



**WHEELER MISSION MINISTRIES, INC.**  
**AND SUBSIDIARY**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**AND**  
**SUPPLEMENTARY INFORMATION**  
**MAY 31, 2017 AND 2016**

*CPAs / ADVISORS*



# 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

We have audited the accompanying consolidated financial statements of Wheeler Mission Ministries, Inc. and Subsidiary (hereby collectively referred to as the Ministry), which comprise the consolidated statements of financial position as of May 31, 2017 and 2016, 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, 2017 and 2016, 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 audits 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  
October 5, 2017

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION MAY 31, 2017 AND 2016

### ASSETS

	2017	2016
Cash	\$ 1,104,159	\$ 1,123,432
Investments - capital and general operating	3,207,823	3,025,361
Accounts receivable	62,447	79,219
Contributions receivable	179,200	412,882
Inventory	181,926	134,183
Prepaid and other assets	19,958	21,939
Property and equipment, net	15,292,472	14,972,693
Endowment		
Investments	1,793,458	1,298,306
Cash	125,000	-0-
Investments - other		
Charitable gift annuities	161,069	150,563
Charitable remainder trusts	1,154,257	1,008,384
	<u>\$ 23,281,769</u>	<u>\$ 22,226,962</u>

### LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	\$ 299,642	\$ 203,536
Accrued payroll and other liabilities	351,086	306,297
Charitable gift annuities payable	83,277	90,422
Charitable remainder trusts payable	731,013	659,978
Total liabilities	1,465,018	1,260,233
Net assets		
Unrestricted		
Undesignated	18,668,544	17,945,629
Board designated - general	500,000	500,000
Board designated - endowment	494,701	439,577
	19,663,245	18,885,206
Temporarily restricted	850,106	1,115,556
Permanently restricted	1,303,400	965,967
Total net assets	21,816,751	20,966,729
	<u>\$ 23,281,769</u>	<u>\$ 22,226,962</u>

See accompanying notes to consolidated financial statements.

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARY

## CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED MAY 31, 2017

(With Comparative Total for the Year Ended May 31, 2016)

	2017				2016 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
<b>Support and revenue</b>					
Contributions	\$ 6,789,711	\$ 1,023,342	\$ 337,433	\$ 8,150,486	\$ 7,881,101
Contribution received in donation of Backstreet Missions, Inc. (Note 9)	-0-	-0-	-0-	-0-	1,112,128
Contributions - wills and estates	428,644	-0-	-0-	428,644	9,843
Gifts-in-kind	1,048,809	-0-	-0-	1,048,809	1,084,648
Program service revenue	1,388,919	-0-	-0-	1,388,919	1,408,001
Change in value of annuity and trust liabilities	(766)	(152,578)	-0-	(153,344)	(23,715)
Investment return					
Capital and general operating, net	182,550	-0-	-0-	182,550	20,159
Endowment and other, net	73,540	244,999	-0-	318,539	25,420
Other	37,557	-0-	-0-	37,557	(145,612)
Net assets released from restrictions	<u>1,463,913</u>	<u>(1,463,913)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
	11,412,877	(348,150)	337,433	11,402,160	11,371,973
Special events					
Registration fees and other support	791,966	82,700	-0-	874,666	807,156
Gift-in-kind support	1,195,988	-0-	-0-	1,195,988	630,187
Direct expenses of events	(320,502)	-0-	-0-	(320,502)	(318,354)
Gift-in-kind expenses	<u>(1,195,988)</u>	<u>-0-</u>	<u>-0-</u>	<u>(1,195,988)</u>	<u>(630,187)</u>
	471,464	82,700	-0-	554,164	488,802
Total support and revenue	11,884,341	(265,450)	337,433	11,956,324	11,860,775
<b>Expenses</b>					
Program services					
Men's residential center	897,901	-0-	-0-	897,901	920,844
Shelter for men	1,491,809	-0-	-0-	1,491,809	1,459,261
Center for women and children	1,168,288	-0-	-0-	1,168,288	1,121,768
Camp Hunt	885,202	-0-	-0-	885,202	877,846
Industry	853,220	-0-	-0-	853,220	839,195
Edwards residence	131,508	-0-	-0-	131,508	158,278
Thrift shop	487,552	-0-	-0-	487,552	467,394
Ministry services	848,357	-0-	-0-	848,357	752,532
Center for men (Bloomington)	537,547	-0-	-0-	537,547	360,362
Center for women and children (Bloomington)	321,823	-0-	-0-	321,823	132,729
Food services	457,587	-0-	-0-	457,587	487,429
Restored creations	<u>42,209</u>	<u>-0-</u>	<u>-0-</u>	<u>42,209</u>	<u>8,961</u>
	8,123,003	-0-	-0-	8,123,003	7,586,599
Supporting activities					
Management and general	413,660	-0-	-0-	413,660	419,453
Fundraising and development	<u>2,569,639</u>	<u>-0-</u>	<u>-0-</u>	<u>2,569,639</u>	<u>2,444,892</u>
	2,983,299	-0-	-0-	2,983,299	2,864,345
Total expenses	<u>11,106,302</u>	<u>-0-</u>	<u>-0-</u>	<u>11,106,302</u>	<u>10,450,944</u>
<b>Change in net assets</b>	778,039	(265,450)	337,433	850,022	1,409,831
<b>Net assets, beginning 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>
<b>Net assets, end of year</b>	<u>\$ 19,663,245</u>	<u>\$ 850,106</u>	<u>\$ 1,303,400</u>	<u>\$ 21,816,751</u>	<u>\$ 20,966,729</u>

*See accompanying notes to consolidated financial statements.*

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARY

## CONSOLIDATED STATEMENT OF ACTIVITIES YEAR ENDED MAY 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and revenue</b>				
Contributions	\$ 6,358,709	\$ 1,322,392	\$ 200,000	\$ 7,881,101
Contribution received in donation of Backstreet Missions, Inc. (Note 9)	1,112,128	-0-	-0-	1,112,128
Contributions - wills and estates	9,843	-0-	-0-	9,843
Gifts-in-kind	1,084,648	-0-	-0-	1,084,648
Program service revenue	1,408,001	-0-	-0-	1,408,001
Change in value of annuity and trust liabilities	(5,835)	(17,880)	-0-	(23,715)
Investment return				
Capital and general operating, net	20,159	-0-	-0-	20,159
Endowment and other, net	(1,256)	26,676	-0-	25,420
Other	(145,612)	-0-	-0-	(145,612)
Net assets released from restrictions	<u>2,330,849</u>	<u>(2,330,849)</u>	<u>-0-</u>	<u>-0-</u>
	12,171,634	(999,661)	200,000	11,371,973
Special events				
Registration fees and other support	787,156	20,000	-0-	807,156
Gift-in-kind support	630,187	-0-	-0-	630,187
Direct expenses of events	(318,354)	-0-	-0-	(318,354)
Gift-in-kind expenses	<u>(630,187)</u>	<u>-0-</u>	<u>-0-</u>	<u>(630,187)</u>
	<u>468,802</u>	<u>20,000</u>	<u>-0-</u>	<u>488,802</u>
 Total support and revenue	 12,640,436	 (979,661)	 200,000	 11,860,775
<b>Expenses</b>				
Program services				
Men's residential center	920,844	-0-	-0-	920,844
Shelter for men	1,459,261	-0-	-0-	1,459,261
Center for women and children	1,121,768	-0-	-0-	1,121,768
Camp Hunt	877,846	-0-	-0-	877,846
Industry	839,195	-0-	-0-	839,195
Edwards residence	158,278	-0-	-0-	158,278
Thrift shop	467,394	-0-	-0-	467,394
Ministry services	752,532	-0-	-0-	752,532
Center for men (Bloomington)	360,362	-0-	-0-	360,362
Center for women and children (Bloomington)	132,729	-0-	-0-	132,729
Food services	487,429	-0-	-0-	487,429
Restored creations	<u>8,961</u>	<u>-0-</u>	<u>-0-</u>	<u>8,961</u>
	7,586,599	-0-	-0-	7,586,599
Supporting activities				
Management and general	419,453	-0-	-0-	419,453
Fundraising and development	<u>2,444,892</u>	<u>-0-</u>	<u>-0-</u>	<u>2,444,892</u>
	<u>2,864,345</u>	<u>-0-</u>	<u>-0-</u>	<u>2,864,345</u>
 Total expenses	 <u>10,450,944</u>	 <u>-0-</u>	 <u>-0-</u>	 <u>10,450,944</u>
 <b>Change in net assets</b>	 2,189,492	 (979,661)	 200,000	 1,409,831
 <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>
 <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>

*See accompanying notes to consolidated financial statements.*

## WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARY

### CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED MAY 31, 2017 (With Comparative Total for the Year Ended May 31, 2016)

	2017					2016 Total
	Program Services	Supporting Activities			Total	
		Management and General	Fundraising and Development	Total Supporting Activities		
Salaries and benefits	\$ 4,147,340	\$ 198,004	\$ 860,055	\$ 1,058,059	\$ 5,205,399	\$ 4,840,757
Gift-in-kind expenses	1,047,779	-0-	1,195,988	1,195,988	2,243,767	1,662,468
Public relations and direct mailing	148,479	1,698	1,461,589	1,463,287	1,611,766	1,553,355
Direct expenses of events	-0-	-0-	320,502	320,502	320,502	318,354
Telephone and utilities	559,554	27,374	2,178	29,552	589,106	522,201
Depreciation expense	572,598	60,662	-0-	60,662	633,260	604,664
Postage	720	7,941	36,486	44,427	45,147	44,756
Maintenance	235,333	15,094	19,350	34,444	269,777	242,211
Insurance	134,141	9,304	51,854	61,158	195,299	179,099
Food	137,251	-0-	-0-	-0-	137,251	131,476
Equipment repair and maintenance	152,038	12,543	17,320	29,863	181,901	111,852
Cleaning supplies	52,577	1,484	-0-	1,484	54,061	46,732
Fuel and oil	38,269	1,079	2,650	3,729	41,998	42,440
Professional services	94,050	27,088	8,988	36,076	130,126	125,480
Program materials	51,834	-0-	4,234	4,234	56,068	44,957
Office supplies	13,037	3,089	3,631	6,720	19,757	18,295
Staff travel and conferences	31,300	3,848	11,153	15,001	46,301	45,081
Industry and supplies	625,353	-0-	-0-	-0-	625,353	650,814
Grants and scholarships	39,990	-0-	-0-	-0-	39,990	42,355
Interest	-0-	-0-	-0-	-0-	-0-	7,387
Membership fees	9,149	1,028	3,252	4,280	13,429	12,716
Sales and property tax	-0-	2,119	-0-	2,119	2,119	3,369
Capital campaign expenses	-0-	-0-	5,000	5,000	5,000	5,000
Lockbox and bank fees	7,772	41,210	81,884	123,094	130,866	126,993
Miscellaneous	24,439	95	15	110	24,549	16,673
Total expenses	<u>8,123,003</u>	<u>413,660</u>	<u>4,086,129</u>	<u>4,499,789</u>	<u>12,622,792</u>	<u>11,399,485</u>
Less expenses netted with support and revenues on the statement of activities	<u>-0-</u>	<u>-0-</u>	<u>(1,516,490)</u>	<u>(1,516,490)</u>	<u>(1,516,490)</u>	<u>(948,541)</u>
Total expenses reported on the statement of activities	<u>\$ 8,123,003</u>	<u>\$ 413,660</u>	<u>\$ 2,569,639</u>	<u>\$ 2,983,299</u>	<u>\$ 11,106,302</u>	<u>\$ 10,450,944</u>

*See accompanying notes to consolidated financial statements.*



## WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARY

### CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED MAY 31, 2016

	Supporting Activities				Total
	Program Services	Management and General	Fundraising and Development	Total Supporting Activities	
Salaries and benefits	\$ 3,878,328	\$ 216,377	\$ 746,052	\$ 962,429	\$ 4,840,757
Gift-in-kind expenses	1,028,093	4,188	630,187	634,375	1,662,468
Public relations and direct mailing	83,024	3,103	1,467,228	1,470,331	1,553,355
Direct expenses of events	-0-	-0-	318,354	318,354	318,354
Telephone and utilities	498,054	22,812	1,335	24,147	522,201
Depreciation expense	546,099	58,565	-0-	58,565	604,664
Postage	2,595	4,484	37,677	42,161	44,756
Maintenance	218,362	13,974	9,875	23,849	242,211
Insurance	121,199	9,153	48,747	57,900	179,099
Food	131,476	-0-	-0-	-0-	131,476
Equipment repair and maintenance	90,797	8,153	12,902	21,055	111,852
Cleaning supplies	45,330	1,402	-0-	1,402	46,732
Fuel and oil	38,317	1,386	2,737	4,123	42,440
Professional services	91,078	26,531	7,871	34,402	125,480
Program materials	44,957	-0-	-0-	-0-	44,957
Office supplies	11,361	3,241	3,693	6,934	18,295
Staff travel and conferences	29,966	4,151	10,964	15,115	45,081
Industry and supplies	650,814	-0-	-0-	-0-	650,814
Grants and scholarships	42,355	-0-	-0-	-0-	42,355
Interest	5,256	2,131	-0-	2,131	7,387
Membership fees	8,594	1,162	2,960	4,122	12,716
Sales and property tax	-0-	3,369	-0-	3,369	3,369
Capital campaign expenses	-0-	-0-	5,000	5,000	5,000
Lockbox and bank fees	6,329	35,210	85,454	120,664	126,993
Miscellaneous	14,215	61	2,397	2,458	16,673
Total expenses	<u>7,586,599</u>	<u>419,453</u>	<u>3,393,433</u>	<u>3,812,886</u>	<u>11,399,485</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>
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>

*See accompanying notes to consolidated financial statements.*

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARY

## CONSOLIDATED STATEMENT OF CASH FLOWS YEARS ENDED MAY 31, 2017 AND 2016

	2017	2016
<b>Operating activities</b>		
Change in net assets	\$ 850,022	\$ 1,409,831
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	633,260	604,664
Impairment loss on land and building (Note 4)	-0-	174,077
Gain on sale of property and equipment	(1,565)	-0-
Realized and unrealized (gains) losses on investments, net	(365,163)	105,671
Change in value of annuity and trust liabilities	153,344	23,715
Proceeds from contributions restricted for purchase and renovation of buildings	(133,427)	(896,487)
Proceeds from contributions restricted for investment in endowment	(462,433)	(200,000)
Contribution of assets from merger, net of assumed liabilities (Note 9)	-0-	(1,107,690)
Contribution related to release of charitable remainder trust liability	-0-	(119,118)
Contributed construction services	-0-	(52,367)
Changes in assets and liabilities		
Accounts receivable	16,772	31,806
Contributions receivable	233,682	209,578
Other assets	(45,762)	(38,347)
Accounts payable	(14,011)	45,875
Accrued payroll and other liabilities	44,789	153,617
Net cash flows from operating activities	909,508	344,825
<b>Investing activities</b>		
Capital expenditures	(859,007)	(1,995,294)
Proceeds from sale of property and equipment	17,650	-0-
Cash received for investment in endowment	(125,000)	-0-
Purchases of investments	(1,178,737)	(963,151)
Proceeds from sale of investments	709,907	720,032
Net cash flows from investing activities	(1,435,187)	(2,238,413)
<b>Financing activities</b>		
Proceeds from contributions restricted for purchase and renovation of buildings	133,427	896,487
Proceeds from contributions restricted for investment in endowment	462,433	200,000
Principal payments under term debt	-0-	(254,430)
Annuities and trusts payments	(89,454)	(101,279)
Net cash flows from financing activities	506,406	740,778
Net change in cash	(19,273)	(1,152,810)
<b>Cash, beginning of year</b>	1,123,432	2,276,242
<b>Cash, end of year</b>	\$ 1,104,159	\$ 1,123,432

*See accompanying notes to consolidated financial statements.*

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2017 AND 2016

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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 Indiana. These facilities include Men's Residential Center, Shelter for Men, Center for Women and Children, Edwards Residence, and Training Center at Camp Hunt in the greater Indianapolis, Indiana area, as well as the Center for Men and the 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 on the Training Center at Camp Hunt campus 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.

During the year ended May 31, 2017, WMM formed Drumstick Dash, LLC (DD) a single member limited liability company. DD was formed to house the activities of the annual Drumstick Dash event. DD had no assets or liabilities at May 31, 2017, and incurred no income or expense during the year then ended.

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2017 AND 2016

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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. In addition, earnings on donor restricted endowment funds are classified as temporarily restricted until those amounts are appropriated for expenditure.

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 subject to donor-imposed restrictions that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Ministry. Included in this classification are endowment funds, which are subject to the restrictions of gift instruments requiring that the principal be maintained in perpetuity and invested for the purpose of producing present and future income.

#### 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, 2017 AND 2016

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### Cash

For purposes of the consolidated statement of cash flows, cash excludes cash held by various fund managers and included in investments, and also excludes endowment cash.

### Accounts Receivable

Accounts receivable are recorded at net invoice amounts and consist primarily of billings for the Ministry's enterprise operations at the Training Center at Camp Hunt campus, 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, 2017 and 2016.

### 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, 2017 and 2016.

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, 2017 and 2016.

### 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

Property and equipment are capitalized at cost, including expenditures that substantially increase the useful lives of existing assets. 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

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2017 AND 2016

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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.

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.

### 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 when earned as unrestricted or temporarily restricted revenues based on the existence or absence of donor-imposed restrictions.

### 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, 2017 and 2016, respectively.

Assets held in trust total \$161,069 and \$150,563 at May 31, 2017 and 2016, 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 \$83,277 and \$90,422 at May 31, 2017 and 2016, 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 2.6% and the applicable mortality tables.

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2017 AND 2016

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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. During the year ended May 31, 2017, a contribution in the amount of \$100,000 was made to a previously existing charitable remainder trust. There were no new deposits during the year ended May 31, 2016. During the year ended May 31, 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 income during the year then ended.

Assets held in trust total \$1,154,257 and \$1,008,384 at May 31, 2017 and 2016, 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 \$731,013 and \$659,978 at May 31, 2017 and 2016, 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 2.6% 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, 2017 AND 2016

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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 services 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, 2017 and 2016, 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, 2016. 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).

### 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 October 5, 2017, which is the date the consolidated financial statements were available to be issued.



# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2017 AND 2016

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### 3. CONTRIBUTIONS RECEIVABLE

Unconditional contributions receivable totaled \$179,200 and \$412,882 at May 31, 2017 and 2016, respectively. All contributions receivable were due within one year of the statement of financial position date.

### 4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at May 31:

	<u>2017</u>	<u>2016</u>
Land	\$ 1,947,970	\$ 1,947,970
Buildings and improvements	17,327,614	17,260,448
Equipment	1,948,037	1,852,501
Vehicles	620,427	591,754
Construction in process	<u>1,224,310</u>	<u>535,684</u>
	23,068,358	22,188,357
Accumulated depreciation	<u>(7,775,886)</u>	<u>(7,215,664)</u>
	<u>\$ 15,292,472</u>	<u>\$ 14,972,693</u>

The Ministry has entered into several contractual agreements as of May 31, 2017 relating to construction at certain locations. The total contractual commitment related to the executed but uncompleted contracts amounts to approximately \$76,000 at May 31, 2017.

On June 1, 2015, the Ministry strategically purchased land and building adjacent to the Center for Women and Children (CWC). 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 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). No impairment loss was recognized during the year ended May 31, 2017.

Land and buildings aggregating a total cost of \$5,894,082 have been partially funded through grants from the Federal Home Loan Bank of Indianapolis (FHLBI) for the development of affordable housing. The Ministry is subject to various reporting requirements in addition to meeting certain occupancy and low-income housing requirements, as defined in the grants, for a retention period of fifteen years beginning after project completion. If the Ministry does not fulfill the compliance requirements over the fifteen year retention period under the grants, it

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2017 AND 2016

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could be liable to repay a portion of the funding. Management believes the likelihood of not fulfilling its requirements under the FHLBI grants is remote. The retention period of FHLBI grants aggregating \$375,000 and \$500,000 end during March 2023 and January 2031, respectively.

### 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, 2017 and 2016.

- *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.

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

## WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2017 AND 2016

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:

	2017				
	Capital and General Operating	Endowment	Other		Total
			Annuity	Trust	
<u>LEVEL 1</u>					
Mutual funds					
Equity					
Large cap growth	\$ -0-	\$ 250,287	\$ 33,644	\$ 239,132	\$ 523,063
Large cap value	-0-	243,431	32,113	228,236	503,780
Large cap blended	-0-	227,403	30,807	221,950	480,160
Midcap growth	-0-	96,041	13,582	95,023	204,646
Midcap blended	-0-	50,749	7,039	49,326	107,114
Small cap growth	-0-	75,260	10,536	71,065	156,861
Small cap value	-0-	24,054	3,402	21,883	49,339
Fixed income					
Corporate bond	1,512,245	344,601	29,946	227,642	2,114,434
Exchange traded funds					
Large cap growth	307,136	26,420	-0-	-0-	333,556
Large cap value	311,147	26,764	-0-	-0-	337,911
Large cap blended	296,902	25,539	-0-	-0-	322,441
Midcap blended	139,007	11,956	-0-	-0-	150,963
Small cap blended	137,334	11,813	-0-	-0-	149,147
Fixed income	311,963	26,835	-0-	-0-	338,798
International	181,396	15,603	-0-	-0-	196,999
Total fair value	3,197,130	1,456,756	161,069	1,154,257	5,969,212
Cash	10,693	336,702	-0-	-0-	347,395
Total investments	\$ 3,207,823	\$ 1,793,458	\$ 161,069	\$ 1,154,257	\$ 6,316,607

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2017 AND 2016

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

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, 2017 and 2016.

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, 2017 AND 2016

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

	2017		
	Unrestricted	Temporarily Restricted	Total
	Capital and general operating		
Interest and dividend income	\$ 41,756	\$ -0-	\$ 41,756
Realized and unrealized gains, net	149,638	-0-	149,638
Investment service fees	<u>(8,844)</u>	<u>-0-</u>	<u>(8,844)</u>
Investment return, net	<u>\$ 182,550</u>	<u>\$ -0-</u>	<u>\$ 182,550</u>
Endowment and other			
Interest and dividend income	\$ 26,797	\$ 81,900	\$ 108,697
Realized and unrealized gains, net	50,549	164,976	215,525
Investment service fees	<u>(3,806)</u>	<u>(1,877)</u>	<u>(5,683)</u>
Investment return, net	<u>\$ 73,540</u>	<u>\$ 244,999</u>	<u>\$ 318,539</u>
	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	<u>(4,266)</u>	<u>-0-</u>	<u>(4,266)</u>
Investment return, net	<u>\$ 20,159</u>	<u>\$ -0-</u>	<u>\$ 20,159</u>
Endowment and 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	<u>(909)</u>	<u>(9,074)</u>	<u>(9,983)</u>
Investment return, net	<u>\$ (1,256)</u>	<u>\$ 26,676</u>	<u>\$ 25,420</u>

#### 6. LINE OF CREDIT AGREEMENT

The Ministry has a \$500,000 revolving line of credit facility available with a bank through October 24, 2017, 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% (3.00% at May 31, 2017). There were no borrowings on this facility as of May 31, 2017 and 2016.

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2017 AND 2016

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### 7. NET ASSETS

#### Temporarily Restricted Net Assets

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

	<u>2017</u>	<u>2016</u>
Purpose restriction:		
Center for Women and Children	\$ 35,016	\$ 40,064
Other programs	56,577	51,835
Restored creations	25,712	17,344
Capital campaign	-0-	460,596
Time restriction:		
Charitable remainder trusts	423,244	348,406
Contributions receivable	-0-	34,549
Drumstick Dash	54,200	20,000
Other	10,000	-0-
Endowment return:		
Programs	<u>245,357</u>	<u>142,762</u>
	<u>\$ 850,106</u>	<u>\$ 1,115,556</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>2017</u>	<u>2016</u>
Contributions receivable:		
Support of director of food service position	\$ 125,000	\$ 250,000
Endowment:		
Support of director of food service position	375,000	250,000
Spiritual work	12,509	12,509
Operations	20,658	20,658
Center for Women and Children or Training		
Center at Camp Hunt	<u>770,233</u>	<u>432,800</u>
Total endowment	<u>1,178,400</u>	<u>715,967</u>
	<u>\$ 1,303,400</u>	<u>\$ 965,967</u>

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# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2017 AND 2016

### Net Assets Released from Restrictions

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

	<u>2017</u>	<u>2016</u>
Purpose restriction:		
Center for Women and Children	\$ 157,937	\$ 115,042
Training Center at Camp Hunt	42,911	31,768
Shelter for Men	17,678	18,307
Provide shelter, food, and medical assistance under various other programs	500,555	362,023
Restored creations	41,212	2,338
Director of food service	26,548	31,351
Capital gifts	594,023	1,650,886
Time restriction:		
Lockhart unitrust	-0-	93,242
Contributions receivable	34,549	25,892
Drumstick Dash	48,500	-0-
	<u>\$ 1,463,913</u>	<u>\$ 2,330,849</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 as 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, 2017 AND 2016

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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, 2017 and 2016.

### Return Objectives and Risk Parameters

The Ministry has adopted investment and spending policies for endowment assets that attempt 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 endowment investments are invested in a manner that is intended 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 endowment 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 has a policy of appropriating for distributions each year up to 3% of the net asset value of the endowment as calculated on May 31 of the preceding fiscal year. Appropriations in excess of 3% of the net asset value of the endowment or appropriations that would cause deterioration of the corpus of the endowment require an affirmative vote of 75% of the entire of Board of Directors then serving. 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 as well as to provide additional real growth through new gifts and investment return.



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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MAY 31, 2017 AND 2016

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

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor restricted endowment funds	\$ -0-	\$ 245,357	\$ 1,178,400	\$ 1,423,757
Board designated endowment funds	494,701	-0-	-0-	494,701
	<u>\$ 494,701</u>	<u>\$ 245,357</u>	<u>\$ 1,178,400</u>	<u>\$ 1,918,458</u>

  

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

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

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ 439,577	\$ 142,762	\$ 715,967	\$ 1,298,306
Deposits	-0-	-0-	462,433	462,433
Investment return, net	55,124	102,595	-0-	157,719
Endowment net assets, end of year	<u>\$ 494,701</u>	<u>\$ 245,357</u>	<u>\$ 1,178,400</u>	<u>\$ 1,918,458</u>

  

	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	-0-	37,038	-0-	37,038
Endowment net assets, end of year	<u>\$ 439,577</u>	<u>\$ 142,762</u>	<u>\$ 715,967</u>	<u>\$ 1,298,306</u>

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2017 AND 2016

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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 \$181,723 and \$170,464 for the years ended May 31, 2017 and 2016, 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 \$33,500 and \$29,960 to the plan during the years ended May 31, 2017 and 2016, respectively.

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2017 AND 2016

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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 \$609,761 and \$568,171 for the years ended May 31, 2017 and 2016, respectively.

### 11. SUPPLEMENTARY CASH FLOW INFORMATION

	<u>2017</u>	<u>2016</u>
Cash paid for interest	\$ -0-	\$ 7,387
Noncash investing and financing activities		
Change in accounts payable related		
to capital expenditures	\$ 110,117	\$ (46,664)
Contributed construction services	\$ -0-	\$ 52,367
Noncash assets contributed and liabilities		
assumed as a result of merger (Note 9):		
Prepaid expenses	\$ -0-	\$ 779
Land and buildings	\$ -0-	\$ 1,369,384
Accounts payable	\$ -0-	\$ (8,043)
Mortgage notes payable	\$ -0-	\$ (254,430)

### 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.

All of the Ministry's investments are managed by one investment management firm. The Ministry was invested in one mutual fund that comprised approximately 26% and 30% of total investments at May 31, 2017 and 2016, respectively.

At May 31, 2017, the Ministry had an amount due from one donor representing 70% of contributions receivable. At May 31, 2016, the Ministry had amounts due from three donors representing 85% of contributions receivable.

No single donor comprised 10% or more of contribution income during the years ended May 31, 2017 and 2016, 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, 2017

(With Comparative Total for the Year Ended May 31, 2016)

	2017													2016 Total
	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	
Salaries and benefits	\$ 464,917	\$ 636,300	\$ 626,784	\$ 373,177	\$ 146,192	\$ 89,545	\$ 328,316	\$ 764,131	\$ 193,675	\$ 183,052	\$ 329,930	\$ 11,321	\$ 4,147,340	\$ 3,878,328
Gift-in-kind expenses	108,379	497,850	134,544	133,798	-0-	-0-	-0-	-0-	112,937	60,271	-0-	-0-	1,047,779	1,028,093
Public relations and direct mailing	133	133	483	190	41	-0-	4,479	-0-	142,438	146	-0-	436	148,479	83,024
Telephone and utilities	117,994	102,149	86,453	141,491	11,683	10,476	37,739	1,966	30,122	17,119	-0-	2,362	559,554	498,054
Depreciation expense	97,028	170,637	154,919	70,505	21,946	3,785	33,055	-0-	9,745	10,978	-0-	-0-	572,598	546,099
Postage	391	-0-	-0-	-0-	-0-	-0-	-0-	27	302	-0-	-0-	-0-	720	2,595
Maintenance	44,730	26,078	45,283	35,366	7,565	7,974	33,155	2,657	6,800	14,375	9,614	1,736	235,333	218,362
Insurance	14,771	17,301	18,759	13,820	17,172	3,800	9,398	17,434	7,218	4,452	10,016	-0-	134,141	121,199
Food	-0-	3,306	-0-	39,825	-0-	1,867	-0-	-0-	14,357	6,993	70,903	-0-	137,251	131,476
Equipment repair and maintenance	17,547	9,403	27,547	14,169	21,395	4,055	7,032	12,251	6,729	5,275	17,877	8,758	152,038	90,797
Cleaning supplies	4,338	10,321	11,709	5,088	-0-	434	2,176	-0-	4,685	4,566	9,260	-0-	52,577	45,330
Fuel and oil	1,542	691	1,681	9,139	11,454	1,410	5,422	1,920	1,345	435	3,230	-0-	38,269	38,317
Professional services	2,274	2,665	31,311	2,129	2,644	586	13,441	35,658	1,113	686	1,543	-0-	94,050	91,078
Program materials	4,711	4,864	13,596	8,239	-0-	5,403	5,374	4,671	1,694	2,667	-0-	615	51,834	44,957
Office supplies	989	1,125	2,085	1,564	412	113	913	2,979	1,858	623	183	193	13,037	11,361
Staff travel and conferences	3,339	3,132	11,610	4,292	-0-	377	1,014	3,124	-0-	1,761	2,615	36	31,300	29,966
Industry and supplies	-0-	-0-	-0-	-0-	611,863	-0-	-0-	-0-	-0-	-0-	-0-	13,490	625,353	650,814
Grants and scholarships	8,400	-0-	-0-	30,150	-0-	1,440	-0-	-0-	-0-	-0-	-0-	-0-	39,990	42,355
Interest	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	5,256
Membership fees	1,760	1,304	1,324	862	853	189	-0-	1,539	-0-	221	1,097	-0-	9,149	8,594
Lockbox and bank fees	-0-	-0-	-0-	-0-	-0-	-0-	5,524	-0-	2,068	-0-	-0-	180	7,772	6,329
Miscellaneous	4,658	4,550	200	1,398	-0-	54	514	-0-	461	8,203	1,319	3,082	24,439	14,215
	<u>\$ 897,901</u>	<u>\$ 1,491,809</u>	<u>\$ 1,168,288</u>	<u>\$ 885,202</u>	<u>\$ 853,220</u>	<u>\$ 131,508</u>	<u>\$ 487,552</u>	<u>\$ 848,357</u>	<u>\$ 537,547</u>	<u>\$ 321,823</u>	<u>\$ 457,587</u>	<u>\$ 42,209</u>	<u>\$ 8,123,003</u>	<u>\$ 7,586,599</u>

*See report of independent auditors on pages 1 and 2.*