



**WHEELER MISSION MINISTRIES, INC.**

**AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS**

**AND**

**SUPPLEMENTARY INFORMATION**

**MAY 31, 2016 AND 2015**

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARY

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## **REPORT OF INDEPENDENT AUDITORS**

Board of Directors  
Wheeler Mission Ministries, Inc. and Subsidiary  
Indianapolis, Indiana

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of and Subsidiary (hereby collectively referred to as the Ministry), which comprise the consolidated statements of financial position as of May 31, 2016 and 2015, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

**REPORT OF INDEPENDENT AUDITORS**  
**(Continued)**

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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Ministry as of May 31, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidated statement of program services expenses is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

*Blue & Co., LLC*

Carmel, Indiana  
September 13, 2016

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION MAY 31, 2016 AND 2015

### ASSETS

	<u>2016</u>	<u>2015</u>
Cash	\$ 1,123,432	\$ 2,276,242
Investments - capital and general operating	3,025,361	3,239,283
Accounts receivable	79,219	111,025
Contributions receivable	412,882	622,460
Inventory	134,183	86,749
Prepaid and other assets	21,939	30,247
Property and equipment, net	14,972,693	12,381,053
Investments - other		
Charitable gift annuities	150,563	159,728
Charitable remainder trusts	1,008,384	1,324,464
Endowment	<u>1,298,306</u>	<u>621,691</u>
	<u>\$ 22,226,962</u>	<u>\$ 20,852,942</u>

### LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	\$ 203,536	\$ 196,282
Accrued payroll and other liabilities	306,297	152,680
Charitable gift annuities payable	90,422	92,508
Charitable remainder trusts payable	<u>659,978</u>	<u>854,574</u>
Total liabilities	1,260,233	1,296,044
Net assets		
Unrestricted		
Undesignated	17,945,629	16,445,714
Board designated - general	500,000	-0-
Board designated - endowment	<u>439,577</u>	<u>250,000</u>
	18,885,206	16,695,714
Temporarily restricted	1,115,556	2,095,217
Permanently restricted	<u>965,967</u>	<u>765,967</u>
Total net assets	<u>20,966,729</u>	<u>19,556,898</u>
	<u>\$ 22,226,962</u>	<u>\$ 20,852,942</u>

*See accompanying notes to consolidated financial statements.*

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARY

## CONSOLIDATED STATEMENT OF ACTIVITIES YEAR ENDED MAY 31, 2016 (With Comparative Total for the Year Ended 2015)

	2016				2015 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
<b>Support and revenue</b>					
Contributions	\$ 6,358,709	\$ 1,322,392	\$ 200,000	\$ 7,881,101	\$ 7,681,818
Contribution received in donation of Backstreet Missions, Inc. (Note 9)	1,112,128	-0-	-0-	1,112,128	-0-
Contributions - wills and estates	9,843	-0-	-0-	9,843	785,685
Gifts-in-kind	1,084,648	-0-	-0-	1,084,648	1,018,126
Program service revenue	1,408,001	-0-	-0-	1,408,001	1,287,624
Change in value of annuity and trust liabilities	(5,835)	(17,880)	-0-	(23,715)	(4,868)
Investment return					
Capital and general operating, net	20,159	-0-	-0-	20,159	41,170
Other, net	(1,256)	26,676	-0-	25,420	89,490
Other	(145,612)	-0-	-0-	(145,612)	22,031
Net assets released from restrictions	<u>2,330,849</u>	<u>(2,330,849)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
	12,171,634	(999,661)	200,000	11,371,973	10,921,076
 Special events					
Registration fees and other support	787,156	20,000	-0-	807,156	602,848
Gift-in-kind support	630,187	-0-	-0-	630,187	354,576
Direct expenses of events	(318,354)	-0-	-0-	(318,354)	(302,525)
Gift-in-kind expenses	<u>(630,187)</u>	<u>-0-</u>	<u>-0-</u>	<u>(630,187)</u>	<u>(354,576)</u>
	468,802	20,000	-0-	488,802	300,323
 Total support and revenue	12,640,436	(979,661)	200,000	11,860,775	11,221,399
 <b>Expenses</b>					
Program services					
Men's residential center	920,844	-0-	-0-	920,844	909,097
Shelter for men	1,459,261	-0-	-0-	1,459,261	1,325,198
Center for women and children	1,121,768	-0-	-0-	1,121,768	1,238,204
Camp Hunt	877,846	-0-	-0-	877,846	850,899
Industry	839,195	-0-	-0-	839,195	763,551
Edwards residence	158,278	-0-	-0-	158,278	173,085
Thrift shop	467,394	-0-	-0-	467,394	480,433
Ministry services	752,532	-0-	-0-	752,532	650,382
Center for men (Bloomington)	360,362	-0-	-0-	360,362	-0-
Center for women and children (Bloomington)	132,729	-0-	-0-	132,729	-0-
Food services	487,429	-0-	-0-	487,429	397,438
Restored creations	<u>8,961</u>	<u>-0-</u>	<u>-0-</u>	<u>8,961</u>	<u>-0-</u>
	7,586,599	-0-	-0-	7,586,599	6,788,287
Supporting activities					
Management and general	419,453	-0-	-0-	419,453	473,143
Fundraising and development	<u>2,444,892</u>	<u>-0-</u>	<u>-0-</u>	<u>2,444,892</u>	<u>2,194,506</u>
	2,864,345	-0-	-0-	2,864,345	2,667,649
 Total expenses	10,450,944	-0-	-0-	10,450,944	9,455,936
 <b>Change in net assets</b>	2,189,492	(979,661)	200,000	1,409,831	1,765,463
 <b>Net assets, beginning of year</b>	<u>16,695,714</u>	<u>2,095,217</u>	<u>765,967</u>	<u>19,556,898</u>	<u>17,791,435</u>
 <b>Net assets, end of year</b>	<u>\$ 18,885,206</u>	<u>\$ 1,115,556</u>	<u>\$ 965,967</u>	<u>\$ 20,966,729</u>	<u>\$ 19,556,898</u>

*See accompanying notes to consolidated financial statements.*

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARY

## CONSOLIDATED STATEMENT OF ACTIVITIES YEAR ENDED MAY 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and revenue</b>				
Contributions	\$ 5,845,712	\$ 1,461,106	\$ 375,000	\$ 7,681,818
Contributions - wills and estates	785,685	-0-	-0-	785,685
Gifts-in-kind	1,018,126	-0-	-0-	1,018,126
Program service revenue	1,287,624	-0-	-0-	1,287,624
Change in value of annuity and trust liabilities	28,683	(33,551)	-0-	(4,868)
Investment return				
Capital and general operating, net	41,170	-0-	-0-	41,170
Other, net	7,222	82,268	-0-	89,490
Other	22,031	-0-	-0-	22,031
Modification of donor intent	-0-	(125,000)	125,000	-0-
Net assets released from restrictions	<u>4,097,774</u>	<u>(4,097,774)</u>	<u>-0-</u>	<u>-0-</u>
	13,134,027	(2,712,951)	500,000	10,921,076
Special events				
Registration fees and other support	602,848	-0-	-0-	602,848
Gift-in-kind support	354,576	-0-	-0-	354,576
Direct expenses of events	(302,525)	-0-	-0-	(302,525)
Gift-in-kind expenses	<u>(354,576)</u>	<u>-0-</u>	<u>-0-</u>	<u>(354,576)</u>
	<u>300,323</u>	<u>-0-</u>	<u>-0-</u>	<u>300,323</u>
Total support and revenue	13,434,350	(2,712,951)	500,000	11,221,399
<b>Expenses</b>				
Program services				
Men's residential center	909,097	-0-	-0-	909,097
Shelter for men	1,325,198	-0-	-0-	1,325,198
Center for women and children	1,238,204	-0-	-0-	1,238,204
Camp Hunt	850,899	-0-	-0-	850,899
Industry	763,551	-0-	-0-	763,551
Edwards residence	173,085	-0-	-0-	173,085
Thrift shop	480,433	-0-	-0-	480,433
Ministry services	650,382	-0-	-0-	650,382
Food services	<u>397,438</u>	<u>-0-</u>	<u>-0-</u>	<u>397,438</u>
	6,788,287	-0-	-0-	6,788,287
Supporting activities				
Management and general	473,143	-0-	-0-	473,143
Fundraising and development	<u>2,194,506</u>	<u>-0-</u>	<u>-0-</u>	<u>2,194,506</u>
	<u>2,667,649</u>	<u>-0-</u>	<u>-0-</u>	<u>2,667,649</u>
Total expenses	<u>9,455,936</u>	<u>-0-</u>	<u>-0-</u>	<u>9,455,936</u>
<b>Change in net assets</b>	3,978,414	(2,712,951)	500,000	1,765,463
<b>Net assets, beginning of year</b>	<u>12,717,300</u>	<u>4,808,168</u>	<u>265,967</u>	<u>17,791,435</u>
<b>Net assets, end of year</b>	<u>\$ 16,695,714</u>	<u>\$ 2,095,217</u>	<u>\$ 765,967</u>	<u>\$ 19,556,898</u>

*See accompanying notes to consolidated financial statements.*

**WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARY**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED MAY 31, 2016  
(With Comparative Total for the Year Ended 2015)

	2016					2015 Total
	Program Services	Supporting Activities			Total	
		Management and General	Fundraising and Development	Total Supporting Activities		
Salaries and benefits	\$ 3,878,328	\$ 216,377	\$ 746,052	\$ 962,429	\$ 4,840,757	\$ 4,307,781
Gift-in-kind expenses	1,028,093	4,188	630,187	634,375	1,662,468	1,351,752
Public relations and direct mailing	83,024	3,103	1,467,228	1,470,331	1,553,355	1,409,983
Direct expenses of events	-0-	-0-	318,354	318,354	318,354	302,525
Telephone and utilities	498,054	22,812	1,335	24,147	522,201	499,106
Depreciation expense	546,099	58,565	-0-	58,565	604,664	501,463
Postage	2,595	4,484	37,677	42,161	44,756	42,458
Maintenance	218,362	13,974	9,875	23,849	242,211	235,852
Insurance	121,199	9,153	48,747	57,900	179,099	151,835
Food	131,476	-0-	-0-	-0-	131,476	98,757
Equipment repair and maintenance	90,797	8,153	12,902	21,055	111,852	125,782
Cleaning supplies	45,330	1,402	-0-	1,402	46,732	42,647
Fuel and oil	38,317	1,386	2,737	4,123	42,440	57,095
Professional services	91,078	26,531	7,871	34,402	125,480	145,327
Program materials	44,957	-0-	-0-	-0-	44,957	42,052
Office supplies	11,361	3,241	3,693	6,934	18,295	16,238
Staff travel and conferences	29,966	4,151	10,964	15,115	45,081	51,370
Industry and supplies	650,814	-0-	-0-	-0-	650,814	574,781
Grants and scholarships	42,355	-0-	-0-	-0-	42,355	35,400
Interest	5,256	2,131	-0-	2,131	7,387	-0-
Membership fees	8,594	1,162	2,960	4,122	12,716	11,624
Sales and property tax	-0-	3,369	-0-	3,369	3,369	-0-
Capital campaign expenses	-0-	-0-	5,000	5,000	5,000	1,497
Lockbox and bank fees	6,329	35,210	85,454	120,664	126,993	97,217
Miscellaneous	14,215	61	2,397	2,458	16,673	10,495
	<u>7,586,599</u>	<u>419,453</u>	<u>3,393,433</u>	<u>3,812,886</u>	<u>11,399,485</u>	<u>10,113,037</u>
Less expenses netted with support and revenues on the statement of activities	<u>-0-</u>	<u>-0-</u>	<u>(948,541)</u>	<u>(948,541)</u>	<u>(948,541)</u>	<u>(657,101)</u>
Total expenses reported on the statement of activities	<u>\$ 7,586,599</u>	<u>\$ 419,453</u>	<u>\$ 2,444,892</u>	<u>\$ 2,864,345</u>	<u>\$ 10,450,944</u>	<u>\$ 9,455,936</u>

*See accompanying notes to consolidated financial statements.*



**WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARY**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED MAY 31, 2015

	Supporting Activities				Total
	Program Services	Management and General	Fundraising and Development	Total Supporting Activities	
Salaries and benefits	\$ 3,508,412	\$ 200,037	\$ 599,332	\$ 799,369	\$ 4,307,781
Gift-in-kind expenses	968,187	28,989	354,576	383,565	1,351,752
Public relations and direct mailing	7,749	1,522	1,400,712	1,402,234	1,409,983
Direct expenses of events	-0-	-0-	302,525	302,525	302,525
Telephone and utilities	472,952	24,459	1,695	26,154	499,106
Depreciation expense	398,887	102,576	-0-	102,576	501,463
Postage	210	7,757	34,491	42,248	42,458
Maintenance	212,260	15,133	8,459	23,592	235,852
Insurance	123,083	16,453	12,299	28,752	151,835
Food	98,757	-0-	-0-	-0-	98,757
Equipment repair and maintenance	106,449	7,657	11,676	19,333	125,782
Cleaning supplies	41,965	682	-0-	682	42,647
Fuel and oil	51,989	1,821	3,285	5,106	57,095
Professional services	82,177	27,915	35,235	63,150	145,327
Program materials	42,052	-0-	-0-	-0-	42,052
Office supplies	10,733	2,172	3,333	5,505	16,238
Staff travel and conferences	36,574	2,955	11,841	14,796	51,370
Industry and supplies	574,781	-0-	-0-	-0-	574,781
Grants and scholarships	35,400	-0-	-0-	-0-	35,400
Membership fees	6,230	3,171	2,223	5,394	11,624
Capital campaign expenses	-0-	-0-	1,497	1,497	1,497
Lockbox and bank fees	4,930	27,573	64,714	92,287	97,217
Miscellaneous	4,510	2,271	3,714	5,985	10,495
Total expenses	<u>6,788,287</u>	<u>473,143</u>	<u>2,851,607</u>	<u>3,324,750</u>	<u>10,113,037</u>
Less expenses netted with support and revenues on the statement of activities	<u>-0-</u>	<u>-0-</u>	<u>(657,101)</u>	<u>(657,101)</u>	<u>(657,101)</u>
Total expenses reported on the statement of activities	<u>\$ 6,788,287</u>	<u>\$ 473,143</u>	<u>\$ 2,194,506</u>	<u>\$ 2,667,649</u>	<u>\$ 9,455,936</u>

*See accompanying notes to consolidated financial statements.*

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARY

## CONSOLIDATED STATEMENT OF CASH FLOWS YEARS ENDED MAY 31, 2016 AND 2015

	2016	2015
<b>Operating activities</b>		
Change in net assets	\$ 1,409,831	\$ 1,765,463
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	604,664	501,463
Impairment loss on land and building (Note 4)	174,077	-0-
Gain on sale of property and equipment	-0-	(6,940)
Realized and unrealized loss on investments, net	105,671	13,151
Change in value of annuity and trust liabilities	23,715	4,868
Contributions restricted for purchase and renovation of buildings	(896,487)	(1,250,156)
Contribution of assets from merger, net of assumed liabilities (Note 9)	(1,107,690)	-0-
Contribution related to release of charitable remainder trust liability	(119,118)	-0-
Contributions restricted for investment in endowment	(200,000)	(250,000)
Contributed construction services	(52,367)	(20,950)
Changes in assets and liabilities		
Accounts receivable	31,806	(32,138)
Contributions receivable	209,578	255,727
Other assets	(38,347)	(47,089)
Accounts payable	45,875	(5,437)
Accrued payroll and other liabilities	153,617	45,176
Net cash flows from operating activities	344,825	973,138
<b>Investing activities</b>		
Capital expenditures	(1,995,294)	(3,342,983)
Proceeds from sale of property and equipment	-0-	6,940
Purchases of investments	(963,151)	(1,567,189)
Proceeds from sale of investments	720,032	2,438,901
Net cash flows from investing activities	(2,238,413)	(2,464,331)
<b>Financing activities</b>		
Proceeds from contributions restricted for purchase and renovation of buildings	896,487	1,250,156
Proceeds from contributions restricted for investment in endowment	200,000	250,000
Principal payments under term debt	(254,430)	-0-
Annuities and trusts payments	(101,279)	(119,998)
Net cash flows from financing activities	740,778	1,380,158
Net change in cash	(1,152,810)	(111,035)
<b>Cash, beginning of year</b>	2,276,242	2,387,277
<b>Cash, end of year</b>	\$ 1,123,432	\$ 2,276,242

*See accompanying notes to consolidated financial statements.*

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2016 AND 2015

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### 1. NATURE OF ACTIVITIES

The accompanying consolidated financial statements include the accounts of Wheeler Mission Ministries, Inc. and its wholly owned subsidiary, Wheeler East Street Holdings, Inc. (collectively referred to as the Ministry). All significant intercompany balances and transactions have been eliminated in consolidation.

Wheeler Mission Ministries, Inc. (WMM), an Indiana not-for-profit corporation, is a non-denominational Christian organization that exists to provide Christ-centered programs and services for the homeless and those in need. The vision of the Ministry is to see every man, woman, and child served be equipped to be productive citizens who enjoy lasting success in Christ.

Services to the community are provided through seven separate facilities, each offering unique programs to the homeless and those in need in the greater Indianapolis, Indiana area. These facilities include Men's Residential Center, Shelter for Men, Center for Women and Children, Edwards Residence, and the Training Center at Camp Hunt. Effective September 23, 2015, with the merger of the Backstreet Missions, Inc. into the Ministry (Note 9), the Ministry also operates a Center for Men and a Center for Women and Children in Bloomington, Indiana.

WMM offers a long-term residential treatment program for addiction recovery that is offered to men at the Training Center at Camp Hunt (orientation at Men's Residential Center) and to women at the Edwards Residence (orientation at Center for Women and Children).

In addition to the seven service centers, WMM owns and operates a thrift shop on the south side of Indianapolis and a pallet manufacturing shop in Bloomington. The Wheeler Mission Thrift Store sells used clothing and household items, along with providing no-cost items to individuals and families in need and employment opportunities and training to program participants. Wheeler Pallet and Industry manufactures pallets and provides employment opportunities and training to program participants.

WMM is a member of the Association of Gospel Rescue Missions, the Evangelical Council for Financial Accountability, and the National Society of Fund Raising Executives.

WMM receives the majority of its support from individuals, churches, businesses, civic organizations, and foundations within the Indianapolis metropolitan area.

Wheeler East Street Holdings, Inc. (ESH), an Indiana public benefit corporation, serves as a holding company for one property that WMM will utilize to operate various programs. ESH received its initial start-up funding from WMM. WMM also provides ongoing operational support to ESH.

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2016 AND 2015

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Presentation

The consolidated financial statements report net assets and changes in net assets in classes that are based upon the existence or absence of restrictions on use that are placed by the Ministry's donors, as follows:

Unrestricted net assets – Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Ministry, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Temporarily restricted net assets – Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The Ministry's unspent contributions are classified in this class if the donor limited their use.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the consolidated statement of activities by reclassifying the net assets from temporarily restricted to unrestricted net assets. Net assets restricted for acquisition of property and equipment (or the contribution of those assets directly) are reported as temporarily restricted until the donated or acquired assets are placed in service, unless the donor provides more specific directions about the period of its use.

Permanently restricted net assets – Permanently restricted net assets are resources which must be maintained by the Ministry in perpetuity. Net assets increase when the Ministry receives contributions for which donor-imposed restrictions limit the Ministry's use of the asset and/or its economic benefits and which neither expire with the passage of time nor can be removed by the Ministry's meeting certain requirements.

#### Estimates

The preparation of consolidated 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, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of support, revenue and expenses during the reporting period. Actual results could differ from those estimates.

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2016 AND 2015

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### Accounts Receivable

Accounts receivable are recorded at net invoice amounts and consist primarily of billings for the Ministry's enterprise operations at the Hebron Center at Camp Hunt, which include the production and sales of wood pallets and other wood products. The Ministry's policy for determining when receivables are past due is on a case by case basis. Management estimates an allowance for uncollectible accounts receivable based on an evaluation of current economic conditions, historical trends, and other factors unique to the Ministry's customer base. No late fees or finance charges are assessed. Amounts are considered uncollectible at the time management believes all collection efforts have been exhausted. Management has determined that no allowance for doubtful accounts receivable is necessary at May 31, 2016 and 2015.

### Contributions Receivable

Contributions receivable consist of amounts that have been unconditionally promised to the Ministry. Contributions receivable are carried at their net realizable value. No discount to present value has been recorded as it is deemed insignificant to the recognition of contribution income as a whole for the years ended May 31, 2016 and 2015.

Management estimates an allowance for uncollectible contributions receivable based on current economic conditions, historical trends, and current and past experience with their donor base. Management determined that no allowance for uncollectible contributions is necessary at May 31, 2016 and 2015.

### Inventory

Inventory consists of thrift store goods donated for resale and lumber used to build pallets. Purchased items of inventory are valued at the lower of cost or market with cost being determined using the first-in, first-out (FIFO) basis. Donated goods received by the Ministry that are to be distributed or sold in the thrift stores are valued at one-twelfth of the current year's sales, which approximates fair value.

### Property and Equipment

All purchases of land and buildings are capitalized at cost. Equipment purchases in excess of \$1,500, including expenditures that substantially increase the useful lives of existing assets, are also capitalized at cost. Costs of ordinary maintenance and repairs are expensed as incurred.

Gifts of buildings and equipment are recorded as support at their estimated fair value at the date of the gift. Such gifts are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose or stipulated how long those long-lived assets must be used. Absent explicit donor restrictions on use or how long the donated assets must be maintained, the Ministry reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Ministry reclassifies temporarily restricted net assets to unrestricted net assets at that time.

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2016 AND 2015

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Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

<u>Description</u>	<u>Useful Lives</u>
Buildings and improvements	5 – 40 years
Equipment	3 – 20 years
Vehicles	3 – 10 years

Property and equipment are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the consolidated financial statements in fiscal 2016 or 2015.

### Investments and Investment Return

Investments in equity and debt securities having a readily determinable market value are carried at fair value.

Investment return includes interest, dividends, and realized and unrealized gains and losses. Changes in unrealized appreciation or depreciation of investments are recorded in the period in which such changes occur. Interest and dividend income and net realized and unrealized gains and losses on investments are recognized as unrestricted revenues unless their use is temporarily restricted by donors to a specified purpose or future period.

### Split-Interest Agreements

#### *Charitable Gift Annuities*

The Ministry administers (through a third party administrator) various charitable gift annuities. A charitable gift annuity provides for the payment of distributions to the donor or other designated beneficiaries over a specified term (usually the designated beneficiary's lifetime). At the end of the specified term, the remaining assets are available for the unrestricted use of the Ministry. The portion of the charitable gift annuities attributable to the present value of future benefits to be received by the Ministry is recorded in the consolidated statement of activities as temporarily restricted contributions in the period the gift is received. There were no such contributions during the years ended May 31, 2016 and 2015, respectively.

Assets held in trust total \$150,563 and \$159,728 at May 31, 2016 and 2015, respectively, and primarily consist of mutual funds and are reported at their fair value as charitable gift annuity investments in the consolidated statements of financial position. The present value of the estimated future payments to beneficiaries amounts to \$90,422 and \$92,508 at May 31, 2016 and 2015, respectively. The fair value (Level 2 in the fair value hierarchy – see Note 5) of the estimated future payments to beneficiaries is based on the present value of the future payments and was calculated using a discount rate of 1.8% and the applicable mortality tables.

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2016 AND 2015

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### *Charitable Remainder Trusts*

The Ministry, serving as the trustee, administers (through a third party administrator) two charitable remainder trusts. The trusts provide for the payment of distributions to the grantor or other designated beneficiaries over the trusts' terms (the designated beneficiaries' lifetimes). At the end of the trusts' terms, the remaining assets are available for the Ministry's use. The portion of the charitable remainder trusts attributable to the present value of future benefits to be received by the Ministry is reported in the consolidated statement of activities as temporarily restricted contributions in the period the trust is established. There were no new deposits in fiscal 2016 and 2015. During fiscal 2016, one of the trusts administered was liquidated upon the death of the trust's beneficiary. A contribution for the release of the liability related to the present value of estimated future payments of \$119,118 was recognized as contribution revenue during fiscal 2016.

Assets held in trust total \$1,008,384 and \$1,324,464 at May 31, 2016 and 2015, respectively, and primarily consist of mutual funds and are reported at their fair value as charitable remainder trusts investments in the consolidated statements of financial position. On an annual basis, the Ministry revalues the liability for distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments to beneficiaries amounted to \$659,978 and \$854,574 at May 31, 2016 and 2015, respectively. The fair value (Level 2 in the fair value hierarchy – see Note 5) of the estimated future payments is calculated using a discount rate of 2.4% and the applicable mortality tables.

### Support and Revenue Recognition

Contributions, which include unconditional promises to give, are recognized in the period the contribution is received, the promise is made, or ownership of other assets is transferred to the Ministry.

Support that is not restricted by the donor is reported as an increase in unrestricted net assets. All donor-restricted support is reported as an increase in temporarily or permanently restricted net 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 consolidated statement of activities as net assets released from restrictions.

Program service revenues are recorded as revenue in the year to which they relate.

### Gifts-In-Kind Contributions

Donated goods used in the operations of the Ministry are recorded at their estimated "thrift store" fair market value on the date the gifts are received. Donated goods that are used for special events are recorded at their estimated fair market value on the date the gifts are received, which includes discounting their value based on quantities donated. All other donated goods received by the Ministry are channeled to the thrift store and recorded as revenue when

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# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2016 AND 2015

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sold. Donated goods contributed to the Ministry in excess of requirements for the Ministry's internal programs are distributed to other relief organizations within the Indianapolis area.

### Functional Allocation of Expenses

The costs of providing the programs and services of the Ministry have been summarized on a functional basis in the consolidated statements of activities and functional expenses. Accordingly, certain costs have been allocated among the various programs and supporting activities benefited based on estimates of time and usage by personnel and programs and the benefits derived. Although the method used was appropriate, other methods could produce different results.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Ministry generally does not conduct its fundraising activities in conjunction with its other activities. In a case in which it does, such costs have been allocated between fundraising and development, program or management and general expenses in accordance with standards for accounting for costs of activities that include fundraising.

### Income Taxes

WMM and ESH are exempt from Federal and state income taxes on related income under Section 501(c)(3) of the Internal Revenue Code and related state law.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Ministry and recognize a tax liability if the Ministry has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management believes that as of May 31, 2016 and 2015, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying consolidated financial statements. The Ministry is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

As such, the Ministry is generally exempt from income taxes. However, WMM and ESH are required to file Federal Form 990 – Return of Organization Exempt from Income Tax and a corresponding state return, which are informational returns only. WMM and ESH have filed their federal and state income tax returns for periods through May 31, 2015. These income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

### Reclassifications

Certain amounts in the fiscal 2015 consolidated financial statements have been reclassified herein to conform to the fiscal 2016 presentation.



# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2016 AND 2015

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### Subsequent Events

The Ministry evaluates events or transactions occurring subsequent to the date of the consolidated financial statements in determining the accounting for and disclosure of transactions and events that affect the consolidated financial statements. Subsequent events have been evaluated through September 13, 2016, which is the date the consolidated financial statements were available to be issued.

### **3. CONTRIBUTIONS RECEIVABLE**

Unconditional contributions receivable consist of the following at May 31:

	<u>2016</u>	<u>2015</u>
Due within one year	\$ 412,882	\$ 377,561
Due in one to five years	<u>-0-</u>	<u>244,899</u>
	<u>\$ 412,882</u>	<u>\$ 622,460</u>

### **4. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at May 31:

	<u>2016</u>	<u>2015</u>
Land	\$ 1,947,970	\$ 1,378,740
Buildings and improvements	17,260,448	15,322,393
Equipment	1,852,501	1,698,496
Vehicles	591,754	542,656
Construction in process	<u>535,684</u>	<u>51,269</u>
	22,188,357	18,993,554
Accumulated depreciation	<u>(7,215,664)</u>	<u>(6,612,501)</u>
	<u>\$ 14,972,693</u>	<u>\$ 12,381,053</u>

The Ministry has entered into several contractual agreements as of May 31, 2016 relating to construction at certain locations. The total contractual commitment related to the executed but uncompleted contracts amounts to approximately \$43,000 at May 31, 2016.

On June 1, 2015, the Ministry strategically purchased land and building adjacent to the Center for Women and Children. The Ministry razed the building during fiscal year 2016 for the safety of the CWC residents and the enhancement of the overall CWC property. While the estimated fair market value of the acquired land was determined to be less than the total purchase price of the land, building and costs associated with razing the building, the purchase enables the

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2016 AND 2015

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Ministry to provide a safer environment for the CWC residents and strategically plan for expansion at the CWC. Accordingly, the Ministry wrote off \$174,077 during fiscal year 2016, representing the cost of the purchase and costs associated with razing the building in excess of the estimated fair market value of the land (included in other support and revenue in the consolidated statement of activities). The resulting basis of the land is \$6,760 which was based on valuations of similar properties (considered a level 2 input under the fair value hierarchy).

### 5. INVESTMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of fair value hierarchy are described as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Ministry has the ability to access.
- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at May 31, 2016 and 2015.

- *Mutual funds*: Valued at the daily closing price as reported by the fund. Mutual funds held by the Ministry are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Ministry are deemed to be actively traded.
- *Exchange traded funds*: Valued at the closing price reported on the active market on which the individual securities are traded.

## WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2016 AND 2015

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Ministry believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements at the reporting date.

The following tables set forth the Ministry's investment portfolio as of May 31:

	2016				
	Capital and General Operating	Other			Total
		Annuity	Trust	Endowment	
<b>LEVEL 1</b>					
Mutual funds					
Equity					
Large cap growth	\$ -0-	\$ 28,670	\$ 196,654	\$ 201,896	\$ 427,220
Large cap value	-0-	30,022	201,631	210,375	442,028
Large cap blended	-0-	28,512	194,449	199,956	422,917
Midcap growth	-0-	11,756	80,663	82,562	174,981
Midcap blended	-0-	9,534	55,018	68,402	132,954
Small cap growth	-0-	8,703	59,607	61,810	130,120
Small cap value	-0-	3,087	21,182	21,807	46,076
Fixed income					
Corporate bond	1,475,104	29,738	199,158	351,346	2,055,346
Exchange traded funds					
Large cap growth	181,770	-0-	-0-	18,465	200,235
Large cap value	196,281	-0-	-0-	19,939	216,220
Large cap blended	169,823	-0-	-0-	17,252	187,075
Midcap blended	76,606	-0-	-0-	7,782	84,388
Small cap blended	76,396	-0-	-0-	7,761	84,157
Fixed income	193,973	-0-	-0-	19,705	213,678
International	91,043	-0-	-0-	9,248	100,291
	2,460,996	150,022	1,008,362	1,298,306	4,917,686
Cash	564,365	541	22	-0-	564,928
	<u>\$ 3,025,361</u>	<u>\$ 150,563</u>	<u>\$ 1,008,384</u>	<u>\$ 1,298,306</u>	<u>\$ 5,482,614</u>

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2016 AND 2015

	2015				
	Capital and General Operating	Other			Total
	Annuity	Trust	Endowment		
<b>LEVEL 1</b>					
Mutual funds					
Equity					
Large cap growth	\$ -0-	\$ 23,942	\$ 198,566	\$ 93,984	\$ 316,492
Large cap value	-0-	31,772	263,856	123,434	419,062
Large cap blended	-0-	30,430	252,580	118,622	401,632
Midcap growth	-0-	21,018	173,810	81,244	276,072
Small cap growth	-0-	9,689	81,103	38,039	128,831
Small cap value	-0-	3,182	26,739	12,293	42,214
Fixed income					
Corporate bond	1,611,495	39,441	327,760	154,075	2,132,771
Exchange traded funds					
Large cap growth	66,894	-0-	-0-	-0-	66,894
Large cap value	101,358	-0-	-0-	-0-	101,358
Large cap blended	90,001	-0-	-0-	-0-	90,001
Midcap blended	41,870	-0-	-0-	-0-	41,870
Small cap blended	41,521	-0-	-0-	-0-	41,521
Fixed income	126,905	-0-	-0-	-0-	126,905
International	47,410	-0-	-0-	-0-	47,410
	2,127,454	159,474	1,324,414	621,691	4,233,033
Cash	1,111,829	254	50	-0-	1,112,133
	\$ 3,239,283	\$ 159,728	\$ 1,324,464	\$ 621,691	\$ 5,345,166

The Ministry's policy is to recognize transfers between levels as of the end of the reporting period. There were no transfers among levels within the hierarchy at May 31, 2016 and 2015.

The Ministry's investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying consolidated financial statements.

## WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2016 AND 2015

The following schedules summarize investment return and its classification in the consolidated statements of activities for the years ended May 31:

	2016		
	Unrestricted	Temporarily Restricted	Total
Capital and general operating			
Interest and dividend income	\$ 21,889	\$ -0-	\$ 21,889
Realized and unrealized gains, net	2,536	-0-	2,536
Investment service fees	(4,266)	-0-	(4,266)
Investment return, net	<u>\$ 20,159</u>	<u>\$ -0-</u>	<u>\$ 20,159</u>
Other			
Interest and dividend income	\$ 10,243	\$ 133,367	\$ 143,610
Realized and unrealized losses, net	(10,590)	(97,617)	(108,207)
Investment service fees	(909)	(9,074)	(9,983)
Investment return, net	<u>\$ (1,256)</u>	<u>\$ 26,676</u>	<u>\$ 25,420</u>
	2015		
	Unrestricted	Temporarily Restricted	Total
Capital and general operating			
Interest and dividend income	\$ 16,072	\$ -0-	\$ 16,072
Realized and unrealized gains, net	25,098	-0-	25,098
Investment service fees	-0-	-0-	-0-
Investment return, net	<u>\$ 41,170</u>	<u>\$ -0-</u>	<u>\$ 41,170</u>
Other			
Interest and dividend income	\$ 9,664	\$ 132,663	\$ 142,327
Realized and unrealized gains, net	(1,780)	(36,469)	(38,249)
Investment service fees	(662)	(13,926)	(14,588)
Investment return, net	<u>\$ 7,222</u>	<u>\$ 82,268</u>	<u>\$ 89,490</u>

#### 6. LINE OF CREDIT AGREEMENT

The Ministry has a \$500,000 revolving line of credit facility available with a bank through October 24, 2016, at which time it is subject to renewal. Borrowings under this facility are secured by substantially all assets of the Ministry, and bear interest at the prime rate less 1.00% (2.5% at May 31, 2016). There were no borrowings on this facility as of May 31, 2016 and 2015.

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2016 AND 2015

### 7. NET ASSETS

#### Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods at May 31:

	<u>2016</u>	<u>2015</u>
Purpose restriction:		
Center for Women and Children	\$ 40,064	\$ 22,211
Other programs	51,835	18,271
Restored creations	17,344	-0-
Capital campaign	460,596	1,445,828
Time restriction:		
Evans McWhirter Rust unitrust	348,406	376,648
Contributions receivable	34,549	33,293
Lockhart unitrust	-0-	93,242
Drumstick Dash	20,000	-0-
Endowment return:		
Other programs	142,762	105,724
	<u>\$ 1,115,556</u>	<u>\$ 2,095,217</u>

#### Permanently Restricted Net Assets

Permanently restricted net assets are restricted for investment in perpetuity, with the income expendable as described below at May 31:

	<u>2016</u>	<u>2015</u>
Support of director of food service position	\$ 250,000	\$ 500,000
Endowment:		
Support of director of food service position	250,000	-0-
Spiritual work (Nora Doll trust)	12,509	12,509
Operations (Henry C. Askren trust)	20,658	20,658
Center for Women & Children or Hebron Center (McWhirter Rust trust)	<u>432,800</u>	<u>232,800</u>
Total endowment	<u>715,967</u>	<u>265,967</u>
	<u>\$ 965,967</u>	<u>\$ 765,967</u>

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2016 AND 2015

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### Net Assets Released from Restrictions

Net assets were released from donor-imposed restrictions as follows during the years ended May 31:

	<u>2016</u>	<u>2015</u>
Purpose restriction:		
Center for Women and Children	\$ 115,042	\$ 110,711
Hebron Center	31,768	46,501
Shelter for Men	18,307	11,124
Provide shelter, food, and medical assistance under various other programs	362,023	509,328
Restored creations	2,338	-0-
Director of food services	31,351	-0-
Capital gifts	1,650,886	3,388,516
Time restriction:		
Lockhart unitrust	93,242	-0-
Contributions receivable	25,892	31,594
	<u>\$ 2,330,849</u>	<u>\$ 4,097,774</u>

## 8. ENDOWMENT

The Ministry's endowment consists of donor restricted and board designated funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

### Interpretation of Relevant Law

Management has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Ministry classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulations are added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Ministry in a manner consistent with the standard of prudence prescribed by UPMIFA.

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2016 AND 2015

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In accordance with UPMIFA, the Ministry considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Ministry and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Ministry
- (7) The investment policies of the Ministry

### Funds with Deficiencies

From time to time, due to unfavorable market fluctuations, the fair value of assets associated with the individual donor-restricted endowment funds may fall below the level that the donor requires the Ministry to retain as a fund of perpetual duration. There were no deficiencies of this nature at May 31, 2016 and 2015.

### Return Objectives and Risk Parameters

The Ministry has adopted an investment policy and utilizes an unwritten spending policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under these policies, as approved by the Board of Directors, the endowed investments are invested in a manner to protect the purchasing power of the original investment and to maximize the total return of the Ministry within reasonable and prudent levels of risk. Actual returns in any given year may vary.

### Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Ministry relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Ministry, as it relates to its endowed investments, targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

### Spending Policy and How the Investment Objectives Relate to Spending Policy

The Ministry's spending policy is restricted to the temporarily restricted earnings on the donor restricted endowment corpus. In establishing this policy, the Ministry intends to maintain the corpus of the permanently restricted portion of the gift. This is consistent with the Ministry's objective to maintain the purchasing power of the endowment assets held in perpetuity.



**WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MAY 31, 2016 AND 2015

The composition of investments functioning as endowment is as follows at May 31:

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor restricted endowment funds	\$ -0-	\$ 142,762	\$ 715,967	\$ 858,729
Board designated endowment funds	<u>439,577</u>	<u>-0-</u>	<u>-0-</u>	<u>439,577</u>
	<u>\$ 439,577</u>	<u>\$ 142,762</u>	<u>\$ 715,967</u>	<u>\$ 1,298,306</u>

  

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor restricted endowment funds	\$ -0-	\$ 105,724	\$ 265,967	\$ 371,691
Board designated endowment funds	<u>250,000</u>	<u>-0-</u>	<u>-0-</u>	<u>250,000</u>
	<u>\$ 250,000</u>	<u>\$ 105,724</u>	<u>\$ 265,967</u>	<u>\$ 621,691</u>

The change in investments functioning as endowment is as follows for the years ended May 31:

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ 250,000	\$ 105,724	\$ 265,967	\$ 621,691
Board designation of unrestricted net assets	189,577	-0-	-0-	189,577
Deposits	-0-	-0-	450,000	450,000
Investment return, net	<u>-0-</u>	<u>37,038</u>	<u>-0-</u>	<u>37,038</u>
Endowment net assets, end of year	<u>\$ 439,577</u>	<u>\$ 142,762</u>	<u>\$ 715,967</u>	<u>\$ 1,298,306</u>

  

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ 250,000	\$ 79,730	\$ 265,967	\$ 595,697
Investment return, net	<u>-0-</u>	<u>25,994</u>	<u>-0-</u>	<u>25,994</u>
Endowment net assets, end of year	<u>\$ 250,000</u>	<u>\$ 105,724</u>	<u>\$ 265,967</u>	<u>\$ 621,691</u>

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2016 AND 2015

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### 9. BACKSTREET MISSIONS, INC. MERGER

Effective September 23, 2015, the Board of Directors of Backstreet Missions, Inc. (Backstreet) authorized a resolution to merge with the Ministry so the Ministry could facilitate Backstreet's leadership transition by taking over the management of Backstreet and continue its service to the homeless and marginalized citizens of the greater Bloomington, Indiana area.

The Ministry is the surviving corporation as a result of the merger and no consideration was paid by the Ministry; therefore, the merger has been accounted under the acquisition method and recorded as a contribution to the Ministry. The fair value of the net assets received in the transaction is as follows:

Cash	\$	4,438
Prepaid expenses		779
Land and buildings		1,369,384
Accounts payable		(8,043)
Mortgage notes payable		<u>(254,430)</u>
	\$	<u>1,112,128</u>

The contribution of \$1,112,128 has been included in unrestricted contributions in the consolidated statement of activities for the year ended May 31, 2016. Land and buildings with a fair value of \$789,480 were partially funded by a grant from FHLBI and are subject to certain reporting and compliance requirements for a retention period of fifteen years (Note 4).

### 10. EMPLOYEE BENEFITS

#### Retirement Plan

The Ministry offers a voluntary 403(b) program open to all employees upon hire, which acts as the investment vehicle holding any employee contributions. This vehicle holds all of the Ministry's contributions made on behalf of employees, both matched and unmatched. To receive the Ministry's contributions, employees must be full-time and meet the age and length of service requirements. It is the Ministry's policy to make contributions to the plan as provided annually by the Board of Directors. Contribution expense under this plan was \$170,464 and \$169,496 for the years ended May 31, 2016 and 2015, respectively.

#### Flexible Benefit Plan

The Ministry offers a flexible benefit plan through a Health Saving Account (HSA). The plan offers medical expense reimbursements. Employees can make voluntary contributions to the plan for medical expense reimbursements. The Ministry contributed \$29,960 and \$32,393 to the plan during the years ended May 31, 2016 and 2015, respectively.

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2016 AND 2015

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### Health Insurance

The Ministry provides its regular full-time employees with medical health insurance. Regular full-time employees may choose to have their eligible family members covered under the health care plan as well. Participants are eligible to purchase coverage through the Ministry for dependents at their own expense by payroll deduction. For employees hired after June 1, 1992, the cost is paid for by the employee. Participants should refer to the benefits booklet for a more complete description of the benefit provisions. Contribution expense under this plan was \$568,171 and \$477,684 for the years ended May 31, 2016 and 2015, respectively.

### **11. SUPPLEMENTARY CASH FLOW INFORMATION**

	<u>2016</u>	<u>2015</u>
Cash paid for interest	\$ 7,387	\$ -0-
Noncash investing and financing activities		
Change in accounts payable related to capital expenditures	\$ (46,664)	\$ (103,213)
Contributed construction services	\$ 52,367	\$ 20,950
Noncash assets contributed and liabilities assumed as a result of merger (Note 9):		
Prepaid expenses	\$ 779	\$ -0-
Land and buildings	\$ 1,369,384	\$ -0-
Accounts payable	\$ (8,043)	\$ -0-
Mortgage notes payable	\$ (254,430)	\$ -0-

### **12. CONCENTRATIONS**

The Ministry maintains its cash (including cash held in the investment portfolio) in accounts which generally exceed federally insured limits. The Ministry has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

The Ministry was invested in one mutual fund that comprised approximately 30% of total investments at both May 31, 2016 and 2015.

At May 31, 2016, the Ministry had amounts due from three donors representing 85% of contributions receivable. At May 31, 2015, the Ministry had amounts due from four donors representing 92% of contributions receivable.

No single donor comprised 10% or more of contribution income during the years ended May 31, 2016 and 2015, except for the contribution resulting from the Backstreet Missions, Inc. merger in fiscal 2016, as described in Note 9.

**SUPPLEMENTARY INFORMATION**

**WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARY**

**CONSOLIDATED STATEMENT OF PROGRAM SERVICES EXPENSES**  
**YEAR ENDED MAY 31, 2016**  
 (With Comparative Total for the Year Ended May 31, 2015)

	2016													2015
	Men's Residential Center	Shelter for Men	Center for Women and Children	Camp Hunt	Industry	Edwards Residence	Thrift Shop	Ministry Services	Center for Men (Bloomington)	Center for Women and Children (Bloomington)	Food Services	Restored Creations	Total Program Services	Total
Salaries and benefits	\$ 478,186	\$ 610,467	\$ 603,486	\$ 362,606	\$ 144,810	\$ 109,742	\$ 276,198	\$ 683,439	\$ 175,853	\$ 80,816	\$ 352,625	\$ 100	\$ 3,878,328	\$ 3,508,412
Gift-in-kind expenses	149,683	518,782	122,044	133,696	-0-	-0-	48,083	-0-	45,666	10,139	-0-	-0-	1,028,093	968,187
Public relations and direct mailing	-0-	592	-0-	2,137	211	-0-	6,920	-0-	73,164	-0-	-0-	-0-	83,024	7,749
Telephone and utilities	112,185	80,215	86,586	132,438	11,926	10,501	35,093	1,339	17,953	9,818	-0-	-0-	498,054	472,952
Depreciation expense	90,545	156,394	153,213	91,809	-0-	3,675	36,669	-0-	6,475	7,319	-0-	-0-	546,099	398,887
Postage	205	16	-0-	-0-	-0-	-0-	-0-	133	2,241	-0-	-0-	-0-	2,595	210
Maintenance	38,045	36,019	42,225	35,832	4,837	7,540	29,853	4,616	7,932	7,245	4,218	-0-	218,362	212,260
Insurance	14,534	16,797	18,183	13,731	16,168	3,655	9,443	16,901	1,134	1,134	9,519	-0-	121,199	123,083
Food	-0-	3,870	-0-	36,443	-0-	1,646	-0-	-0-	8,108	2,806	78,603	-0-	131,476	98,757
Equipment repair and maintenance	3,471	12,311	10,321	9,867	10,142	2,568	6,669	5,939	6,046	3,613	17,511	2,339	90,797	106,449
Cleaning supplies	5,576	7,801	10,580	4,958	-0-	531	2,512	-0-	1,028	850	11,494	-0-	45,330	41,965
Fuel and oil	1,868	2,104	2,102	7,384	9,916	2,238	5,018	3,885	514	567	2,721	-0-	38,317	51,989
Professional services	2,461	2,815	49,054	2,336	2,527	572	1,477	25,311	2,595	442	1,488	-0-	91,078	82,177
Program materials	3,574	2,585	12,142	8,749	-0-	8,545	2,502	4,427	577	1,856	-0-	-0-	44,957	42,052
Office supplies	1,182	1,277	2,151	1,084	596	28	867	2,091	915	320	850	-0-	11,361	10,733
Staff travel and conferences	4,207	1,575	8,324	4,560	183	1,936	-0-	2,802	150	2,235	3,974	20	29,966	36,574
Industry and supplies	-0-	-0-	-0-	-0-	637,142	-0-	-0-	-0-	7,170	-0-	-0-	6,502	650,814	574,781
Grants and scholarships	9,350	-0-	-0-	28,425	-0-	4,580	-0-	-0-	-0-	-0-	-0-	-0-	42,355	35,400
Interest	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,732	3,524	-0-	-0-	5,256	-0-
Membership fees	1,973	1,141	1,142	1,354	737	521	-0-	1,015	-0-	45	666	-0-	8,594	6,230
Lockbox and bank fees	-0-	-0-	-0-	-0-	-0-	-0-	5,727	-0-	602	-0-	-0-	-0-	6,329	4,930
Miscellaneous	3,799	4,500	215	437	-0-	-0-	363	634	507	-0-	3,760	-0-	14,215	4,510
	<u>\$ 920,844</u>	<u>\$ 1,459,261</u>	<u>\$ 1,121,768</u>	<u>\$ 877,846</u>	<u>\$ 839,195</u>	<u>\$ 158,278</u>	<u>\$ 467,394</u>	<u>\$ 752,532</u>	<u>\$ 360,362</u>	<u>\$ 132,729</u>	<u>\$ 487,429</u>	<u>\$ 8,961</u>	<u>\$ 7,586,599</u>	<u>\$ 6,788,287</u>

See report of independent auditors on pages 1 and 2.