John 3:16 Mission

Financial Statements
and
Independent Auditor's Report

September 30, 2014 and 2013

Contents

Stanfield & O'Dell PC
Beyond numbers. To solutions.
CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Directors
John 3:16 Mission
Tulsa, Oklahoma

We have audited the financial statements of John 3:16 Mission, which comprise the statements of financial position as of September 30, 2014 and 2013, and the related statements of activities and cash flows for the year ended September 30, 2014 and for the nine-month period ended September 30, 2013, 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

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 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, 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.

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 John 3:16 Mission as of September 30, 2014 and 2013, and the changes in net assets and its cash flows for the year ended September 30, 2014 and for the nine-month period ended September 30, 2013 in accordance with accounting principles generally accepted in the United States of America.

Tulsa, Oklahoma
May 13, 2015

Stanfield & O'Dell P.C.

John 3:16 Mission

Statements of Financial Position

September 30, 2014 and 2013

Assets	2014	2013
Current assets		
Cash and cash equivalents	$ 2,206,604	$ 2,413,676
Certificates of deposit	8,763	8,763
Accrued interest receivable	1,761	1,761
Accounts receivable	9,697	7,018
Current portion of pledges receivable	100,000	100,000
Other current assets	33,729	27,513
Total current assets	2,360,554	2,558,731
Investments		
Beneficial interest in assets held by others	731,844	1,459,365
Property and equipment		
Land	1,119,083	290,693
Building and improvements	6,797,685	5,238,782
Computer equipment	328,283	290,976
Furniture and fixtures	737,045	692,894
Leasehold improvements	42,431	42,431
Vehicles	94,199	111,299
	9,118,726	6,667,075
Less accumulated depreciation	(1,713,997)	(1,478,470)
Property and equipment, net	7,404,729	5,188,605
Long-term portion of pledges receivable	181,507	272,646
Other assets	20,822	20,836
Total assets	$ 10,699,456	$ 9,500,183
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 170,098	$ 147,976
Accrued liabilities	151,806	182,339
Total current liabilities	321,904	330,315
Mortgage payable	1,000,000	-
Net assets		
Unrestricted	8,262,039	6,406,892
Unrestricted-board designated	731,844	2,390,330
Temporarily restricted	383,669	372,646
Total net assets	9,377,552	9,169,868
Total liabilities and net assets	$ 10,699,456	$ 9,500,183

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

John 3:16 Mission

Statements of Activities

Year Ended September 30, 2014 and Nine-month Period Ended September 30, 2013

Change in Unrestricted Net Assets	2014	2013
Support and revenue:		
Contributions	$ 4,756,717	$ 2,646,666
Contributions-in kind	1,847,955	1,352,951
Net assets released from temporary restrictions	282,572	6,669
Fundraising events	5,925	34,249
Investment income	8,515	20,420
Realized/unrealized gain on investments	21,660	51,547
Rag sales	35,407	27,310
Other income	9,221	2,332
Total unrestricted support	6,967,972	4,142,144
Expenses		
Program expenses:		
Summer enrichment	141,147	146,920
Women's ministry	161,129	122,258
Housekeeping	89,369	74,331
K4K clothing	64	200,733
Kitchen	640,705	380,164
Family center	1,794,251	1,106,239
Men's program	883,842	771,609
Women's program	2,484	1,542
Fine arts program	49,645	37,345
Shelter	590,423	425,563
Warehouse operations	242,628	184,943
Youth programs	313,443	250,192
Total programs expenses	4,909,130	3,701,839
Management and general	485,980	327,074
Fundraising	1,376,201	709,645
Total expenses	6,771,311	4,738,558
Change in unrestricted net assets	196,661	(596,414)
Change in Temporarily Restricted Net Assets		
Contributions	293,595	372,646
Net assets released from temporary restrictions	(282,572)	(6,669)
Change in temporarily restricted net assets	11,023	365,977
Change in net assets	207,684	(230,437)
Net assets at beginning of year	9,169,868	9,400,305
Net assets at end of year	$ 9,377,552	$ 9,169,868

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

John 3:16 Mission

Statement of Functional Expense

Year Ended September 30, 2014

	Summer Enrichment	Women's Ministry	Housekeeping	K4K Clothing	Kitchen	Family Center	Men's Program	Women's Program	Fine Arts Program	Shelter	Warehouse Operations	Youth Programs	Total Programs	Management & General	Fund-raising	Total
Advertising	$ -	$ 7,951	$ -	$ -	$ -	$ 37,630	$ 37,630	$ -	$ -	$ -	$ -	$ 7,322	$ 90,533	$ -	$ 87,820	$ 178,353
Benevolences	-	2,119	-	-	-	1,186,038	335,062	896	-	4,621	11,959	-	1,540,695	49,800	12,670	1,603,165
Building & Grounds	-	370	-	-	-	17,144	-	-	-	16,961	422	90	34,987	243	-	35,230
Conferences	-	1,764	-	-	-	5,343	233	-	698	4,576	-	1,839	14,453	11,920	25,485	51,858
Depreciation	14,099	1,806	-	(29)	44,304	56,792	9,121	-	-	71,843	3,055	-	200,991	34,537	-	235,528
Dues & Subscriptions	-	55	-	-	-	-	-	-	-	1,012	-	-	1,067	12,296	-	13,363
Equipment Costs	-	179	-	-	6,976	17,474	1,507	-	-	34,149	5,706	-	65,991	4,984	240	71,215
Food	-	-	-	-	438,793	54,196	-	-	-	-	-	-	492,989	-	-	492,989
Gratuities & Allowances	-	-	17,259	-	8,484	200	-	-	-	-	-	-	25,943	4,605	-	30,548
Insurance	10,513	17,595	11,415	691	22,648	66,220	69,766	-	8,061	63,935	22,805	47,434	341,083	21,947	37,417	400,447
Janitorial	-	-	-	-	-	1,900	-	-	-	4,165	3,151	-	9,216	-	-	9,216
Meals & Meetings	1,219	223	-	-	-	1,779	-	-	-	232	-	4,268	7,721	12,670	3,019	23,410
Medical	-	-	-	-	-	-	852	-	-	172	-	-	1,024	-	-	1,024
Miscellaneous	15,853	16,257	2,950	-	3,509	18,428	23,181	819	1,910	109,705	6,742	24,707	224,061	24,192	130,471	378,724
Office Supplies	13,171	2,739	11,273	-	21,975	6,465	7,369	142	5,515	18,291	4,159	3,494	94,593	21,277	3,726	119,596
Postage	37	20	-	-	-	94	-	-	-	-	-	4	155	1,002	687,427	688,584
Printing	405	1,717	-	-	-	10,005	10,005	-	-	-	-	200	22,332	385	8,318	31,035
Professional Services	-	-	-	-	-	-	-	-	-	-	-	-	-	39,323	118,091	157,414
Recreation	2,593	-	-	-	-	-	10,439	627	-	1,756	-	20,181	35,596	-	-	35,596
Rent	-	-	-	-	-	1,282	-	-	-	8,708	19,200	-	29,190	44,325	-	73,515
Revival Expense	-	-	-	-	-	-	-	-	-	696	-	-	696	-	-	696
Telephone	-	686	-	-	-	7,251	-	-	-	17,319	4,123	-	29,379	-	1,872	31,251
Transportation	4,644	4,916	-	-	3,692	1,202	10,651	-	-	5,601	19,289	20,461	70,456	3,618	10,574	84,648
Utilities	3,030	2,584	-	-	24,121	19,638	26,706	-	3,030	34,465	5,416	9,090	128,080	11,163	-	139,243
Wages & Payroll Taxes	75,583	100,148	46,472	(598)	66,203	285,170	341,320	-	30,431	192,216	136,601	174,353	1,447,899	187,693	249,071	1,884,663
Total Expenses	$ 141,147	$ 161,129	$ 89,369	$ 64	$ 640,705	$ 1,794,251	$ 883,842	$ 2,484	$ 49,645	$ 590,423	$ 242,628	$ 313,443	$ 4,909,130	$ 485,980	$ 1,376,201	$ 6,771,311

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

John 3:16 Mission

Statement of Functional Expense

Nine-month Period ended September 30, 2013

	Summer Enrichment	Women's Ministry	Housekeeping	K4K Clothing	Kitchen	Family Center	Men's Program	Women's Program	Fine Arts Program	Shelter	Warehouse Operations	Youth Programs	Total Programs	Management & General	Fund-raising	Total
Advertising	$ -	$ 6,655	$ -	$ -	$ -	$ 30,639	$ 30,639	$ -	$ -	$ -	$ -	$ 14,061	$ 81,994	$ -	$ 73,517	$ 155,511
Benevolences	-	2,332	-	-	-	699,242	353,052	709	-	1,593	13,535	-	1,070,463	22,290	9,450	1,102,203
Building & Grounds	-	99	-	-	-	12,831	-	-	-	12,809	94	591	26,424	461	-	26,885
Clothing	-	-	-	29,161	-	-	-	-	-	-	-	-	29,161	-	-	29,161
Conferences	-	1,473	-	-	-	5,737	641	-	1,093	5,516	-	4,255	18,715	25,077	7,727	51,519
Depreciation	4,514	1,321	-	179	25,857	46,966	6,870	-	-	53,806	2,677	-	142,190	13,060	-	155,250
Dues & Subscriptions	-	51	-	-	-	229	575	-	-	110	-	-	965	8,041	-	9,006
Equipment Costs	1,115	-	-	-	6,701	14,825	303	-	-	12,745	3,532	-	39,221	4,221	1,001	44,443
Food	-	-	-	-	253,194	7,959	-	-	-	-	-	-	261,153	-	-	261,153
Gratuities & Allowances	-	-	11,389	-	5,798	374	360	-	-	-	-	-	17,921	1,476	185	19,582
Insurance	8,267	11,718	7,032	2,946	11,982	36,498	43,072	-	5,236	38,330	19,964	30,417	215,462	11,060	25,770	252,292
Janitorial	-	-	-	-	-	1,992	-	-	-	2,914	1,816	-	6,722	-	-	6,722
Meals & Meetings	6,010	116	-	1,129	-	3,160	-	-	-	491	-	1,302	12,208	8,034	1,314	21,556
Medical	-	-	-	-	-	-	447	-	-	84	-	-	531	-	-	531
Miscellaneous	27,360	17,006	2,034	143,767	2,401	13,135	15,237	352	1,440	64,841	7,416	22,204	317,193	22,214	72,298	411,705
Office Supplies	13,431	2,135	16,609	1,913	9,233	8,569	9,366	216	3,981	16,772	2,840	3,748	88,813	10,345	1,659	100,817
Postage	252	34	-	200	-	360	12	-	-	94	-	166	1,118	965	269,320	271,403
Printing	-	1,498	-	450	-	11,138	11,181	-	-	135	-	100	24,502	827	4,325	29,654
Professional Services	-	-	-	-	-	-	-	-	-	-	-	-	-	36,876	53,475	90,351
Recreation	4,147	-	-	3,264	-	-	4,615	265	-	2,505	-	21,208	36,004	-	-	36,004
Rent	-	-	-	-	-	1,972	-	-	-	6,382	15,247	-	23,601	32,867	-	56,468
Revival Expense	-	-	-	-	-	-	-	-	-	532	-	-	532	-	-	532
Telephone	-	371	-	-	-	5,211	614	-	-	14,285	3,119	-	23,600	-	1,470	25,070
Transportation	6,964	2,267	-	-	3,484	52	5,283	-	-	7,303	10,841	14,477	50,671	2,501	9,074	62,246
Utilities	2,549	2,324	-	2,549	13,200	12,766	14,387	-	2,549	17,155	3,282	7,647	78,408	9,379	-	87,787
Wages & Payroll Taxes	72,311	72,858	37,267	15,175	48,314	192,584	274,955	-	23,046	167,161	100,580	130,016	1,134,267	117,380	179,060	1,430,707
Total Expenses	$ 146,920	$ 122,258	$ 74,331	$ 200,733	$ 380,164	$ 1,106,239	$ 771,609	$ 1,542	$ 37,345	$ 425,563	$ 184,943	$ 250,192	$ 3,701,839	$ 327,074	$ 709,645	$ 4,738,558

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

John 3:16 Mission

Statements of Cash Flows

Year Ended September 30, 2014 and Nine-month Period Ended September 30, 2013

	2014	2013
Cash flows from operating activities		
Change in net assets	$ 207,684	$ (230,437)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	235,528	155,250
Unrealized (gain) loss on long-term investments	133,598	(39,433)
Contributions restricted to long-term purposes	(102,162)	(100,000)
Loss on disposal of property and equipment	-	2,956
Donated property and equipment	(13,864)	-
Increase in accounts receivable	(2,679)	(2,235)
(Increase) decrease in pledges receivable	91,139	(372,646)
(Increase) decrease in other current assets	(6,216)	16,817
(Increase) decrease in other assets	14	(4,098)
Increase in accounts payable	22,122	2,905
Decrease in accrued liabilities	(30,533)	(19,234)
Net cash provided by (used in) operating activities	534,631	(590,155)
Cash flows from investing activities		
Proceeds from sales of investments	2,155,759	73,830
Purchases of investments	(1,561,836)	(101,708)
Purchases of property and equipment	(2,437,788)	(214,248)
Net cash used in investing activities	(1,843,865)	(242,126)
Cash flows from financing activities		
Proceeds from mortgage payable	1,000,000	-
Contributions restricted to long-term purposes	102,162	100,000
Net cash provided by financing activities	1,102,162	100,000
Decrease in cash and cash equivalents	(207,072)	(732,281)
Cash and cash equivalents, beginning of year	2,413,676	3,145,957
Cash and cash equivalents, end of year	$ 2,206,604	$ 2,413,676
Non-cash investment and financing transactions:		
Receipt of donated property and equipment	$ 13,864	$ -

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

Note A – Organization and Vision

John 3:16 Mission (the Mission) is an interdenominational Christian ministry that provides food, shelter, clothing and restorative programs to Tulsa's homeless and at-risk population. Incorporated under the State of Oklahoma in October 1952, the Mission has served thousands of homeless men, women and children through the decades, helping them live a better life grounded in Christian faith.

The Mission's shelter provides a safe refuge from the street each night for up to 110 men. The Mission also serves around three hundred and fifty meals each day to Tulsa's homeless and at-risk and to men enrolled in their recovery programs. Additionally, the Mission operates a Family & Youth Center located in north Tulsa. The Family & Youth Center provides material, spiritual and educational support to at-risk low-income families living in inner-city environments.

The Mission is a nonprofit organization that is supported solely through private donations.

Note B – Summary of Significant Accounting Policies

1. Basis of Accounting

The financial statements of the Mission have been prepared on the accrual basis of accounting and in accordance with accounting standards generally accepted in the United States of America. The significant accounting policies are described below to enhance the usefulness of these financial statements to the reader.

2. Change in Year-end

The Mission realizes a high concentration of its donation revenue during the final quarter of the calendar year. Due to this high degree of seasonality, the Mission changed its year-end from December 31st to September 30th during 2013. Therefore, the statements of activities and cash flows are presented for the year ended September 30, 2014 and for the nine-month period ended September 30, 2013.

3. Basis of Presentation

The Mission is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Unrestricted-Board Designated Net Assets - Net assets that are not subject to donor imposed stipulations; however, they are earmarked by the board of directors for a specified purpose. They are classified and reported as part of unrestricted net assets.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Mission and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the

Note B – Summary of Significant Accounting Policies - Continued

3. *Basis of Presentation - Continued*

statement of activities as net assets released from restrictions. Contributions with donor imposed restrictions that are met in the same period as the contribution may be accounted for as unrestricted contributions.

Permanently Restricted Net Assets - Net assets continuously subject to donor-imposed stipulations.

4. *Use of Estimates*

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

5. *Contributions*

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

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. 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. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

A significant portion of the Mission's support comes from contributions solicited through direct mail appeals to lists of contributors which have been developed over many years. These contributions are recognized as income when received.

The Mission 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 those long-lived assets must be maintained, the Mission reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

The Mission receives in-kind contributions of food and clothing. These items are generally distributed to needy recipients on a next day basis. The items received are valued based upon standards and practices developed by the Evangelical Council for Financial Accountability ("ECFA"). Equal amounts of contribution revenue and program expenses related to in-kind contributions of $1,847,955 and $1,352,951 were recognized for the year ended September 30, 2014 and for the nine-month period ended September 30, 2013, respectively.

Note B – Summary of Significant Accounting Policies - Continued

6. Cash and Cash Equivalents; Certificates of Deposit

The Mission considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Certificates of deposit are recorded at cost plus accrued interest.

7. Accounts Receivable

Accounts receivable consists of advances to employees and health care premium reimbursements. The Mission has historically not experienced significant uncollectible amounts and has provided no allowance. The Mission typically does not charge interest or require collateral on receivables. Accounts receivable are written-off when deemed uncollectible.

8. Pledges Receivable

Contributions, absent any promises with unsatisfied conditions, are recognized as revenue in the period received or promised. Pledges are recorded at their fair value at the time the promise is made and are discounted to their present value. The Mission evaluated is outstanding pledges at September 30, 2014 and 2013 and determined an allowance for uncollectible pledges was not considered necessary.

9. Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change of net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the income and gains are recognized.

The Mission reports all investments for which a quoted market price is available at fair value based upon information obtained from published sources.

10. Property and Equipment

Acquisitions or property and equipment in excess of $500 are capitalized. Property and equipment is carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method. Useful lives range from 5 to 15 years for most furniture, fixtures and equipment and 40 years for buildings. Expenditures for repairs and maintenance are charged to operating expense as incurred.

Note B – Summary of Significant Accounting Policies - Continued

11. Income Taxes

The Mission is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for state or federal income taxes is necessary. The Mission is not classified as a private foundation under Section 509(a) of the Internal Revenue Code. The federal income tax returns of the Mission are subject to examination by the IRS and state taxing authorities, generally for three years after they were filed. It is the Mission's policy that penalties and interest assessed by income taxing authorities, if any, are included in operating expenses. The Mission annually evaluates its various tax positions and assesses the likelihood of these positions being upheld by examination with relevant tax authorities.

12. Concentrations and Credit Risk

The Mission maintains several bank accounts. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. Cash balances exceeded the FDIC limits at times during the year. In addition, the Mission maintains a collateralized deposit account related to the sweep portion of its banking arrangement. The Mission has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

13. Donated Services

The Mission receives donated services from a variety of unpaid volunteers, for which no amounts have been reflected on the financial statements.

14. Functional Expenses

The Mission provides shelter and food for the homeless, overnight lodging, training for re-integration with society and family and youth ministries. The cost of providing the various programs and other activities are summarized on a functional basis in the statement of activities. Accordingly, certain facility costs have been allocated among the programs and support activities benefited. The allocation is based upon the square footage occupied by each program and support activity.

15. Advertising Costs

Costs incurred for producing and communicating non-direct advertising are expensed when incurred. Costs incurred for direct response advertising is capitalized and amortized over its estimated useful life. Advertising costs are expensed as incurred. The Mission incurred advertising expenses of $178,353 and $155,511 for the year ended September 30, 2014 and for the nine-month period ended September 30, 2013.

16. Subsequent Events

The Mission has reviewed subsequent events through May 13, 2015, the date at which the financial statements were available to be issued.

Note C – Investments

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

Accounting standards define fair value, establishes a consistent framework for measuring fair value and establishes a fair value hierarchy based on the observability of inputs used to measure fair value. These inputs are summarized in the three broad levels listed below:

- Level 1 - Quoted prices in active markets for identical securities
- Level 2 - Other significant observable inputs (including quoted prices for similar securities)
- Level 3 - Significant unobservable inputs (including the Mission's own assumptions in determining the value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The inputs used by the Mission as of September 30, 2014 and 2013, were Level 1 inputs. The fair values of Level 1 investments are derived from securities traded on a national securities exchange and are valued at the last reported sales price on the last business day of the Mission's fiscal year.

Investments consist of the following at September 30, 2014 and 2013:

	2014			2013		
	Cost	Fair Value	Level	Cost	Fair Value	Level
Investments held & managed by Tulsa Community Foundation:						
Cash and cash equivalents	$ 731,844	$ 731,844	1	$ 49,209	$ 49,209	1
Fixed income funds	-	-		993,920	946,234	1
Equity funds	-	-		341,738	463,922	1
	$ 731,844	$ 731,844		$ 1,384,867	$ 1,459,365	

Investments Held and Managed by the Tulsa Community Foundation

In 2002, the Mission established with the Tulsa Community Foundation ("TCF"), a board designated investment fund (the "Fund"). TCF holds and administers the Fund (including subsequent contributions and future earnings) for the benefit of the Mission. The Agency Fund Agreement provides that the Board of Trustees of TCF shall have the power to modify any restriction or condition on distributions

Note C – Investments - Continued

Investments Held and Managed by the Tulsa Community Foundation - Continued

from the Fund for any specific charitable purposes or to specific organization, if in the sole judgment of the Board of Trustees the restriction or condition becomes, in effect, necessary, incapable of fulfillment or inconsistent with the charitable needs served by TCF.

The Mission is entitled to receive annually a maximum distribution of 6 percent of the Fund's market value as of the preceding December 31. In unusual circumstances of need or opportunity, the Mission may request a distribution of all or a portion of the Fund upon two-thirds vote of the Mission Board of Directors. TCF may grant the request if it concludes, upon independent review, that such distribution is neither unreasonable nor inconsistent with the charitable purposes of TCF and the Mission; however, TCF shall have the ultimate authority over and control of all property in the Fund and all distributions from the Fund. As TCF has agreed to transfer the assets and the return of these assets back to the Mission, the investments are required to be treated as an asset on the financial statements of the Mission. Transfers from these investments during 2014 were used in conjunction with the land and building purchase described in Note E.

Activity for the year ended September 30, 2014 and the nine-month period ended September 30, 2013, respectively, in the Mission's board designated investment fund are summarized as follows:

	2014	2013
Investment, at fair value, beginning of period	$ 1,459,365	$ 1,392,094
Amounts transferred for current use	(750,000)	-
Dividends and interest	5,543	21,307
Unrealized and realized investment gains	22,561	51,547
Investment expense	(5,625)	(5,583)
Investments, at fair value, end of period	$ 731,844	$ 1,459,365

Under the Mission's investment management policies, dividends and interest earned and capital gains are retained in the Fund.

Note D – Pledges Receivable

Pledges receivable totaled $300,000 and $400,000 at September 30, 2014 and 2013, respectively, less a discount of $18,493 and $27,354, respectively, to reflect the net present value of amounts to be received in future years. As of September 30, 2014, pledges receivable are expected to be collected as follows: $100,000 in 2015, $100,000 in 2016, and $100,000 in 2017.

Note E – Land and Building Purchase

In June 2013, the Mission entered into an agreement to purchase an elementary school located in Choteau, Oklahoma for a cost of $700,000. Additionally, in December of 2013, the Mission purchased the surrounding land for an additional cost of approximately $825,000. Both the purchase of the school and land were finalized during the fiscal year ended September 30, 2014.

The purchase price was financed primarily by a combination of board designated assets, other unrestricted assets, and temporarily restricted net assets of the Mission, and required no borrowings by the Mission. The facility will be used as a treatment and transition center for the Mission's homeless and at-risk clients.

Note F – Mortgage Payable

In April 2014, the Mission entered into a mortgage note payable to BOKF, N.A. pursuant to the Federal Home Loan Bank of San Francisco's Affordable Housing Program in the amount of $1,000,000; collateralized by real estate. This note payable provided funds to be used toward the Mission's Men's Center Expansion & Rehabilitation program.

The note is non-interest bearing and has a 15-year retention period, during which the Mission must comply with the terms of the agreement. Upon expiration of the retention period without default by the Mission, the note will be deemed satisfied and the Mission will have no further obligations under it. In the event of default, as defined in the loan agreement, the outstanding principal balance would become immediately due and payable in full, at the option of the lender. Through September 30, 2014 and the subsequent events date shown at Note B.16, herein, the Mission believes it was in compliance with the terms of the agreement.

Note G – Operating Leases

On August 18, 1997, the Mission entered into an agreement to lease a warehouse facility housing its Distribution Center. The lease agreement was effective September 1, 1997, and terminated on August 31, 2000. The Mission continues to rent the space on a month-to-month basis. Rent expense for the warehouse for the year ended September 30, 2014 and for the nine-month period ended September 30, 2013 was $19,200 and $15,247, respectively.

During 2010, the Mission extended an agreement originating on August 20, 2007 to lease office space for one year to house administrative personnel. The lease agreement was effective October 2010 and expired on September 30, 2011. The Mission continues to rent space on a month-to-month basis. The base monthly rent is $2,456 plus tenant's share of operating costs. Rent expense for the office space for the year ended September 30, 2014 and for the nine-month period ended September 30, 2013 was $44,325 and $32,867, respectively.

Note H – Temporarily Restricted Net Assets

A summary of temporarily restricted net assets for the year ended September 30, 2014 is as follows:

For the Year Ended September 30, 2014

Temporarily Restricted Activity	Beginning of Period Balance	Contributions	Satisfaction of Restrictions	End of Period Balance
Mission Trips	$ -	$ 11,095	$ (11,095)	$ -
Martial Arts	-	1,070	(1,070)	-
Women's Program	-	500	(500)	-
Summer Kids Camp	-	66,479	(66,479)	-
Capital Projects	372,646	214,451	(203,428)	383,669
Total	$ 372,646	$ 293,595	$ (282,572)	$ 383,669

A summary of the activity in these programs for the nine-month period ended September 30, 2013 is as follows:

For the Nine-Month Period Ended September 30, 2013

Temporarily Restricted Activity	Beginning of Year Balance	Contributions	Satisfaction of Restrictions	End of Year Balance
Mission Trips	$ 3,331	$ -	$ (3,331)	$ -
Sarah's Mission	59	-	(59)	-
Youth Intern	348	-	(348)	-
Homeless Standdown	2,931	-	(2,931)	-
Capital Projects	-	372,646	-	372,646
Total	$ 6,669	$ 372,646	$ (6,669)	$ 372,646

Note I – Commitments and Contingencies

Effective January 14, 2013, the Mission extended an existing agreement for a new three-year term for the period March 15, 2013 through March 14, 2016 with Russ Reid Company (Reid), which is a direct response advertising agency that specialized in assisting with the communication needs of not-for-profit clients. Reid's services include, but are not limited to, public relations, providing fund raising counsel and assisting clients in the creation and production of mail and television materials, newsletter advertisements and public service announcements. The Mission pays Reid a monthly fee of $4,000 for these services. This agreement may be terminated by the Mission upon ninety days notice to Reid.