting policies of the Mission:

Basis of Presentation - The Mission reports information regarding its financial position and activities according to three (3) classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions.

City Rescue Mission of Lansing
NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. The Mission has previously received contributions with donor-imposed restrictions that resulted in temporarily restricted net assets. During the current year, the Mission received no permanently restricted support.

Basis of Accounting - Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

The financial statements of City Rescue Mission of Lansing are accounted for using the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America for nonprofit organizations. The modified cash basis of accounting for City Rescue Mission of Lansing includes certain receivables, accrued and other current liabilities, and long-term debt. Certain items such as accounts receivable and fixed assets are excluded from the financial statements.

Cash - Cash consists of petty cash, checking accounts, and savings accounts.

Marketable Securities - Investments in marketable securities consist of corporate stock. All marketable securities have readily determinable fair values and are stated at fair value at December 31, 2017. Fair values of all of these investments are determined based on quoted market prices and other relevant information generated by market transactions. Realized and unrealized gains or losses on investments are recorded in the statement of activities in the period that such gains or losses or fluctuations occur. Dividend and interest income is recorded when earned. There were no changes in valuation techniques and related inputs during the period.

The Mission discloses significant concentrations of credit risk regardless of the degree of such risk. Financial instruments which potentially subject the Mission to concentrations of credit risk are described in subsequent notes.

The Mission places its investments with high credit-quality financial institutions. Although the marketable securities held are not federally insured, they are, in the opinion of management, subject to minimal risk.

Inventory - Inventory consists only of furniture purchased for resale at the Mission's Thrift Store. Inventory is valued at cost using the average cost method.

Contributions - All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of support, revenues, and expenses - modified cash as net assets released from restrictions.

Donated Materials and Services - Donations of materials are recorded as support at the estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose and a like amount included in expenses. Absent donor stipulations regarding how long those donated assets must be maintained, the Mission reports expiration of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Mission reclassifies temporarily restricted net assets to unrestricted net assets at that time. The Mission received contributed food and other supplies during the year ended December 31, 2017, with an estimated fair value on the dates of donation of \$1,093,094.

Professional services received are recognized if those services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The value of donated services is recorded as contributions in the period the services are rendered. The amounts reflected in the financial statements as in-kind contributions will be offset by like amounts included in expenses. The Mission did not receive contributed services during the year ended December 31, 2017, meeting the recognition criteria.

City Rescue Mission of Lansing

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Functional Expense Allocation - Certain costs of the Mission have been allocated to program service activities. Salaries and related expenses have been allocated to program service activities based upon time percentages for each employee. Most other costs are either charged directly or are allocated to program service and supporting service activities based on management's estimation of actual activity.

Estimates - The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes - City Rescue Mission of Lansing is a nonprofit corporation and has been granted exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Mission is not classified as a private foundation.

Subsequent Events - In preparing these financial statements, the Mission has evaluated events and transactions for potential recognition or disclosure through August 13, 2018, the date the financial statements were available to be issued.

Comparative Data - Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE C: CONCENTRATION OF CREDIT RISK

City Rescue Mission of Lansing had cash at financial institutions that exceeded federally insured limits by \$334,131 as of December 31, 2017.

NOTE D: MARKETABLE SECURITIES

The Mission's investments in marketable securities are reported in the financial statements at fair value, which was \$12,069 at December 31, 2017. The marketable securities consist of corporate stock valued at \$12,069. The value at the date of the donation of the corporate stock held by the Mission at year-end was \$7,356.

The marketable securities are not federally insured due to the nature of the financial instruments not being covered by the Federal Deposit Insurance Corporation (FDIC). The fair value of all the marketable securities presented above are based on measurements at the reporting date using quoted market prices in active markets for identical assets (Level 1 observable inputs) as required by the Financial Accounting Standards Board.

A hierarchy has been established that prioritizes the inputs to valuation techniques giving the highest priority to readily available unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements) when market prices are not readily available or reliable. The three levels of the hierarchy are described below:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period). Unobservable inputs reflect the Mission's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

City Rescue Mission of Lansing
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE D: MARKETABLE SECURITIES - CONTINUED

The inputs or methodology used for valuing securities may not be an indication of the risk associated with investing in those securities.

NOTE E: LINE OF CREDIT

City Rescue Mission of Lansing entered into a line of credit agreement with Horizon Bank to cover potential cash flow shortages. The line of credit limit is \$100,000. During the year, City Rescue Mission of Lansing did not borrow against the line of credit. The balance at December 31, 2017 was \$0. Interest on this line of credit was 5.25% at year end. The line of credit is unsecured. Interest expense for the year ended December 31, 2017, paid on the line of credit was \$0.

NOTE F: TEMPORARILY RESTRICTED NET ASSETS

The following is a summary of the temporarily restricted net assets at December 31, 2017:

Food	\$	7,368
Mission Improvements		20,985
Bibles and Literature		245
Mission Special Needs		5,007
Families Special Needs		9,195
Carl and Rhea Bradford Revocable Trust		51,717
	\$	94,517

NOTE G: OPERATING LEASES

The Mission co-signed a three (3) year lease agreement in 2013 for the retail thrift store location, which the Mission was fully responsible for starting January 1, 2015. In May 2016, the Mission extended the lease agreement through June 30, 2019. Monthly rent expense for January 1, 2017 through December 31, 2017 was \$9,547. Total annual rent expense for this operating lease for the year ending December 31, 2017 was \$114,565.

The following table shows the annual operating lease commitments:

Year Ending December 31,		
2018	\$	114,564
2019		57,282
	\$	171,846

NOTE H: RECLASSIFICATION OF PERMANENTLY RESTRICTED NET ASSETS

During the year it was determined that the Bradford Trust had a provision allowing up to 5% of the fair market value of the trust as of the close of the previous fiscal year was available for spending. Therefore, the net assets of the Bradford Trust that were previously considered to be permanently restricted were reclassified to temporarily restricted.

SUPPLEMENTARY INFORMATION

City Rescue Mission of Lansing

SCHEDULE OF FUNCTIONAL EXPENSES BY PROGRAM - MODIFIED CASH BASIS

Year Ended December 31, 2017

	Michigan Avenue Facility	Free Store	Maplewood Facility	Mission Special Needs
Salaries	\$ 266,845	\$ 82,290	\$ 406,136	\$ -
Payroll taxes	19,994	6,220	30,106	-
Fringe benefits	20,393	20,178	39,115	-
Total salaries and related expenses	307,232	108,688	475,357	-0-
Contracted services	17,531	-	27,667	-
Utilities	43,101	1,997	60,650	-
Occupancy	-	-	-	-
Maintenance and repairs	48,315	1,475	95,685	-
Food	-	-	-	-
Supplies and materials	7,452	-	421,581	11,214
Buildings, furniture, and equipment	12,773	-	2,294	-
Telephone	1,709	-	5,445	-
Postage	-	-	-	-
Interest	-	-	-	-
Bank charges	-	-	-	-
Printing	-	-	-	-
Transportation	7,834	-	1,886	-
Conferences and meetings	-	-	-	-
Insurance	12,009	1,654	4,543	-
Other	3,185	-	-	-
TOTAL EXPENSES	\$ 461,141	\$ 113,814	\$ 1,095,108	\$ 11,214

Families Special Needs	Program Bibles and Literature	Mission Improvements	Offsite Kitchen	Thrift Store	Total Program Services
\$ -	\$ -	\$ -	\$ 168,824	\$ 96,125	\$ 1,020,220
-	-	-	12,915	6,667	75,902
-	-	-	1,984	7,165	88,835
-0-	-0-	-0-	183,723	109,957	1,184,957
-	-	-	1,085	4,795	51,078
-	-	-	-	-	105,748
-	-	-	14,439	135,888	150,327
-	-	49,300	6,027	7,440	208,242
-	-	-	719,034	-	719,034
5,448	206	-	766	2,390	449,057
-	-	-	-	9,507	24,574
-	-	-	645	1,467	9,266
-	-	-	-	-	-0-
-	-	-	-	-	-0-
-	-	-	-	5,464	5,464
-	-	-	-	113	113
-	-	-	670	970	11,360
-	-	-	-	-	-0-
-	-	-	1,640	377	20,223
-	-	-	-	163	3,348
<u>\$ 5,448</u>	<u>\$ 206</u>	<u>\$ 49,300</u>	<u>\$ 928,029</u>	<u>\$ 278,531</u>	<u>\$ 2,942,791</u>

City Rescue Mission of Lansing

SCHEDULE OF FUNCTIONAL EXPENSES BY PROGRAM - MODIFIED CASH BASIS - CONTINUED

Year Ended December 31, 2017

	Management and General	Fundraising	Total
Salaries	\$ 242,673	\$ -	\$ 1,262,893
Payroll taxes	11,906	-	87,808
Fringe benefits	31,552	-	120,387
Total salaries and related expenses	286,131	-0-	1,471,088
Contracted services	36,219	-	87,297
Utilities	-	-	105,748
Occupancy	-	-	150,327
Maintenance and repairs	-	-	208,242
Food	-	-	719,034
Supplies and materials	3,515	-	452,572
Buildings, furniture, and equipment	260	-	24,834
Telephone	-	-	9,266
Postage	2,010	22,562	24,572
Interest	372	-	372
Bank charges	-	-	5,464
Printing	44,732	46,911	91,756
Transportation	33	-	11,393
Conferences and meetings	3,860	-	3,860
Insurance	2,266	-	22,489
Other	11,124	-	14,472
TOTAL EXPENSES	<u>\$ 390,522</u>	<u>\$ 69,473</u>	<u>\$ 3,402,786</u>