



**WHEELER MISSION MINISTRIES, INC.**  
**AND SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**AND**  
**SUPPLEMENTARY INFORMATION**  
**MAY 31, 2021 AND 2020**

*CPAs / ADVISORS*



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

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MAY 31, 2021 AND 2020

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## 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, 2021 and 2020, 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, 2021 and 2020, 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  
September 22, 2021

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION MAY 31, 2021 AND 2020

	<b>ASSETS</b>	
	<u>2021</u>	<u>2020</u>
Cash	\$ 5,939,282	\$ 5,047,181
Restricted cash	342,317	7,257,678
Investments - capital and general operating	9,484,233	3,065,154
Accounts receivable	418,086	170,961
Contributions receivable, net	314,641	357,960
Note receivable	6,086,700	6,086,700
Inventory	208,896	201,660
Prepaid and other assets	30,818	18,018
Property and equipment, net	28,236,938	18,965,086
Investments - endowment	15,041,218	11,607,340
Investments - other		
Charitable gift annuities	210,683	164,131
Charitable remainder trust	<u>3,758,952</u>	<u>2,749,806</u>
	<u>\$ 70,072,764</u>	<u>\$ 55,691,675</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Line of credit	\$ -0-	\$ 1,000,000
Accounts payable	1,343,447	723,778
Accrued payroll and other liabilities	383,446	331,336
Charitable gift annuities payable	62,144	68,933
Charitable remainder trust payable	2,739,199	1,772,315
Notes payable	<u>8,640,000</u>	<u>10,171,300</u>
Total liabilities	13,168,236	14,067,662
Net assets		
Without donor restrictions		
Undesignated	26,530,667	19,041,748
Board designated - endowment	1,735,451	554,450
Board designated - operating reserve	<u>500,000</u>	<u>500,000</u>
	28,766,118	20,096,198
With donor restrictions		
Purpose restricted	12,795,504	9,488,788
Time restricted for future periods	1,037,136	981,553
Endowment	<u>14,305,770</u>	<u>11,057,474</u>
	<u>28,138,410</u>	<u>21,527,815</u>
Total net assets	<u>56,904,528</u>	<u>41,624,013</u>
	<u>\$ 70,072,764</u>	<u>\$ 55,691,675</u>

*See accompanying notes to consolidated financial statements.*

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED MAY 31, 2021

(With Comparative Total for the Year Ended May 31, 2020)

	2021			2020 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>Support and revenue</b>				
Support				
Contributions	\$ 13,439,202	\$ 5,427,862	\$ 18,867,064	\$ 18,598,525
Contributions - wills and estates	2,600,026	0-	2,600,026	671,464
Gifts-in-kind	883,397	0-	883,397	1,002,466
Revenue				
Fees and grants from government agencies - exchange	1,049,406	0-	1,049,406	0-
Program service revenue	1,989,358	0-	1,989,358	1,723,913
Other	217,101	0-	217,101	80,097
Change in value of annuity and trust liabilities	(30,122)	(1,212,458)	(1,242,580)	(528,050)
Investment return, net	547,062	4,047,161	4,594,223	628,781
Gain on debt extinguishment	1,531,300	0-	1,531,300	0-
Net assets released from restrictions	<u>1,651,970</u>	<u>(1,651,970)</u>	<u>0-</u>	<u>0-</u>
	23,878,700	6,610,595	30,489,295	22,177,196
Special events				
Registration fees and other support	882,934	0-	882,934	1,055,558
Gift-in-kind support	758,626	0-	758,626	1,059,341
Direct expenses of events	(208,013)	0-	(208,013)	(374,938)
Gift-in-kind expenses	<u>(758,626)</u>	<u>0-</u>	<u>(758,626)</u>	<u>(1,059,341)</u>
	<u>674,921</u>	<u>0-</u>	<u>674,921</u>	<u>680,620</u>
Total support and revenue	24,553,621	6,610,595	31,164,216	22,857,816
<b>Expenses</b>				
Program services				
Men's residential center	1,199,357	0-	1,199,357	1,247,470
Shelter for men	1,993,882	0-	1,993,882	2,011,318
Center for women and children	2,054,421	0-	2,054,421	1,867,836
Camp Hunt	950,039	0-	950,039	957,458
Industry	1,206,462	0-	1,206,462	1,331,248
Edwards residence	68,877	0-	68,877	108,687
Thrift shop	602,181	0-	602,181	571,972
Ministry services	1,372,019	0-	1,372,019	1,351,515
Center for men (Bloomington)	661,735	0-	661,735	924,006
Center for women and children (Bloomington)	154,876	0-	154,876	420,094
Food services	1,073,215	0-	1,073,215	466,826
Restored creations	<u>71,038</u>	<u>0-</u>	<u>71,038</u>	<u>91,810</u>
	11,408,102	0-	11,408,102	11,350,240
Supporting activities				
Management and general	889,994	0-	889,994	982,426
Fundraising and development	<u>3,585,605</u>	<u>0-</u>	<u>3,585,605</u>	<u>3,417,782</u>
	<u>4,475,599</u>	<u>0-</u>	<u>4,475,599</u>	<u>4,400,208</u>
Total expenses	<u>15,883,701</u>	<u>0-</u>	<u>15,883,701</u>	<u>15,750,448</u>
<b>Change in net assets</b>	8,669,920	6,610,595	15,280,515	7,107,368
<b>Net assets, beginning of year</b>	<u>20,096,198</u>	<u>21,527,815</u>	<u>41,624,013</u>	<u>34,516,645</u>
<b>Net assets, end of year</b>	<u>\$ 28,766,118</u>	<u>\$ 28,138,410</u>	<u>\$ 56,904,528</u>	<u>\$ 41,624,013</u>

See accompanying notes to consolidated financial statements.

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF ACTIVITIES YEAR ENDED MAY 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and revenue</b>			
Support			
Contributions	\$ 10,270,409	\$ 8,328,116	\$ 18,598,525
Contributions - wills and estates	671,464	-0-	671,464
Gifts-in-kind	1,002,466	-0-	1,002,466
Revenue			
Program service revenue	1,723,913	-0-	1,723,913
Other	80,097	-0-	80,097
Change in value of annuity and trust liabilities	(11,042)	(517,008)	(528,050)
Investment return, net	212,328	416,453	628,781
Net assets released from restrictions	1,628,188	(1,628,188)	-0-
	15,577,823	6,599,373	22,177,196
Special events			
Registration fees and other support	1,023,558	32,000	1,055,558
Gift-in-kind support	1,059,341	-0-	1,059,341
Direct expenses of events	(374,938)	-0-	(374,938)
Gift-in-kind expenses	(1,059,341)	-0-	(1,059,341)
	648,620	32,000	680,620
Total support and revenue	16,226,443	6,631,373	22,857,816
<b>Expenses</b>			
Program services			
Men's residential center	1,247,470	-0-	1,247,470
Shelter for men	2,011,318	-0-	2,011,318
Center for women and children	1,867,836	-0-	1,867,836
Camp Hunt	957,458	-0-	957,458
Industry	1,331,248	-0-	1,331,248
Edwards residence	108,687	-0-	108,687
Thrift shop	571,972	-0-	571,972
Ministry services	1,351,515	-0-	1,351,515
Center for men (Bloomington)	924,006	-0-	924,006
Center for women and children (Bloomington)	420,094	-0-	420,094
Food services	466,826	-0-	466,826
Restored creations	91,810	-0-	91,810
	11,350,240	-0-	11,350,240
Supporting activities			
Management and general	982,426	-0-	982,426
Fundraising and development	3,417,782	-0-	3,417,782
	4,400,208	-0-	4,400,208
Total expenses	15,750,448	-0-	15,750,448
<b>Change in net assets</b>	475,995	6,631,373	7,107,368
<b>Net assets, beginning of year</b>	19,620,203	14,896,442	34,516,645
<b>Net assets, end of year</b>	\$ 20,096,198	\$ 21,527,815	\$ 41,624,013

*See accompanying notes to consolidated financial statements.*

## WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED MAY 31, 2021 (With Comparative Total for the Year Ended May 31, 2020)

	2021					2020 Total
	Program Services	Supporting Activities			Total	
		Management and General	Fundraising and Development	Total Supporting Activities		
Salaries and benefits	\$ 6,214,650	\$ 268,797	\$ 1,377,186	\$ 1,645,983	\$ 7,860,633	\$ 8,023,807
Gift-in-kind expenses	878,263	-0-	758,626	758,626	1,636,889	2,061,807
Public relations and direct mailing	2,819	2,505	1,776,369	1,778,874	1,781,693	1,875,666
Direct expenses of events	-0-	-0-	208,013	208,013	208,013	374,938
Telephone and utilities	588,934	28,628	4,481	33,109	622,043	639,132
Depreciation expense	831,771	153,692	-0-	153,692	985,463	933,046
Postage	3,319	14,074	154,136	168,210	171,529	66,852
Maintenance	279,184	20,127	57,022	77,149	356,333	384,308
Insurance	231,547	3,813	8,341	12,154	243,701	222,074
Food	844,709	-0-	20,498	20,498	865,207	202,527
Equipment repair and maintenance	162,563	18,769	16,862	35,631	198,194	221,372
Cleaning supplies	68,553	1,115	-0-	1,115	69,668	84,814
Fuel and oil	51,021	1,082	2,772	3,854	54,875	61,332
Professional services	214,661	330,369	73,456	403,825	618,486	488,653
Program materials	106,283	-0-	2,050	2,050	108,333	170,526
Office supplies	11,340	3,392	1,926	5,318	16,658	17,134
Staff travel and conferences	10,189	1,370	6,252	7,622	17,811	46,646
Industry and supplies	848,194	-0-	-0-	-0-	848,194	921,969
Grants and scholarships	31,125	-0-	-0-	-0-	31,125	34,325
Interest, net of capitalized amounts	-0-	10,222	-0-	10,222	10,222	23,735
Membership fees	10,508	1,388	3,559	4,947	15,455	14,303
Sales and property tax	-0-	(18,614)	-0-	(18,614)	(18,614)	16,496
Capital campaign expenses	-0-	(59,686)	-0-	(59,686)	(59,686)	122,745
Lockbox and bank fees	10,687	108,945	78,723	187,668	198,355	166,546
Miscellaneous	7,782	6	1,972	1,978	9,760	9,974
Total expenses	11,408,102	889,994	4,552,244	5,442,238	16,850,340	17,184,727
Less expenses netted with support and revenues on the statement of activities	-0-	-0-	(966,639)	(966,639)	(966,639)	(1,434,279)
Total expenses reported on the statement of activities	<u>\$ 11,408,102</u>	<u>\$ 889,994</u>	<u>\$ 3,585,605</u>	<u>\$ 4,475,599</u>	<u>\$ 15,883,701</u>	<u>\$ 15,750,448</u>

*See accompanying notes to consolidated financial statements.*



## WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED MAY 31, 2020

	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
Gift-in-kind expenses	1,002,466	-0-	1,059,341	1,059,341	2,061,807
Public relations and direct mailing	180,164	4,219	1,691,283	1,695,502	1,875,666
Direct expenses of events	-0-	-0-	374,938	374,938	374,938
Telephone and utilities	603,117	31,515	4,500	36,015	639,132
Depreciation expense	787,555	145,491	-0-	145,491	933,046
Postage	667	11,993	54,192	66,185	66,852
Maintenance	314,425	18,758	51,125	69,883	384,308
Insurance	157,096	10,969	54,009	64,978	222,074
Food	181,528	-0-	20,999	20,999	202,527
Equipment repair and maintenance	196,184	15,077	10,111	25,188	221,372
Cleaning supplies	84,078	736	-0-	736	84,814
Fuel and oil	57,370	1,339	2,623	3,962	61,332
Professional services	128,384	298,063	62,206	360,269	488,653
Program materials	168,823	-0-	1,703	1,703	170,526
Office supplies	12,965	2,708	1,461	4,169	17,134
Staff travel and conferences	30,487	269	15,890	16,159	46,646
Industry and supplies	921,969	-0-	-0-	-0-	921,969
Grants and scholarships	32,825	1,500	-0-	1,500	34,325
Interest	-0-	23,735	-0-	23,735	23,735
Membership fees	9,536	1,223	3,544	4,767	14,303
Sales and property tax	-0-	16,496	-0-	16,496	16,496
Capital campaign expenses	-0-	88,740	34,005	122,745	122,745
Lockbox and bank fees	9,295	85,465	71,786	157,251	166,546
Miscellaneous	9,974	-0-	-0-	-0-	9,974
Total expenses	11,350,240	982,426	4,852,061	5,834,487	17,184,727
Less expenses netted with support and revenues on the statement of activities	-0-	-0-	(1,434,279)	(1,434,279)	(1,434,279)
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>

*See accompanying notes to consolidated financial statements.*

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED MAY 31, 2021 AND 2020

	2021	2020
<b>Operating activities</b>		
Change in net assets	\$ 15,280,515	\$ 7,107,368
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	985,463	933,046
Gain on sale of property and equipment	(25,284)	-0-
Realized and unrealized gains on investments, net	(4,209,672)	(109,248)
Change in value of annuity and trust liabilities	1,242,580	528,050
Change in allowance for doubtful accounts	(59,686)	88,740
Proceeds from contributions restricted for purchase and renovation of buildings	(2,865,075)	(6,512,760)
Proceeds from contributions restricted for investment in endowment	(100,000)	-0-
Contribution related to release of charitable gift annuity liability	(8,280)	-0-
Gain on debt extinguishment	(1,531,300)	-0-
Changes in assets and liabilities		
Accounts receivable	(247,125)	35,599
Contributions receivable	103,005	(441,800)
Other assets	(20,036)	107,930
Accounts payable	37,651	63,352
Accrued payroll and other liabilities	<u>52,110</u>	<u>38,633</u>
Net cash flows from operating activities	<u>8,634,866</u>	<u>1,838,910</u>
<b>Investing activities</b>		
Capital expenditures	(9,816,246)	(2,154,359)
Proceeds from sale of property and equipment	166,233	-0-
Purchases of investments	(16,195,168)	(4,293,539)
Proceeds from sale of investments	9,496,185	3,940,486
Issuance of note receivable	<u>-0-</u>	<u>(6,086,700)</u>
Net cash flows from investing activities	<u>(16,348,996)</u>	<u>(8,594,112)</u>
<b>Financing activities</b>		
Borrowings (repayments) under line of credit	(1,000,000)	1,000,000
Proceeds from contributions restricted for purchase and renovation of buildings	2,865,075	6,512,760
Proceeds from contributions restricted for investment in endowment	100,000	-0-
Proceeds from issuance of notes payable	-0-	10,171,300
Annuities and trusts payments	<u>(274,205)</u>	<u>(202,396)</u>
Net cash flows from financing activities	<u>1,690,870</u>	<u>17,481,664</u>
Net change in cash	(6,023,260)	10,726,462
<b>Cash and restricted cash, beginning of year</b>	<u>12,304,859</u>	<u>1,578,397</u>
<b>Cash and restricted cash, end of year</b>	<u>\$ 6,281,599</u>	<u>\$ 12,304,859</u>
<b>Included in the consolidated statements of financial position as</b>		
Cash	\$ 5,939,282	\$ 5,047,181
Restricted cash	<u>342,317</u>	<u>7,257,678</u>
Total cash and restricted cash, end of year	<u>\$ 6,281,599</u>	<u>\$ 12,304,859</u>
<b>Supplemental disclosure of cash flow information</b>		
Change in accounts payable related to capital expenditures	\$ 582,018	\$ 434,003
Cash paid for interest, net of capitalized amounts	\$ 10,222	\$ 23,735

*See accompanying notes to consolidated financial statements.*

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2021 AND 2020

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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 subsidiaries, Wheeler East Street Holdings, Inc., Drumstick Dash, LLC and Wheeler Stores, 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 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, 2021 AND 2020

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During the year ended May 31, 2021, WMM formed Wheeler Stores, LLC (WS) a single member limited liability company. WS was formed to house activities of the potential new thrift store and eventually, the existing thrift store activities. WS had no assets or liabilities at May 31, 2021, and incurred no income or expense during the year then ended.

## 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

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## WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2021 AND 2020

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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.

#### Cash and Restricted Cash

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

At May 31, 2021 and 2020, restricted cash consists of ESH funds of \$342,316 and \$408,993, respectively, which are required to be set aside as a reserve related to the net market tax credits and \$1 and \$6,848,685 which are 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, 2021 and 2020. At May 31, 2021 and 2020 and June 1, 2019, accounts receivable have a balance of \$418,086, \$170,961 and \$206,560, respectively.

#### 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, 2021 and 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 11). 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%).

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2021 AND 2020

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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 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 property 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. Gifts for the acquisition of property and equipment are reported as support in net assets with donor restrictions. 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, 2021 and 2020, 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.

## WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2021 AND 2020

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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 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 donor restricted contributions in the period the gift is received. There were no such contributions during the years ended May 31, 2021 and 2020. During the year ended May 31, 2021, liability for future payments under three of the charitable gift annuities administered ceased upon the previous deaths of the annuity's beneficiary. A contribution for the release of the liabilities related to the present value of estimated future payments of \$8,280 was recognized as contribution income during the year ended May 31, 2021. There were no liabilities released for the year ended May 31, 2020.

Assets held in trust total \$210,683 and \$164,131 at May 31, 2021 and 2020, 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 \$62,144 and \$68,933 at May 31, 2021 and 2020, respectively. The fair value (Level 2 in the fair value hierarchy – see Note 5 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 1.2% 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. Contributions of \$400,000 were made to the charitable remainder trust during the each of years ended May 31, 2021 and 2020.

Assets held in trust total \$3,758,952 and \$2,749,806 at May 31, 2021 and 2020, respectively, and primarily consist of mutual funds and are reported at their fair value as charitable remainder

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2021 AND 2020

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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 \$2,739,199 and \$1,772,315 at May 31, 2021 and 2020, respectively. The fair value (Level 2 in the fair value hierarchy – see Note 5 for definition) of the estimated future payments is calculated using a discount rate of 1.2% and the applicable mortality tables.

### Accounting for Contributions and Revenue Recognition

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

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 service 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.

All other revenues are recognized when earned.

### 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,

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# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2021 AND 2020

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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.

The activities of DD and WS 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, 2021 and 2020, 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, 2020. The activities of DD are included in WMM's tax filings. WS was not formed until fiscal year ended May 31, 2021 and had no activity as the year then ended, but all future activity will be included on 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).

### Recently Issued Accounting Standards

On September 17, 2020, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) No. 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. This new standard is intended to increase transparency around contributed nonfinancial assets (also known as "gifts-in-kind") received by not-for-profit (NFP) organizations, including information on how those assets are used and how they are valued. This new standard requires that an NFP present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. In addition, there are expanded disclosure

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# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2021 AND 2020

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requirements. The Ministry will be required to adopt this new standard in the year ending May 31, 2023.

### Reclassifications

Certain amounts in the fiscal 2020 consolidated financial statements have been reclassified herein in order to conform to the fiscal 2021 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 22, 2021, which is the date the consolidated financial statements were available to be issued.

## 3. CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following at May 31:

	<u>2021</u>	<u>2020</u>
Due within one year	\$ 343,695	\$ 179,700
Due in one to five years	-0-	267,000
Contributions receivable	<u>343,695</u>	<u>446,700</u>
Less allowance for doubtful accounts	<u>(29,054)</u>	<u>(88,740)</u>
Contributions receivable, net	<u>\$ 314,641</u>	<u>\$ 357,960</u>

## 4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at May 31:

	<u>2021</u>	<u>2020</u>
Land	\$ 2,017,552	\$ 2,017,552
Buildings and improvements	23,012,875	20,917,811
Equipment	2,993,840	2,985,359
Vehicles	712,617	679,272
Construction in process	<u>10,212,670</u>	<u>2,273,927</u>
	38,949,554	28,873,921
Accumulated depreciation	<u>(10,712,616)</u>	<u>(9,908,835)</u>
	<u>\$ 28,236,938</u>	<u>\$ 18,965,086</u>

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# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2021 AND 2020

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Land and buildings aggregating a total cost of \$6,275,721 and \$5,894,082 at May 31, 2021 and 2020, respectively, 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, \$500,000 and \$500,000 end during March 2023, January 2031, and May 2036, 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, 2021, the Ministry has contracts in place with various vendors of approximately \$798,000 to complete additional improvements. All of these improvements are anticipated to be completed during fiscal 2022.

### 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.

## WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2021 AND 2020

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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, 2021 and 2020.

- *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.

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, 2021 AND 2020

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

	2021		
	Level 1	Level 2	Total
Money market mutual fund	\$ -0-	\$ 2,523,238	\$ 2,523,238
Mutual funds			
Equity			
Large cap growth	887,299	-0-	887,299
Large cap value	772,639	-0-	772,639
Large cap blended	1,281,899	-0-	1,281,899
Midcap	901,920	-0-	901,920
Small cap	1,054,304	-0-	1,054,304
International	704,116	-0-	704,116
Other	366,129	-0-	366,129
Fixed income	3,911,118	-0-	3,911,118
Exchange traded funds			
Equity			
Large cap growth	1,252,156	-0-	1,252,156
Large cap value	1,928,626	-0-	1,928,626
Large cap blended	2,996,931	-0-	2,996,931
Midcap	771,555	-0-	771,555
Small cap	594,193	-0-	594,193
International	1,078,064	-0-	1,078,064
Other	464,561	-0-	464,561
Fixed income			
Ultrashort bond	704,583	-0-	704,583
Inflation-protected bond	732,517	-0-	732,517
Intermediate-core bond	2,936,781	-0-	2,936,781
Corporate bond	705,669	-0-	705,669
Other bond	468,244	-0-	468,244
Total fair value	<u>\$ 24,513,304</u>	<u>\$ 2,523,238</u>	27,036,542
Cash			1,458,544
Total investments			<u>\$ 28,495,086</u>

## WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2021 AND 2020

	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	<u>\$ 16,501,931</u>	<u>\$ 1,004,191</u>	17,506,122
Cash			<u>80,309</u>
Total investments			<u>\$ 17,586,431</u>

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, 2021 AND 2020

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

	<u>2021</u>	<u>2020</u>
Investments - capital and general operating	\$ 9,484,233	\$ 3,065,154
Investments - endowment	15,041,218	11,607,340
Investments - other		
Charitable gift annuities	210,683	164,131
Charitable remainder trust	<u>3,758,952</u>	<u>2,749,806</u>
	<u>\$ 28,495,086</u>	<u>\$ 17,586,431</u>

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

	<u>2021</u>	<u>2020</u>
Interest and dividend income	\$ 475,070	\$ 597,770
Realized and unrealized gains, net	4,209,672	109,248
Investment service fees	<u>(90,519)</u>	<u>(78,237)</u>
Investment return, net	<u>\$ 4,594,223</u>	<u>\$ 628,781</u>

#### 6. LINE OF CREDIT AGREEMENTS

The Ministry has a \$1,000,000 revolving line of credit facility available with a bank through November 24, 2021. 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, 2021). There were no borrowings on this facility as of May 31, 2021 and 2020.

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 11). This line of credit facility is available with a bank through June 30, 2021. 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, 2021). There are no borrowings outstanding at May 31, 2021. The borrowings outstanding at May 31, 2020 are \$1,000,000. The Ministry has elected not to renew the line of credit facility at its maturity date.

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2021 AND 2020

### 7. NOTES PAYABLE

Notes payable consist of the following at May 31:

	<u>2021</u>	<u>2020</u>
Note payable to IR CDE Twelve, LLC (Note 11) 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 \$12,894,463 at May 31, 2021) and assignment of contracts and rents; guaranteed by WMM.	\$ 6,086,700	\$ 6,086,700
Note payable to IR CDE Twelve, LLC (Note 11) 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 \$12,894,463 at May 31, 2021) and assignment of contracts and rents; guaranteed by WMM.	2,553,300	2,553,300
Note payable under the Paycheck Protection Program. See further discussion below.	<u>-0-</u>	<u>1,531,300</u>
	<u>\$ 8,640,000</u>	<u>\$ 10,171,300</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.

On 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 (SBA). 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.

On April 17, 2021, the Ministry was released from its creditor and notified by the SBA its loan had been forgiven. The total loan amount of \$1,531,300 is recorded as gain on debt extinguishment on the statement of activities for the year ended May 31, 2021, as the Ministry utilized the debt accounting model. The SBA retains the right to audit the forgiveness of the loan for six years.



# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2021 AND 2020

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Future maturities on notes payable of \$8,640,000 at May 31, 2021 are all due beyond May 31, 2026 (Note 11).

### 8. 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>2021</u>	<u>2020</u>
Funds functioning as endowment:		
General operations	\$ 1,735,451	\$ 554,450
Other board designated:		
Operating reserve	<u>500,000</u>	<u>500,000</u>
	<u>\$ 2,235,451</u>	<u>\$ 1,054,450</u>

## WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2021 AND 2020

#### Net Assets With Donor Restrictions

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

	2021	2020
Purpose restricted		
Center for Women and Children	\$ 88,452	\$ 78,203
Capital campaign for expansion of Center for Women and Children	11,371,862	8,741,140
Lilly Endowment - capital investments	327,184	438,182
Lilly Endowment - technology and security	9,642	29,883
Lilly Endowment - optimization study	25,000	25,000
COVID-19	432,800	-0-
Outreach addiction recovery	300,000	-0-
Other programs	240,564	176,380
	12,795,504	9,488,788
Time restricted for future periods		
Charitable remainder trusts	1,019,754	977,491
Drumstick Dash	16,321	3,000
Other	1,061	1,062
	1,037,136	981,553
Endowment		
Future sustainability	12,009,859	9,355,362
Director of food service support	689,356	558,263
Center for Women and Children or Training Center at Camp Hunt	1,362,197	1,030,436
Other	244,358	113,413
	14,305,770	11,057,474
	\$ 28,138,410	\$ 21,527,815

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2021 AND 2020

### 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>2021</u>	<u>2020</u>
Purpose restriction:		
Center for Women and Children	\$ 352,048	\$ 201,049
Capital campaign for expansion of Center for Women and Children	61,882	-0-
Provide shelter, food, and medical assistance under various other programs	889,301	725,526
COVID-19	181,299	455,691
Lilly Endowment - capital investments	110,999	105,914
Lilly Endowment - technology and security	20,241	106,108
Director of food service	33,200	-0-
Time restriction:		
Drumstick Dash	<u>3,000</u>	<u>33,900</u>
	<u>\$ 1,651,970</u>	<u>\$ 1,628,188</u>

## 9. 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 not 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, 2021 AND 2020

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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, 2021 and 2020.

### 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 8) is

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## WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2021 AND 2020

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:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	\$ 1,735,451	\$ -0-	\$ 1,735,451
Donor restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-0-	10,403,400	10,403,400
Accumulated investment gains	-0-	3,902,370	3,902,370
	\$ 1,735,451	\$ 14,305,770	\$ 16,041,221
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

# WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2021 AND 2020

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

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 554,450	\$ 11,057,474	\$ 11,611,924
Deposits	1,000,000	100,000	1,100,000
Distributions	-0-	(33,200)	(33,200)
Investment return, net	<u>181,001</u>	<u>3,181,496</u>	<u>3,362,497</u>
Endowment net assets, end of year	<u>\$ 1,735,451</u>	<u>\$ 14,305,770</u>	<u>\$ 16,041,221</u>

  

	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>

## WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31, 2021 AND 2020

#### 10. 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:

	2021	2020
Financial assets		
Cash	\$ 5,939,282	\$ 5,047,181
Restricted cash	342,317	7,257,678
Accounts receivable	418,086	170,961
Contributions receivable, net	314,641	357,960
Investments	28,495,086	17,586,431
Note receivable	6,086,700	6,086,700
Total financial assets	41,596,112	36,506,911
Restricted cash	(342,317)	(7,257,678)
Contributions receivable not due within one year	-0-	(267,000)
Charitable gift annuities payable	(62,144)	(68,933)
Charitable remainder trust payable	(2,739,199)	(1,772,315)
Note receivable not due within one year	(6,086,700)	(6,086,700)
Net assets with donor restrictions		
Purpose restricted (net of construction in process expended in cash)	(3,606,598)	(7,656,607)
Time restricted for future periods	(1,037,136)	(981,553)
Endowment	(14,305,770)	(11,057,474)
Board designated net assets		
Endowment	(1,735,451)	(554,450)
Operating reserve	(500,000)	(500,000)
Financial assets available to meet cash needs for general expenditures within one year	\$ 11,180,797	\$ 304,201

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, 2021, 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, 2021 AND 2020

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### 11. 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 7).

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 transaction 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, 2021 AND 2020

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### 12. 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.

### 13. 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 \$285,208 and \$259,268 for the years ended May 31, 2021 and 2020, 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 \$29,050 and \$29,070 to the plan during the years ended May 31, 2021 and 2020, 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, 2021 AND 2020

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more complete description of the benefit provisions. Contribution expense under this plan was \$671,116 and \$720,878 for the years ended May 31, 2021 and 2020, respectively.

### **14. CONTINGENCY**

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.

### **15. 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 fund that comprised approximately 10% of total investments at May 31, 2021 and another fund that comprised approximately 12% of total investments at May 31, 2020.

As of at May 31, 2021, the Ministry has contributions receivable from three donors representing 68% of gross contributions receivable. As of at May 31, 2020, the Ministry has contributions receivable from five donors representing 69% of gross contributions receivable.

During the year ended May 31, 2020, the Ministry received support from one grantor in the amount of \$4,000,000. There was no such concentration during the year ended May 31, 2021.

**SUPPLEMENTARY INFORMATION**

## WHEELER MISSION MINISTRIES, INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENT OF PROGRAM SERVICES EXPENSES

YEAR ENDED MAY 31, 2021

(With Comparative Total for the Year Ended May 31, 2020)

	2021													2020 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	\$ 724,065	\$ 1,232,070	\$ 1,288,006	\$ 483,895	\$ 207,726	\$ 43,440	\$ 425,716	\$ 1,148,197	\$ 349,659	\$ 101,345	\$ 167,545	\$ 42,986	\$ 6,214,650	\$ 6,461,332
Gift-in-kind expenses	127,734	347,664	107,209	90,125	-0-	-0-	-0-	-0-	201,810	3,721	-0-	-0-	878,263	1,002,466
Public relations and direct mailing	-0-	-0-	-0-	-0-	-0-	-0-	2,445	-0-	-0-	-0-	-0-	374	2,819	180,164
Telephone and utilities	118,555	98,038	98,833	137,153	35,167	10,713	32,393	3,384	37,129	17,569	-0-	-0-	588,934	603,117
Depreciation expense	115,171	197,247	248,536	130,372	49,473	4,613	42,286	-0-	29,539	14,534	-0-	-0-	831,771	787,555
Postage	495	55	-0-	429	-0-	-0-	-0-	135	114	-0-	-0-	2,091	3,319	667
Maintenance	45,420	55,014	41,716	33,451	10,134	3,917	38,514	25,224	11,849	4,872	9,073	-0-	279,184	314,425
Insurance	4,895	6,803	7,987	2,495	31,857	439	2,801	168,366	2,511	1,628	1,316	449	231,547	157,096
Food	-0-	-0-	-0-	5,208	-0-	47	-0-	-0-	-0-	-0-	839,454	-0-	844,709	181,528
Equipment repair and maintenance	9,581	19,364	34,353	15,130	24,314	1,497	3,169	6,443	14,085	1,456	29,068	4,103	162,563	196,184
Cleaning supplies	6,653	12,400	9,711	11,793	-0-	85	1,506	-0-	7,200	379	18,826	-0-	68,553	84,078
Fuel and oil	1,828	7,424	623	9,648	16,181	648	5,359	3,951	1,220	68	4,071	-0-	51,021	57,370
Professional services	-0-	789	178,219	-0-	-0-	-0-	32,337	-0-	90	2,740	486	-0-	214,661	128,384
Program materials	31,823	9,552	34,082	7,452	-0-	632	5,007	2,932	5,778	6,306	1,434	1,285	106,283	168,823
Office supplies	763	1,399	2,412	1,230	360	-0-	354	3,921	368	155	22	356	11,340	12,965
Staff travel and conferences	1,510	622	1,823	1,486	368	301	589	3,210	217	-0-	63	-0-	10,189	30,487
Industry and supplies	-0-	-0-	-0-	-0-	829,919	-0-	-0-	-0-	-0-	-0-	-0-	18,275	848,194	921,969
Grants and scholarships	9,000	-0-	-0-	19,725	-0-	2,400	-0-	-0-	-0-	-0-	-0-	-0-	31,125	32,825
Membership fees	490	858	851	447	874	139	163	5,956	166	103	427	34	10,508	9,536
Lockbox and bank fees	-0-	-0-	60	-0-	-0-	-0-	9,542	-0-	-0-	-0-	-0-	1,085	10,687	9,295
Miscellaneous	1,374	4,583	-0-	-0-	89	6	-0-	300	-0-	-0-	1,430	-0-	7,782	9,974
	<u>\$ 1,199,357</u>	<u>\$ 1,993,882</u>	<u>\$ 2,054,421</u>	<u>\$ 950,039</u>	<u>\$ 1,206,462</u>	<u>\$ 68,877</u>	<u>\$ 602,181</u>	<u>\$ 1,372,019</u>	<u>\$ 661,735</u>	<u>\$ 154,876</u>	<u>\$ 1,073,215</u>	<u>\$ 71,038</u>	<u>\$ 11,408,102</u>	<u>\$ 11,350,240</u>

See report of independent auditors on pages 1 and 2.