

INTERNATIONAL DISASTER EMERGENCY SERVICE, INC.

AUDITED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

INTERNATIONAL DISASTER EMERGENCY SERVICE, INC.

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Exhibit A--Statements of Financial Position	2
Exhibit B--Statements of Activities	3-4
Exhibit C--Statements of Functional Expenses	5-6
Exhibit D--Statements of Cash Flows	7
Notes to Financial Statements	8-18

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, 2017 and 2016, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of International Disaster Emergency Service, Inc. as of December 31, 2017 and 2016, 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

February 16, 2018  
Indianapolis, Indiana

Statements of Financial Position

	December 31	
	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Cash and cash equivalents--note 1	\$3,526,158	\$1,880,214
Other receivables	1,148	3,038
Prepaid expenses	24,651	36,416
Inventory--notes 1 and 9	118,430	116,849
Note receivable--note 7	21,803	40,680
Property and equipment--net--notes 1 and 3	1,234,540	1,206,627
Charitable gift annuities--notes 1, 4, and 6	70,807	67,313
Endowment investments--notes 5 and 6	880,962	759,224
	<u>\$5,878,499</u>	<u>\$4,110,361</u>
<u>LIABILITIES</u>		
Accounts payable	\$ 46,039	\$ 16,519
Accrued payroll and payroll taxes	28,543	26,983
Grants payable--note 1	293,985	203,200
Annuity payable--note 4	19,127	40,834
	<u>387,694</u>	<u>287,536</u>
<u>NET ASSETS</u>		
Unrestricted	3,157,622	2,834,654
Temporarily restricted--notes 1 and 9	2,083,080	738,153
Permanently restricted--notes 1 and 5	250,103	250,018
	<u>5,490,805</u>	<u>3,822,825</u>
	<u>\$5,878,499</u>	<u>\$4,110,361</u>

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

Statement of Activities

	Year Ended December 31, 2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<u>Revenue and Support:</u>				
Contributions	\$2,659,345	\$4,503,956	\$ 85	\$7,163,386
In-kind contributions	6,424			6,424
Interest and dividends:				
General	18,445			18,445
Endowment	38,548			38,548
Gain on sale of investments	15,952			15,952
Net unrealized gains on investments	56,208			56,208
Gain on asset disposal	---			---
	<u>2,794,922</u>	<u>4,503,956</u>	<u>85</u>	<u>7,298,963</u>
Net assets released from restriction	<u>3,159,029</u>	<u>( 3,159,029)</u>		<u>---</u>
 Total Revenue and Support	 <u>5,953,951</u>	 <u>1,344,927</u>	 <u>85</u>	 <u>7,298,963</u>
<u>Program Services Expense:</u>				
Hunger	625,133			625,133
Disasters	2,554,154			2,554,154
Development Projects	579,260			579,260
Medical Emergency	159,523			159,523
Evangelism	79,368			79,368
God Always PROVIDES	223,529			223,529
Harvest/Hunger	176,585			176,585
Total Program Projects	<u>4,397,552</u>			<u>4,397,552</u>
Program Operation Services	<u>426,654</u>			<u>426,654</u>
 Total Program Services Expense	 <u>4,824,206</u>			 <u>4,824,206</u>
<u>Supporting Services:</u>				
Fundraising	338,474			338,474
Administrative and general	<u>468,303</u>			<u>468,303</u>
 Total Supporting Services Expenses	 <u>806,777</u>			 <u>806,777</u>
 Total Program Services and Supporting Services Expense	 <u>5,630,983</u>			 <u>5,630,983</u>
 <u>Change in Net Assets</u>	 <u>322,968</u>	 <u>1,344,927</u>	 <u>85</u>	 <u>1,667,980</u>
 <u>Net Assets, Beginning of Year</u>	 <u>2,834,654</u>	 <u>738,153</u>	 <u>250,018</u>	 <u>3,822,825</u>
 <u>Net Assets, End of Year</u>	 <u>\$3,157,622</u>	 <u>\$2,083,080</u>	 <u>\$250,103</u>	 <u>\$5,490,805</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	
<b>Revenue and Support:</b>				
Contributions	\$2,261,028	\$1,733,438	\$ 290	\$3,994,756
In-kind contributions	8,400			8,400
Interests and dividends:				
General	13,253			13,253
Endowment	25,795			25,795
Gain on sale of investments	1,753			1,753
Net unrealized (losses)				
on investments	40,599			40,599
Gain on asset disposal	6,385			6,385
	2,357,213	1,733,438	290	4,090,941
Net assets released from restriction	1,668,208	(1,668,208)		---
<b>Total Revenue and Support</b>	<b>4,025,421</b>	<b>65,230</b>	<b>290</b>	<b>4,090,941</b>
<b>Program Services Expense:</b>				
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	2,826,373			2,826,373
Program Operation Services	352,078			352,078
<b>Total Program Services Expense</b>	<b>3,178,451</b>			<b>3,178,451</b>
<b>Supporting Services:</b>				
Fundraising	225,684			225,684
Administrative and general	496,991			496,991
<b>Total Supporting Services Expenses</b>	<b>722,675</b>			<b>722,675</b>
<b>Total Program Services and Supporting Services Expense</b>	<b>3,901,126</b>			<b>3,901,126</b>
<b>Change in Net Assets</b>	<b>124,295</b>	<b>65,230</b>	<b>290</b>	<b>189,815</b>
<b>Net Assets, Beginning of Year</b>	<b>2,710,359</b>	<b>672,923</b>	<b>249,728</b>	<b>3,633,010</b>
<b>Net Assets, End of Year</b>	<b>\$2,834,654</b>	<b>\$ 738,153</b>	<b>\$ 250,018</b>	<b>\$3,822,825</b>

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

## Statement of Functional Expenses

Year ended December 31, 2017

	Program Services		Support		Total Expenses
	Program Projects	Program Operation	Fundraising	Administrative and General	
Financial assistance	\$4,397,552				\$4,397,552
Salaries		\$302,023	\$174,135	\$192,630	668,788
Payroll taxes		22,407	12,745	13,999	49,151
Health insurance		57,626	55,175	53,642	166,443
Fringe benefits		11,549	8,734	8,932	29,215
Insurance				5,893	5,893
Depreciation				97,599	97,599
Promotion		22,415			22,415
Postage			19,286	6,429	25,715
Printing			16,530	7,242	23,772
Travel-staff			14,605		14,605
Telephone		3,337	3,337	1,669	8,343
Utilities		5,647	5,647	2,823	14,117
Office expense				13,295	13,295
Building maintenance				16,646	16,646
Audit expense				15,850	15,850
Director expense				3,440	3,440
Development expense				24,123	24,123
Capital campaign			17,016		17,016
Training		1,062	1,582	4,016	6,660
Vehicle expense			9,682		9,682
Volunteers and other		588		75	663
Total expenses	\$4,397,552	\$426,654	\$338,474	\$468,303	\$5,630,983

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

Statement of Functional ExpensesYear 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
Volunteers and 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"



Statements of Cash Flows

	Year Ended	
	December 31	
	2017	2016
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$1,667,980	\$ 189,815
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	97,599	89,759
Book value of asset disposal	---	1,865
Contributed property and equipment	---	( 6,000)
Endowment contributions	( 62,342)	( 290)
Unrealized (gain) loss on investments	( 56,441)	( 42,352)
Change in:		
Other receivables	1,890	17,622
Pledges receivable	---	4,340
Prepaid expenses	11,765	8,738
Inventory	( 1,581)	( 116,849)
Accounts payable	29,520	5,967
Grants payable	90,785	( 45,441)
Accrued payroll	1,560	26,983
Net cash provided by operating activities	<u>1,780,735</u>	<u>134,157</u>
<u>Cash Flows From Investing Activities:</u>		
(Purchases) of investments	( 72,175)	( 38,144)
Proceeds from sale of investments	51,375	20,112
(Purchases) of property and equipment	( 125,512)	( 110,247)
Annuity contributions (surrendered)	( 3,778)	10,000
Annuity (payments)	( 3,578)	( 2,915)
Net cash (used) by investing activities	<u>( 153,668)</u>	<u>( 121,194)</u>
<u>Cash Flows From Financing Activities:</u>		
Notes receivable proceeds	18,877	12,173
Net cash provided by financing activities	<u>18,877</u>	<u>12,173</u>
<u>Net Increase in Cash and Cash Equivalents</u>	1,645,944	25,136
<u>Cash and Cash Equivalents, Beginning of Year</u>	1,880,214	1,855,078
<u>Cash and Cash Equivalents, End of Year</u>	<u>\$3,526,158</u>	<u>\$1,880,214</u>
Supplemental disclosures:		
Recorded donated services	\$ 5,900	\$ 2,400
Recorded donated property and equipment	\$ 524	\$ 6,000
Interest paid	\$ ---	\$ ---

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

INTERNATIONAL DISASTER EMERGENCY SERVICE, INC.

Notes to Financial Statements

Years Ended December 31, 2017 and 2016

(See Independent Auditors' Report)

NOTE 1--Nature of Operations and 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.

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, 2017 and 2016 was \$118,430 and \$116,849, 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--Nature of Operations and 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, 2017, 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 2014 and on are open for examination. IDES is currently not undergoing any income tax audits for any open year as of December 31, 2017.

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, 2017 and 2016, IDES had seven and eight charitable gift annuities totaling \$70,807 and \$67,313, 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--Nature of Operations and 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 \$6,424 and \$8,400 for the years ended December 31, 2017 and 2016, respectively, are recorded as contributions and as expenses or equipment or 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, 2017.

Date of Management's Review--Subsequent events have been evaluated through February 16, 2018, 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>2017</u>	<u>2016</u>
Land and land improvements	\$ 75,645	\$ 68,600
Buildings and building improvements	1,029,769	1,012,882
Disaster equipment	386,933	323,372
Furniture and equipment	97,374	74,855
Vehicles	79,775	64,275
	<u>1,669,496</u>	<u>1,543,984</u>
Accumulated depreciation	<u>( 434,956)</u>	<u>( 337,357)</u>
	<u>\$1,234,540</u>	<u>\$1,206,627</u>

Depreciation expense was \$97,599 and \$89,759 for the years ended December 31, 2017 and 2016, 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>2017</u>	<u>2016</u>
Government and corporate bonds index funds	\$ 10,036	\$ 31,530
Common stock mutual funds	58,955	30,783
Money market funds	1,816	5,000
	<u>\$ 70,807</u>	<u>\$ 67,313</u>
Annuity payable	<u>\$ 33,478</u>	<u>\$ 40,834</u>

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

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 1,897	\$ 1,964
Realized gains	5,451	4,024
Unrealized gain (loss)	3,303	( 1,081)
	<u>\$ 10,651</u>	<u>\$ 4,907</u>

During the year ended December 31, 2017 and 2016, respectively, \$-0- and \$10,000 was contributed towards the gift annuities. During the years ended December 31, 2017 and 2016, respectively, \$3,578 and \$2,915 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:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted and board-designated endowment funds	\$ 630,859	\$ ---	\$ 250,103	\$ 880,962
	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted and board-designated endowment funds	\$ 509,206	\$ ---	\$ 250,018	\$ 759,224

INTERNATIONAL DISASTER EMERGENCY SERVICE, INC.

Notes to Financial Statements

(See Independent Auditors' Report)

NOTE 5--Endowment Investments (continued)

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

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ 509,206	\$ ---	\$ 250,018	\$ 759,224
Investment return:				
Interest and dividends	38,548			38,548
Realized gains	10,501			10,501
Unrealized gains	42,047			42,047
Total investment return	91,096			91,096
Contributions received	62,257		85	62,342
Amounts appropriated for expenditure	( 31,700)			( 31,700)
Endowment net assets, end of year	\$ 630,859	\$ ---	\$ 250,103	\$ 880,962
	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



INTERNATIONAL DISASTER EMERGENCY SERVICE, INC.

Notes to Financial Statements

(See Independent Auditors' Report)

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:

INTERNATIONAL DISASTER EMERGENCY SERVICE, INC.

Notes to Financial Statements

(See Independent Auditors' Report)

NOTE 6--Fair Value Measurements (continued)

	December 31, 2017			
	Fair Value	Level 1	Level 2	Level 3
Endowment investments:				
Mutual funds				
Large-cap stocks	\$ 351,711	\$ 351,711		
Mid and small-cap stocks	132,032	132,032		
International stocks	6,331	6,331		
Government bonds	24,317	24,317		
Corporate bonds	303,410	303,410		
Money market and other	63,161	63,161		
Total endowment investments	880,962	880,962		
Charitable gift annuities:				
Mutual funds				
Large-cap stocks	24,639	24,639		
Mid and small-cap stocks	27,118	27,118		
Government and corporate bonds	10,036	10,036		
International	7,198	7,198		
Money market and other	1,816	1,816		
Total charitable gift annuities	70,807	70,807		
 Total	 \$ 951,769	 \$ 951,769	 \$ ---	 \$ ---

	December 31, 2016			
	Fair Value	Level 1	Level 2	Level 3
Endowment investments:				
Mutual funds				
Large-cap stocks	\$ 194,263	\$ 194,263		
Mid-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	759,224	759,224		
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	67,313	67,313		
 Total	 \$ 826,537	 \$ 826,537	 \$ ---	 \$ ---

INTERNATIONAL DISASTER EMERGENCY SERVICE, INC.

Notes to Financial Statements

(See Independent Auditors' Report)

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, 2017 and 2016 was \$21,803 and \$40,680, 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, 2017 and 2016.

NOTE 9--Temporarily Restricted Net Assets

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

	<u>2017</u>	<u>2016</u>
Disasters	\$1,643,849	\$ 355,499
Hunger	2,310	725
Development Projects	105,412	48,731
Medical Emergency	62,655	16,975
Evangelism	5,846	1,050
God Always PROVIDES	263,008	315,173
	<u>\$2,083,080</u>	<u>\$ 738,153</u>

Temporarily Restricted Net Assets consists of cash of \$1,964,940 and inventory of \$118,140 at December 31, 2017 and of cash of \$621,304 and inventory of \$116,849 at December 31, 2016.

During the years ended December 31, 2017 and 2016, 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>2017</u>	<u>2016</u>
Disasters	\$1,990,583	\$1,070,869
Hunger	383,736	203,075
Development Projects	207,036	242,151
Medical Emergency	36,223	58,442
Evangelism	11,991	52,281
God Always PROVIDES	294,089	29,165
Harvest/Hunger	176,040	270
I3 Capital Campaign (Note 12)	59,331	11,955
Net assets released from restrictions by satisfaction of program restrictions	<u>\$3,159,029</u>	<u>\$1,668,208</u>

INTERNATIONAL DISASTER EMERGENCY SERVICE, INC.

Notes to Financial Statements

(See Independent Auditors' Report)

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, 2017 and 2016, 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, 2017 and 2016, was \$2,081 and \$3,318, respectively.

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, 2017:

	<u>Donor Restricted</u>	<u>Board Designated</u>	<u>Total</u>
Cash contributions	<u>\$ 877,527</u>	<u>\$ 222,319</u>	<u>\$1,099,846</u>
Expenditures:			
Building purchase	\$ 712,876	\$ 147,302	\$ 860,178
Building improvements	93,400	258,676	352,076
Campaign costs	30,445	41,531	71,976
Other costs	<u>60,562</u>	<u>---</u>	<u>60,562</u>
	<u>\$ 897,283</u>	<u>\$ 447,509</u>	<u>\$1,344,792</u>