



**WHEELER MISSION MINISTRIES, INC.  
AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION  
MAY 31, 2020 AND 2019**

*CPAs / ADVISORS*



# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARIES

## TABLE OF CONTENTS MAY 31, 2020 AND 2019

---

	Page
<b>Report of Independent Auditors</b> .....	1
<b>Consolidated Financial Statements</b>	
Consolidated Statements of Financial Position .....	3
Consolidated Statements of Activities .....	4
Consolidated Statements of Functional Expenses.....	6
Consolidated Statements of Cash Flows .....	8
Notes to Consolidated Financial Statements .....	9
<b>Supplementary Information</b>	
Consolidated Statement of Program Services Expenses.....	33

---



Blue & Co., LLC / 12800 N. Meridian Street, Suite 400 / Carmel, IN 46032  
main 317.848.8920 fax 317.573.2458 email blue@blueandco.com

## REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying consolidated financial statements of Wheeler Mission Ministries, Inc. and Subsidiaries (hereby collectively referred to as the Ministry), which comprise the consolidated statements of financial position as of May 31, 2020 and 2019, 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, 2020 and 2019, 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.

Change in Accounting Principles

As discussed in Note 3 to the consolidated financial statements, effective June 1, 2019, the Ministry adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, and ASU No. 2016-18, *Statement of Cash Flows – Restricted Cash*. Our opinion is not modified with respect to these matters.

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  
September 16, 2020

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION MAY 31, 2020 AND 2019

### ASSETS

	<u>2020</u>	<u>2019</u>
Cash	\$ 5,047,181	\$ 1,578,397
Restricted cash	7,257,678	-0-
Investments - capital and general operating	3,065,154	3,231,009
Accounts receivable	170,961	206,560
Contributions receivable, net	357,960	4,900
Note receivable	6,086,700	-0-
Inventory	201,660	309,186
Prepaid and other assets	18,018	18,422
Property and equipment, net	18,965,086	17,309,770
Investments - endowment	11,607,340	11,339,499
Investments - other		
Charitable gift annuities	164,131	160,510
Charitable remainder trust	<u>2,749,806</u>	<u>2,393,112</u>
	<u>\$ 55,691,675</u>	<u>\$ 36,551,365</u>

### LIABILITIES AND NET ASSETS

Liabilities		
Line of credit	\$ 1,000,000	\$ -0-
Accounts payable	723,778	226,423
Accrued payroll and other liabilities	331,336	292,703
Charitable gift annuities payable	68,933	62,161
Charitable remainder trust payable	1,772,315	1,453,433
Notes payable	<u>10,171,300</u>	<u>-0-</u>
Total liabilities	14,067,662	2,034,720
Net assets		
Without donor restrictions		
Undesignated	21,690,406	18,591,320
Board designated - endowment	554,450	528,883
Board designated - operating reserve	<u>500,000</u>	<u>500,000</u>
	22,744,856	19,620,203
With donor restrictions		
Purpose restricted	6,840,130	3,140,187
Time restricted for future periods	981,553	945,639
Endowment	<u>11,057,474</u>	<u>10,810,616</u>
	<u>18,879,157</u>	<u>14,896,442</u>
Total net assets	<u>41,624,013</u>	<u>34,516,645</u>
	<u>\$ 55,691,675</u>	<u>\$ 36,551,365</u>

*See accompanying notes to consolidated financial statements.*

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED MAY 31, 2020

(With Comparative Total for the Year Ended May 31, 2019)

	2020			2019 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>Support and revenue</b>				
Contributions	\$ 10,270,409	\$ 8,328,116	\$ 18,598,525	\$ 22,944,236
Contributions - wills and estates	671,464	-0-	671,464	378,112
Gifts-in-kind	1,002,466	-0-	1,002,466	1,028,074
Program service revenue	1,723,913	-0-	1,723,913	2,209,401
Change in value of annuity and trust liabilities	(11,042)	(517,008)	(528,050)	(685,733)
Investment return, net	212,328	416,453	628,781	74,828
Other	80,097	-0-	80,097	65,625
Net assets released from restrictions	<u>4,276,846</u>	<u>(4,276,846)</u>	<u>-0-</u>	<u>-0-</u>
	18,226,481	3,950,715	22,177,196	26,014,543
 Special events				
Registration fees and other support	1,023,558	32,000	1,055,558	1,001,606
Gift-in-kind support	1,059,341	-0-	1,059,341	1,161,762
Direct expenses of events	(374,938)	-0-	(374,938)	(369,472)
Gift-in-kind expenses	<u>(1,059,341)</u>	<u>-0-</u>	<u>(1,059,341)</u>	<u>(1,161,762)</u>
	648,620	32,000	680,620	632,134
 Total support and revenue	18,875,101	3,982,715	22,857,816	26,646,677
 <b>Expenses</b>				
Program services				
Men's residential center	1,247,470	-0-	1,247,470	1,027,103
Shelter for men	2,011,318	-0-	2,011,318	1,856,394
Center for women and children	1,867,836	-0-	1,867,836	1,538,916
Camp Hunt	957,458	-0-	957,458	914,468
Industry	1,331,248	-0-	1,331,248	1,585,182
Edwards residence	108,687	-0-	108,687	114,929
Thrift shop	571,972	-0-	571,972	573,842
Ministry services	1,351,515	-0-	1,351,515	1,008,665
Center for men (Bloomington)	924,006	-0-	924,006	716,111
Center for women and children (Bloomington)	420,094	-0-	420,094	404,996
Food services	466,826	-0-	466,826	671,121
Restored creations	<u>91,810</u>	<u>-0-</u>	<u>91,810</u>	<u>102,293</u>
	11,350,240	-0-	11,350,240	10,514,020
Supporting activities				
Management and general	982,426	-0-	982,426	900,930
Fundraising and development	<u>3,417,782</u>	<u>-0-</u>	<u>3,417,782</u>	<u>3,709,496</u>
	4,400,208	-0-	4,400,208	4,610,426
 Total expenses	<u>15,750,448</u>	<u>-0-</u>	<u>15,750,448</u>	<u>15,124,446</u>
 <b>Change in net assets</b>	3,124,653	3,982,715	7,107,368	11,522,231
 <b>Net assets, beginning of year</b>	<u>19,620,203</u>	<u>14,896,442</u>	<u>34,516,645</u>	<u>22,994,414</u>
 <b>Net assets, end of year</b>	<u>\$ 22,744,856</u>	<u>\$ 18,879,157</u>	<u>\$ 41,624,013</u>	<u>\$ 34,516,645</u>

*See accompanying notes to consolidated financial statements.*

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF ACTIVITIES YEAR ENDED MAY 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and revenue</b>			
Contributions	\$ 7,881,035	\$ 15,063,201	\$ 22,944,236
Contributions - wills and estates	378,112	-0-	378,112
Gifts-in-kind	1,028,074	-0-	1,028,074
Program service revenue	2,209,401	-0-	2,209,401
Change in value of annuity and trust liabilities	(2,253)	(683,480)	(685,733)
Investment return, net	4,236	70,592	74,828
Other	65,625	-0-	65,625
Net assets released from restrictions	2,392,453	(2,392,453)	-0-
	13,956,683	12,057,860	26,014,543
 Special events			
Registration fees and other support	990,406	11,200	1,001,606
Gift-in-kind support	1,161,762	-0-	1,161,762
Direct expenses of events	(369,472)	-0-	(369,472)
Gift-in-kind expenses	(1,161,762)	-0-	(1,161,762)
	620,934	11,200	632,134
 Total support and revenue	 14,577,617	 12,069,060	 26,646,677
 <b>Expenses</b>			
Program services			
Men's residential center	1,027,103	-0-	1,027,103
Shelter for men	1,856,394	-0-	1,856,394
Center for women and children	1,538,916	-0-	1,538,916
Camp Hunt	914,468	-0-	914,468
Industry	1,585,182	-0-	1,585,182
Edwards residence	114,929	-0-	114,929
Thrift shop	573,842	-0-	573,842
Ministry services	1,008,665	-0-	1,008,665
Center for men (Bloomington)	716,111	-0-	716,111
Center for women and children (Bloomington)	404,996	-0-	404,996
Food services	671,121	-0-	671,121
Restored creations	102,293	-0-	102,293
	10,514,020	-0-	10,514,020
Supporting activities			
Management and general	900,930	-0-	900,930
Fundraising and development	3,709,496	-0-	3,709,496
	4,610,426	-0-	4,610,426
 Total expenses	 15,124,446	 -0-	 15,124,446
 <b>Change in net assets</b>	 (546,829)	 12,069,060	 11,522,231
 <b>Net assets, beginning of year</b>	 20,167,032	 2,827,382	 22,994,414
 <b>Net assets, end of year</b>	 \$ 19,620,203	 \$ 14,896,442	 \$ 34,516,645

*See accompanying notes to consolidated financial statements.*

## WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED MAY 31, 2020 (With Comparative Total for the Year Ended May 31, 2019)

	2020					2019 Total
	Program Services	Supporting Activities			Total	
		Management and General	Fundraising and Development	Total Supporting Activities		
Salaries and benefits	\$ 6,461,332	\$ 224,130	\$ 1,338,345	\$ 1,562,475	\$ 8,023,807	\$ 6,873,305
Gift-in-kind expenses	1,002,466	-0-	1,059,341	1,059,341	2,061,807	2,189,836
Public relations and direct mailing	180,164	4,219	1,691,283	1,695,502	1,875,666	1,683,770
Direct expenses of events	-0-	-0-	374,938	374,938	374,938	369,472
Telephone and utilities	603,117	31,515	4,500	36,015	639,132	712,271
Depreciation expense	787,555	145,491	-0-	145,491	933,046	805,206
Postage	667	11,993	54,192	66,185	66,852	53,966
Maintenance	314,425	18,758	51,125	69,883	384,308	370,589
Insurance	157,096	10,969	54,009	64,978	222,074	221,651
Food	181,528	-0-	20,999	20,999	202,527	179,363
Equipment repair and maintenance	196,184	15,077	10,111	25,188	221,372	192,106
Cleaning supplies	84,078	736	-0-	736	84,814	73,296
Fuel and oil	57,370	1,339	2,623	3,962	61,332	78,359
Professional services	128,384	298,063	62,206	360,269	488,653	507,752
Program materials	168,823	-0-	1,703	1,703	170,526	120,514
Office supplies	12,965	2,708	1,461	4,169	17,134	22,974
Staff travel and conferences	30,487	269	15,890	16,159	46,646	63,810
Industry and supplies	921,969	-0-	-0-	-0-	921,969	1,208,379
Grants and scholarships	32,825	1,500	-0-	1,500	34,325	40,250
Interest	-0-	23,735	-0-	23,735	23,735	-0-
Membership fees	9,536	1,223	3,544	4,767	14,303	13,936
Sales and property tax	-0-	16,496	-0-	16,496	16,496	3,225
Capital campaign expenses	-0-	88,740	34,005	122,745	122,745	719,033
Lockbox and bank fees	9,295	85,465	71,786	157,251	166,546	138,685
Miscellaneous	9,974	-0-	-0-	-0-	9,974	13,932
Total expenses	11,350,240	982,426	4,852,061	5,834,487	17,184,727	16,655,680
Less expenses netted with support and revenues on the statement of activities	-0-	-0-	(1,434,279)	(1,434,279)	(1,434,279)	(1,531,234)
Total expenses reported on the statement of activities	<u>\$ 11,350,240</u>	<u>\$ 982,426</u>	<u>\$ 3,417,782</u>	<u>\$ 4,400,208</u>	<u>\$ 15,750,448</u>	<u>\$ 15,124,446</u>

*See accompanying notes to consolidated financial statements.*



## WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED MAY 31, 2019

	Supporting Activities				Total
	Program Services	Management and General	Fundraising and Development	Total Supporting Activities	
Salaries and benefits	\$ 5,514,695	\$ 209,534	\$ 1,149,076	\$ 1,358,610	\$ 6,873,305
Gift-in-kind expenses	1,028,074	-0-	1,161,762	1,161,762	2,189,836
Public relations and direct mailing	157,386	3,370	1,523,014	1,526,384	1,683,770
Direct expenses of events	-0-	-0-	369,472	369,472	369,472
Telephone and utilities	669,496	39,700	3,075	42,775	712,271
Depreciation expense	702,283	102,923	-0-	102,923	805,206
Postage	1,287	8,775	43,904	52,679	53,966
Maintenance	308,395	30,453	31,741	62,194	370,589
Insurance	154,578	10,630	56,443	67,073	221,651
Food	178,268	-0-	1,095	1,095	179,363
Equipment repair and maintenance	158,561	11,885	21,660	33,545	192,106
Cleaning supplies	73,250	46	-0-	46	73,296
Fuel and oil	73,621	1,529	3,209	4,738	78,359
Professional services	37,062	412,659	58,031	470,690	507,752
Program materials	118,287	-0-	2,227	2,227	120,514
Office supplies	15,694	2,666	4,614	7,280	22,974
Staff travel and conferences	44,253	1,887	17,670	19,557	63,810
Industry and supplies	1,208,379	-0-	-0-	-0-	1,208,379
Grants and scholarships	40,250	-0-	-0-	-0-	40,250
Membership fees	9,117	1,127	3,692	4,819	13,936
Sales and property tax	-0-	3,225	-0-	3,225	3,225
Capital campaign expenses	-0-	-0-	719,033	719,033	719,033
Lockbox and bank fees	10,214	60,283	68,188	128,471	138,685
Miscellaneous	10,870	238	2,824	3,062	13,932
Total expenses	10,514,020	900,930	5,240,730	6,141,660	16,655,680
Less expenses netted with support and revenues on the statement of activities	-0-	-0-	(1,531,234)	(1,531,234)	(1,531,234)
Total expenses reported on the statement of activities	\$ 10,514,020	\$ 900,930	\$ 3,709,496	\$ 4,610,426	\$ 15,124,446

*See accompanying notes to consolidated financial statements.*

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED MAY 31, 2020 AND 2019

	2020	2019
<b>Operating activities</b>		
Change in net assets	\$ 7,107,368	\$ 11,522,231
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	933,046	805,206
Gain on sale of property and equipment	-0-	(16,371)
Realized and unrealized (gains) losses on investments, net	(109,248)	259,594
Change in value of annuity and trust liabilities	528,050	685,733
Change in allowance for doubtful accounts	88,740	-0-
Proceeds from contributions restricted for purchase and renovation of buildings	(6,512,760)	(4,119,121)
Proceeds from contributions restricted for investment in endowment	-0-	(9,000,000)
Changes in assets and liabilities		
Accounts receivable	35,599	(65,686)
Contributions receivable	(441,800)	19,000
Other assets	107,930	(118,146)
Accounts payable	63,352	(31,307)
Accrued payroll and other liabilities	38,633	55,345
Net cash flows from operating activities	1,838,910	(3,522)
<b>Investing activities</b>		
Capital expenditures	(2,154,359)	(2,325,301)
Proceeds from sale of property and equipment	-0-	19,506
Purchases of investments	(4,293,539)	(11,993,945)
Proceeds from sale of investments	3,940,486	2,357,351
Issuance of note receivable	(6,086,700)	-0-
Net cash flows from investing activities	(8,594,112)	(11,942,389)
<b>Financing activities</b>		
Borrowings under line of credit	1,000,000	-0-
Proceeds from contributions restricted for purchase and renovation of buildings	6,512,760	4,119,121
Proceeds from contributions restricted for investment in endowment	-0-	9,000,000
Proceeds from issuance of notes payable	10,171,300	-0-
Annuities and trusts payments	(202,396)	(95,948)
Net cash flows from financing activities	17,481,664	13,023,173
Net change in cash	10,726,462	1,077,262
<b>Cash and restricted cash, beginning of year</b>	1,578,397	501,135
<b>Cash and restricted cash, end of year</b>	\$ 12,304,859	\$ 1,578,397
<b>Included in the consolidated statements of financial position as:</b>		
Cash	\$ 5,047,181	\$ 1,578,397
Restricted cash	7,257,678	-0-
Total cash and restricted cash, end of year	\$ 12,304,859	\$ 1,578,397
<b>Supplemental disclosure of cash flow information</b>		
Change in accounts payable related to capital expenditures	\$ 434,003	\$ (43,430)
Cash paid during the year for interest	\$ 23,735	\$ -0-

*See accompanying notes to consolidated financial statements.*

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2020 AND 2019

---

### 1. NATURE OF ACTIVITIES

The accompanying consolidated financial statements include the accounts of Wheeler Mission Ministries, Inc. and its wholly owned subsidiaries, Wheeler East Street Holdings, Inc. and Drumstick Dash, LLC. (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, and Edwards Residence in the greater Indianapolis, Indiana area, as well as the Training Center at Camp Hunt, the Center for Men, and 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 at the Training Center on the 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. Through Restored Creations, women being served by WMM produce candles and develop transferable job skills needed to obtain and maintain employment.

WMM is a member of the Citygate Network, 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 two properties that WMM utilizes to operate various programs. ESH received its initial start-up funding from WMM. WMM also provides ongoing operational support to ESH.

Drumstick Dash, LLC (DD) is a single member limited liability company. DD was formed to house the activities of the annual Drumstick Dash event.

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2020 AND 2019

---

### 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:

Net assets without donor restrictions – Net assets without donor restrictions are resources available to support operations. The only limits on the use of net assets without donor restrictions 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.

Net assets with donor restrictions – Net assets with donor restrictions 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. Earnings on donor restricted endowment funds are classified as net assets with donor restrictions until those amounts are appropriated for expenditure. Additionally, some 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.

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 net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of property and equipment (or the contribution of those assets directly) are reported as net assets with donor restrictions until the donated or acquired assets are placed in service, unless the donor provides more specific directions about the period of its use.

#### 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 SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2020 AND 2019

---

### Cash and Restricted 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.

At May 31, 2020, restricted cash consists of ESH funds of \$408,993 required to be set aside as a reserve related to the net market tax credits, and \$6,848,685 to be used only for construction of the new facility and related costs and must be approved by the lender before disbursement.

### Accounts Receivable

Accounts receivable (contract receivables) are recorded at net invoice amounts and consist primarily of billings for the Ministry's enterprise operations at the Training Center on the 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, 2020 and 2019.

### Contributions Receivable

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable are initially recorded at fair value based on estimated future cash flows of the unconditional pledges and are reported net of an allowance for doubtful amounts.

Management estimates an allowance for uncollectible contributions receivable based on current economic conditions, historical trends, and current and past experience with their donor base.

### Note Receivable

The note receivable represents the outstanding amount due to the Ministry from Chase NMTC Wheeler Mission Investment Fund, LLC which matures March 1, 2051. At May 31, 2020, the outstanding balance of this note is \$6,086,700. It is secured by a 99.9% interest in the sub-CDE (see Note 12). The note requires quarterly interest payments through March 10, 2027, then quarterly principal and interest payments of \$74,854 through maturity (interest rate of 1.411%).

The note receivable is reported at its carrying value. The Ministry considers the note to be fully collectible; therefore, no allowance for doubtful accounts has been provided. Interest income related to the note receivable is recorded as an increase in net assets without donor restrictions.

### 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 net realizable value with cost

---

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2020 AND 2019

---

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 support without donor restrictions 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 net assets with donor restrictions to net assets without donor restrictions 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

### Impairment of Long-Lived Assets

Property and equipment are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. If impairment is present, the carrying value of the impaired asset is reduced to its fair value. During the years ended May 31, 2020 and 2019, there was no impairment loss recognized for long-lived assets.

### Investments and Investment Return

Investments 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 are recorded when earned. Realized gains and losses are recorded based on the cost of the specific securities sold.

### 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

---

## WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2020 AND 2019

---

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 restricted contributions in the period the gift is received. There were no such contributions during the years ended May 31, 2020 and 2019. There were no contributions released for the year ended May 31, 2020 and 2019.

Assets held in trust total \$164,131 and \$160,510 at May 31, 2020 and 2019, 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 \$68,933 and \$62,161 at May 31, 2020 and 2019, respectively. The fair value (Level 2 in the fair value hierarchy – see Note 6 for definition) 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.

#### *Charitable Remainder Trust*

The Ministry, serving as the trustee, administers (through a third party administrator) a charitable remainder trust. The trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (the designated beneficiaries' lifetimes). At the end of the trust's term, the remaining assets are available for the Ministry's use. The portion of the charitable remainder trust attributable to the present value of future benefits to be received by the Ministry is reported in the consolidated statement of activities as restricted contributions in the period the contributions are made to the trust. During the years ended May 31, 2020 and 2019, contributions in the amount of \$400,000 and \$1,200,000, respectively, were made to the charitable remainder trust.

Assets held in trust total \$2,749,806 and \$2,393,112 at May 31, 2020 and 2019, respectively, and primarily consist of mutual funds and are reported at their fair value as charitable remainder trust 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 \$1,772,315 and \$1,453,433 at May 31, 2020 and 2019, respectively. The fair value (Level 2 in the fair value hierarchy – see Note 6 for definition) of the estimated future payments is calculated using a discount rate of 1.8% and the applicable mortality tables.

#### Accounting for Contributions and Revenue Recognition

The Ministry recognizes contributions when cash, securities or other assets, unconditional promises to give, or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measureable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2020 AND 2019

---

All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as contributions with donor restrictions until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year.

Program service revenues relate to pallet sales and thrift store sales and are recorded as revenue at the point of sale. Program services revenues also include services provided to individuals in need and are recorded as revenue over time in the year to which they relate (in which performance obligations are fulfilled). All program service revenues represent exchange transactions.

### 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 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. Expenses allocated include salaries and benefits, telephone and utilities, depreciation, maintenance, insurance, professional services and travel. 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 United States Internal Revenue Code and similar state law.



# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2020 AND 2019

---

The activities of DD are exempt as programs under WMM's not-for-profit exemption and are included in the income tax filings of WMM. The exemption is on all income except unrelated business income.

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, 2020 and 2019, 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, 2019. The activities of DD are included in WMM's tax filings. 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 2019 consolidated financial statements have been reclassified herein in order to conform to the fiscal 2020 presentation.

### 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 16, 2020, which is the date the consolidated financial statements were available to be issued.

## **3. CHANGE IN ACCOUNTING PRINCIPLES**

### ASU 2014-09

Effective June 1, 2019, the Ministry adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, codified in the FASB Accounting Standards Codification (ASC) as topic 606 (ASC 606). The revenue recognition standard in ASC 606 outlines a single comprehensive model for recognizing revenue as performance obligations, defined in a contract with a customer as goods or services transferred to the customer in exchange for consideration, are satisfied. The standard also requires expanded disclosures regarding the Ministry's revenue recognition policies and significant judgments employed in the determination of revenue.

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2020 AND 2019

---

Other than these changes, the adoption of ASC 606 did not have a material impact on the fiscal 2020 consolidated financial statements.

### ASU 2018-08

Effective June 1, 2019, the Ministry adopted FASB ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (ASC 958). ASU 2018-08 clarifies and improves current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. The amendments clarify how an entity determines whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. Additionally, the amendments in this ASU require that an entity determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return on assets transferred or a right of release of a promisor's obligation to transfer assets. The adoption of ASU 2018-08 did not have a material impact on the fiscal 2020 consolidated financial statements.

### ASU 2016-18

Effective June 1, 2019, the Ministry adopted FASB ASU No. 2016-18, *Statement of Cash Flows – Restricted Cash* (ASC 230), which requires that restricted cash be included in the beginning and ending cash in the consolidated statements of cash flows. The adoption of this ASU resulted in the reclassification of certain items related to restricted cash in the consolidated statements of cash flows for the years ended May 31, 2020 and 2019, and enhanced the disclosures related to cash, and restricted cash, as presented in Note 2 to the consolidated financial statements.

## 4. CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following at May 31:

	<u>2020</u>	<u>2019</u>
Due within one year	\$ 179,700	\$ 4,900
Due in one to five years	<u>267,000</u>	<u>-0-</u>
Contributions receivable	446,700	4,900
Less allowance for doubtful accounts	<u>(88,740)</u>	<u>-0-</u>
Contributions receivable, net	<u>\$ 357,960</u>	<u>\$ 4,900</u>

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2020 AND 2019

---

### 5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at May 31:

	<u>2020</u>	<u>2019</u>
Land	\$ 2,017,552	\$ 1,988,470
Buildings and improvements	20,917,811	20,109,790
Equipment	2,985,359	2,660,896
Vehicles	679,272	634,551
Construction in process	<u>2,273,927</u>	<u>950,115</u>
	28,873,921	26,343,822
Accumulated depreciation	<u>(9,908,835)</u>	<u>(9,034,052)</u>
	<u>\$ 18,965,086</u>	<u>\$ 17,309,770</u>

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 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.

Construction in process includes costs associated with building construction and improvements not completed as of the end of the fiscal year. At May 31, 2020, the Ministry has contracts in place with various vendors of approximately \$7,500,000 to complete additional improvements. All of these improvements are anticipated to be completed during fiscal 2021.

### 6. 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

## WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2020 AND 2019

---

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, 2020 and 2019.

- *Money market mutual funds:* Generally transact subscription and redemption activity at a \$1 stable net asset value (NAV); however, on a daily basis the funds are valued at their daily NAV calculated using the amortized cost of the securities held in the fund.
- *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.
- *US Government obligations:* Valued using pricing models maximizing the use of observable inputs for similar securities.

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.

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2020 AND 2019

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

	2020		
	Level 1	Level 2	Total
Money market mutual fund	\$ -0-	\$ 1,004,191	\$ 1,004,191
Mutual funds			
Equity			
Large cap growth	494,451	-0-	494,451
Large cap value	364,328	-0-	364,328
Large cap blended	955,737	-0-	955,737
Midcap	460,512	-0-	460,512
Small cap	453,416	-0-	453,416
International	526,097	-0-	526,097
Other	231,946	-0-	231,946
Fixed income	1,658,940	-0-	1,658,940
Exchange traded funds			
Equity			
Large cap growth	1,081,358	-0-	1,081,358
Large cap value	1,394,326	-0-	1,394,326
Large cap blended	2,549,482	-0-	2,549,482
Midcap	473,583	-0-	473,583
Small cap	677,124	-0-	677,124
International	1,378,976	-0-	1,378,976
Other	287,079	-0-	287,079
Fixed income			
Ultrashort bond	714,949	-0-	714,949
Inflation-protected bond	388,747	-0-	388,747
Intermediate-core bond	1,072,009	-0-	1,072,009
Short-term bond	890,365	-0-	890,365
Other bond	448,506	-0-	448,506
Total fair value	\$ 16,501,931	\$ 1,004,191	17,506,122
Cash			80,309
Total investments			\$ 17,586,431

## WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2020 AND 2019

	2019		
	Level 1	Level 2	Total
Mutual funds			
Equity			
Large cap growth	\$ 830,421	\$ -0-	\$ 830,421
Large cap value	946,471	-0-	946,471
Large cap blended	661,264	-0-	661,264
Midcap	532,579	-0-	532,579
Small cap	383,920	-0-	383,920
International	347,785	-0-	347,785
Other	358,733	-0-	358,733
Fixed income	857,469	-0-	857,469
Exchange traded funds			
Equity			
Large cap growth	679,699	-0-	679,699
Large cap value	898,272	-0-	898,272
Large cap blended	1,552,246	-0-	1,552,246
Midcap	297,981	-0-	297,981
Small cap	335,400	-0-	335,400
International	710,774	-0-	710,774
Other	45,181	-0-	45,181
Fixed income			
Ultrashort bond	283,364	-0-	283,364
Inflation-protected bond	195,294	-0-	195,294
Intermediate-core bond	768,039	-0-	768,039
Short-term bond	475,652	-0-	475,652
Other bond	235,904	-0-	235,904
US government obligations			
Treasury bill	-0-	5,662,433	5,662,433
Total fair value	\$ 11,396,448	\$ 5,662,433	17,058,881
Cash			65,249
Total investments			\$ 17,124,130

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, 2020 and 2019.

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 SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2020 AND 2019

---

Investments are reported on the consolidated statements of financial position as follows at May 31:

	<u>2020</u>	<u>2019</u>
Investments - capital and general operating	\$ 3,065,154	\$ 3,231,009
Investments - endowment	11,607,340	11,339,499
Investments - other		
Charitable gift annuities	164,131	160,510
Charitable remainder trust	<u>2,749,806</u>	<u>2,393,112</u>
	<u>\$ 17,586,431</u>	<u>\$ 17,124,130</u>

The following schedule summarizes investment return for the years ended May 31:

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 597,770	\$ 377,719
Realized and unrealized gains (losses), net	109,248	(259,594)
Investment service fees	<u>(78,237)</u>	<u>(43,297)</u>
Investment return, net	<u>\$ 628,781</u>	<u>\$ 74,828</u>

### 7. LINE OF CREDIT AGREEMENTS

The Ministry has a \$1,000,000 revolving line of credit facility available with a bank through October 24, 2020, 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 1.25% (2.00% at May 31, 2020). There were no borrowings on this facility as of May 31, 2020 and 2019.

During the year ended May 31, 2020, the Ministry obtained a \$5,500,000 revolving line of credit facility in connection with the New Market Tax Credits project (Note 12). This line of credit facility is available with a bank through June 30, 2021, 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 prime rate less 1.25% (2.00% at May 31, 2020). The borrowings outstanding at May 31, 2020, are \$1,000,000.

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2020 AND 2019

### 8. NOTES PAYABLE

Notes payable consist of the following at May 31:

	<u>2020</u>	<u>2019</u>
Note payable to IR CDE Twelve, LLC (Note 12) with an annual interest rate of 1.00%. Quarterly interest only payments through March 1, 2027, then quarterly principal and interest payments of \$62,863 through maturity on December 1, 2054; secured by a mortgage on the financed ESH property (with a net book value of \$4,756,025) and assignment of contracts and rents; guaranteed by WMM.	\$ 6,086,700	\$ -0-
Note payable to IR CDE Twelve, LLC (Note 12) with an annual interest rate of 1.00%. Quarterly interest only payments through March 1, 2027, then quarterly principal and interest payments of \$26,370 through maturity on December 1, 2054; secured by a mortgage on the financed ESH property (with a net book value of \$4,756,025) and assignment of contracts and rents; guaranteed by WMM.	2,553,300	-0-
Note payable to the Small Business Administration as part of the Paycheck Protection Program. See further discussion below.	<u>1,531,300</u>	<u>-0-</u>
	<u>\$ 10,171,300</u>	<u>\$ -0-</u>

The above notes payable to IR CDE Twelve, LLC contain certain restrictive covenants, primarily related to ESH, including limitations on the creation of additional indebtedness and liens.

Effective April 24, 2020, the Ministry received a low interest loan in the amount of \$1,531,300 under the Paycheck Protection Program (PPP) administered by the Small Business Administration. The PPP loan is unsecured, bears interest at 1% and funds advanced under the program are subject to forgiveness, if certain criteria is met, with the remaining balance repayable within two years of disbursement. The PPP loan may be forgivable to the extent that employers incur and spend the funds on qualified expenditures, which include payroll, employee health insurance, rent, utilities and interest costs during the covered period as defined by the PPP guidance. In addition, employers must maintain specified employment and wage levels during the pandemic, and submit adequate documentation of such expenditures to qualify for loan forgiveness. If the loan is not forgiven, monthly principal and interest payments of \$85,747 will begin November 24, 2020, with a maturity date of April 24, 2022. The Ministry has elected to account for this loan as debt, and will recognize any forgiveness when it has been legally forgiven by the Small Business Administration.



# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2020 AND 2019

---

Scheduled future maturities on the notes payable are as follows as of May 31, 2020:

Year Ending		
May 31,		
2021	\$	585,061
2022		946,239
2023		-0-
2024		-0-
2025		-0-
Thereafter		<u>8,640,000</u>
	\$	<u>10,171,300</u>

### 9. NET ASSETS

#### Net Assets Without Donor Restrictions – Board Designated

Board designated net assets are net assets without donor restrictions subject to self-imposed limits determined by action of the Board of Directors. The designations are as follows at May 31:

	<u>2020</u>	<u>2019</u>
Funds functioning as endowment:		
General operations	\$ 554,450	\$ 528,883
Other board designated:		
Operating reserve	<u>500,000</u>	<u>500,000</u>
	<u>\$ 1,054,450</u>	<u>\$ 1,028,883</u>

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2020 AND 2019

---

### Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at May 31:

	<u>2020</u>	<u>2019</u>
Purpose restricted		
Center for Women and Children	\$ 78,203	\$ 65,685
Capital campaign for expansion of Center for Women and Children	6,092,482	2,122,998
Lilly Endowment - capital investments	438,182	544,096
Lilly Endowment - technology and security	29,883	135,991
Lilly Endowment - optimization study	25,000	25,000
Other programs	<u>176,380</u>	<u>246,417</u>
	6,840,130	3,140,187
Time restricted for future periods		
Charitable remainder trusts	977,491	939,679
Drumstick Dash	3,000	4,900
Other	<u>1,062</u>	<u>1,060</u>
	981,553	945,639
Endowment		
Future sustainability	9,355,362	9,186,998
Director of food service support	558,263	537,343
Center for Women and Children or Training Center at Camp Hunt	1,030,436	982,464
Other	<u>113,413</u>	<u>103,811</u>
	<u>11,057,474</u>	<u>10,810,616</u>
	<u>\$ 18,879,157</u>	<u>\$ 14,896,442</u>

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2020 AND 2019

### Net Assets Released From Restrictions

Net assets were released from donor-imposed restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors as follows during the years ended May 31:

	<u>2020</u>	<u>2019</u>
Purpose restriction:		
Center for Women and Children	\$ 201,049	\$ 220,857
Capital campaign for expansion of Center for Women and Children	2,648,658	991,946
Camp Dormitory	-0-	356,909
Provide shelter, food, and medical assistance under various other programs	725,526	497,628
COVID-19	455,691	-0-
Lilly Endowment - capital investments	105,914	155,904
Lilly Endowment - technology and security	106,108	139,009
Time restriction:		
Drumstick Dash	33,900	30,200
	<u>\$ 4,276,846</u>	<u>\$ 2,392,453</u>

## 10. ENDOWMENT

The Ministry's endowments consist 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 is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Directors appropriates such amounts for expenditure. Those net assets are also subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of Directors has interpreted SPMIFA as requiring the preservation of the purchasing power 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, when reviewing its donor-restricted endowment funds, the Ministry considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2020 AND 2019

---

The Ministry has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measure required under the law. Additionally, in accordance with SPMIFA, 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

### Underwater Endowment Funds

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, 2020 and 2019.

### 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 endowments 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 an emphasis on a balance between equity and fixed income 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, except for those donor restricted endowment funds held to support future sustainability. 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. The endowment fund held for future sustainability (Note 9)

---

## WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2020 AND 2019

is limited by the donor, at such times when the balance of the fund is below the historic dollar value of the grant, to spending of 2% of the grant fund balance, and at such times when the grant fund balance is over the historic dollar value of the grant but when planned spending would cause the grant fund balance to fall below the historic dollar value of the grant, to spending of the greater of up to 2% of the grant fund balance or the excess of the grant fund balance over the historic dollar value of the grant. In establishing its policies, the Ministry intends 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.

The composition of the Ministry's endowment is as follows at May 31:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	\$ 554,450	\$ -0-	\$ 554,450
Donor restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-0-	10,303,400	10,303,400
Accumulated investment gains	-0-	754,074	754,074
	\$ 554,450	\$ 11,057,474	\$ 11,611,924
	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	\$ 528,883	\$ -0-	\$ 528,883
Donor restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-0-	10,303,400	10,303,400
Accumulated investment gains	-0-	507,216	507,216
	\$ 528,883	\$ 10,810,616	\$ 11,339,499

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2020 AND 2019

---

The change in endowment net assets is as follows for the years ended May 31:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 528,883	\$ 10,810,616	\$ 11,339,499
Investment return, net	<u>25,567</u>	<u>246,858</u>	<u>272,425</u>
Endowment net assets, end of year	<u>\$ 554,450</u>	<u>\$ 11,057,474</u>	<u>\$ 11,611,924</u>
	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 546,024	\$ 1,678,973	\$ 2,224,997
Deposits	-0-	9,000,000	9,000,000
Investment return, net	<u>(17,141)</u>	<u>131,643</u>	<u>114,502</u>
Endowment net assets, end of year	<u>\$ 528,883</u>	<u>\$ 10,810,616</u>	<u>\$ 11,339,499</u>

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2020 AND 2019

### 11. LIQUIDITY AND AVAILABILITY OF RESOURCES

The following table reflects the Ministry's financial assets that are available to meet general expenditures within one year of the statement of financial position date at May 31:

	<u>2020</u>	<u>2019</u>
Financial assets		
Cash	\$ 5,047,181	\$ 1,578,397
Restricted cash	7,257,678	-0-
Accounts receivable	170,961	206,560
Contributions receivable, net	357,960	4,900
Investments	17,586,431	17,124,130
Note receivable	<u>6,086,700</u>	<u>-0-</u>
Total financial assets	36,506,911	18,913,987
Restricted cash	(7,257,678)	-0-
Contributions receivable not due within one year	(267,000)	-0-
Charitable gift annuities payable	(68,933)	(62,161)
Charitable remainder trust payable	(1,772,315)	(1,453,433)
Note receivable not due within one year	(6,086,700)	-0-
Net assets with donor restrictions		
Purpose restricted	(6,840,130)	(3,140,187)
Time restricted for future periods	(981,553)	(945,639)
Endowment	(11,057,474)	(10,810,616)
Board designated net assets		
Endowment	(554,450)	(528,883)
Operating reserve	<u>(500,000)</u>	<u>(500,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,120,678</u>	<u>\$ 1,473,068</u>

The Ministry has restricted cash to be used only for construction of the expansion of the Center for Women and Children and related reserve and other related costs and must be approved by the lender before disbursement.

The Ministry's board-designated net assets are designated by the Board of Directors to provide income to support general operations in the future, as well as an operating reserve. Although the Ministry does not intend to spend the board designated funds to meet general expenditures, the amounts could be made available, if necessary.

As more fully described in Note 7, the Ministry maintains a line of credit of \$1,000,000 with a bank available to be drawn upon as needed during the year. At May 31, 2020, the Ministry has no outstanding borrowings and the full amount is available as needed to meet cash needs for general expenditures.

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2020 AND 2019

---

### 12. NEW MARKET TAX CREDITS PROJECT

In January 2020, the Ministry entered into a New Market Tax Credit (NMTC) financing transaction to fund a portion of the cost of construction and expansion of the Center for Women and Children. The NMTC program was provided for in the Community Renewal Tax Relief Act of 2000 (the Act) and is intended to induce capital investment in qualified low-income communities. The Act permits certain taxpayers to claim credits against their Federal income taxes for up to 39% of qualified investments in the equity of Community Development Entities (CDE). A CDE is a privately managed investment institution that is certified to make qualified low-income community investments (QILCI) loans. The NMTC structure includes the Ministry (through ESH), as a leverage lender, and the tax credit investor is Chase NMTC Wheeler Mission Investment Fund, LLC, an entity formed for purposes of NMTC transactions by Chase Bank, N.A.

In January 2020, Chase Community Equity, LLC made a \$9,000,000 capital contribution to Chase NMTC Wheeler Mission Investment Fund, LLC, a qualified equity investment fund. At the same time, the Ministry (through ESH as leverage lender) made a \$6,086,700 leveraged loan to the same investment fund (Note 2), resulting in a partial return of capital to Chase Community Equity, LLC. In turn, Chase NMTC Wheeler Mission Investment Fund, LLC made a \$9,000,000 capital contribution to IR CDE Twelve, LLC (sub-CDE), which is recognized as a qualified community development entity (noted above) or sub-CDE in this structure. After deducting certain fees associated with the transaction, the sub-CDE made two QILCI loans to the Ministry for a combined total of \$8,640,000. In this structure, the Ministry (through ESH) is designated as a qualified active low-income community benefit entity (QALICB). The QILCI loans bear interest at a rate of 1% and mature on December 1, 2054. Interest only payments due quarterly are made during the first seven years of the notes (Note 8).

The NMTC is subject to 100% recapture for a period of seven years as provided in the Internal Revenue Code. The Ministry is required to be in compliance with various regulations and contractual provisions that apply to the NMTC arrangement. Non-compliance with applicable requirements could result in projected tax benefits not being realized and, therefore, could require the Ministry to indemnify the investments for any loss or recapture of NMTCs related to the financing until such time as the Ministry's obligation to deliver tax benefits is relieved. The Ministry does not anticipate any credit recaptures in connection with this arrangement. This transactions includes a put / call provision that becomes effective at the end of the seven year compliance recapture period. Under the put provision, the Ministry may be obligated to purchase the investor's (CDE) interest in the Fund (Chase NMTC Wheeler Mission Investment Fund, LLC) for the sum of \$1,000 plus all transfer or excise taxes imposed on the investor. Under the call provision, the Ministry would be entitled to purchase the investor's interest in the Fund at fair market value. The Ministry believes the investor will exercise the put option in March 2027 at the end of the compliance recapture period. The value attributed to the put / call provision is de minimis.



# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2020 AND 2019

---

### 13. CONDITIONAL CONTRIBUTION

As of July 1, 2019, Lilly Endowment, Inc. (the Endowment) awarded the Ministry a grant for \$4,000,000. Of this grant, \$3,000,000 is without any matching requirements and was paid in fiscal 2020. The remaining \$1,000,000 of this grant is contingent upon the Ministry raising qualifying matching funds in accordance with certain conditions. To qualify as matching funds, contributions must consist of enforceable pledges, entered into during the matching period of July 1, 2019 through October 31, 2020, and payable on or before December 31, 2021, and contributions of cash or equivalents. Under terms of the grant agreement, the Ministry would receive a \$1(grantor)-for-\$1(grantee) match for its capital campaign from the Endowment over the grant period. If less than \$1,000,000 in such matching funds are raised during the matching period, only the qualifying matching funds raised during the period will be eligible for the matching treatment.

As of December 2019, the Ministry had met the matching requirements to receive the full \$1,000,000 from the Endowment. This amount was paid prior to the end of the matching period and recorded by the Ministry as contribution income in fiscal 2020.

### 14. 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 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 \$259,268 and \$213,606 for the years ended May 31, 2020 and 2019, respectively.

#### Flexible Benefit Plan

The Ministry offers a flexible benefit plan through a Health Saving Account (HSA). The plan offers medical expense reimbursements for certain employees grandfathered into the plan. Employees can make voluntary contributions to the plan for medical expense reimbursements. The Ministry contributed \$29,070 and \$29,680 to the plan during the years ended May 31, 2020 and 2019, respectively.

#### 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

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2020 AND 2019

---

more complete description of the benefit provisions. Contribution expense under this plan was \$720,878 and \$675,793 for the years ended May 31, 2020 and 2019, respectively.

### 15. CONTINGENCIES

On March 11, 2020, the World Health Organization declared Coronavirus (COVID-19) a pandemic. The continued spread of COVID-19, or any similar outbreaks in the future, may adversely impact the local, regional, national and global economies. The extent to which COVID-19 impacts the Ministry's operating results is dependent on the breadth and duration of the pandemic and could be affected by other factors management is not currently able to predict. Potential impacts include, but are not limited to, additional costs for responding to COVID-19, shortages of personnel, shortages of supplies, delays, loss of, or reduction to revenue, contributions and funding, and investment portfolio declines. Management believes the Ministry is taking appropriate actions to respond to the pandemic; however, the full impact is unknown and cannot be reasonably estimated at the date the financial statements were available to be issued.

### 16. CONCENTRATIONS

The Ministry maintains its cash 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 EFT that comprised approximately 12% of total investments at May 31, 2020 and one Treasury bill that comprised of approximately 33% of total investments at May 31, 2019.

As of May 31, 2020, the Ministry has contributions receivable from five donors representing 69% of gross contributions receivable. There were no such concentrations as of May 31, 2019.

During the year ended May 31, 2020, the Ministry received support from one grantor in the amount of \$4,000,000.

**SUPPLEMENTARY INFORMATION**

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF PROGRAM SERVICES EXPENSES

YEAR ENDED MAY 31, 2020

(With Comparative Total for the Year Ended May 31, 2019)

	2020													2019 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	\$ 785,664	\$ 1,170,997	\$ 1,170,223	\$ 460,266	\$ 257,327	\$ 67,497	\$ 417,433	\$ 1,270,329	\$ 387,131	\$ 222,930	\$ 193,769	\$ 57,766	\$ 6,461,332	\$ 5,514,695
Gift-in-kind expenses	104,919	379,610	157,324	87,426	-0-	-0-	-0-	-0-	216,723	56,464	-0-	-0-	1,002,466	1,028,074
Public relations and direct mailing	-0-	-0-	-0-	10	24	-0-	2,271	-0-	177,659	-0-	-0-	200	180,164	157,386
Telephone and utilities	108,394	114,259	94,787	146,103	34,140	12,052	29,419	3,398	36,959	23,606	-0-	-0-	603,117	669,496
Depreciation expense	109,010	190,185	215,616	118,674	67,303	4,096	42,653	-0-	26,425	13,593	-0-	-0-	787,555	702,283
Postage	275	55	22	110	-0-	55	-0-	-0-	148	2	0	-0-	667	1,287
Maintenance	53,583	51,768	61,969	38,493	9,101	9,178	30,003	14,746	22,450	12,987	9,126	1,021	314,425	308,395
Insurance	15,462	20,707	21,133	15,350	27,672	3,872	9,967	21,895	7,046	4,638	8,790	564	157,096	154,578
Food	-0-	3,056	-0-	3,318	-0-	1,274	-0-	-0-	-0-	1,034	172,846	-0-	181,528	178,268
Equipment repair and maintenance	16,769	24,348	29,600	24,212	17,273	3,455	2,783	10,836	12,916	5,538	48,391	63	196,184	158,561
Cleaning supplies	6,569	20,828	12,825	12,888	-0-	237	1,220	-0-	8,314	4,487	16,710	-0-	84,078	73,250
Fuel and oil	1,999	5,886	1,064	10,388	17,437	1,622	7,176	4,376	2,529	530	4,363	-0-	57,370	73,621
Professional services	2,342	11,282	73,212	4,361	3,834	312	16,296	-0-	5,445	3,622	7,405	273	128,384	37,062
Program materials	26,641	8,883	18,869	9,969	-0-	935	4,202	9,881	15,878	67,598	3,662	2,305	168,823	118,287
Office supplies	1,139	1,565	1,697	554	303	307	695	4,592	160	606	66	1,281	12,965	15,694
Staff travel and conferences	3,385	2,063	7,849	3,673	-0-	563	631	9,533	309	2,210	-0-	271	30,487	44,253
Industry and supplies	-0-	-0-	-0-	-0-	895,874	-0-	-0-	-0-	-0-	-0-	-0-	26,095	921,969	1,208,379
Grants and scholarships	6,950	-0-	-0-	20,675	-0-	3,100	-0-	-0-	2,100	-0-	-0-	-0-	32,825	40,250
Membership fees	1,287	1,326	1,397	988	910	74	310	1,929	359	196	695	65	9,536	9,117
Lockbox and bank fees	-0-	-0-	43	-0-	-0-	-0-	6,913	-0-	1,455	-0-	-0-	884	9,295	10,214
Miscellaneous	3,082	4,500	206	-0-	50	58	-0-	-0-	-0-	53	1,003	1,022	9,974	10,870
	<u>\$ 1,247,470</u>	<u>\$ 2,011,318</u>	<u>\$ 1,867,836</u>	<u>\$ 957,458</u>	<u>\$ 1,331,248</u>	<u>\$ 108,687</u>	<u>\$ 571,972</u>	<u>\$ 1,351,515</u>	<u>\$ 924,006</u>	<u>\$ 420,094</u>	<u>\$ 466,826</u>	<u>\$ 91,810</u>	<u>\$ 11,350,240</u>	<u>\$ 10,514,020</u>

See report of independent auditors on pages 1 and 2.