

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT

SISTERS OF ST. JOSEPH "DEAR NEIGHBOR" MINISTRIES, INC.

June 30, 2017 and 2016

## CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	3
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	5
STATEMENTS OF ACTIVITIES	6
STATEMENTS OF NET ASSETS	7
STATEMENTS OF CASH FLOWS	8
STATEMENTS OF FUNCTIONAL EXPENSES	9
NOTES TO FINANCIAL STATEMENTS	10



CPAs and  
Management Consultants

3200 Robbins Road  
Suite 200A  
Springfield, IL 62704-6525  
ph 217.789.0960  
fax 217.789.2822  
www.kebcpa.com

## Independent Auditors' Report

Board of Directors  
Sisters of St. Joseph  
“Dear Neighbor” Ministries, Inc.

We have audited the accompanying financial statements of Sisters of St. Joseph “Dear Neighbor” Ministries, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, 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 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 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 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.

---

#### Other Locations

Belleville, IL • Carbondale, IL • Columbia, IL • Harrisburg, IL • Litchfield, IL • Cape Girardeau, MO • St. Louis, MO • Milwaukee, WI

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 Sisters of St. Joseph "Dear Neighbor" Ministries, Inc. as of June 30, 2017 and 2016, 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.

*Kemper, Eck & Brackel LLP*

Springfield, Illinois  
November 16, 2017

Sisters of St. Joseph "Dear Neighbor" Ministries, Inc.

STATEMENTS OF FINANCIAL POSITION

June 30

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 171,169	\$ 106,340
Receivables		
Related party	989	599
Other	21,011	184
Investments	335,833	413,505
Prepaid expenses	5,387	4,724
Property and equipment, net	<u>252,603</u>	<u>273,541</u>
Total assets	<u>\$ 786,992</u>	<u>\$ 798,893</u>
LIABILITIES AND NET ASSETS		
Accounts payable		
Related party	\$ 75,679	\$ 26,258
Other	5,808	4,060
Accrued liabilities	18,587	21,035
Funds held for others	<u>51,035</u>	<u>46,228</u>
Total liabilities	151,109	97,581
Net assets		
Unrestricted		
Undesignated	227,862	256,266
Designated	28,907	111,792
Temporarily restricted	124,574	78,714
Permanently restricted	<u>254,540</u>	<u>254,540</u>
Total net assets	<u>635,883</u>	<u>701,312</u>
Total liabilities and net assets	<u>\$ 786,992</u>	<u>\$ 798,893</u>

The accompanying notes are an integral part of these statements.

Sisters of St. Joseph "Dear Neighbor" Ministries, Inc.

STATEMENTS OF ACTIVITIES

Years ended June 30

	2017				2016			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Support and revenue</b>								
Contributions	\$ 180,033	\$ 7,070	\$ -	\$ 187,103	\$ 176,245	\$ 19,663	\$ 100	\$ 196,008
Contributed services	110,139	-	-	110,139	107,983	-	-	107,983
Contributions from related party	80,000	10,000	-	90,000	85,000	-	-	85,000
Grants	-	82,350	-	82,350	-	31,925	-	31,925
Rental income	2,868	-	-	2,868	11,196	-	-	11,196
Miscellaneous	4,385	-	-	4,385	1,620	-	-	1,620
Net assets released from restrictions	54,258	(54,258)	-	-	62,625	(62,625)	-	-
<b>Total support and revenue</b>	<b>431,683</b>	<b>45,162</b>	<b>-</b>	<b>476,845</b>	<b>444,669</b>	<b>(11,037)</b>	<b>100</b>	<b>433,732</b>
<b>Expenses</b>								
Program services	373,469	-	-	373,469	365,617	-	-	365,617
Management and general	125,984	-	-	125,984	125,895	-	-	125,895
Fundraising	73,037	-	-	73,037	77,819	-	-	77,819
<b>Total expenses</b>	<b>572,490</b>	<b>-</b>	<b>-</b>	<b>572,490</b>	<b>569,331</b>	<b>-</b>	<b>-</b>	<b>569,331</b>
<b>Excess of (expense over revenue) revenue over expense</b>	<b>(140,807)</b>	<b>45,162</b>	<b>-</b>	<b>(95,645)</b>	<b>(124,662)</b>	<b>(11,037)</b>	<b>100</b>	<b>(135,599)</b>
<b>Investment income (loss)</b>								
Interest income	6,024	698	-	6,722	9,089	697	-	9,786
Net realized gain on investments	4,157	-	-	4,157	5,080	-	-	5,080
Net unrealized gain (loss) on investments	21,454	-	-	21,454	(16,883)	-	-	(16,883)
Investment fees	(2,117)	-	-	(2,117)	(1,217)	-	-	(1,217)
<b>Total investment income (loss)</b>	<b>29,518</b>	<b>698</b>	<b>-</b>	<b>30,216</b>	<b>(3,931)</b>	<b>697</b>	<b>-</b>	<b>(3,234)</b>
<b>Change in net assets</b>	<b>\$ (111,289)</b>	<b>\$ 45,860</b>	<b>\$ -</b>	<b>\$ (65,429)</b>	<b>\$ (128,593)</b>	<b>\$ (10,340)</b>	<b>\$ 100</b>	<b>\$ (138,833)</b>

The accompanying notes are an integral part of these statements.

Sisters of St. Joseph "Dear Neighbor" Ministries, Inc.

STATEMENTS OF NET ASSETS

For Year Ended June 30

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, July 1, 2015	\$ 496,651	\$ 89,054	\$ 254,440	\$ 840,145
Change in net assets	<u>(128,593)</u>	<u>(10,340)</u>	<u>100</u>	<u>(138,833)</u>
Net assets, June 30, 2016	368,058	78,714	254,540	701,312
Change in net assets	<u>(111,289)</u>	<u>45,860</u>	<u>-</u>	<u>(65,429)</u>
Net assets, June 30, 2017	<u>\$ 256,769</u>	<u>\$ 124,574</u>	<u>\$ 254,540</u>	<u>\$ 635,883</u>

The accompanying notes are an integral part of these statements.

Sisters of St. Joseph "Dear Neighbor" Ministries, Inc.

STATEMENTS OF CASH FLOWS

Years ended June 30

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in net assets	\$ (65,429)	\$ (138,833)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Net (gain) loss on investments	(25,611)	11,803
Net loss on disposal of fixed assets	625	-
Depreciation	21,729	22,052
Change in assets and liabilities		
Decrease in deposit with related party	-	44,932
(Increase) decrease in receivables	(21,217)	587
Increase in prepaid expenses	(663)	(846)
Increase (decrease) in accounts payable	51,169	(17,903)
Increase (decrease) in accrued liabilities	(2,448)	1,877
Increase (decrease) in funds held for others	4,807	(558)
	<u>(37,038)</u>	<u>(76,889)</u>
Net cash used in operating activities		
Cash flows from investing activities		
Purchase of investments	(8,807)	(6,628)
Proceeds from sale of investments	112,090	115,000
Purchases of property and equipment	(1,416)	(2,381)
	<u>101,867</u>	<u>105,991</u>
Net cash provided by investing activities		
Net change in cash	64,829	29,102
Cash at beginning of year	<u>106,340</u>	<u>77,238</u>
Cash at end of year	<u>\$ 171,169</u>	<u>\$ 106,340</u>

The accompanying notes are an integral part of these statements.



Sisters of St. Joseph "Dear Neighbor" Ministries, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES

Year ended June 30

	2017				2016			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 143,413	\$ 64,546	\$ 34,696	\$ 242,655	\$ 137,860	\$ 65,709	\$ 36,801	\$ 240,370
Employee benefits	53,987	22,341	10,787	87,115	50,818	22,792	11,248	84,858
Consulting fees	-	6,750	-	6,750	-	6,000	-	6,000
Depreciation	307	21,422	-	21,729	307	21,745	-	22,052
In-kind service	104,139	6,000	-	110,139	101,983	6,000	-	107,983
Insurance	700	1,037	-	1,737	650	1,018	-	1,668
Utilities	5,705	566	429	6,700	4,032	372	266	4,670
Miscellaneous	88	-	-	88	134	-	-	134
Maintenance	1,952	-	-	1,952	1,744	-	-	1,744
Telephone	3,266	614	-	3,880	3,493	368	186	4,047
Services	42,111	-	-	42,111	49,671	-	-	49,671
Supplies and other	8,388	2,673	17,208	28,269	6,321	1,881	15,573	23,775
Education	7,469	35	-	7,504	5,184	10	97	5,291
Travel	804	-	-	804	968	-	-	968
Contributions	-	-	-	-	1,841	-	-	1,841
Community development	1,140	-	-	1,140	611	-	-	611
Special events	-	-	9,917	9,917	-	-	13,648	13,648
	<u>\$ 373,469</u>	<u>\$ 125,984</u>	<u>\$ 73,037</u>	<u>\$ 572,490</u>	<u>\$ 365,617</u>	<u>\$ 125,895</u>	<u>\$ 77,819</u>	<u>\$ 569,331</u>

The accompanying notes are an integral part of these statements.

Sisters of St. Joseph "Dear Neighbor" Ministries, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE A - SUMMARY OF ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

*1. Organization*

Sisters of St. Joseph "Dear Neighbor" Ministries, Inc. (DNM), was incorporated as a not-for-profit corporation under the statutes of the State of Kansas on September 12, 2001. DNM oversees and sponsors various services to serve the poor and underserved, including housing, support and educational services. Congregation of the Sisters of St. Joseph Ministries, Inc. (CSJM) is the sole member of DNM.

*2. Financial Statement Presentation*

DNM is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Donor-imposed restrictions that expire with the passage of time or can be removed by meeting certain requirements result in temporarily restricted net assets. Temporarily restricted net assets at June 30, 2017 and 2016 represent funds held with donor-imposed restrictions.

Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity.

*3. Receivables*

DNM considers all receivables to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary. If amounts become uncollectible, they will be charged to operations when that determination is made.

*4. Investments*

Investments are held in a pooled investment program with the Congregation of the Sisters of St. Joseph, Inc. (COSJ). Pooled investments are acquired in the name of the COSJ and are held by the Trust Department at Northern Trust. The pooled investment program is secured by the underlying securities in the program. The fair values of the securities held in the program are generally based on the quoted market prices for the securities that are marketable. Investments in mutual funds are valued at their fair values.

Sisters of St. Joseph "Dear Neighbor" Ministries, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

4. *Investments - Continued*

DNM is provided a percentage of the pooled investments based on the contributed proportionate share of investments in the pool and the investment activity of the pool is allocated accordingly based on the percentage by Northern Trust. Unrealized gains and losses of the pooled investments are included in the statement of activities.

5. *Property and Equipment*

Property and equipment are stated at cost less accumulated depreciation. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, on a straight-line basis. All items exceeding \$ 500 are capitalized.

The estimated lives used in determining depreciation are:

	<u>Years</u>
Buildings and improvements	10 - 20
Land improvements	15
Furniture and equipment	3 - 7

6. *Funds Held for Others*

DNM acts as a custodian for certain funds transferred by a related party. The funds are held in a pooled investment account and are presented in the financial statements at fair value.

7. *Contributions*

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

8. *Program Services*

The Hilltop Neighborhood Outreach program provides a multitude of services to the people of this largely poor neighborhood. Through home visitations, needs are identified and either referrals to other agencies or direct assistance is provided. Services include emergency rent, utility and transportation assistance, food baskets and needs of children. Staff collaborates with neighborhood organizations and other non-profits in meeting the needs of clients.

Sisters of St. Joseph “Dear Neighbor” Ministries, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

*9. Expense Allocation*

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

*10. Income Taxes*

DNM is a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code and, as such, is exempt from income taxes under Section 501(a) of the Code.

DNM has recognized in the financial statements the effects of all tax positions and continually evaluate expiring statutes of limitations, audits, changes in tax law, and new authoritative rulings. DNM is not aware of any circumstances or events that make it reasonably possible that unrecognized tax benefits may increase or decrease within 12 months of the statement of financial position date. Penalties and interest assessed by taxing authorities are included in expenses, if applicable. There were no interest or penalties paid during the years ended June 30, 2017 and 2016.

*11. Use of 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 the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management’s knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

*12. Subsequent Events*

Management has evaluated subsequent events for recognition and disclosure in the financial statements through November 16, 2017, which is the date the financial statements were available to be issued. Through November 16, 2017, no subsequent events required recognition or disclosure in the financial statements.

NOTE B - CONCENTRATION OF CREDIT RISK

Cash is maintained at a financial institution in Wichita, Kansas. Accounts at the institutions are insured up to \$ 250,000 by the Federal Deposit Insurance Corporation. From time to time, account balances may exceed the insured limits. DNM has not experienced any losses in such accounts.

Sisters of St. Joseph “Dear Neighbor” Ministries, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE C - INVESTMENTS

The following is a breakdown of investments segregated by investment type as of June 30:

	2017		2016	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Pooled investments	\$ 287,662	\$ 334,382	\$ 386,917	\$ 412,460
Mutual funds	<u>955</u>	<u>1,451</u>	<u>809</u>	<u>1,045</u>
Total	<u>\$ 288,617</u>	<u>\$ 335,833</u>	<u>\$ 387,726</u>	<u>\$ 413,505</u>

NOTE D - FAIR VALUE MEASUREMENT

DNM follows the fair value measurement guidance for financial assets and financial liabilities. This guidance defines fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurements.

Fair value is defined to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between the market participants at the measurement date. A three-level hierarchy has been established for fair value measurements based upon the inputs to the valuation of an asset or liability as follows:

Level 1 - Valuation is based on quoted prices for identical assets and liabilities in active markets.

Level 2 - Valuation is derived from inputs, other than quoted prices included in Level 1, which are observable for the asset or liability either directly or indirectly. Investments classified as Level 2 are generally valued by benchmarking model-derived prices to quoted market prices and trade data for identical or comparable securities. The significant inputs used in this approach include interest rates, prepayment timing, yield spreads, maturities, credit losses and credit ratings of the securities.

Level 3 - Valuation is derived from unobservable inputs that are not corroborated by market data.

Sisters of St. Joseph “Dear Neighbor” Ministries, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE D - FAIR VALUE MEASUREMENT - Continued

Fair value of DNM’s proportionate share of pooled investments is determined by Northern Trust based on the fair value of underlying securities of the investment pool. The underlying securities consist primarily of equity securities and U.S. Government securities classified as Level 1, corporate bonds and collateralized mortgage obligations classified as Level 2, and limited partnerships and limited liability companies.

Fair value of the mutual funds have been determined by DNM from observable market quotations.

The following table presents DNM’s fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>2017</u>				
Pooled investments	\$ 334,382	\$ -	\$ 334,382	\$ -
Mutual funds	<u>1,451</u>	<u>1,451</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 335,833</u>	<u>\$ 1,451</u>	<u>\$ 334,382</u>	<u>\$ -</u>
<u>2016</u>				
Pooled investments	\$ 412,460	\$ -	\$ 412,460	\$ -
Mutual funds	<u>1,045</u>	<u>1,045</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 413,505</u>	<u>\$ 1,045</u>	<u>\$ 412,460</u>	<u>\$ -</u>

Sisters of St. Joseph "Dear Neighbor" Ministries, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE E - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment at June 30:

	<u>2017</u>	<u>2016</u>
Buildings and improvements	\$ 376,883	\$ 376,883
Furniture and equipment	29,961	29,595
Land improvements	<u>4,604</u>	<u>4,604</u>
	411,448	411,082
Less accumulated depreciation	<u>(198,259)</u>	<u>(176,955)</u>
	213,189	234,127
Land	<u>39,414</u>	<u>39,414</u>
	<u>\$ 252,603</u>	<u>\$ 273,541</u>

Depreciation expense charged to operations during the years ended June 30, 2017 and 2016, was \$ 21,729 and \$ 22,052, respectively.

Sisters of St. Joseph "Dear Neighbor" Ministries, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE F - MULTI-EMPLOYER DEFINED BENEFIT PENSION PLAN

During the year ended June 30, 2016, individuals performing services for DNM were employees of the Congregation of the Sisters of St. Joseph, Inc. (COSJ). In June 2016, the employees were transferred and became employees of DNM. Additionally, employees of Stepstone, Inc. (a related entity) perform shared services for DNM. The entities participate in the Christian Brothers Employee Retirement Plan, a multi-employer defined benefit pension plan which covers substantially all of the entities' employees.

Expenses for the plan were \$ 12,605 and \$ 13,579 for the years ended June 30, 2017 and 2016, respectively. The entities' contributions to the plan do not represent more than 5% of total contributions received by the plan.

The risks of participating in a multi-employer plan are different from single-employer plans in the following aspects:

- Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If DNM chooses to stop participating in the plan, the entities may be required to pay the plan an amount based on the underfunded status of the plan, referred to as the withdrawal liability.

The plan is not required to file Form 5500; therefore certain information is not required to be made available publicly. If the entities withdraw their participation in the plan, the entities are not subject to a withdrawal liability under the current terms of the plan. In addition, to the extent that the plan is underfunded, the entities' future contributions to the plan may increase to cover retirement benefits of employees of other organizations participating in the plan. The following information is based on the financial statements of the plan as of the plan year ended June 30:

	<u>2016</u>	<u>2015</u>
Total plan assets	\$ 1,289,092,792	\$ 1,341,145,067
Actuarial present value of accumulated plan benefits	1,707,623,867	1,677,828,378
Total contributions received by the plan	66,559,038	189,595,983
Indicated level of funding	75%	80%

Financial statements of the plan for the year ended June 30, 2017 were not available as of the date of this report.



Sisters of St. Joseph "Dear Neighbor" Ministries, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE G - RELATED-PARTY TRANSACTIONS

The members of COSJ contributed services to DNM totaling \$ 15,946 and \$ 15,215 for the years ended June 30, 2017 and 2016, respectively. DNM had a balance payable of \$ 75,679 to StepStone, Inc. and \$ 26,258 to COSJ and other related entities for payroll amounts allocated at June 30, 2017 and 2016, respectively. DNM acts as custodian for funds transferred by StepStone. DNM held \$ 51,035 and \$ 46,228, respectively, on behalf of StepStone. Additionally, StepStone owes DNM \$ 989 and \$ 599, for the use of DNM office space and postage at June 30, 2017 and 2016, respectively. For the years ended June 30, 2017 and 2016, the Congregation of the Sisters of St. Joseph Ministries, Inc. (CSJM) contributed \$ 90,000 and \$ 85,000, respectively, to DNM to be used for operations.

During 2003, DNM, along with Via Christi Senior Services, Inc., a related organization, formed Sheridan Village, Inc., a not-for-profit corporation. The purpose of the corporation is to provide housing and related services for elderly and handicapped residents. Construction of the new housing facility was completed in February 2005 and is financed by a grant from the U.S. Department of Housing and Urban Development. The financial information for Sheridan Village, Inc. is not included in the accompanying financial statements of DNM as the criteria for consolidation is not met.

NOTE H - DESIGNATED NET ASSETS

Unrestricted net assets of \$ 28,907 and \$ 111,792 have been designated by the board as an endowment at June 30, 2017 and 2016, respectively.

NOTE I - TEMPORARILY RESTRICTED NET ASSETS

Net assets are temporarily restricted for the following purposes at June 30:

	<u>2017</u>	<u>2016</u>
Future operations	\$ 77,602	\$ 20,757
Client education	10,709	10,509
Poor and disadvantaged	35,886	47,071
Various client needs	<u>377</u>	<u>377</u>
	<u>\$ 124,574</u>	<u>\$ 78,714</u>

Sisters of St. Joseph "Dear Neighbor" Ministries, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE J - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions during the fiscal years ending June 30, 2017 and 2016 by incurring expenses satisfying the restricted purposes specified by donors or by the actual payment of pledges receivable. Those purpose and time restrictions satisfied are as follows for the years ending June 30:

	<u>2017</u>	<u>2016</u>
General operations	\$ 20,154	\$ 26,976
Client education	14,310	1,098
Poor and disadvantaged	18,720	29,080
Various client needs	<u>1,074</u>	<u>5,471</u>
	<u>\$ 54,258</u>	<u>\$ 62,625</u>

NOTE K - ENDOWMENTS

DNM's endowment includes funds designated by the Board, as well as contributions restricted by donors for an endowment to be maintained in perpetuity and invested for the purpose of producing present and future income which may be expended or added to principal. Board designated endowment funds were established to help ensure the growth of DNM's endowment. DNM will continue to designate any earnings on the permanently restricted net assets to the board designated endowment fund. This will continue until the total of the board designated endowment fund and the permanently restricted endowment fund reaches \$ 500,000. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowments are classified and reported based on the existence or absence of donor-imposed restrictions.

DNM's Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, DNM classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Sisters of St. Joseph "Dear Neighbor" Ministries, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE K - ENDOWMENTS - Continued

In accordance with UPMIFA, DNM considers the following factors in making a determination to appropriate or accumulate appreciation of donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of DNM and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of DNM
- (7) The investment policies of DNM

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires DNM to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in temporarily restricted net assets to the extent of accumulated earnings that have not been released. Any deficiencies in excess of past earnings are reported in unrestricted net assets.

Return Objectives and Risk Parameters

DNM has adopted investment and spending policies that enable them to meet the following objectives:

- (1) Preserve capital and its purchasing power
- (2) Increase principal in value to provide the necessary base for the generation of income for current and future needs

Strategies Employed for Achieving Objectives

To satisfy its return objectives, DNM holds funds in accounts that provide a reasonable rate of return based on market conditions.

Spending Policy and How the Investment Objectives Relate to the Spending Policy

Only the income from endowment funds may be spent to satisfy restrictions. The principal and all contributions to the endowments must remain intact in perpetuity. The above investment objectives are intended to ensure earnings on these funds.

Sisters of St. Joseph "Dear Neighbor" Ministries, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE K - ENDOWMENTS - Continued

Endowment Net Asset Composition by Type of Fund  
as of June 30

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>2017</u>				
Donor-restricted endowment funds	\$ -	\$ -	\$ 254,540	\$ 254,540
Board-designated endowment funds	<u>28,907</u>	<u>-</u>	<u>-</u>	<u>28,907</u>
	<u>\$ 28,907</u>	<u>\$ -</u>	<u>\$ 254,540</u>	<u>\$ 283,447</u>
<u>2016</u>				
Donor-restricted endowment funds	\$ -	\$ -	\$ 254,540	\$ 254,540
Board-designated endowment funds	<u>111,792</u>	<u>-</u>	<u>-</u>	<u>111,792</u>
	<u>\$ 111,792</u>	<u>\$ -</u>	<u>\$ 254,540</u>	<u>\$ 366,332</u>

Sisters of St. Joseph "Dear Neighbor" Ministries, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE K - ENDOWMENTS - Continued

Changes in Endowment Net Assets  
for the year ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beginning of year	\$ 111,792	\$ -	\$ 254,540	\$ 366,332
Transfer of funds out of board-designated endowment fund	(112,093)	-	-	(112,093)
Investment gain, net	22,627	-	-	22,627
Interest and dividends	<u>6,581</u>	<u>-</u>	<u>-</u>	<u>6,581</u>
End of year	<u>\$ 28,907</u>	<u>\$ -</u>	<u>\$ 254,540</u>	<u>\$ 283,447</u>

Changes in Endowment Net Assets  
for the year ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beginning of year	\$ 231,375	\$ -	\$ 254,440	\$ 485,815
Contributions	-	-	100	100
Transfer of funds out of board-designated endowment fund	(115,000)	-	-	(115,000)
Investment loss, net	(12,937)	-	-	(12,937)
Interest and dividends	<u>8,354</u>	<u>-</u>	<u>-</u>	<u>8,354</u>
End of year	<u>\$ 111,792</u>	<u>\$ -</u>	<u>\$ 254,540</u>	<u>\$ 366,332</u>

Sisters of St. Joseph "Dear Neighbor" Ministries, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE K - ENDOWMENTS - Continued

Description of amounts classified as permanently restricted net assets as of June 30 (endowment only):

	<u>2017</u>	<u>2016</u>
Permanently restricted net assets		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or UPMIFA	\$ 254,540	\$ 254,540
Total endowment funds classified as permanently restricted net assets	<u>\$ 254,540</u>	<u>\$ 254,540</u>

NOTE L - CONTRIBUTED SERVICES

Contributed services received by DNM represent specialized services performed for DNM or DNM clients at no cost to DNM or their clients. The amounts reported in the statement of activities represent the estimated fair value DNM would have to pay for these services. Contributed services consisted of the following for the years ended June 30:

	<u>2017</u>	<u>2016</u>
Human resource and payroll support	\$ 6,000	\$ 6,000
Tutoring	9,946	9,215
Tax preparation services	<u>94,193</u>	<u>92,768</u>
Total	<u>\$ 110,139</u>	<u>\$ 107,983</u>