

SUNSHINE RESCUE MISSION, INC.
REPORT ON AUDIT OF FINANCIAL STATEMENTS
JUNE 30, 2017

SUNSHINE RESCUE MISSION, INC.
JUNE 30, 2017

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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, 2017, and the related statements of activities 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.

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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, 2017, 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.

Report on Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 5 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Flagstaff, Arizona
March 29, 2018

SUNSHINE RESCUE MISSION, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2017

ASSETS

Cash and cash equivalents	\$	5,990
Accounts receivable		975
Investments		54,778
Beneficial interest in assets held by the Arizona Community Foundation		39,217
Prepaid expenses		16,047
Inventory		10,170
Inventory held for resale		6,940
Property and equipment (net of accumulated depreciation)		1,754,806
Beneficial endowment interest in assets held by the Arizona Community Foundation		13,488
TOTAL ASSETS		<u>\$ 1,902,411</u>

LIABILITIES

Accounts payable	\$	14,010
Payroll and payroll taxes payable		20,599
Deferred revenue		4,070
Refundable advance		2,010
Refundable deposits		2,605
TOTAL LIABILITIES		<u>43,294</u>

NET ASSETS

Unrestricted		
Board designated for reserve		39,217
Unrestricted		775,633
Total unrestricted		814,850
Temporarily Restricted		1,031,767
Permanently Restricted		12,500
TOTAL NET ASSETS		<u>1,859,117</u>

TOTAL LIABILITIES AND NET ASSETS		<u>\$ 1,902,411</u>
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The accompanying notes are an integral part of these financial statements.

SUNSHINE RESCUE MISSION, INC.
STATEMENT OF ACTIVITIES
For the year ended June 30, 2017

	UNRESTRICTED NET ASSETS	TEMPORARILY RESTRICTED NET ASSETS	PERMANENTLY RESTRICTED NET ASSETS	TOTAL NET ASSETS
SUPPORT AND REVENUE:				
Contributions	\$ 539,599	\$ 15,923		\$ 555,522
Contributed in-kind	140,193	12,439		152,632
Grants	250	9,875		10,125
Investment income	8,874	1,164		10,038
Other Income	143			143
Program income	71,269			71,269
Rent	2,975			2,975
Sales	10,231			10,231
Special Events Revenue	27,740			27,740
Less: Costs of direct benefit to donors	<u>(14,089)</u>			<u>(14,089)</u>
Net revenues from special events	13,651			13,651
Assets released from restrictions	<u>55,631</u>	<u>(55,631)</u>	-	-
TOTAL SUPPORT AND REVENUE	<u>842,816</u>	<u>(16,230)</u>	<u>-</u>	<u>826,586</u>
EXPENSES:				
Program services				
Women's Programs	331,114			331,114
Men's Programs	281,551			281,551
Transitional Housing	69,822			69,822
Job Training	52,797			52,797
Community Outreach	<u>47,742</u>			<u>47,742</u>
TOTAL PROGRAM SERVICES	<u>783,026</u>			<u>783,026</u>
Support services:				
General and administrative	110,372			110,372
Fund-raising	<u>88,783</u>			<u>88,783</u>
TOTAL SUPPORT SERVICES	<u>199,155</u>			<u>199,155</u>
TOTAL OPERATING EXPENSES	<u>982,181</u>			<u>982,181</u>
NET INCOME (LOSS) FROM OPERATIONS	<u>(139,365)</u>	<u>(16,230)</u>	<u>-</u>	<u>(155,595)</u>
Loss of sale of asset	(211)			<u>(211)</u>
INCREASE (DECREASE) IN NET ASSETS	(139,576)	(16,230)	-	(155,806)
NET ASSETS, BEGINNING OF THE YEAR	<u>954,426</u>	<u>1,047,997</u>	<u>12,500</u>	<u>2,014,923</u>
NET ASSETS, END OF YEAR	<u>\$ 814,850</u>	<u>\$ 1,031,767</u>	<u>\$ 12,500</u>	<u>\$ 1,859,117</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, 2017

	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	\$ 145,780	\$ 106,991	\$ 25,281	\$ 13,378	\$ 28,536	\$ 319,966	\$ 66,285	\$ 30,156	\$ 96,441	\$ 416,407
Payroll taxes	10,995	7,538	1,706	1,521	1,661	23,421	3,792	1,954	5,746	29,167
Employee related expenses	17,928	17,882	978	450	1,162	38,400	15,489	1,558	17,047	55,447
	<u>174,703</u>	<u>132,411</u>	<u>27,965</u>	<u>15,349</u>	<u>31,359</u>	<u>381,787</u>	<u>85,566</u>	<u>33,668</u>	<u>119,234</u>	<u>501,021</u>
Advertising	-	-	-	2,310	-	2,310	-	-	-	2,310
Communications	5,153	1,877	1,424	-	109	8,563	567	497	1,064	9,627
Cost of goods sold				7,632		7,632			-	7,632
Depreciation	61,711	6,611	10,105	1,000	-	79,427	888	771	1,659	81,086
Fees, dues, licenses, and subscriptions	3,695	1,086	139	950	41	5,911	2,986	940	3,926	9,837
Food and related expenses	32,460	69,227	143	-	12,064	113,894	-	-	-	113,894
Insurance	6,576	4,735	1,607	519	848	14,285	1,639	138	1,777	16,062
Interest and fiscal charges	-	-	-	41	-	41	443	4,379	4,822	4,863
Maintenance and repair	4,906	8,581	2,120	1,390	876	17,873	95	-	95	17,968
Operating	5,281	6,100	782	2,564	146	14,873	4,739	35,006	39,745	54,618
Professional development	51	93	82	-	-	226	647	635	1,282	1,508
Professional services	1,482	989	62	14,256	75	16,864	9,518	6,595	16,113	32,977
Program costs	6,030	14,168	924	4,581	296	25,999	-	-	-	25,999
Rent	-	-	3,900	2,170	-	6,070	-	-	-	6,070
Special events	-	-	-	-	-	-	-	4,695	4,695	4,695
Travel and transportation	408	1,673	705	35	1,847	4,668	1,941	116	2,057	6,725
Utilities	26,684	31,531	19,864	-	-	78,079	1,343	1,343	2,686	80,765
Welfare assistance	1,974	2,469	-	-	81	4,524	-	-	-	4,524
TOTAL EXPENSES	<u>\$ 331,114</u>	<u>\$ 281,551</u>	<u>\$ 69,822</u>	<u>\$ 52,797</u>	<u>\$ 47,742</u>	<u>\$ 783,026</u>	<u>\$ 110,372</u>	<u>\$ 88,783</u>	<u>\$ 199,155</u>	<u>\$ 982,181</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, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Decrease in net assets from operations	\$ (155,595)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	81,086
Realized and unrealized gains/losses	(7,251)
Non-expensed in-kind contribution	(54,701)
(Increase) decrease in operating assets	
Accounts receivable	675
Prepaid expenses	(1,602)
Inventory	18,196
Increase (decrease) in operating liabilities	
Accounts payable	4,292
Refundable deposits	1,400
Deferred revenue	4,070
Refundable advance	2,010
Payroll and related taxes payable	152
NET CASH FLOWS USED BY OPERATING ACTIVITIES	<u>(107,268)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Cash available for operations	34,068
Proceeds from sale of stock	49,200
Net investments in land, buildings, and equipment	<u>(676)</u>
NET CASH FLOWS PROVIDED BY INVESTING ACTIVITIES	<u>82,592</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS (24,676)

BEGINNING CASH AND CASH EQUIVALENTS 30,666

ENDING CASH AND CASH EQUIVALENTS \$ 5,990

Non-cash investing activities include:

- Donations of goods and services used to enhance assets valued at \$10,728
- Donation of stock and assets valued at \$54,701
- SRM paid \$70 in interest in FY 2017

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

SUNSHINE RESCUE MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1 – Nature of Activities and 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 basis of unrestricted, temporarily restricted, and permanently restricted net assets. Although not required, SRM has continued to elect to include a Schedule of Functional Expenses as a supplementary schedule to its basic financial statements.

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

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, 2017, 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 \$83,293 for the year ended June 30, 2017. SRM also received gift cards for groceries and operating supplies, which it recorded as in-kind donations as well as donations for a silent auction and other needs totaling \$14,199. SRM does not record the

SUNSHINE RESCUE MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1 – Nature of Activities and Significant Accounting Policies

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 2017, in kind donations were also received for SRMs job training program. Donations of goods and services for the woodworking programs have been recognized when an inventory asset has been created and placed into inventory for sale. Total job training in kind donations in fiscal year 2017 totaled \$10,728. Professional services which met the criteria for recording totaled \$180 and benefitted all programs. Vehicle donations were adjusted at the point of sale to recognize actual value which reduced in-kind donations by \$10,469.

SRM also received donations of stock with a FMV of \$53,432 and equipment valued at \$1,269.

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

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, and materials and labor for capital projects and 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. Cash in investment accounts is excluded from cash and cash equivalents.

SUNSHINE RESCUE MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1 – Nature of Activities and Significant Accounting Policies

Investments

SRM has adopted Accounting Standards Codification (ASC) 320 which includes "Accounting for Certain Investments Held by Not-for-Profit Organizations." Under ASC 320, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair market value in the statement of financial position. Unrealized gains and losses are included in the change in net assets. SRM has also transferred cash to the Arizona Community Foundation which it recognizes as a "beneficial interest".

Inventory

Inventory consists of donated food and supplies on hand at June 30, 2017. 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.

Inventory for Resale

Inventory for resale consists of donated vehicles and woodworking items held for resale. All items are valued at estimated fair market value at either the date of donation (vehicles) or estimated cost at the date an item is completed and placed into inventory.

Job Training

SRM is working to develop job training programs for both women and men. Activities include working in a variety of non-profit environments to develop skills, and the development of a woodworking program. The woodworking program is currently the most active job training program and produces garden containers and bird feeders as well as custom wood products. These products are sold locally through garden centers, craft markets, and direct sales utilizing SRM's website.

Property and Equipment

SRM capitalizes property and equipment with a unit cost of \$500 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. 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.

SUNSHINE RESCUE MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 2 – Restrictions on Net Assets

At June 30, 2017, temporarily restricted net assets consisted of a grant from the Affordable Housing Program (AHP) and funds for furniture, bus passes, hygiene, kitchen renovation, family services, and women’s transitional programs. 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. Temporarily purpose restricted cash and cash equivalents and investments totaled \$44,348 and are anticipated to be expended during FY18. The investment portion is held at the Arizona Community Foundation as part of SRM’s reserve fund until needed to fund restricted expenses.

During the 2013 fiscal year SRM received a donation of \$10,000 in cash to be permanently restricted and the earnings used to benefit the Dorsey Manor transitional program. An additional contribution of \$2,500 was received in FY16. SRM has transferred this cash to the Arizona Community Foundation and it is held as an endowment fund.

Note 3 – Investments

SRM held investments in publicly traded stock at June 30, 2017. These investments are stated at fair value. Investment totals on the Statement of Financial Position include \$34,068 in cash which is available for investment. SRM has the ability to obtain a loan against these investments. Fair value and unrealized appreciation (depreciation) are summarized below:

<u>Security</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Stock	\$46,577	\$54,061	\$7,484
Cash	<u>717</u>	<u>717</u>	<u> </u>
Total	<u>\$47,294</u>	<u>\$54,778</u>	<u>\$7,484</u>

	<u>Unrestricted Net Assets</u>	<u>Total</u>
Income and dividends	\$3,606	\$3,606
Net realized losses	(566)	(566)
Net unrealized gains	<u>2,393</u>	<u>2,393</u>
Return on long term investments	<u>\$5,433</u>	<u>\$5,433</u>

The schedule above summarizes unrestricted investment return and its classification in the statement of activities. The amount above does not include investment expenses of \$311, or the Reserve Fund’s share gain and fees, which are shown separately in Note 4.

Note 4 – 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

SUNSHINE RESCUE MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 4 – Beneficial Interest in Arizona Community Foundation

\$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 \$39,217 as a “Beneficial Interest in the Assets of the Arizona Community Foundation”. The reserve fund reported share gain of \$4,260 and fees of \$505. 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 \$13,488 at June 30, 2017 including a share gain of \$1,164. There were no distributions from either fund during the year ended June 30, 2017.

Changes in the reserve fund for the year ended June 30, 2017 are as follows:

Balance at July 1, 2016	\$35,463
Share gain of the fund (net of fees)	<u>3,754</u>
Balance at June 30, 2017	<u>\$39,217</u>

Note 5 – Land, Building, and Equipment

Land, buildings, equipment, vehicles and construction in process consisted of the following at June 30, 2017:

Land	\$275,485
Land improvements	73,065
Buildings	2,026,037
Furniture and equipment	158,681
Vehicles	<u>23,126</u>
	2,556,394
Less: Accumulated depreciation	<u>(801,588)</u>
Net Property and Equipment	<u>\$1,754,806</u>

Depreciation expense for the year totaled \$81,086. 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 6 – Economic Dependency

Donations of food and related goods provide virtually all of the meals which are a major component of all 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.

Note 7 – Endowment Funds

SRM’s endowment includes funds held by the Arizona Community Foundation for the purpose of the men’s transitional program. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the

SUNSHINE RESCUE MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 7 – Endowment Funds

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 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 temporarily 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 8 years.

Note 9 – Fair Value Measurements

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, 2017.

SUNSHINE RESCUE MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 9 – Fair Value Measurements

	Level 1	Level 2	Level 3
Assets Carried at Fair Value			
Investments:			
Corporate stocks	<u>\$54,061</u>		
Beneficial Interest in the Arizona Community Foundation		<u>\$39,217</u>	<u>\$13,488</u>
Total Assets at Fair Value	<u>\$54,061</u>	<u>\$39,217</u>	<u>\$13,488</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, 2017 (the most recent financial statements available) consisted of 45% equities and equity mutual funds, 16.5% fixed income and fixed income funds, 28.14% alternative investments, and the balance in partnership interests, real estate, interest bearing cash, stock in closely held companies and life insurance, and other investments. Total investments of the Foundation at March 31, 2017 totaled \$757,345,292. 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.

Note 10 – Subsequent Events

Management has evaluated events subsequent to the date of the statement of financial position through March 29, 2018, the date the financial statements are available to be issued.

On March 13, 2018 the Board of Directors of SRM adopted an investment policy. The purpose of this policy is to better manage cash and stock donations. Funds available for operations at March 1, 2018 included \$140,117 in its operating account and \$78,637 in cash and short-term Certificates of Deposit in its Edward Jones brokerage account.

The SRM Board of Directors and the Over the Rainbow Butterfly Garden (dba The Garden Thrift Store) Board of Directors have signed a Memorandum of Understanding. This agreement should provide an additional stable stream of revenue for SRM.