THE INTERSERV FOUNDATION

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

For the Years Ended December 31, 2015 and 2014

Welch & Associates, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS
KANSAS CITY, MISSOURI

THE INTERSERV FOUNDATION

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The InterServ Foundation
Saint Joseph, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of The InterServ Foundation, a Missouri non-profit organization, (the Organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets, schedules of functional expenses and statements of cash flows 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.

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 audits 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 Association'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 Association'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 The InterServ Foundation as of December 31, 2015 and 2014, 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.

"DRAFT"
FOR DISCUSSION PURPOSES ONLY

Welch & Associates, L.L.C.
Kansas City, Missouri
December 7, 2016

FINANCIAL STATEMENTS

THE INTERSERV FOUNDATION

STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Totals
ASSETS			
CURRENT ASSETS			
Cash	$ 149,865	$ 274,109	$ 423,974
Due from Community Missions Corporation	160	-	160
Interest receivable	40	-	40
Pledges Receivable	-	347,750	347,750
TOTAL CURRENT ASSETS	150,065	621,859	771,924
Pledges Receivable (Long-term)	-	651,127	651,127
Fixed Assets			
Land	5,000	-	5,000
Building	15,000	-	15,000
Accumulated Depreciation	(437)	-	(437)
FIXED ASSETS, NET	19,563	-	19,563
Investments	2,465,755	2,931,630	5,397,385
TOTAL ASSETS	$ 2,635,383	$ 4,204,616	$ 6,839,999
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	$ 319	$ -	$ 319
Accrued vacation payable	8,514	-	8,514
Due to Interfaith Community Services	21,214	-	21,214
TOTAL CURRENT LIABILITIES	30,047	-	30,047
NET ASSETS			
Unrestricted:			
General operating	2,605,336	-	2,605,336
Temporarily restricted	-	4,204,616	4,204,616
Total Net Assets	2,605,336	4,204,616	6,809,952
TOTAL LIABILITIES AND NET ASSETS	$ 2,635,383	$ 4,204,616	$ 6,839,999

See auditor's report and notes accompanying financial statements

THE INTERSERV FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2014

	Unrestricted	Temporarily Restricted	Totals
ASSETS			
CURRENT ASSETS			
Cash	$ 305,131	$ 1,075	$ 306,206
Accounts receivable	542	-	542
Interest receivable	39	-	39
Due from Community Missions Corporation	155	-	155
TOTAL CURRENT ASSETS	305,867	1,075	306,942
Investments	2,577,673	1,282,067	3,859,740
TOTAL ASSETS	$ 2,883,540	$ 1,283,142	$ 4,166,682
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	$ 240	$ -	$ 240
Accrued vacation payable	9,047	-	9,047
Due to Interfaith Community Services	52,360	-	52,360
TOTAL CURRENT LIABILITIES	61,647	-	61,647
NET ASSETS			
Unrestricted:			
General operating	2,821,893	-	2,821,893
Temporarily restricted	-	1,283,142	1,283,142
Total Net Assets	2,821,893	1,283,142	4,105,035
TOTAL LIABILITIES AND NET ASSETS	$ 2,883,540	$ 1,283,142	$ 4,166,682

See auditor's report and notes accompanying financial statements

THE INTERSERV FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Totals
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions:			
Organizations	$ 129,528	$ 3,304,608	$ 3,434,136
General public	173,735	176,691	350,426
In-Kind Contributions	20,000	-	20,000
United Way	196	-	196
Program fees	84,051	-	84,051
Investment income	38,885	21,651	60,536
Realized gain on investments	67,405	69,222	136,627
Unrealized gain (loss) on investments	(104,162)	(115,820)	(219,982)
Miscellaneous revenue	-	-	-
Net Assets Released from Restrictions:			
Satisfaction of purpose restrictions	534,878	(534,878)	-
GAINS, AND OTHER SUPPORT	944,516	2,921,474	3,865,990
EXPENSES			
Program Services:			
Resource Development	701,951	-	701,951
Operational Support	459,122	-	459,122
TOTAL EXPENSES	1,161,073	-	1,161,073
CHANGE IN NET ASSETS	(216,557)	2,921,474	2,704,917
NET ASSETS, B.O.Y.	2,821,893	1,283,142	4,105,035
NET ASSETS, E.O.Y.	$ 2,605,336	$ 4,204,616	$ 6,809,952

See auditor's report and notes accompanying financial statements

THE INTERSERV FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Unrestricted	Temporarily Restricted	Totals
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions:			
Organizations	$ 86,899	$ 1,000	$ 87,899
General public	220,727	125	220,852
United Way	500	-	500
Program fees	88,874	-	88,874
Investment income	35,580	23,093	58,673
Realized gain on investments	137,207	116,508	253,715
Unrealized gain (loss) on investments	22,678	(93,611)	(70,933)
Miscellaneous revenue	112	-	112
Net Assets Released from Restrictions:			
Satisfaction of purpose restrictions	236,451	(236,451)	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	829,028	(189,336)	639,692
EXPENSES			
Program Services:			
Resource Development	220,511	-	220,511
Operational Support	683,265	-	683,265
TOTAL EXPENSES	903,776	-	903,776
CHANGE IN NET ASSETS	(74,748)	(189,336)	(264,084)
NET ASSETS, B.O.Y.	2,896,641	1,472,478	4,369,119
NET ASSETS, E.O.Y.	$ 2,821,893	$ 1,283,142	$ 4,105,035

See auditor's report and notes accompanying financial statements

THE INTERSERV FOUNDATION
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Resource Development	Operational Support	Total
EXPENSES			
Direct labor	$ 143,619	$ -	$ 143,619
Employee benefits	15,651	-	15,651
Payroll taxes	17,301	-	17,301
Professional fees	6,897	-	6,897
Postage	449	-	449
Supplies	1,761	-	1,761
Advertising	1,543	-	1,543
Staff mileage and transportation	959	-	959
Conferences and meetings	3,191	-	3,191
Telephone and Internet	1,862	-	1,862
Rental of facilities	4,000	-	4,000
Minor equipment purchases	110	-	110
Organizational dues	407	-	407
Miscellaneous Expense	254	-	254
Cost of Fundraising	63,510	-	63,510
Capital Campaign Fixed Asset Transfer	440,000	-	440,000
Depreciation	437	-	437
Support to Interfaith Community Services, Inc.	-	458,945	458,945
Support to Community Missions Corporation	-	177	177
TOTAL EXPENSES	$ 701,951	$ 459,122	$ 1,161,073

See auditor's report and notes accompanying financial statements

THE INTERSERV FOUNDATION
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Resource Development	Operational Support	Total
EXPENSES			
Direct labor	$ 140,286	$ -	$ 140,286
Employee benefits	13,427	-	13,427
Payroll taxes	16,009	-	16,009
Professional fees	3,202	-	3,202
Postage	208	-	208
Supplies	1,146	-	1,146
Advertising	1,190	-	1,190
Staff mileage and transportation	642	-	642
Conferences and meetings	3,845	-	3,845
Telephone and Internet	2,004	-	2,004
Miscellaneous Expense	4,730	-	4,730
Cost of Fundraising	33,822	-	33,822
Support to Interfaith Community Services, Inc.	-	682,139	682,139
Support to Community Missions Corporation	-	1,126	1,126
TOTAL EXPENSES	$ 220,511	$ 683,265	$ 903,776

See auditor's report and notes accompanying financial statements

THE INTERSERV FOUNDATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 2,704,917	$ (264,084)
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	437	-
Unrealized gain on investments	219,982	70,933
(Increase)/Decrease in Operating Assets:		
Accounts receivable	382	(542)
Interest receivable	(1)	1,103
Pledges receivable	(347,750)	-
Due from Community Missions Corporation	155	607
Increase/(Decrease) in Operating Liabilities:		
Accounts payable	79	(4,556)
Accrued vacation payable	(533)	1,657
Deferred revenue	-	(871)
Due to Interfaith Community Services	(31,146)	(6,460)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	2,546,522	(202,213)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of long-term assets	(20,000)	-
Net purchase of investments	(1,757,627)	376,841
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(1,777,627)	376,841
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in long-term pledges receivable	(651,127)	-
NET CASH USED IN FINANCING ACTIVITIES	(651,127)	-
NET INCREASE IN CASH	117,768	174,628
CASH - BEGINNING OF YEAR	306,206	131,578
CASH - END OF YEAR	$ 423,974	$ 306,206

The organization had no expenditures for interest or income taxes in 2015 and 2014.

See auditor's report and notes accompanying financial statements

THE INTERSERV FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

The InterServ Foundation (the Organization) was formed as a non-profit organization under the laws of the state of Missouri in 2006. The Organization was formed for the purpose of raising funds and managing investments for the benefit of/to provide support to Interfaith Community Services, Inc. and Community Missions Corporation. The Organization is an organization described in Section 501(c)(3) of the Internal Revenue code and, thereby, is exempt from taxation pursuant to IRC Section 501(a).

The Organization is related in purpose to Interfatih Community Services, Inc. and Community Missouri Corporation. The Organization's board of directors is composed of eleven members, out of which two members are appointed by Interfaith Community Services, Inc.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Organization's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

<u>Basis of Accounting</u>
The financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

<u>Estimates</u>
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenue, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

<u>Cash and Cash Equivalents</u>
For the purpose of the Statement of Cash Flows, the Organization considers cash, checking and saving accounts and all other liquid investments with original maturities of three months or less to be cash and cash equivalents.

<u>Investments</u>
The Organization follows the Financial Accounting Standard Board (FASB) Accounting Standard Codification (ASC) on *Investments.* Under ASC on *Investments*, the investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at fair value in the statement of financial position. Unrealized gains and losses are included in the statement of activities and changes in net assets.

<u>Contributions and Receivables</u>
The Organization follows the ASC on *Contributions*. In accordance with ASC on *Contributions*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor imposed restrictions.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as unrestricted.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are made. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Contributed assets are recorded as contributions at their estimated fair value on the date of donation. Contributed services are recognized if the services enhance or create nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the years ended December 31, 2015 and 2014, there were no contributed services meeting the requirements for recognition in the financial statements. However, a substantial number of volunteers donate significant amounts of their time in the furtherance of the Organization’s mission.

<u>Promises to Give</u>

Pledges are recognized when the donor makes a promise to give to the Organization that is unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Pledges receivable as of December 31, 2015 was $998,877. Management believes that calculating the present value of its’ pledges receivable approximates fair market value. Management will evaluate the need to record pledges receivable on a discounted basis annually. The policy is as follows:

a) Pledges receivable less than $10k at year-end are deemed to have 1 year term, if term is 7 years or more, use actual term
b) Pledges receivable are assumed received on January 1st each year; consequently, amounts to be received in the next year are not discounted
c) Discount rate provided by management

Management believes that pledges receivable are fully collectible and an allowance for doubtful accounts is not required as December 31, 2015.

<u>Basis of Presentation</u>

The financial statement presentation follows the ASC on *Not-for-Profit Entities* that requires the Organization to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

<u>Unrestricted</u>

Unrestricted net assets include all net assets which are neither temporarily nor permanently restricted.

Temporarily Restricted
Temporarily restricted net assets include contributed net assets for which donor-imposed time and purpose restrictions have not been met and the ultimate purpose of the contribution is not permanently restricted.

Permanently Restricted
Permanently restricted net assets include contributed net assets which require, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

Fair Value Measurement
The carrying amounts of assets and liabilities are reported on the balance sheet at their approximate fair values. The measurement of reported value of land and building is discussed below in land and building.

Land and Building
Purchased property is recorded at cost. Major improvements and purchases over $500 are capitalized, and maintenance and repairs that do not improve or extend the life of the respective assets are expensed. Donated property is recorded at their market value at the time of donation. If donors stipulate how long the asset must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. The useful lives of the assets for depreciation purposes may be different than their actual economic useful lives. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Estimated useful lives of the assets are as follows:

Building	20 Years

Uncertain Tax Positions
The Organization accounts for uncertain tax positions in accordance with the provisions of FASB Codification Topic 740, Income Taxes. Topic 740 clarifies the accounting and recognition for income tax positions taken or expected to be taken in the Organization's income tax returns. Under Topic 740, the Organization is required to report information regarding its exposure to various tax positions taken by the Organization.

As of December 31, 2015 and 2014, management believes the Organization’s tax status to be that of a not-for-profit entity and; therefore, has made the decision to classify the Organization as tax exempt. Management has reviewed all sources of revenue and does not believe the Organization to be subject to income tax on unrelated business income. The Organization did not record any interest or penalties in the statements of operations or statements of financial position as of and during the years ended December 31, 2015 and 2014. Tax returns filed for the years ended December 31, 2012 through 2014 remain subject to examination by the Internal Revenue Service.

Subsequent Events
In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through December 7, 2016, the date the financial statements were available to be issued.

NOTE 3 – TRANSACTIONS WITH RELATED PARTIES

Interfaith Community Services, Inc. provides administrative staff for support services and charges the Organization for such services on a monthly basis. At December 31, 2015 and 2014, the Organization owed $21,214 and $52,360 to Interfaith Community Services, Inc. for these services, respectively. The Organization charges Interfaith Community Services, Inc. and Community Missions Corporation on a monthly basis for the services performed by the Organization for these two entities. The Organization recorded $84,051 and $88,874 in program fees during the years ended December 31, 2015 and 2014, respectively, for the services provided to these two related entities. The Organization provided $458,945 and $682,139 to Interfaith Community Services, Inc. and $177 and $1,126 to Community Missions Corporation as operational support in 2015 and 2014, respectively.

NOTE 4 – CLASSIFICATION OF ASSETS

Temporarily Restricted Net Assets are available for the following purpose:

	2015	2014
Logan Funds - Purpose Restriction	$1,168,980	$1,283,142
Capital Improvement – Purpose Restriction	3,035,636	0
Total temporarily restricted net assets	$4,204,616	$1,283,142

NOTE 5 – FAIR VALUE MEASUREMENTS

Assets and liabilities recorded at fair value in the Statement of Financial Position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs as defined by ASC 820, are as follows:

Level 1 Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: Observable inputs other than those included in Level 1. For example, quoted market prices for similar assets or liabilities in active markets, or quoted market prices for identical assets or liabilities in inactive markets.

Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include investments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant management judgment or estimation.

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Fair values as of December 31, 2015:

	Fair Value	Level 1	Level 2
Cash Equivalents	$ 656,861	$ -	$ 656,861
Bank certificate of deposit	35,175	-	35,175
U.S. Government bonds & notes	85,793	85,793	-
Corporate bonds & notes	1,821,679	1,821,679	-
Common stock	1,801,076	1,801,076	-
Mutual equity funds	82,562	82,562	-
Mutual bond funds	354,800	354,800	-
Alternative Investments	195,754	195,754	-
Foreign issue stocks & bonds	363,685	363,685	-
Totals	$ 5,397,385	$ 4,705,349	$ 692,036

Fair values as of December 31, 2014:

	Fair Value	Level 1	Level 2
Cash Equivalents	$ 118,743	$ -	$ 118,743
Bank certificate of deposit	35,000	-	35,000
U.S. Government bonds & notes	108,856	108,856	-
Corporate bonds & notes	662,284	662,284	-
Common stock	1,945,329	1,945,329	-
Mutual equity funds	388,079	388,079	-
Mutual bond funds	356,776	356,776	-
Foreign issue stocks & bonds	244,673	244,673	-
Totals	$ 3,859,740	$ 3,705,997	$ 153,743

The following schedules summarize the Organization's investment returns:

	2015	2014
Investment income	$ 86,840	$ 84,320
Realized gain on investments	136,627	253,715
Unrealized loss on investments	(219,982)	(70,933)
Gross investment income	3.485	267,102
Less: Investment fees	26,304	25,647
Total investment gain (loss)	$ (22,819)	$ 241,455

NOTE 6 – CONCENTRATION OF CREDIT RISK

In 2015 and 2014, the Organization maintained its cash at one financial institution which is insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. From time to time, the Organization may liquidate investments which could results in cash exceeding FDIC limit. At December 31, 2015, the cash balance exceeds federal insured limits by $160,557. The Organization has not experienced any loss in these accounts and does not believe the accounts represent any significant risk.

Investments are exposed to various risks, such as interest rate, market and credit risk. Market values of investments fluctuate based on the magnitude of changing market conditions. Concentration of credit risk for investments is mitigated by the overall diversification of the managed investment portfolios; however, significant changes in market conditions could materially affect portfolio value in the near term.