SUNDAY BREAKFAST RESCUE MISSION

Financial Statements

June 30, 2018 and 2017

With Independent Auditors' Report

Sunday Breakfast Rescue Mission
June 30, 2018 and 2017

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AUDIT TAX ADVISORY

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees,
Sunday Breakfast Rescue Mission:

Report on the Financial Statements

We have audited the accompanying financial statements of Sunday Breakfast Rescue Mission ("the Mission") which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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, we express no such opinion. An audit 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.

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 financial statements referred to above present fairly, in all material respects, the financial position of the Mission as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming the Mission will continue as a going concern. As discussed in Note 9 to the financial statements, the Mission has suffered recurring losses from operations and has an unrestricted net asset deficiency. Management's evaluation of the events and conditions and management's plans to mitigate these matters are also described in Note 9. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Withum Smith+Brown, PC

October 12, 2018

Sunday Breakfast Rescue Mission
Statements of Financial Position
June 30, 2018 and 2017

	2018	2017
Assets		
Current assets		
Cash and cash equivalents	$ 35,316	$ 132,610
Investments	53,169	23,217
Inventory	116,425	99,122
Prepaid expenses	7,953	36,055
Total current assets	212,863	291,004
Investments - restricted	148,500	148,500
Split and beneficial interest in trusts	550,502	553,439
Deferred rent asset	2,093	2,368
Property and equipment		
Land	510,050	510,050
Buildings and improvements	4,682,147	4,611,301
Vehicles	131,363	131,363
Furniture, fixtures and equipment	159,600	141,463
Less: Accumulated depreciation	(2,767,492)	(2,579,230)
Property and equipment, net	2,715,668	2,814,947
Total assets	$ 3,629,626	$ 3,810,258
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	$ 131,435	$ 156,332
Line of credit	234,118	328,447
Notes payable, current portion	22,177	21,150
Security deposits	150	4,089
Total current liabilities	387,880	510,018
Long-term liabilities		
Note payable, net of current portion	284,573	305,505
Total liabilities	672,453	815,523
Net assets		
Unrestricted	2,128,587	2,158,391
Temporarily restricted	419,684	430,627
Permanently restricted	408,902	405,717
Total net assets	2,957,173	2,994,735
Total liabilities and net assets	$ 3,629,626	$ 3,810,258

The Notes to Financial Statements are an integral part of these statements.

Sunday Breakfast Rescue Mission
Statements of Activities and Changes in Net Assets
Years Ended June 30, 2018 and 2017

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenues								
Contributions	$ 1,842,720	$ 18,856	$ --	$ 1,861,576	$ 1,667,924	$ 37,700	$ --	$ 1,705,624
Bequests/wills	68,114	--	--	68,114	38,798	--	--	38,798
Gifts in kind- donations	799,620	--	--	799,620	754,453	--	--	754,453
Change in value of split interest agreements and perpetual trusts	--	(6,122)	3,185	(2,937)	--	(11,971)	15,231	3,260
Thrift store sales	560,512	--	--	560,512	602,455	--	--	602,455
Trust and investment income	36,755	--	--	36,755	79,868	--	--	79,868
Other income	59,419	--	--	59,419	32,493	--	--	32,493
	3,367,140	12,734	3,185	3,383,059	3,175,991	25,729	15,231	3,216,951
Net assets released due to satisfaction of time and purpose restrictions	23,677	(23,677)	--	--	94,660	(94,660)	--	--
	3,390,817	(10,943)	3,185	3,383,059	3,270,651	(68,931)	15,231	3,216,951
Expenses								
Program services	2,640,165	--	--	2,640,165	2,766,212	--	--	2,766,212
Management and general	295,993	--	--	295,993	316,470	--	--	316,470
Fundraising	484,463	--	--	484,463	542,270	--	--	542,270
	3,420,621	--	--	3,420,621	3,624,952	--	--	3,624,952
Changes in net assets	(29,804)	(10,943)	3,185	(37,562)	(354,301)	(68,931)	15,231	(408,001)
Net assets - beginning of year	2,158,391	430,627	405,717	2,994,735	2,512,692	499,558	390,486	3,402,736
Net assets - end of year	$ 2,128,587	$ 419,684	$ 408,902	$ 2,957,173	$ 2,158,391	$ 430,627	$ 405,717	$ 2,994,735

The Notes to Financial Statements are an integral part of these statements.

Sunday Breakfast Rescue Mission
Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Changes in net assets	$ (37,562)	$ (408,001)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities		
Depreciation	188,262	199,463
Net realized and unrealized (gain) loss on investments	(23,407)	38,631
Decrease (increase) in value of split interest agreements and perpetual trusts	2,937	(32,665)
Changes in assets and liabilities		
Inventory	(17,303)	57,703
Prepaid expenses	28,102	813
Deferred rent asset	275	3,053
Accounts payable and accrued expenses	(24,897)	14,456
Security deposits	(3,939)	(8,328)
Net cash provided (used) by operating activities	112,468	(134,875)
Cash flows from investing activities		
Purchase of property and equipment	(88,983)	(89,929)
Purchase of investments	(44,953)	(1,036)
Proceeds from sale of investments	38,408	170,731
Net cash (used) provided by investing activities	(95,528)	79,766
Cash flows from financing activities		
Proceeds from line of credit	446,081	192,045
Payments on line of credit	(540,410)	(258,819)
Payments on long-term debt	(19,905)	(20,090)
Net cash used by financing activities	(114,234)	(86,864)
Net decrease in cash and cash equivalents	(97,294)	(141,973)
Cash and cash equivalents		
Beginning of year	132,610	274,583
End of year	$ 35,316	$ 132,610
Supplemental disclosure of cash flow information		
Interest paid	$ 35,498	$ 36,411

The Notes to Financial Statements are an integral part of these statements.

Sunday Breakfast Rescue Mission
Statements of Functional Expenses
Years Ended June 30, 2018 and 2017

2018

	Program Services			Support Services		
	Homless Services	Wayne Hall	Program Total	Management and General	Fundraising	Total
Salaries	$ 760,731	$ 175,553	$ 936,284	$ 117,036	$ 117,035	$ 1,170,355
Payroll taxes and fringe benefits	152,423	35,175	187,598	23,450	23,449	234,497
	913,154	210,728	1,123,882	140,486	140,484	1,404,852
Advertising	--	--	--	--	58,063	58,063
Automobile and travel	11,226	290	11,516	5,636	326	17,478
Clothing	560,512	--	560,512	--	--	560,512
Continuing education/conferences	142	--	142	3,661	100	3,903
Depreciation	154,376	30,981	185,357	2,289	616	188,262
Dues and subscriptions	655	--	655	3,853	225	4,733
Food	280,275	6,625	286,900	--	--	286,900
House expense	29,699	5,354	35,053	--	--	35,053
Insurance	72,122	14,912	87,034	25,941	1,614	114,589
Interest	13,821	--	13,821	21,677	--	35,498
Marketing	16,925	--	16,925	782	211,829	229,536
Miscellaneous	847	519	1,366	222	138	1,726
Newsletter	--	--	--	--	37,262	37,262
Office expense	25,833	599	26,432	5,761	9,100	41,293
Postage	117	16	133	1,755	12,097	13,985
Professional fees	3,931	1,920	5,851	69,330	750	75,931
Real estate taxes	--	971	971	--	--	971
Rent expense	4,366	--	4,366	547	1,096	6,009
Repairs and maintenance	56,203	4,640	60,843	--	209	61,052
Small equipment	7,936	885	8,821	2,958	351	12,130
Software and IT support	103	--	103	4,730	9,479	14,312
Telephone	18,717	5,055	23,772	6,365	724	30,861
Utilities	162,275	23,435	185,710	--	--	185,710
	$ 2,333,235	$ 306,930	$ 2,640,165	$ 295,993	$ 484,463	$ 3,420,621

2017

	Program Services			Support Services		
	Homeless Services	Wayne Hall	Program Total	Management and General	Fundraising	Total
Salaries	$ 788,429	$ 156,147	$ 944,576	$ 122,680	$ 131,296	$ 1,198,552
Payroll taxes and fringe benefits	163,472	21,214	184,686	67,398	18,755	270,839
	951,901	177,361	1,129,262	190,078	150,051	1,469,391
Advertising	30	--	30	--	49,754	49,784
Automobile and travel	10,434	281	10,715	9,097	670	20,482
Clothing	602,455	--	602,455	--	--	602,455
Continuing education/conferences	1,603	--	1,603	2,860	672	5,135
Depreciation	167,368	28,221	195,589	3,046	828	199,463
Dues and subscriptions	827	--	827	6,824	575	8,226
Food	275,709	6,012	281,721	--	--	281,721
House expense	24,339	4,083	28,422	251	10	28,683
Insurance	94,368	19,387	113,755	23,500	1,945	139,200
Interest	16,085	--	16,085	20,326	--	36,411
Marketing	1,098	--	1,098	87	281,217	282,402
Miscellaneous	30	1,643	1,673	--	--	1,673
Newsletter	--	--	--	--	33,065	33,065
Office expense	38,880	774	39,654	6,516	407	46,577
Postage	51	14	65	1,763	14,251	16,079
Professional fees	719	1,520	2,239	39,561	225	42,025
Real estate taxes	1,386	911	2,297	--	--	2,297
Rent expense	5,183	157	5,340	--	--	5,340
Repairs and maintenance	75,343	29,170	104,513	271	--	104,784
Small equipment	3,652	2,234	5,886	1,537	199	7,622
Software and IT support	541	--	541	3,056	7,733	11,330
Telephone	25,133	9,094	34,227	7,697	668	42,592
Utilities	164,612	23,603	188,215	--	--	188,215
	$ 2,461,747	$ 304,465	$ 2,766,212	$ 316,470	$ 542,270	$ 3,624,952

The Notes to Financial Statements are an integral part of these statements.

1. ORGANIZATION AND PURPOSE OF CORPORATION

The mission of the Sunday Breakfast Rescue Mission ("the Mission") is as follows:

"The Sunday Breakfast Rescue Mission exists to minister in the name of Jesus Christ to the spiritual and practical needs of the disadvantaged in the Philadelphia area."

The Mission operates a homeless mission and shelter for men, women and children. Residents can receive meals and shelter. There are also rehabilitation programs and job training programs. The Mission operates three Thrift Store programs to help train men. The men on the discipleship program (Overcomers program) spend anywhere from two weeks to one year developing good work habits and becoming work ready at the thrift stores.

The Mission is primarily supported through donor contributions. It also receives between 15-25 percent of its support from sales from the thrift stores that are owned by the Mission.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Financial reporting by not-for-profit organizations requires that resources be classified for accounting and reporting purposes into net asset categories according to externally (donor) imposed restrictions. For the years ended June 30, 2018 and 2017, the Mission had accounting transactions in the unrestricted, temporarily restricted and permanently restricted net asset categories. The unrestricted net asset category represents net assets that are not subject to donor imposed restrictions and the temporarily and permanently restricted net asset categories represent net assets that are subject to time and/or purpose donor imposed restrictions.

Temporarily restricted net assets are subject to donor imposed restrictions that may or will be met either by actions of the Mission and/or passage of time. Permanently restricted net assets are subject to donor imposed stipulations that they be maintained permanently by the Mission. The donors of these resources permit the Mission to use all or part of the income earned by the related investments for unrestricted or temporarily restricted purposes.

Revenue and Support Recognition

Contributions are recognized as revenue when they are received or unconditionally pledged and recorded as unrestricted or restricted support according to donor stipulations that limit the use of these assets due to time or purpose restrictions. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments purchased with a maturity of three months or less at acquisition, excluding money market funds included in investments. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment

Property and equipment is carried at cost. Depreciation is provided over the estimated useful lives of the assets by the straight-line method. It is the Mission's policy to capitalize expenditures in excess of $1,000. Maintenance, repairs and minor renewals are charged to operations as incurred. Depreciation expense amounted to $188,262 and $199,463 for the years ended June 30, 2018 and 2017, respectively. The principal rates used for computing depreciation are as follows:

Description	**Estimated Life (Years)**
Buildings and building improvements	3-40
Vehicles	5
Furniture, fixtures and equipment	3-10

Fair Value of Financial Instruments

The Mission measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the Mission's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The Mission may use valuation techniques consistent with the market, income and cost approaches to measure fair value.

The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1- Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Mission has the ability to access.

Level 2- Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3- Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Valuation of Long-Lived Assets

In accordance with the provisions of accounting standards related to *Accounting for the Impairment or Disposal of Long-Lived Assets*, the Mission reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Management has determined that no assessment was required for the periods presented in these financial statements.

Functional Allocation of Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the statements of activities and changes in net assets and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Mission is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for Federal income taxes has been recorded in the statements of activities and changes in net assets.

The Mission adopted the accounting pronouncement dealing with the uncertain tax positions as of July 1, 2011. Upon adoption of this pronouncement, the Mission had no unrecognized tax benefits. Furthermore, the Mission had no unrecognized tax benefits at June 30, 2018 and 2017. In addition, the Mission has no income tax related penalties or interest for the periods reported in these financial statements.

Investments

Investments are carried at fair value. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss assumptions. Cash equivalents and money markets are valued at cost which approximates fair value.

Investments are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near-term and that such changes could materially affect the amounts reported in the statements of financial position.

A formal investment policy was adopted by the Mission effective in September 2010, and revised in February 2012, for any endowment fund created by donor restricted contributions. This policy consists of a long term asset allocation target of 20 percent equities and 80 percent fixed income. This policy does not apply to operational funds. The Mission considers all investments to be current, except for those investments comprising the corpus of the endowment.

Split Interest Agreements and Beneficial Interest in Perpetual Trusts

The Mission has accepted a gift subject to a split interest agreement. Under this trust agreement the Mission receives semi-annual trust income distributions. Upon the death of the last individual beneficiary, the Mission will receive a proportionate share of the remaining principal. The estimated value of the Mission's share at the expected date of ultimate disposition has been subjected to a discount rate in order to record the asset at its present value. The net asset has been recorded as temporarily restricted due to time restrictions.

The Mission also received three gifts of beneficial interests in trusts that are held by others. Under the terms of these trusts, the Mission has the irrevocable right to receive the income earned on the trust assets in perpetuity, but never receives the assets held in trust. At the time of the receipt, a gift is recorded based on the fair value of the assets contributed to the trust (or the portion thereof that benefits the Mission). Annual distributions from the trust are reported as investment income and classified as unrestricted or temporarily restricted based upon donor designations. The beneficial interests in perpetual trusts are reported at fair value, with the change in fair value reported as an increase or decrease in permanently restricted net assets. Given the nature of the promises, as well as the inability to compute the present value of the perpetual income stream of the trusts, the Mission has recorded its proportionate share of the total fair market value of the principal trust assets upon which its income distributions are based as permanently restricted net assets.

The change in value of split interest agreements and perpetual trusts for the years ended June 30, 2018 and 2017 were (decreases) increases amounting to $(2,937) and $32,665, respectively. Income from distributions from the trusts amounted to $23,453 and $12,018, for the years ended June 30, 2018 and 2017, respectively.

Inventory
Inventory consists principally of donated goods for sale in the Mission's retail thrift stores and is recorded at estimated fair value.

Donated Services and Materials
A significant number of volunteers have donated a substantial amount of time to the Mission's program services, management and fundraising campaigns. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition. The Mission receives a significant amount of food donations from food banks, organizations and individuals. The Mission recognizes the estimated fair value of the food donations in their financial statements by using a value per meal served and subtracting out the costs of food purchases. In addition, the Thrift Store programs receive substantial donations of materials and clothing that are recognized at estimated fair value.

Advertising Expense
The Mission follows the policy of charging the costs of advertising to expense when the advertisements are first displayed for the Mission's programs. Advertising expense for the years ended June 30, 2018 and 2017 was $58,063 and $49,784, respectively.

Reclassification
Certain amounts in the prior periods presented have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on previously reported net assets.

3. INVESTMENTS

Investments at June 30, consisted of the following:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Money market	$ 15,067	$ 15,067	$ 50	$ 50
Mutual funds	173,160	186,602	150,946	171,667
	$ 188,227	$ 201,669	$ 150,996	$ 171,717

4. CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the Mission to concentrations of credit risk consist of cash and cash equivalents. In an attempt to limit its credit risk, the Mission places all interest bearing funds with high credit quality financial institutions. This limits the exposure to credit risk.

5. DEFERRED RENT ASSET

The Mission leases space on their roof for a cellular tower to AT&T under a fifteen year non-cancelable operating lease through June 2025. Monthly payments began at $1,861 and escalate to $2,096 over the lease term. Rental income is recognized on a straight-line basis and amounted to $20,194 and $18,776, respectively. The cumulative difference between rental income recognized and rental payments received resulted in a deferred rent asset of $2,093 and $2,368 for the years ended June 30, 2018 and 2017, respectively.

Future minimum rent payments for the years ended June 30, are as follows:

	Amount
2019	$ 22,332
2020	22,776
2021	23,232
2022	23,700
2023	24,180
Thereafter	49,812
	$ 166,032

6. LINE OF CREDIT

The Mission has a $200,000 revolving commercial line of credit from TD Bank that is renewed on an annual basis. The line is secured by a first mortgage on the real estate located at 302 13th Street, Philadelphia, Pennsylvania. The interest rate is the prime rate as published by the *Wall Street Journal* on the applicable date plus 2.5 percent, with a minimum rate of 4 percent. For the years ended June 30, 2018 and 2017, the outstanding balance on the line was $123,805 and $87,000, respectively.

The Mission also has available a $250,000 revolving commercial line of credit from Citizen Bank that is renewed on an annual basis. The line is secured by a first mortgage on the real estate located at 5200-5208 Wayne Avenue, Philadelphia, Pennsylvania. The interest rate is the prime rate as published by the *Wall Street Journal* on the applicable date plus 1 percent. For the years ended June 30, 2018 and 2017, the outstanding balances on the line were $110,313 and $241,447, respectively.

7. LONG-TERM DEBT

The Mission's obligations under notes payable consist of the following:

	2018	2017
Note payable to individual secured by real estate at 32 West Lincoln Highway, Penndel, Pennsylvania. Monthly payments of $2,640 consisting of principal and interest at 5 percent, matures February 1, 2031.	$ 296,810	$ 312,027
Loan payable to Lafferty Chevrolet Company secured by 2015 Chevrolet Silverado truck. Monthly payments of $431 consisting of principal and interest at 3.89 percent, matures July 10, 2020.	9,940	14,628
	306,750	326,655
Less: Current portion of notes payable	22,177	21,150
	$ 284,573	$ 305,505

Future scheduled maturities of notes payable are as follows:

	Amount
2019	$ 22,177
2020	23,249
2021	19,116
2022	20,094
2023	21,122
Thereafter	200,992
	$ 306,750

8. NET ASSETS

Components of unrestricted net assets at June 30 were as follows:

	2018	2017
Undesignated- operations	$ 2,128,587	$ 2,158,391
	$ 2,128,587	$ 2,158,391

Components of temporarily restricted net assets at June 30, were as follows:

	2018	2017
Split interest agreement- time restricted	$ 290,100	$ 266,818
Homeless Services	80,082	$ 86,555
Wayne Hall	49,502	77,254
	$ 419,684	$ 430,627

Temporarily restricted net assets were released into unrestricted net assets in the amount of $23,677 and $94,660 for the years ended June 30, 2018 and 2017, respectively.

Permanently restricted net assets at June 30, were as follows:

	2018	2017
Donor-restricted endowment funds	$ 148,500	$ 148,500
Beneficial interest in perpetual trusts	260,402	257,217
	$ 408,902	$ 405,717

9. NET ASSET DEFICIT

Sunday Breakfast Rescue Mission has incurred operating losses the past two years which has resulted in a deficiency to unrestricted net assets in the amount of $29,804 and $354,801 for the years ended June 30, 2018 and 2017, respectively. Management and the Board have addressed this situation continuously. For fiscal year ending June 30, 2019, Sunday Breakfast Rescue Mission has reduced expenses and are in the process of identifying new contribution streams from individuals, corporations, and foundations. Sunday Breakfast Rescue Mission has also embarked on new revenue streams utilizing current staff which would generate additional increases to unrestricted net assets. The Mission's Management and Board are closely monitoring this situation and are committed to generating an operational surplus, thus eliminating this deficiency.

10. ENDOWMENT

The Mission's endowment consists of a fund restricted in perpetuity to continue the purpose of Sunday Breakfast Rescue Mission. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment net asset activity and type of fund at June 30, were as follows:

	2018		
	Unrestricted	Permanently Restricted	Total
Endowment net assets, July 1, 2017	$ 23,217	$ 148,500	$ 171,717
Unrealized gain on investments	10,196	--	10,196
Deposits	19,756	--	19,756
Endowment net assets, June 30, 2018	$ 53,169	$ 148,500	$ 201,669

	2017		
	Unrestricted	Permanently Restricted	Total
Endowment net assets, July 1, 2016	$ 156,825	$ 148,500	$ 305,325
Unrealized loss on investments	(29,618)	--	(29,618)
Withdrawals	(103,990)	--	(103,990)
Endowment net assets, June 30, 2017	$ 23,217	$ 148,500	$ 171,717

11. IN-KIND DONATIONS

For the years ended June 30, 2018 and 2017, the Mission received the following in-kind donations at estimated fair value:

	2018	2017
Materials and clothing	$ 577,815	$ 602,455
Food, other goods and services	221,805	151,998
	$ 799,620	$ 754,453

12. FAIR VALUE MEASUREMENTS

The Mission uses fair value measurements to record fair value adjustments to investments and to determine fair value disclosures. For additional information on how the Mission measures fair value refer to Note 2.

The following table presents the Mission's fair value hierarchy for those investments measured at fair value on a recurring basis for the years ended June 30, 2018 and 2017.

	2018			
	Level 1	Level 2	Level 3	Total
Mutual funds	$ 201,669	$ --	$ --	$ 201,669
Split and beneficial interests in trusts	--	--	550,502	550,502
	$ 201,669	$ --	$ 550,502	$ 752,171

	2017			
	Level 1	Level 2	Level 3	Total
Mutual funds	$ 171,717	$ --	$ --	$ 171,717
Split and beneficial interests in trusts	--	--	553,439	553,439
	$ 171,717	$ --	$ 553,439	$ 725,156

The Mission is beneficiary to an irrevocable residual trust (split interest agreement) and certain perpetual trusts. The Mission's beneficial interest in these trusts range from 8.33 percent to 50 percent and includes annual distributions. The split interest agreement trust funds and one of the perpetual trusts are held in pooled funds invested with Wells Fargo and consist of fixed income and equity mutual funds. The remaining two perpetual trust funds are held at PNC and consist of fixed income and equity mutual funds. The irrevocable trust is further valued by discounting the net present value of the balance of the funds based upon the life expectancy of the donor. Net present value was discounted at 6 percent. All trust funds are measured at fair value in the statements of financial position.

The change in Level 3 assets for the years ended June 30, 2018 and 2017 are as follows:

	Split Interest	Beneficial Interest in Perepetual Trusts	Total
Beginning balance, July 1, 2017	$ 266,818	$ 286,621	$ 553,439
Decrease (increase) in value of split and beneficial interests in trusts	(6,122)	3,185	(2,937)
Ending balance, June 30, 2018	$ 260,696	$ 289,806	$ 550,502

	Split Interest	Beneficial Interest in Perepetual Trusts	Total
Beginning balance, July 1, 2016	$ 278,788	$ 241,986	$ 520,774
Decrease in value of split and beneficial interests in trusts	(11,970)	44,635	32,665
Ending balance, June 30, 2017	$ 266,818	$ 286,621	$ 553,439

13. NEW ACCOUNTING PRONOUNCEMENT

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14 – Not-for-profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-profit Entities*. ASU 2016-14, which is effective for fiscal years beginning after December 15, 2017 with early adoption permitted will require a change to two areas of not-for-profit accounting and significant new financial statement presentation and disclosure requirements. Under ASU 2016-14 (the "ASU"), underwater endowment funds will be accounted for within net assets with donor restrictions and not within net assets without donor restrictions, as is the current practice. In addition, the ASU eliminates the accounting policy election to release donor-imposed restrictions over the useful life of donated property and equipment when the donor does not explicitly specify the period of time the property must be used. Instead, entities will be required to relieve the donor's restrictions at the time the asset is placed in service. The ASU also changes the presentation and disclosure requirements of not-for-profit entities in the following areas: expense disclosures, display of net asset classes, cash flow presentation, quantitative and qualitative liquidity disclosures and presentation of investment returns. The Mission is currently evaluating the impact these changes will have on its future financial statements.

In February 2016, FASB issued ASU 2016-02 *Leases* (Topic 842), which requires the recognition of a "right to use" asset and a lease liability, initially measured at the present value of the lease payments, on the statement of financial position for all of the Mission's lease obligations which have a term greater than 1 year. This standard is effective in 2020. The Mission is currently evaluating the impact these changes will have on its future financial statements.

ASU 2016-18, *Statement of Cash Flows*, (Topic 230) was issued by FASB in November 2016 and is effective for the fiscal year beginning after December 15, 2018. This guidance requires restricted cash to be included within cash and cash equivalents when explaining the total change in cash for the period within the statement of cash flows. Upon adoption, the Mission anticipates including its cash equivalents (money market funds) currently included in investments on the statement of cash flows in cash and cash equivalents rather than in purchases and sales of investments.

14. SUBSEQUENT EVENTS

The Mission has evaluated subsequent events occurring after the statement of financial position date through the date of October 12, 2018 which is the date the financial statements were available to be issued. Based on this evaluation, the Mission has determined that no subsequent events have occurred which require disclosure in or adjustment to the financial statements.