

INTERNATIONAL DISASTER EMERGENCY SERVICE, INC.

AUDITED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

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 statements of financial position as of December 31, 2016 and 2015, 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, 2016 and 2015, 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, LLC

June 7, 2017
Indianapolis, Indiana

INTERNATIONAL DISASTER EMERGENCY SERVICE, INC.

EXHIBIT A

Statements of Financial Position

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Cash and cash equivalents--note 1	\$1,880,214	\$1,855,078
Other receivables	3,038	20,660
Pledges receivable, capital campaign--notes 1 and 12	---	4,340
Prepaid expenses	36,416	45,154
Inventory--notes 1 and 9	116,849	---
Note receivable--note 7	40,680	52,853
Property and equipment--net--notes 1 and 3	1,206,627	1,182,004
Charitable gift annuities--notes 1, 4, and 6	67,313	55,321
Endowment investments--notes 5 and 6	759,224	710,542
	<u>\$4,110,361</u>	<u>\$3,925,952</u>
<u>LIABILITIES</u>		
Accounts payable	\$ 16,519	\$ 10,552
Accrued payroll and payroll taxes	26,983	---
Grants payable--note 1	203,200	248,641
Annuity payable--note 4	40,834	33,749
	<u>287,536</u>	<u>292,942</u>
<u>NET ASSETS</u>		
Unrestricted	2,834,654	2,710,359
Temporarily restricted--notes 1 and 9	738,153	672,923
Permanently restricted--notes 1 and 5	250,018	249,728
	<u>3,822,825</u>	<u>3,633,010</u>
	<u>\$4,110,361</u>	<u>\$3,925,952</u>

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

Statement of Activities

	Year Ended December 31, 2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<u>Revenue and Support:</u>				
Contributions	\$2,261,028	\$1,733,438	\$ 290	\$3,994,756
In-kind contributions	8,400			8,400
Interest and dividends:				
General	13,253			13,253
Endowment	25,795			25,795
Gain on sale of investments	1,753			1,753
Net unrealized gains on investments	40,599			40,599
Gain on asset disposal	6,385			6,385
	<u>2,357,213</u>	<u>1,733,438</u>	<u>290</u>	<u>4,090,941</u>
Net assets released from restriction	<u>1,668,208</u>	<u>(1,668,208)</u>		<u>---</u>
Total Revenue and Support	<u>4,025,421</u>	<u>65,230</u>	<u>290</u>	<u>4,090,941</u>
<u>Program Services Expense:</u>				
Hunger	294,522			294,522
Disasters	1,607,977			1,607,977
Development Projects	377,561			377,561
Medical Emergency	199,346			199,346
Evangelism	138,841			138,841
God Always PROVIDES	17,573			17,573
Harvest/Hunger	190,553			190,553
Total Program Projects	<u>2,826,373</u>			<u>2,826,373</u>
Program Operation Services	<u>352,078</u>			<u>352,078</u>
Total Program Services Expense	<u>3,178,451</u>			<u>3,178,451</u>
<u>Supporting Services:</u>				
Fundraising	225,684			225,684
Administrative and general	<u>496,991</u>			<u>496,991</u>
Total Supporting Services Expenses	<u>722,675</u>			<u>722,675</u>
Total Program Services and Supporting Services Expense	<u>3,901,126</u>			<u>3,901,126</u>
<u>Change in Net Assets</u>	124,295	65,230	290	189,815
<u>Net Assets, Beginning of Year</u>	<u>2,710,359</u>	<u>672,923</u>	<u>249,728</u>	<u>3,633,010</u>
<u>Net Assets, End of Year</u>	<u>\$2,834,654</u>	<u>\$ 738,153</u>	<u>\$ 250,018</u>	<u>\$3,822,825</u>

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

Statement of Activities

	Year Ended December 31, 2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<u>Revenue and Support:</u>				
Contributions	\$2,104,536	\$1,824,588	\$ 485	\$3,929,609
In-kind contributions	167,000			167,000
Interest and dividends:				
General	14,998			14,998
Endowment	34,279			34,279
Gain on sale of investments	656			656
Net unrealized (losses) on investments	(47,805)			(47,805)
	<u>2,273,664</u>	<u>1,824,588</u>	<u>485</u>	<u>4,098,737</u>
Net assets released from restriction	<u>1,762,629</u>	<u>(1,762,629)</u>		<u>---</u>
Total Revenue and Support	<u>4,036,293</u>	<u>61,959</u>	<u>485</u>	<u>4,098,737</u>
<u>Program Services Expense:</u>				
Hunger	249,578			249,578
Disasters	1,334,708			1,334,708
Development Projects	324,887			324,887
Medical Emergency	204,610			204,610
Evangelism	53,696			53,696
God Always PROVIDES	125,078			125,078
Harvest/Hunger	182,309			182,309
Other	400			400
Total Program Projects	<u>2,475,266</u>			<u>2,475,266</u>
Program Operation Services	<u>398,372</u>			<u>398,372</u>
Total Program Services Expense	<u>2,873,638</u>			<u>2,873,638</u>
<u>Supporting Services:</u>				
Fundraising	394,106			394,106
Administrative and general	386,310			386,310
Total Supporting Services Expenses	<u>780,416</u>			<u>780,416</u>
Total Program Services and Supporting Services Expense	<u>3,654,054</u>			<u>3,654,054</u>
<u>Change in Net Assets</u>	<u>382,239</u>	<u>61,959</u>	<u>485</u>	<u>444,683</u>
<u>Net Assets, Beginning of Year</u>	<u>2,328,120</u>	<u>610,964</u>	<u>249,243</u>	<u>3,188,327</u>
<u>Net Assets, End of Year</u>	<u>\$2,710,359</u>	<u>\$ 672,923</u>	<u>\$ 249,728</u>	<u>\$3,633,010</u>

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

Statement of Functional Expenses

Year ended December 31, 2016

	Program Services		Support		Total Expenses
	Program Projects	Program Operation	Fundraising	Administrative and General	
Financial assistance	\$2,826,373				\$2,826,373
Salaries		\$ 234,561	\$ 109,449	\$ 219,204	563,214
Payroll taxes		16,874	8,721	15,735	41,330
Health insurance		55,246	25,778	51,630	132,654
Fringe benefits		15,935	7,436	14,892	38,263
Insurance				6,788	6,788
Depreciation				89,759	89,759
Promotion		18,769			18,769
Postage		3,099	14,768	4,923	22,790
Printing			16,944	7,423	24,367
Travel-staff			11,974		11,974
Telephone		2,168	2,168	1,084	5,420
Utilities		5,313	5,313	2,658	13,284
Office expense		113		8,314	8,427
Building maintenance				15,922	15,922
Audit expense				14,950	14,950
Director expense				2,867	2,867
Development expense				34,402	34,402
Capital campaign			14,883		14,883
Training				4,769	4,769
Vehicle expense			8,250		8,250
Other				1,671	1,671
Total expenses	\$2,826,373	\$ 352,078	\$ 225,684	\$ 496,991	\$3,901,126

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

Statement of Functional ExpensesYear ended December 31, 2015

	Program Services		Support		Total Expenses
	Program Projects	Program Operation	Fundraising	Administrative and General	
Financial assistance	\$2,475,266				\$2,475,266
Salaries		\$ 262,862	\$ 173,442	\$ 150,594	586,898
Payroll taxes		18,103	12,789	11,709	42,601
Health insurance		80,778	53,299	46,278	180,355
Fringe benefits		19,117	12,847	12,017	43,981
Insurance				9,261	9,261
Depreciation				70,338	70,338
Promotion		15,074			15,074
Postage			17,287	5,762	23,049
Printing			26,930	8,977	35,907
Travel-staff			14,680		14,680
Telephone		2,438	2,438	1,219	6,095
Utilities				12,383	12,383
Office expense				9,754	9,754
Building maintenance				24,457	24,457
Audit expense				14,450	14,450
Director expense				3,089	3,089
Development expense			43,371		43,371
Capital campaign			14,043		14,043
Training				1,979	1,979
Interest expense				1,338	1,338
Vehicle expense			22,980		22,980
Other				2,705	2,705
Total expenses	\$2,475,266	\$ 398,372	\$ 394,106	\$ 386,310	\$3,654,054

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

Statements of Cash Flows

	Year Ended	
	December 31	
	2016	2015
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ 189,815	\$ 444,683
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	89,759	70,338
Book value of asset disposal	1,865	---
Contributed property and equipment	(6,000)	(161,000)
Endowment contribution	(290)	(485)
Realized and unrealized (gain) loss on investments	(42,352)	42,946
Change in:		
Interest and other receivables	17,622	(1,760)
Pledges receivable	4,340	17,646
Prepaid expenses	8,738	(2,413)
Inventory	(116,849)	---
Accounts payable	5,967	3,033
Grants payable	(45,441)	33,752
Accrued payroll	26,983	---
Net cash provided by operating activities	<u>134,157</u>	<u>446,740</u>
<u>Cash Flows From Investing Activities:</u>		
(Purchases) of investments	(38,144)	(4,401)
Proceeds from sale of investments	20,112	7,451
(Purchases) of property and equipment	(110,247)	(71,683)
Annuity contributions	10,000	5,000
Annuity (payments)	(2,915)	(2,619)
Net cash (used) by investing activities	<u>(121,194)</u>	<u>(66,252)</u>
<u>Cash Flows From Financing Activities:</u>		
(Payments) on mortgage payable	---	(184,825)
Notes receivable proceeds	12,173	5,760
Net cash provided (used) by financing activities	<u>12,173</u>	<u>(179,065)</u>
<u>Net Increase in Cash and Cash Equivalents</u>	25,136	201,423
<u>Cash and Cash Equivalents, Beginning of Year</u>	<u>1,855,078</u>	<u>1,653,655</u>
<u>Cash and Cash Equivalents, End of Year</u>	<u>\$1,880,214</u>	<u>\$1,855,078</u>
Supplemental disclosures:		
Recorded donated services	\$ 2,400	\$ 6,000
Recorded donated property and equipment	\$ 6,000	\$ 161,000
Interest paid	---	\$ 1,338

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

INTERNATIONAL DISASTER EMERGENCY SERVICE, INC.

Notes to Financial Statements

For Years Ended December 31, 2016 and 2015

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 outreach 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 of amounts pledged to the Capital Campaign (Note 12). 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 were being collected over a period extending through 2016. As of December 31, 2015, management did not believe an allowance for uncollectible amounts and net value discount were warranted.

Inventory--Inventory is valued at lower of cost or market, with cost determined by the first in first out (FIFO) method. Inventory consists of supplies for building sheds for use under the Disaster Program and food and supplies for packages provided under the GAP Program (Notes 2 and 9). Inventory at December 31, 2016 and 2015 was \$116,849 and \$-0-, respectively.

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, 2016, 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 2013 and on are open for examination. IDES is currently not undergoing any income tax audits for any open year as of December 31, 2016.

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, 2016 and 2015, IDES had eight and six charitable gift annuities totaling \$67,313 and \$55,321, 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. See Note 4 and Note 6.

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 \$8,400 and \$167,000 for the years ended December 31, 2016 and 2015, 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, 2016.

Date of Management's Review--Subsequent events have been evaluated through June 7, 2017, 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.

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>2016</u>	<u>2015</u>
Land	\$ 68,600	\$ 68,600
Buildings and building improvements	1,012,882	945,970
Disaster equipment	323,372	332,645
Furniture and equipment	74,855	52,517
Vehicles	64,275	65,252
	<u>1,543,984</u>	<u>1,464,984</u>
Accumulated depreciation	<u>(337,357)</u>	<u>(282,980)</u>
	<u>\$1,206,627</u>	<u>\$1,182,004</u>

Depreciation expense was \$89,759 and \$70,338 for the years ended December 31, 2016 and 2015, 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>2016</u>	<u>2015</u>
Government and corporate bonds index funds	\$ 31,530	\$ 31,976
Common stock mutual funds	30,783	23,345
Money market funds	5,000	---
	<u>\$ 67,313</u>	<u>\$ 55,321</u>
Annuity payable	<u>\$ 40,834</u>	<u>\$ 33,749</u>

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

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 1,964	\$ 1,392
Realized gains	4,024	---
Unrealized gain (loss)	<u>(1,081)</u>	<u>(2,419)</u>
Total investment return (loss)	<u>\$ 4,907</u>	<u>\$ (1,027)</u>

During the year ended December 31, 2016 and 2015, respectively, \$10,000 and \$5,000 was contributed towards the gift annuities. During the years ended December 31, 2016 and 2015, respectively, \$2,915 and \$2,619 was disbursed to pay 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:

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted and board-designated endowment funds	\$ 509,206	\$ ---	\$ 250,018	\$ 759,224

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted and board-designated endowment funds	\$ 460,814	\$ ---	\$ 249,728	\$ 710,542

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NOTE 5--Endowment Investments (continued)

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

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ 460,814	\$ ---	\$ 249,728	\$ 710,542
Investment return:				
Interest and dividends	25,795			25,795
Realized gains	2,834			2,834
Unrealized gains	36,575			36,575
Total investment return	65,204			65,204
Contributions received			290	290
Amounts appropriated for expenditure	(16,812)			(16,812)
Endowment net assets, end of year	\$ 509,206	\$ ---	\$ 250,018	\$ 759,224
	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 508,164	\$ ---	\$ 249,243	\$ 757,407
Investment return:				
Interest and dividends	34,279			34,279
Realized gains	656			656
Unrealized (losses)	(46,806)			(46,806)
Total investment return	(11,871)			(11,871)
Contributions received			485	485
Amounts appropriated for expenditure	(35,479)			(35,479)
Endowment net assets, end of year	\$ 460,814	\$ ---	\$ 249,728	\$ 710,542

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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, 2016			
	Fair Value Measurements			
	Fair Value	Level 1	Level 2	Level 3
Endowment investments:				
Mutual funds				
Large-cap stocks	\$ 194,263	\$ 194,263		
Mid and small-cap stocks	100,075	100,075		
International stocks	156,064	156,064		
Government bonds	8,606	8,606		
Corporate bonds	215,161	215,161		
Money market and other	85,055	85,055		
Total endowment investments	<u>759,224</u>	<u>759,224</u>		
Charitable gift annuities:				
Mutual funds				
Large-cap stocks	15,029	15,029		
Mid and small-cap stocks	8,828	8,828		
Government and corporate bonds	27,242	27,242		
International	11,214	11,214		
Money market and other	5,000	5,000		
Total charitable gift annuities	<u>67,313</u>	<u>67,313</u>		
 Total	 <u>\$ 826,537</u>	 <u>\$ 826,537</u>	 <u>\$ ---</u>	 <u>\$ ---</u>

	December 31, 2015			
	Fair Value Measurements			
	Fair Value	Level 1	Level 2	Level 3
Endowment investments:				
Mutual funds				
Large-cap stocks	\$ 185,805	\$ 185,805		
Mid-cap stocks	99,787	99,787		
International stocks	95,035	95,035		
Government bonds	8,536	8,536		
Corporate bonds	207,708	207,708		
Money market and other	113,671	113,671		
Total endowment investments	<u>710,542</u>	<u>710,542</u>		
Charitable gift annuities:				
Mutual funds				
Large-cap stocks	12,016	12,016		
Government and corporate bonds	5,400	5,400		
International	27,147	27,147		
Other	10,758	10,758		
Total charitable gift annuities	<u>55,321</u>	<u>55,321</u>		
 Total	 <u>\$ 765,863</u>	 <u>\$ 765,863</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, 2016 and 2015 was \$40,680 and \$52,853, respectively.

NOTE 8--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, 2016 and 2015.

NOTE 9--Temporarily Restricted Net Assets

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

	<u>2016</u>	<u>2015</u>
Disasters	\$ 355,499	\$ 357,941
Hunger	725	3,127
Development Projects	48,731	73,793
Medical Emergency	16,975	10,271
Evangelism	1,050	19,630
God Always Provides	315,173	207,891
Harvest/Hunger	---	270
	<u>\$ 738,153</u>	<u>\$ 672,923</u>

Temporarily Restricted Net Assets consists of cash of \$621,304 and inventory of \$116,849 at December 31, 2016 and of cash of \$672,923 at December 31, 2015.

During the years ended December 31, 2016 and 2015, 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>2016</u>	<u>2015</u>
Disasters	\$1,070,869	\$ 926,719
Hunger	203,075	181,115
Development Projects	242,151	109,935
Medical Emergency	58,442	23,442
Short Term Missions	---	1,668
Evangelism	52,281	31,956
God Always Provides	29,165	110,801
Harvest/Hunger	270	178,308
I3 Capital Campaign (Note 13)	11,955	198,685
Net assets released from restrictions by satisfaction of program restrictions	<u>\$1,668,208</u>	<u>\$1,762,629</u>

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NOTE 10--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, 2016 and 2015, 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 11--Operating Lease

IDES has an operating lease for office equipment that is payable in monthly installments of \$123 through October, 2019. Rental expense for the years ended December 31, 2016 and 2015, was \$3,318 and \$3,415, respectively. The future minimum rental payments required under the operating lease for the year ended December 31, 2016 is \$687.

NOTE 12--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 as of December 31, 2016:

	Donor Restricted	Board Designated	Total
Cash contributions	\$ 818,197	\$ 222,319	\$1,040,516
Expenditures:			
Building purchase	\$ 712,876	\$ 147,302	\$ 860,178
Building improvements	31,450	258,676	290,126
Campaign costs	30,445	41,531	71,976
Other costs	43,426	---	43,426
	<u>\$ 818,197</u>	<u>\$ 447,509</u>	<u>\$1,265,706</u>