

**SUNSHINE RESCUE MISSION, INC.**  
**REPORT ON AUDIT OF FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**SUNSHINE RESCUE MISSION, INC.**  
**JUNE 30, 2019**

**TABLE OF CONTENTS**

Independent Auditor's Report	1
Statement of Financial Position	3
Statement of Activities	4
Schedule of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7

**SHARMAN E. CAWOOD, CPA**

Member:  
American Institute of Certified Public Accountants  
Arizona Society of Certified Public Accountants  
AICPA Private Companies Practice Section

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Sunshine Rescue Mission, Inc.

I have audited the accompanying financial statements of Sunshine Rescue Mission, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**3981 N. LUZERN CIRCLE  
FLAGSTAFF, ARIZONA 86004**

**TELEPHONE: (928)699-9666  
FAX: (888) 851-5668  
SHARMANCAWOOD@AOL.COM**

### **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sunshine Rescue Mission, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 2, Sunshine Rescue Mission has adopted Accounting Standards Update (ASU) 2016-14 and accordingly restated its net assets to be in compliance with the ACU. My opinion is not modified with respect to that matter.



Flagstaff, Arizona

January 29, 2020

**SUNSHINE RESCUE MISSION, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2019**

**ASSETS**

Cash and cash equivalents	\$ 29,188
Beneficial interest in assets held by the Arizona Community Foundation	16,399
Prepaid expenses	10,543
Inventory	7,470
Property and equipment (net of accumulated depreciation)	1,678,914
Beneficial endowment interest in assets held by the Arizona Community Foundation	<u>18,730</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,761,244</u></b>

**LIABILITIES**

Accounts payable	\$ 12,683
Deferred revenue	1,695
Refundable advances	12,160
Payroll and payroll taxes payable	23,460
Refundable deposits	<u>1,675</u>
<b>TOTAL LIABILITIES</b>	<b><u>51,673</u></b>

**NET ASSETS**

Without donor restrictions	
Board designated for operating reserve	16,399
Undesignated	<u>649,825</u>
Total undesignated	<u>666,224</u>
With donor restrictions	
Purpose restricted	28,707
Time restricted for future periods	997,140
Perpetual in nature	<u>17,500</u>
Total with donor restrictions	<u>1,043,347</u>
<b>TOTAL NET ASSETS</b>	<b><u>1,709,571</u></b>

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 1,761,244</u></b>
---	----------------------------

The accompanying notes are an integral part of these financial statements.

**SUNSHINE RESCUE MISSION, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the year ended June 30, 2019**

	<b>WITHOUT DONOR RESTRICTIONS</b>	<b>WITH DONOR RESTRICTIONS</b>	<b>TOTAL NET ASSETS</b>
<b>SUPPORT AND REVENUE:</b>			
Contributions	\$ 536,705	\$ 34,679	\$ 571,384
Contributed in-kind	206,416	3,986	210,402
Grants	6,500	5,000	11,500
Investment income	1,507	73	1,580
Other Income	1,477		1,477
Program income	86,198		86,198
Rent	5,625		5,625
Sales	3,028		3,028
Special event contributions	\$ 21,486		
Special event revenue	3,340		
Less: Costs of direct benefit to donors	<u>(15,202)</u>		
Net revenues from special events	9,624		9,624
Assets released from designations	<u>104,408</u>	<u>(104,408)</u>	<u>-</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>961,488</u>	<u>(60,670)</u>	<u>900,818</u>
<b>EXPENSES:</b>			
Program services			
Women's Programs	390,114		390,114
Men's Programs	309,111		309,111
Transitional Housing	101,875		101,875
Job Training	14,520		14,520
Community Outreach	<u>37,179</u>		<u>37,179</u>
<b>TOTAL PROGRAM SERVICES</b>	<u>852,800</u>		<u>852,800</u>
Support services:			
General and administrative	106,064		106,064
Fund-raising	<u>95,841</u>		<u>95,841</u>
<b>TOTAL SUPPORT SERVICES</b>	<u>201,905</u>		<u>201,905</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>1,054,705</u>		<u>1,054,705</u>
<b>NET INCOME (LOSS) FROM OPERATIONS</b>	<u>(93,217)</u>	<u>(60,670)</u>	<u>(153,887)</u>
Loss due to disposal of equipment	(3,152)		(3,152)
Loss due to inventory writeoff	(594)		(594)
Loss due to theft	<u>(3,780)</u>		<u>(3,780)</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	(100,743)	(60,670)	(161,413)
<b>NET ASSETS, BEGINNING OF THE YEAR</b>	<u>766,967</u>	<u>1,104,017</u>	<u>1,870,984</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 666,224</u>	<u>\$ 1,043,347</u>	<u>\$ 1,709,571</u>

The accompanying notes are an integral part of these financial statements.

**SUNSHINE RESCUE MISSION, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**For the year ended June 30, 2019**

	Program Services					Support Services			Total	
	Women's Programs	Men's Programs	Transitional Housing	Job Training	Community Outreach	Total Program Services	General and Administrative	Fund-raising		Total Support Services
Compensation	\$ 172,861	\$ 120,267	\$ 40,227	\$ 4,928	\$ 22,757	\$ 361,040	\$ 62,407	\$ 39,372	\$ 101,779	\$ 462,819
Payroll taxes	12,774	6,828	2,986	341	1,441	24,370	3,597	2,848	6,445	30,815
Employee related expenses	23,330	4,079	2,679	463	1,990	32,541	10,207	4,904	15,111	47,652
	<u>\$ 208,965</u>	<u>\$ 131,174</u>	<u>\$ 45,892</u>	<u>\$ 5,732</u>	<u>\$ 26,188</u>	<u>417,951</u>	<u>76,211</u>	<u>47,124</u>	<u>123,335</u>	<u>541,286</u>
Advertising	16	56		510	6	588	2,113	1,563	3,676	4,264
Bad debt expense			3,634	20		3,654				3,654
Cost of goods sold				796		796				796
Depreciation	62,141	10,247	10,362	167		82,917	619	489	1,108	84,025
Fees, dues, licenses, and subscriptions	22	530		50	270	872	3,067	960	4,027	4,899
Food and related expenses	47,516	92,661	296	301	4,752	145,526				145,526
Insurance	7,356	5,378	2,410	598	729	16,471	1,664	312	1,976	18,447
Interest and fiscal charges			4			4	98	4,940	5,038	5,042
Maintenance and repair	11,141	7,045	6,632	1,002	387	26,207	141	67	208	26,415
Operating	11,156	8,010	2,581	568	687	23,002	7,082	39,009	46,091	69,093
Professional development		603		229		832	1,714		1,714	2,546
Professional services	3,475	596		1,145		5,216	9,064		9,064	14,280
Program costs	10,204	20,975	5,128	972	1,053	38,332				38,332
Rent			3,900	1,380		5,280				5,280
Travel and transportation	937	2,684	2	1,050	2,795	7,468	3,059	145	3,204	10,672
Utilities	25,642	25,865	21,014			72,521	1,232	1,232	2,464	74,985
Welfare assistance	1,543	3,287	20	-	313	5,163	-	-	-	5,163
<b>TOTAL EXPENSES</b>	<u>\$ 390,114</u>	<u>\$ 309,111</u>	<u>\$ 101,875</u>	<u>\$ 14,520</u>	<u>\$ 37,180</u>	<u>\$ 852,800</u>	<u>\$ 106,064</u>	<u>\$ 95,841</u>	<u>\$ 201,905</u>	<u>\$ 1,054,705</u>

The accompanying notes are an integral part of these financial statements.

**SUNSHINE RESCUE MISSION, INC.**  
**STATEMENT OF CASH FLOWS**  
**For the year ended June 30, 2019**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Decrease in net assets	\$ (161,413)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	84,025
Realized and unrealized gains	(873)
Non-cash losses	3,746
Non-expensed in-kind contributions	(75,615)
(Increase) decrease in operating assets	
Accounts receivable	345
Prepaid expenses	6,549
Inventory	(996)
Increase (decrease) in operating liabilities	
Accounts payable	(2,710)
Refundable deposits	(980)
Deferred revenue	1,695
Refundable advance	12,160
Payroll and related taxes payable	(1,641)
<b>NET CASH FLOWS USED BY OPERATING ACTIVITIES</b>	<u>(135,708)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Cash with broker available for operations	\$ 2,000
Proceeds from sale of stock	76,921
Net investments in land, buildings, and equipment	<u>(89,387)</u>
<b>NET CASH FLOWS USED BY INVESTING ACTIVITIES</b>	(10,466)

**NET DECREASE IN CASH AND CASH EQUIVALENTS** (146,174)

**BEGINNING CASH AND CASH EQUIVALENTS** 175,362

**ENDING CASH AND CASH EQUIVALENTS** \$ 29,188

Supplementary Disclosure of Non-cash investing activities

Non-cash investing activities include:

- Donation of stock and assets valued at \$75,572
- Value of in-kind donation used to enhance assets \$43

Supplementary Disclosure of Cash Flow information

Cash paid during the year for interest \$102

The accompanying notes are an integral part of these financial statements.



**SUNSHINE RESCUE MISSION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**Note 1 – Summary of Significant Accounting Policies**

The Sunshine Rescue Mission (SRM) is a religious organization that provides multiple programs for the temporarily homeless and needy. SRM provides temporary and transitional housing for men, women, and children, as well as hot meals, food boxes for distribution, and material assistance through the redistribution of donated materials. SRM has expanded its educational activities to include job training. The general nature and purpose of SRM is the advancement and promotion of Christianity through religious and educational activities and the extension of charitable assistance to the needy and homeless. SRM is funded almost entirely by grants and donations.

Basis of Presentation

The financial statements are presented on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

Capital Assets

Land, buildings, and equipment are stated at cost less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful life of the assets.

Revenue Recognition

Contributions are recognized as revenue when they are received or unconditionally pledged. Contributions received which are conditional on future events will be recorded as Refundable Advances until the qualifying event occurs. Program revenue is recognized when earned. Program revenue received in advance will be deferred until earned.

Contributions

SRM reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long these long-lived assets must be maintained, SRM reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A substantial number of volunteers have donated time to SRM; however, these hours do not represent services recognizable under the above criteria.

Contributions of in-kind goods are recognized as donations if the donation is integral to the mission of SRM and used to provide its program services. During the year ended June 30, 2019, the value of contributed food was material, and has been recorded in the financial statements. Food for meals served in both the men's and women's programs, as well as food boxes provided at Thanksgiving, are substantially provided by donated groceries from local stores and individuals. The value of these donations is based on the average food cost to provide a meal or food box and was estimated at \$119,704 for the year ended June 30, 2019. SRM also received gift cards for

**SUNSHINE RESCUE MISSION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**Note 1 – Summary of Significant Accounting Policies**

groceries and operating supplies, which it recorded as in-kind donations as well as donations for other needs totaling \$14,300. SRM does not record the donation of materials and food received for redistribution to the needy and homeless as the mission is acting as an agent for the donors of these goods. The administrative costs associated with the redistribution are recognized. SRM does not record a value for donations for which values cannot be reasonably determined. In fiscal year 2019, in kind donations were also received for SRM's job training programs. Donations of goods and services for the bicycle program have been recognized when an inventory asset has been created and placed into inventory for sale; inventory transferred to the Garden at the time of transfer. Total job training in kind donations in fiscal year 2018 totaled \$263. Professional services which met the criteria for recording totaled \$564 and benefitted all programs.

SRM also received donations of stock with FMVs of \$75,572.

Contributions received are recorded as undesignated or donor designated depending on the existence and/or nature of any donor designation. Support that is restricted by the donor is reported as an increase in donor designated net assets in the reporting period in which the support is recognized, depending on the nature of the designation. When a designation expires (that is, when a stipulated time designation ends or purpose designation is accomplished) net assets with donor designations are reclassified to undesignated net assets and reported in the Statement of Activities as net assets released from designations.

Program Service Fees

Program service fees have been established for participants in the transitional housing program. These fees provide for shelter, meals, and a variety of other services including counseling, assistance with resolving financial issues, and transportation for medical services. Additional services are determined on a case by case basis.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Estimates are used in determining the value of contributed food for program services, contributed materials and labor for capital projects and contributed job training inventory.

Income Taxes

SRM is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, based on its letter of determination, from the filing of IRS Form 990.

Cash and Cash Equivalents

SRM considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Investment earnings come from short term (3 months) certificates of deposit and the Arizona Community Foundation.

**SUNSHINE RESCUE MISSION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**Note 1 – Summary of Significant Accounting Policies**

Investments

SRM has transferred cash to the Arizona Community Foundation which it recognizes as a “beneficial interest”. SRM adopted a policy of selling all stock at time of donation and no longer has investments other than those held by Arizona Community Foundation.

Inventory

Inventory consists of donated food and supplies on hand at June 30, 2019. Inventory is valued on the first in, first out basis. Value is determined by end of year list price at discount food stores, which management believes approximates fair market value based on rate of food turnover.

Job Training

SRM is continuing to work to develop job training programs for both women and men. Activities include working in a variety of non-profit environments to develop skills. SRM has entered into a one year agreement with Over the Rainbow Butterfly Garden, Inc (the Garden) as part of its job training program. The agreement provides for SRM to transfer donated goods which cannot be used in its other programs to the Garden and for the training of SRM’s job training clients. SRM and the Garden split the net profits from monthly sales.

Property and Equipment

SRM capitalizes property and equipment with a unit cost of \$1000 or more. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are capitalized at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated assets to a specific purpose. Property and equipment are depreciated using the straight-line method.

Most of SRM’s buildings were either constructed or renovated using donated labor and material. Estimated historical cost for assets placed in service prior to 1994 was based on estimated values established by the City of Flagstaff at the time building permits were issued. For construction and renovation subsequent to 1994, excluding the new women’s facility, square footage construction or renovations costs were obtained from licensed contractors by SRM and used to value additions and renovations if actual costs were not available. The new women’s facility and the new transitional housing was valued based on a combination of actual construction costs and fair market value of contributed labor and materials.

Allocation of costs

SRM allocates costs on the basis of direct identification if possible. If costs benefit more than one area, costs are allocated on a variety of bases including payroll hour distribution, square footage and usage.

**SUNSHINE RESCUE MISSION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**Note 2 – Change in Accounting Policy**

As of July 1, 2018, SRM adopted the provisions of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The provisions of the ASU replace the existing three classes of net assets with two new classes (net asset without donor restrictions and net assets with donor restrictions). The ASU introduces new disclosure requirements to improve a financial statement user’s ability to assess SRM’s liquidity and exposure to risk. SRM has restated its net assets to reflect the adoption of ASU 2016-14. This resulted in the combining of previously titled Temporarily Restricted Net Assets and Permanently restricted Net Assets into Net Assets with Donor Restrictions.

**Note 3 – Liquidity and Availability**

Total financial assets	\$29,188
Donor imposed restrictions	(27,476)
Distributions from Beneficial Interest	<u>16,399</u>
Net financial assets after donor imposed restrictions	<u>\$18,111</u>

SRM tries to target a year-end balance of unrestricted, undesignated net assets to meet 15-30 days of expected expenditures. SRM receives significant contributions from donors which are available to meet annual cash needs for general expenditures. During the year ended June 30, 2019 SRM was able to meet its cash needs. While not pledged, many churches and individuals donate to SRM on a monthly basis. SRM receives the bulk of its non-monthly donations during the November – December time period. Financial assets in excess of daily cash requirements are invested in certificates of deposit and money market funds. SRM has recently purchased a thrift store operation (Note 10) to enhance its cash flow position.

**Note 4 – Net Assets with Donor Restrictions**

At June 30, 2019, donor restricted net assets consisted of a grant from the Affordable Housing Program (AHP) and funds for furniture, bus passes, hygiene, family services, and women’s job training, transitional programs and other needs. The grant had a purpose restriction for use in the construction of the new women’s facility which was met in fiscal year 2010, and a time restriction requiring use as a shelter for 15 years. The total in temporarily time restricted balance was \$997,140, the amount of the grant from AHP at the close of the review period. Purpose restricted cash and cash equivalents and investments totaled \$27,476 and are anticipated to be expended during FY 20. Perpetual restrictions totaled \$17,500 as discussed in Note 5 as well as \$1,231 of purpose restricted funds held at the Foundation in the endowment account.

**SUNSHINE RESCUE MISSION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**Note 5 – Donor Restricted Net Assets with Perpetual Restrictions**

During the 2013 fiscal year SRM received a donation of \$10,000 in cash to be perpetually restricted and the earnings used to benefit the Dorsey Manor transitional program. An additional contribution of \$2,500 was received in FY16, and \$5,000 in 2018. SRM has transferred this cash to the Arizona Community Foundation and it is held as an endowment fund. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. SRM will utilize the Foundation’s investment policies to achieve its endowment objectives. Arizona Community Foundation’s current spending policy is to distribute an amount equal to approximately 5% of the previous twelve quarters’ average balance of the fund’s liquid assets. Based on the spending policy, over the long term the Foundation expects its endowment assets to grow at the rate of inflation. This is consistent with the Foundation’s objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through new gifts and investment returns.

**Note 6 – Land, Building and Equipment**

Land, buildings, equipment, vehicles and construction in process consisted of the following at June 30, 2019:

Land	\$275,485
Land improvements	73,065
Buildings	2,030,526
Construction in progress	2,247
Furniture and equipment	189,288
Vehicles	<u>50,825</u>
	2,621,436
Less: Accumulated depreciation	<u>(942,522)</u>
Net Property and Equipment	<u>\$1,678,914</u>

Depreciation expense for the year totaled \$84,025. In accordance with the grant restrictions discussed in Note 8, a lien was placed on the property used for the women and children’s shelter for the term of the agreement.

**Note 7 – Economic Dependency**

Donations of food and related goods provide virtually all of the meals which are a major component of three programs. If these donations were to cease, SRM would have a difficult time in continuing the programs at their present level. Additionally, SRM is supported almost entirely by donation. Loss or decrease of this support would have a severe impact on SRM.

**SUNSHINE RESCUE MISSION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**Note 8 – Contingent Liabilities**

Under the terms of the grant agreement with the Affordable Housing Program (AHP), SRM agreed to operate the women’s shelter for 15 years, resulting in a donor restricted net asset for that period of time. If SRM ceased to operate the shelter at any time during that period, it would be required to repay the entire grant amount. AHP also requires a deed restriction or other legally enforceable retention agreement between the funding bank and SRM incorporating the requirements to operate a women’s shelter for 15 years as specified in the grant application. A sale of the property without the transfer of the deed restriction or other legally enforceable retention agreement during the 15 year period would also result in SRM’s obligation to repay the entire grant. The board and management, based on SRM’s long history of operations, believe this contingent liability, while possible, is not probable, and have not recorded it as a liability on the financial statements of SRM in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 450-20-50-4. This contingent liability has a remaining time period of 6 years.

**Note 9 – Beneficial Interest in Arizona Community Foundation**

SRM has transferred assets to the Arizona Community Foundation (the Foundation), which is holding them as a reserve fund and an endowment fund for the benefit of SRM. SRM has granted the Foundation variance power which gives the Foundation’s Board of Trustees the power to use the fund for other purposes in certain circumstances. The reserve fund can be returned to SRM upon request. Reserve funds are required to maintain a minimum balance of \$25,000. If the balance falls below \$5,000 for more than a year, and other conditions are not met, the Foundation may close the fund at the discretion of the Foundation’s Board of Directors. The Foundation shall hold, manage, invest, and reinvest the nonprofit reserve fund and pay and disburse agreed upon distributions. A portion of the earned income can be distributed in set annual payments or reinvested. Currently SRM records \$16,399 as a “Beneficial Interest in the Assets of the Arizona Community Foundation”. The reserve fund reported share gain of \$863 and fees of \$348. During the year ended June 30, 2016, SRM established an additional endowment fund which is also held at the Arizona Community Foundation and recorded as a “Beneficial Endowment Interest in the Assets of the Arizona Community Foundation”. It does not have the same rights of return as does the reserve fund. The balance in this fund was \$18,730 at June 30, 2019 including a share gain of \$475 and fees of \$402.

Changes in the reserve fund for the year ended June 30, 2019 are as follows:

Balance at July 1, 2018	\$15,883
Share gain of the fund (net of fees)	<u>516</u>
Balance at June 30, 2019	<u>\$16,399</u>

**SUNSHINE RESCUE MISSION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**Note 10 – Fair Measurements Value**

The fair value hierarchy defines three levels of input as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

In determining fair value, SRM utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value.

Financial assets are carried at fair value at June 30, 2019.

	<b>Level 2</b>	<b>Level 3</b>
<b>Assets Carried at Fair Value</b>		
Investments:		
Beneficial Interest in the Arizona		
Community Foundation	<u>\$16,399</u>	<u>\$18,730</u>
Total Assets at Fair Value	<u>\$16,399</u>	<u>\$18,730</u>

The beneficial interest in assets held at the Foundation has been valued, as a practical expedient, at the fair value of SRM’s share of the Foundation’s investment pool as of the measurement date. The Foundation values securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the Foundation, which includes alternate investments for which prices are not readily available, are determined by the management of the Foundation and may not reflect amounts that could be realized upon immediate sale or amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. The Foundation’s investments at March 31, 2019 (the most recent financial statements available) consisted of 57% pooled investments, 3% brokered investments and the remainder in assets held under charitable remainder trusts, partnerships, real estate, group annuity contracts cash surrender value of life insurance, beneficial interest in life estates and other investments. SRM has elected to place its reserve in the Foundation’s socially responsible Pool and its endowment fund is in the long-term pool. Endowment funds held by the Foundation are recognized as a Level 3 fair value measurement.

**SUNSHINE RESCUE MISSION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**Note 11 – Subsequent Events**

Subsequent to the close of the 2018-19 fiscal year the board voted to close its operating reserve fund at the Arizona Community Foundation. This reserve, along with FY 20 donations was sufficient to fund all operations to the present.

On October 28, 2019 SRM completed the purchase of Over the Rainbow Butterfly Garden Thrift Store. Additionally, the current board president, Kathie Knapp, was chosen to be the new Executive Director upon the retirement of the current Executive Director at the end of February 2020.

Management has evaluated events subsequent to the date of the statement of financial position through January 29, 2020, the date the financial statements were available to be issued.