

INTERNATIONAL DISASTER EMERGENCY SERVICE, INC.

AUDITED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

INTERNATIONAL DISASTER EMERGENCY SERVICE, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
International Disaster Emergency Service, Inc.
Noblesville, IN

We have audited the accompanying financial statements of International Disaster Emergency Service, Inc. (IDES) (a non-profit organization), which comprise the statement of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses, and 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 audit. We conducted our audit 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 International Disaster Emergency Service, Inc. as of December 31, 2014 and 2013, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Yount and Company LLC

YOUNT AND COMPANY, L.L.C.

February 6, 2015
Indianapolis, Indiana

INTERNATIONAL DISASTER EMERGENCY SERVICE, INC.

EXHIBIT A

Statements of Financial Position

	December 31	
	2014	2013
<u>ASSETS</u>		
Cash and cash equivalents--note 1	\$1,653,655	\$2,309,579
Other receivables	---	9,540
Pledges receivable, capital campaign--notes 1 and 13	21,986	36,325
Prepaid expenses	42,741	35,930
Note receivable--note 7	58,613	---
Property and equipment--net--notes 1 and 3	1,038,559	1,076,845
Charitable gift annuities--notes 1, 4, and 6	53,967	42,921
Endowment investments--notes 5 and 6	757,407	763,145
	<u>\$3,626,928</u>	<u>\$4,274,285</u>
<u>LIABILITIES</u>		
Accounts payable	\$ 7,519	\$ 17,710
Mortgage payable--note 8	184,825	668,369
Grants payable--note 1	214,889	401,013
Accrued expenses	---	19,313
Annuity payable--note 4	31,368	23,198
	<u>438,601</u>	<u>1,129,603</u>
<u>NET ASSETS</u>		
Unrestricted	2,328,120	2,042,215
Temporarily restricted--notes 1 and 10	610,964	853,409
Permanently restricted--notes 1 and 5	249,243	249,058
	<u>3,188,327</u>	<u>3,144,682</u>
	<u>\$3,626,928</u>	<u>\$4,274,285</u>

See Independent Auditors' report and accompanying "Notes to Financial Statements"

Statement of Activities

	Year Ended December 31, 2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenue and Support:				
Contributions	\$1,897,462	\$1,520,177	\$ 185	\$3,417,824
In-kind contributions	24,000			24,000
Interest and dividends:				
General	11,334			11,334
Endowment	37,133			37,133
Gain on sale of investments	24,338			24,338
Change in net unrealized gains on investments	(21,995)			(21,995)
	1,972,272	1,520,177	185	3,492,634
Net assets released from restriction	1,762,622	(1,762,622)		---
Total Revenue and Support	3,734,894	(242,445)	185	3,492,634
Program Services Expense:				
Hunger	497,535			497,535
Disasters	983,665			983,665
Development Projects	254,878			254,878
Medical Emergency	212,277			212,277
Evangelism	43,147			43,147
God Always Provides	105,683			105,683
Harvest/Hunger	183,766			183,766
Other	400			400
Total Program Projects	2,281,351			2,281,351
Program Operation Services	469,879			469,879
Total Program Services Expense	2,751,230			2,751,230
Supporting Services:				
Fundraising	304,652			304,652
Administrative and general	393,107			393,107
Total Supporting Services Expenses	697,759			697,759
Total Program Services and Supporting Services Expense	3,448,989			3,448,989
Change in Net Assets	285,905	(242,445)	185	43,645
Net Assets, Beginning of Year	2,042,215	853,409	249,058	3,144,682
Net Assets, End of Year	\$2,238,120	\$ 610,964	\$ 249,243	\$3,188,327

See Independent Auditors' report and accompanying "Notes to Financial Statements"

Statement of Activities

	Year Ended December 31, 2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenue and Support:				
Contributions	\$1,967,782	\$2,558,884	\$ 110	\$4,526,776
In-kind contributions	1,200			1,200
Interest and dividends:				
General	10,940			10,940
Endowment	27,579			27,579
Gain on sale of investments	11,620			11,620
Change in net unrealized gains on investments	49,494			49,494
	2,068,615	2,558,884	110	4,627,609
Net assets released from restriction	2,862,024	(2,862,024)		
Total Revenue and Support	4,930,639	(303,140)	110	4,627,609
Program Services Expense:				
Hunger	335,496			335,496
Disasters	2,134,931			2,134,931
Development Projects	398,141			398,141
Medical Emergency	227,008			227,008
Evangelism	61,809			61,809
God Always PROVIDES	105,479			105,479
Harvest/Hunger	183,631			183,631
Other	250			250
Total Program Projects	3,446,745			3,446,745
Program Operation Services	405,741			405,741
Total Program Services Expense	3,852,486			3,852,486
Supporting Services:				
Fundraising	297,594			297,594
Administrative and general	291,445			291,445
Total Supporting Services Expenses	589,039			589,039
Total Program Services and Supporting Services Expense	4,441,525			4,441,525
Change in Net Assets	489,114	(303,140)	110	186,084
Net Assets, Beginning of Year	1,553,101	1,156,549	248,948	2,958,598
Net Assets, End of Year	\$2,042,215	\$ 853,409	\$ 249,058	\$3,144,682

See Independent Auditors' report and accompanying "Notes to Financial Statements"

INTERNATIONAL DISASTER EMERGENCY SERVICE, INC.

Statement of Functional Expenses

Year ended December 31, 2014

	Program Services		Support		Total Expenses
	Program Projects	Program Operation	Fundraising	Administrative & General	
Financial assistance	\$2,281,351				\$2,281,351
Salaries		\$ 323,969	\$ 120,317	\$ 151,847	596,133
Payroll taxes		23,613	8,834	15,238	47,685
Health insurance		86,579	32,154	40,580	159,313
Fringe benefits		19,666	7,357	12,691	39,714
Insurance				7,925	7,925
Depreciation				47,530	47,530
Promotion		13,425			13,425
Postage			18,682	6,227	24,909
Printing			24,964	7,245	32,209
Travel-staff			10,373		10,373
Telephone		2,627	2,628	1,314	6,569
Utilities				19,841	19,841
Office expense				5,863	5,863
Building maintenance				32,023	32,023
Audit expense				15,125	15,125
Director expense				4,808	4,808
Development expense			49,466		49,466
Capital campaign			19,350		19,350
Training				1,906	1,906
Interest expense				25,431	25,431
Vehicle expense			10,527		10,527
Other				(2,487)	(2,487)
Total expenses	\$2,281,351	\$ 469,879	\$ 304,652	\$ 393,107	\$3,448,989

See Independent Auditors' report and accompanying "Notes to Financial Statements"

Statement of Functional ExpensesYear ended December 31, 2013

	Program Services		Support		Total Expenses
	Program Projects	Program Operation	Fundraising	Administrative & General	
Financial assistance	\$3,446,745				\$3,446,745
Salaries		\$ 279,604	\$ 98,206	\$123,039	500,849
Payroll taxes		20,389	7,193	13,140	40,722
Health insurance		67,341	23,652	29,633	120,626
Fringe benefits		24,374	8,599	15,709	48,682
Insurance				6,140	6,140
Depreciation				33,429	33,429
Promotion		1,970			1,970
Postage		4,195	16,686	5,562	26,443
Printing		6,210	31,620		37,830
Travel-staff			10,449		10,449
Telephone		1,658	1,658	829	4,145
Utilities				12,235	12,235
Office expense				5,034	5,034
Building maintenance				19,078	19,078
Audit expense				13,215	13,215
Director expense				2,258	2,258
Development expense			48,326		48,326
Capital campaign			39,201		39,201
Training				1,037	1,037
Interest expense				11,107	11,107
Vehicle expense			12,004		12,004
Other					---
Total expenses	<u>\$3,446,745</u>	<u>\$ 405,741</u>	<u>\$ 297,594</u>	<u>\$ 291,445</u>	<u>\$4,441,525</u>

See Independent Auditors' report and accompanying "Notes to Financial Statements"

INTERNATIONAL DISASTER EMERGENCY SERVICE, INC.EXHIBIT DStatements of Cash Flows

	Year Ended	
	December 31	
	2014	2013
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ 43,645	\$ 186,084
Adjustments to reconcile increase (decrease) in net assets to net cash (used) provided by operating activities:		
Depreciation	47,530	33,429
Book value of asset disposal	88,912	---
Contributed property and equipment	(18,000)	---
Endowment contribution	(185)	(110)
Realized and unrealized gain on investments	(4,820)	(47,548)
Change in:		
Interest and other receivables	9,540	(346)
Pledges receivable	14,339	(36,325)
Prepaid expenses	(6,811)	(8,554)
Accounts payable	(10,191)	167
Grants payable	(186,124)	(13,779)
Accrued expenses	(19,313)	5,013
Annuity payable	(1,830)	(1,830)
Net cash (used) provided by operating activities	<u>(43,308)</u>	<u>116,201</u>
<u>Cash Flows From Investing Activities:</u>		
Purchases of investments	(94,000)	(205,672)
Proceeds from sale of investments	95,527	203,450
Purchases of property and equipment	(80,156)	(283,165)
Annuity contribution	10,000	---
Annuity (payments)	(1,830)	(1,830)
Net cash (used) by investing activities	<u>(70,459)</u>	<u>(287,217)</u>
<u>Cash Flows From Financing Activities:</u>		
(Payments) on mortgage payable	(483,544)	(6,631)
Notes receivable	(58,613)	---
Net cash (used) by financing activities	<u>(542,157)</u>	<u>(6,631)</u>
<u>Net (Decrease) in Cash and Cash Equivalents</u>	(655,924)	(177,647)
<u>Cash and Cash Equivalents, Beginning of Year</u>	<u>2,309,579</u>	<u>2,487,226</u>
<u>Cash and Cash Equivalents, End of Year</u>	<u>\$1,653,655</u>	<u>\$2,309,579</u>
Supplemental disclosures:		
Recorded donated services	\$ 6,000	\$ 1,200
Recorded donated property and equipment	\$ 18,000	\$ ---
Building mortgage	\$ ---	\$ 675,000
Interest paid	\$ 25,431	\$ 11,107

See Independent Auditors' report and accompanying "Notes to Financial Statements"

INTERNATIONAL DISASTER EMERGENCY SERVICE, INC.

Notes to Financial Statements

For Years Ended December 31, 2014 and 2013

See Independent Auditors' Report

NOTE 1--Summary of Significant Accounting Policies

International Disaster Emergency Service, Inc. (IDES) exists to meet physical and spiritual needs of suffering people throughout the world in the name of Jesus Christ. IDES accomplishes this by funding relief operations for natural disaster, hunger, medical needs, and developmental projects in the United States and foreign countries. The Organization is a mission out reach of Christian Churches and Churches of Christ.

Basis of Accounting--The financial statements of IDES have been prepared on the accrual basis of accounting.

Basis of Presentation--The financial statement presentation follows the requirements of the Financial Accounting Standards Board FASB.ACS 958-205, *Financial Statements of Not-for-Profit Organizations*. Under this standard, IDES is required to report information regarding its financial position and activities according to three classes of net assets. All restrictions are determined by the donor of the asset.

Unrestricted Net Assets--Unrestricted net asset class includes general and Board-designated assets and liabilities. These unrestricted net assets may be used at the discretion of management to support IDES' purposes and operations.

Temporarily Restricted Net Assets--Temporarily restricted net asset class includes assets related to gifts with explicit donor-imposed restrictions that have not been met as to specified purpose, or to later periods of time or after specified dates.

Permanently Restricted Net Assets--Permanently restricted net assets subject to donor-imposed stipulations require that they be maintained permanently by IDES. Generally, the donors of these assets permit IDES to use all or part of the income earned on the related investments for general or specific purposes.

Cash and Cash Equivalents--For purposes of the statements of cash flows, IDES considers all investments purchased with a maturity of three months or less to be cash equivalents, except for cash held in long-term investment brokerage accounts awaiting reinvestment.

Pledges Receivable--Pledge receivable consists primarily of amounts pledged to the Capital Campaign (Note 13). Pledges receivable are recognized when the donor makes a pledge to give cash or other assets to IDES that is considered unconditional. Pledges receivable are recorded at fair market value based on estimated future cash flows of the unconditional pledges and are reported net of an allowance for uncollectible amounts and net of discounts to present value. Pledges are being collected over a period extending through 2016. As of December 31, 2014, management does not believe an allowance for uncollectible amounts and net value discount are warranted.

Income Taxes--IDES is exempt for income taxes under Section 501(c)(3) of the United States Internal Revenue Code. IDES is not considered to be a private foundation. Therefore, no provision for income taxes is included in the financial statements.

INTERNATIONAL DISASTER EMERGENCY SERVICE, INC.

Notes to Financial Statements

See Independent Auditors' Report

NOTE 1--Summary of Significant Accounting Policies (continued)

IDES recognizes a tax position as a benefit only if it is more-likely-than-not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the tax positions technical merits. At December 31, 2014, IDES did not recognize a benefit from any uncertain tax positions. It is difficult to predict the final timing and resolution of any particular uncertain tax positions. Based on IDES' assessment of many factors, including past experience and complex judgments about future events, IDES does not currently anticipate any significant changes in its uncertain tax positions over the next twelve months.

IDES may be subject to audit by federal, state, or local authorities in the areas of income taxes and the remittance of sales and use taxes. These audits include questioning the merits of the tax exempt status, unrelated business income and compliance with federal, state, and local tax laws. While IDES believes that it has adequately provided for all tax positions, amounts asserted by taxing authorities could be different than the accrued position. Tax year 2011 and on are open for examination. IDES is currently not undergoing any income tax audits for any open year as of December 31, 2014.

Fair Value of Financial Instruments--The carrying value of IDES financial instruments approximates their estimated fair value. Actual fair value may differ from these estimates, and such differences could be considered material. See Note 6 regarding detail of Fair Value of Financial Instruments.

Charitable Gift Annuity--IDES has established a program under which donors may set up charitable gift annuities. Under this program, donors can contribute assets to the organization and in return receive a fixed income for life. At December 31, 2014 and 2013, IDES had five and four charitable gift annuities totaling \$53,967 and \$42,921, respectively. These charitable gift annuities have readily determinable fair value based on quoted prices in active markets and are recorded in the Statements of Financial Position.

Property and Equipment--Property and equipment are recorded at cost or, if contributed, at the estimated fair value at the date of the gift. IDES capitalizes additions of equipment in excess of \$1,000 cost or fair value, if contributed. Depreciation of property and equipment is computed using the straight-line method and based upon the estimated useful lives of the assets ranging from 5 to 20 years. Expenditures for equipment and for renewals or improvements which extend the originally estimated economic life of the assets are capitalized. Expenditures for maintenance and repairs are charged to expense when incurred. When an asset is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of activities.

Support and Revenue--In accordance with FASB.ASC 958-605, *Accounting for Contributions Received and Contributions Made*, gifts pursuant to unconditional promises to give are recognized as revenue in the period such promises are received. IDES reports gifts of cash and other assets as restricted support if received with donor restrictions for the purpose and/or time in which the support may be expended. When the donor's time restriction expires or the 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. Conditional promises to give are recognized when the related conditions are substantially met.

INTERNATIONAL DISASTER EMERGENCY SERVICE, INC.

Notes to Financial Statements

See Independent Auditors' Report

NOTE 1--Summary of Significant Accounting Policies (continued)

Donated Good and Services--Contributions of donated noncash assets are recorded at their estimated fair values in the period received. IDES pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist with specific assistance programs, fundraising solicitations, and various other assignments. Contributions of donated services requiring specialized skills, which are provided by individuals possessing those skills and which would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Donated goods and services of \$24,000 and \$1,200 for the years ended December 31, 2014 and 2013, respectively, are recorded as contributions and as equipment or expenses in the Statements of Financial Position and Activities.

Grants Payable--Grants payable consists of amount of funds the board of directors has approved for projects and has sent a signed contract to the recipient but the funds have not yet been remitted to the recipient.

Functional Allocation of Expenses--The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities. Some expenses relate directly to specific programs or supportive services while others do not. Expenses that relate to more than one program or supporting service are allocated among the applicable functions. Management periodically evaluates its allocation method and revises it when necessary. General and supporting expenses include those expenses that are indirectly identifiable with other specific functions, but provide for the overall support and direction for IDES.

Regular Estimates--The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the reporting period. Actual results could differ from those estimates.

Impairment of Long-Lived Assets--IDES evaluates long-lived assets for impairment when circumstances indicate the carrying amount of an asset may not be recoverable based on the undiscounted cash flows of the asset. If the carrying amount of an asset may not be recoverable, a write-down to fair value is recorded. Fair values are determined based on the discounted cash flows, quoted market values, or external appraisals, as applicable. Long-lived assets are reviewed for impairment at the individual asset or the asset group level for which the lowest level of independent cash flows can be identified. Management has determined that no impairment existed as of December 31, 2014.

Date of Management's Review--Subsequent events have been evaluated through February 6, 2015, which is the date the financial statements were available to be issued.

INTERNATIONAL DISASTER EMERGENCY SERVICE, INC.

Notes to Financial Statements

See Independent Auditors' Report

NOTE 2--Description of Program and Supporting Services

Hunger--IDES is committed to helping victims of malnutrition caused by poverty or disasters.

Disasters--IDES seeks to help victims of man-made or natural disasters by providing for their immediate basic needs and assisting them in rebuilding their lives.

Development Projects--Development projects are to empower people to not become dependent on IDES or other organizations to provide for their basic needs. It is a hand up and not just a handout.

Medical Emergency--IDES will provide medicines, medical equipment or supplies for temporary health clinics sponsored by a missionary or mission organization. In addition IDES attempts to assist missionaries or members of their immediate family to receive emergency medical treatment if they lack the financial resources.

Short Term Missions--Periodically IDES will lead short term mission groups to help with IDES' projects and partner missionaries. This is a great way for IDES' supporters to provide hands on help to those we serve.

Evangelism--IDES channels funds through Christian Church/Church of Christ missionaries and congregations to offer help (benevolent assistance) and hope (the saving message of Jesus Christ) to a hurting and lost world. All benevolent aid is given for the purpose of creating opportunities to share the Gospel of Jesus Christ.

God Always Provides--IDES' GAP program provides a "hands-on" opportunity for our supporters to help alleviate world hunger. Working with local sponsors to organize food packing events at churches, camps, conventions and other locations throughout the year. The local sponsors provide a location for the packing event, raise funds to cover the cost of the meals, and recruit sufficient volunteers to package the quantity of meals they have targeted. At a GAP event, volunteers work together to package nutritionally complete meals that have a shelf life of up to three years. The meals consist of rice, soy protein, dried vegetables, and a vitamin and mineral supplement. Each serving costs just 25 cents. That price includes all the ingredients, packaging, and the cost for shipping the meals to a developing country experiencing chronic hunger needs.

Harvest/Hunger--IDES uses all Harvest funds raised to alleviate spiritual and physical hunger in the name of Jesus Christ. The funds are raised by a variety of events and fundraisers held throughout the year, culminating in Harvest Day, which features sales of food and hand-crafted items made by individuals using their God-given talents.

NOTE 3--Property and Equipment

IDES' property and equipment at December 31 consist of the following:

	<u>2014</u>	<u>2013</u>
Land	\$ 87,500	\$ 94,400
Buildings and building improvements	937,570	1,105,929
Disaster equipment	124,175	158,796
Furniture and equipment	55,970	69,976
Vehicles	65,252	55,464
	<u>1,270,467</u>	<u>1,484,565</u>
Accumulated depreciation	<u>(231,908)</u>	<u>(407,720)</u>
	<u>\$1,038,559</u>	<u>\$1,076,845</u>

Depreciation expense was \$47,530 and \$33,429 for the years ended December 31, 2014 and 2013, respectively.

INTERNATIONAL DISASTER EMERGENCY SERVICE, INC.

Notes to Financial Statements

See Independent Auditors' Report

NOTE 4--Charitable Gift Annuities

Charitable gift annuity investments at December 31 consist of the following:

	<u>2014</u>	<u>2013</u>
Government and corporate bonds	\$ 29,275	\$ 20,479
Common stock	24,135	21,428
Short-term reserve	557	1,014
	<u>\$ 53,967</u>	<u>\$ 42,921</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended December 31:

	<u>2014</u>	<u>2013</u>
Interest and dividends	\$ 1,047	\$ 969
Unrealized gain	1,829	3,945
Total investment return	<u>\$ 2,876</u>	<u>\$ 4,914</u>

During the year ended December 31, 2014, \$10,000 was contributed towards the gift annuities. During each of the years ended December 31, 2014 and 2013, \$1,830 was disbursed to pay annual annuity payments. At December 31, 2014 and 2013, respectively, \$31,368 and \$23,198 is recorded as a liability to make annual annuity payments.

NOTE 5--Endowment Investments

IDES's endowment consists of funds established to support its operating expenses. Its endowment includes both donor-restricted funds, funds designated by the Board of Directors to function as endowments and cumulative earnings on endowment investments previously recognized as unrestricted revenue. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of IDES has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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, IDES classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value or 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. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as unrestricted net assets until those amounts are appropriated for expenditure by IDES in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, IDES considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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 IDES, and (7) IDES's investment policies.

INTERNATIONAL DISASTER EMERGENCY SERVICE, INC.

Notes to Financial Statements

See Independent Auditors' Report

NOTE 5--Endowment Investments (continued)

Investment Return Objectives, Risk Parameters and Strategies--IDES has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the funds if possible. Therefore, IDES expects its endowment assets, over time, to produce an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Standard Policy--IDES has a policy of appropriating for distribution each year, endowment fund earnings up to 5% of the endowments total value. Dividends are automatically included in this calculation. Capital gains can also be redeemed to reach the targeted distribution percentage. In establishing this policy, IDES considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. IDES expects the current spending policy to allow its endowment funds to grow at a nominal average rate of 1% annually, which is consistent with IDES's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

Endowment net assets composition by type of fund as of December 31 are as follows:

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted and board-designated endowment funds	\$ 508,164	\$ ---	\$ 249,243	\$757,407
	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted and board-designated endowment funds	\$ 514,087	\$ ---	\$ 249,058	\$763,145

INTERNATIONAL DISASTER EMERGENCY SERVICE, INC.

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NOTE 5--Endowment Investments (continued)

Changes in endowment net assets for the year ended December 31 are as follows:

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ 514,087	\$ ---	\$ 249,058	\$ 763,145
Investment return:				
Interest and dividends	37,457			37,457
Realized gains	24,238			24,238
Unrealized (losses)	(25,095)			(25,095)
Total investment return	36,600	---	---	36,600
Contributions received			185	185
Amounts appropriated for expenditure	(42,523)			(42,523)
Endowment net assets, end of year	\$ 508,164	\$ ---	\$ 249,243	\$ 757,407
	2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 465,570	\$ ---	\$ 248,948	\$ 714,518
Investment return:				
Interest and dividends	27,579			27,579
Realized gains	11,620			11,620
Unrealized gains	43,968			43,968
Total investment return	83,167	---	---	83,167
Contributions received			110	110
Amounts appropriated for expenditure	(34,650)			(34,650)
Endowment net assets, end of year	\$ 514,087	\$ ---	\$ 249,058	\$ 763,145

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NOTE 6--Fair Value Measurements

IDES has adopted Statement of Financial Accounting Standards FASB.ASC 820-10, *Fair Value Measurements*.

This standard clarifies the definition of fair value for financial reporting, establishes a three-tier hierarchy as a framework for measuring fair value which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value, and requires additional disclosures about the use of fair value measurements. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of fair value hierarchy are as follows:

Level 1--Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities. In general, this level includes investments in mutual funds that are regularly traded on major exchanges.

Level 2--Quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active. This level generally includes investments without significant restrictions with limited market activity and whose investments are classified as level 1 investments.

Level 3--Pricing inputs are unobservable for the asset or liability, which may include investments with significant restrictions, little or no market activity and whose investments are classified as primarily level 2 or 3 investments.

As required by the standard, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of assets and liabilities and their placement within the fair value hierarchy levels.

The following table presents financial assets measured at fair value on a recurring basis by level within the fair value hierarchy:

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NOTE 6--Fair Value Measurements (continued)

	December 31, 2014			
	Fair Value Measurements			
	Fair Value	Level 1	Level 2	Level 3
Endowment investments:				
Mutual funds				
Large-cap stocks	\$ 308,751	\$ 308,751	\$ ---	\$ ---
Mid-cap stocks	55,625	55,625		
International stocks	115,391	115,391		
Government bonds	23,741	23,741		
Corporate bonds	168,360	168,360		
Money market other	85,539	85,539		
Total endowment investments	<u>757,407</u>	<u>757,407</u>		
Charitable gift annuities:				
Mutual funds				
Large-cap stocks	12,848	12,848		
Government and corporate bonds	29,275	29,275		
International	11,287	11,287		
Other	557	557		
Total charitable gift annuities	<u>53,967</u>	<u>53,967</u>		
Total	<u>\$ 811,374</u>	<u>\$ 811,374</u>	<u>\$ ---</u>	<u>\$ ---</u>

	December 31, 2013			
	Fair Value Measurements			
	Fair Value	Level 1	Level 2	Level 3
Endowment investments:				
Certificates of deposit				
Mutual funds				
Large-cap stocks	\$ 215,496	\$ 215,496	\$ ---	\$ ---
Mid-cap stocks	116,470	116,470		
International stocks	86,445	86,445		
Government bonds	135,879	135,879		
Corporate bonds	169,758	169,758		
Money market other	39,097	39,097		
Total endowment investments	<u>763,145</u>	<u>763,145</u>		
Charitable gift annuities:				
Mutual funds				
Large-cap stocks	10,386	10,386		
Mid-cap stocks	3,875	3,875		
Government and corporate bonds	20,479	20,479		
International	7,167	7,167		
Other	1,014	1,014		
Total charitable gift annuities	<u>42,921</u>	<u>42,921</u>		
Total	<u>\$ 806,066</u>	<u>\$ 806,066</u>	<u>\$ ---</u>	<u>\$ ---</u>

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NOTE 7--Note Receivable

During the year ended December 31, 2014, IDES entered into a note receivable with an individual on the sale of property. Total sales price was \$65,000, of which \$5,000 was received as a down payment and \$60,000 was recorded as a note. The note calls for monthly payments of \$760 for 5 years, which includes interest of 6%. The balance at December 31, 2014, was \$58,613.

NOTE 8--Mortgage Payable

In August 2013, IDES entered into a mortgage agreement with a bank for the purchase of a building in Noblesville, IN. The mortgage required monthly payments of \$4,435, including interest at 4.875% through August, 2033. The mortgage is secured by the property purchased. The balance of the mortgage payable at December 31, 2014 of \$184,825 was paid in full in January, 2015.

NOTE 9--Retirement Plan

IDES has a 403(b) plan for those employees who meet the eligibility requirements set forth in the plan. Beginning after six months of employment with at least 20 hours per week of employment, IDES employees contribute 7.2% of their base pay; increasing to 9% beginning with year six of employment. Individuals may contribute additional funds up to the IRS limit at their discretion. There were no pension contributions by IDES for the years ended December 31, 2014 and 2013.

NOTE 10--Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31 are available for the following purposes:

	<u>2014</u>	<u>2013</u>
Hunger	\$ 1,425	\$ 1,738
Disasters	413,375	727,232
Development Projects	43,028	31,756
Medical Emergency	5,300	2,815
Short Term Missions	1,668	1,668
Evangelism	13,878	3,590
God Always PROVIDES	131,198	84,510
Harvest/Hunger	1,092	100
	<u>\$ 610,964</u>	<u>\$ 853,409</u>

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NOTE 10--Temporarily Restricted Net Assets (continued)

During the years ended December 31, 2014 and 2013, respectively, temporarily restricted assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	<u>2014</u>	<u>2013</u>
Hunger	\$ 137,506	\$ 168,847
Disasters	765,883	1,983,441
Development Projects	52,374	100,965
Medical Emergency	15,093	23,474
Evangelism	37,783	16,794
God Always ProvIDES	134,059	93,680
Harvest/Hunger	175,339	183,573
I3 Capital Campaign (Note 13)	444,585	291,250
Net assets released from restrictions by satisfaction of program restrictions	<u>\$1,762,622</u>	<u>\$2,862,024</u>

NOTE 11--Concentrations and Contingencies

It is the policy of IDES not to hold cash at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limit of \$250,000. On occasion IDES may exceed this limit.

Contributions received for the years ended December 31, 2014 and 2013, are virtually all from independent Christian and Church of Christ churches and individuals from those churches located throughout the United States. Contributions are on the uninformed basis with no commitment on behalf of the donor.

NOTE 12--Operating Lease

IDES has an operating lease for office equipment that is payable in monthly installments of \$288 through April 1, 2015. Rental expense for the years ended December 31, 2014 and 2013, was \$3,195 and \$3,456, respectively. The future minimum rental payments required under the operating lease for the year ended December 31, 2014 is \$854.

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NOTE 13--Capital Campaign

A capital campaign, Increasing International Impact (I3), was started in the year ended December 31, 2013. The campaign's purpose is to provide funding to purchase and renovate a new building, provide for needed technology upgrades and meet certain identified program expenses. This campaign is being funded by both donor restricted contributions and unrestricted contributions, which have been designated by the Board as funding for the I3 Capital Campaign. The following summarizes the activity for the two years ended December 31, 2014:

	<u>Donor Restricted</u>	<u>Board Designated</u>	<u>Total</u>
Contributions	<u>\$ 735,835</u>	<u>\$ 120,912</u>	<u>\$ 856,747</u>
Expenditures:			
Closing costs	\$ 161,614		\$ 161,614
Campaign costs	71,976		71,976
Building improvements and costs	<u>217,395</u>	<u>\$ 34,697</u>	<u>252,092</u>
	<u>\$ 450,985</u>	<u>\$ 34,697</u>	<u>\$ 485,682</u>