

ILLINI CHRISTIAN MINISTRIES, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED
SEPTEMBER 30, 2017 AND 2016

ILLINI CHRISTIAN MINISTRIES, INC.
FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

Table of Contents

	Page
Independent Auditor's Report.....	1-2
<u>FINANCIAL STATEMENTS</u>	
Statements of Financial Position.....	3
Statements of Activities.....	4
Statements of Functional Expenses	5-6
Statements of Cash Flows	7
Notes to Financial Statements.....	8-14

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Illini Christian Ministries, Inc.
Champaign, Illinois

We have audited the accompanying financial statements of Illini Christian Ministries, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year 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 Illini Christian Ministries, Inc. as of September 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Illini Christian Ministries, Inc. as of September 30, 2016, were audited by other auditors whose report dated December 19, 2016, expressed an unmodified opinion on those statements.

Sincerely,

A handwritten signature in black ink that reads "KEMPER CPA GROUP LLP". The signature is written in a cursive, slightly slanted style.

KEMPER CPA GROUP LLP
Certified Public Accountants and Consultants
Champaign, Illinois

February 9, 2018

ILLINI CHRISTIAN MINISTRIES, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2017 AND 2016

	2017	2016
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 432,735	\$ 145,125
Accounts Receivable	12,550	-
Investments	738,784	729,139
Prepaid Expenses	14,694	14,101
Total Current Assets	1,198,763	888,365
Property and Equipment:		
Furniture and Equipment	33,581	33,581
Leasehold Improvements	33,037	33,037
Vehicles	62,018	62,018
	128,636	128,636
Less: Accumulated Depreciation	(94,092)	(81,151)
Net Property and Equipment	34,544	47,485
TOTAL ASSETS	\$ 1,233,307	\$ 935,850
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable	\$ -	\$ 1,091
Accrued Payroll Withholdings	-	6,911
Total Current Lliabilities	-	8,002
Net Assets:		
Unrestricted	1,233,307	927,848
TOTAL LIABILITIES AND NET ASSETS	\$ 1,233,307	\$ 935,850

See accompanying notes to financial statements.

ILLINI CHRISTIAN MINISTRIES, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
REVENUE		
Contributions and Bequests	\$ 656,865	\$ 690,256
Adoption Fees	140,801	120,230
Other Program Income	-	5,525
Interest and Dividend Income	9,712	6,352
Unrealized/Realized Gain (Loss) on Investments	1,315	-
Miscellaneous	163	1,505
Total Revenue	<u>808,856</u>	<u>823,868</u>
EXPENSES		
Program Services	444,868	343,005
Management and General	24,322	42,718
Fundraising	34,207	58,385
Total Expenses	<u>503,397</u>	<u>444,108</u>
CHANGE IN NET ASSETS	305,459	379,760
NET ASSETS, BEGINNING OF YEAR	<u>927,848</u>	<u>548,088</u>
NET ASSETS, END OF YEAR	<u>\$ 1,233,307</u>	<u>\$ 927,848</u>

See accompanying notes to financial statements.

ILLINI CHRISTIAN MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Program Services	Management & General	Fundraising	Total
EXPENSES				
Salaries	\$ 207,358	\$ 18,631	\$ 18,631	\$ 244,620
Payroll Taxes	15,350	2,579	2,579	20,508
Employee Benefits	60,880	3,112	3,112	67,104
Professional and Contractual	8,065	-	-	8,065
Birth Mother, Child Care, and Other				
Program Expenses	42,058	-	-	42,058
Insurance	8,594	-	-	8,594
Office Expenses	11,166	-	-	11,166
Advertising and Promotion	3,272	-	-	3,272
Moving Expenses	21,751	-	-	21,751
Travel and Vehicle Expense	6,603	-	-	6,603
Postage	-	-	3,506	3,506
Printing and Copying	-	-	6,379	6,379
Rent	22,876	-	-	22,876
Telephone and Utilities	14,460	-	-	14,460
Repairs and Maintenance	8,831	-	-	8,831
Depreciation	12,940	-	-	12,940
Miscellaneous	664	-	-	664
TOTAL	\$ 444,868	\$ 24,322	\$ 34,207	\$ 503,397

See accompanying notes to financial statements.

ILLINI CHRISTIAN MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Program Services	Management & General	Fundraising	Total
EXPENSES				
Salaries	\$ 149,500	\$ 32,353	\$ 32,353	\$ 214,206
Payroll Taxes	2,703	6,508	6,508	15,719
Employee Benefits	49,922	3,857	3,857	57,636
Professional and Contractual	7,546	-	-	7,546
Conferences and Training	4,492	-	-	4,492
Child Care Reimbursements	19,236	-	-	19,236
Birth Mother Expenses	4,228	-	-	4,228
Insurance	11,824	-	-	11,824
Office Expenses	14,671	-	-	14,671
Travel and Vehicle Expense	16,667	-	-	16,667
Postage	-	-	3,527	3,527
Printing and Copying	-	-	12,140	12,140
Rent	31,200	-	-	31,200
Telephone and Utilities	12,810	-	-	12,810
Repairs and Maintenance	414	-	-	414
Depreciation	15,741	-	-	15,741
Miscellaneous	2,051	-	-	2,051
TOTAL	<u>\$ 343,005</u>	<u>\$ 42,718</u>	<u>\$ 58,385</u>	<u>\$ 444,108</u>

See accompanying notes to financial statements.

ILLINI CHRISTIAN MINISTRIES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 305,459	\$ 379,760
Depreciation Expense	12,940	15,741
Unrealized/Realized (Gain) Loss on Investments	(1,315)	-
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
(Increase) Decrease In:		
Prepaid Expenses	(593)	63
Accounts Receivable	(12,550)	-
Increase (Decrease) In:		
Accounts Payable	(1,091)	3,108
Accrued Payroll Withholdings	(6,911)	-
Net Cash Provided by (Used in) Operating Activities	295,939	398,672
CASH FLOWS FROM INVESTING ACTIVITIES		
Reinvested Interest and Dividends	(8,329)	-
Purchase of Investments	-	(385,571)
Net Cash Provided by (Used in) Investing Activities	(8,329)	(385,571)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	287,610	13,101
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	145,125	132,024
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 432,735	\$ 145,125

See accompanying notes to financial statements.

ILLINI CHRISTIAN MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 1: ORGANIZATION AND NATURE OF ACTIVITIES

Nature of Activities

Illini Christian Ministries, Inc. (the Organization) is a nonprofit corporation formed in 1967 and incorporated in the State of Illinois. The Organization's purpose is protecting and caring for children at risk and preserving families throughout the State of Illinois. The Organization is supported primarily through contributions from churches and individuals throughout Illinois.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Date of Management's Review

Management has evaluated subsequent events through February 9, 2018, the date which the financial statements were available to be issued.

Basis of Accounting

The Organization uses the accrual method of accounting for financial statement reporting. Revenues are recognized when services are rendered and expenses are recognized when obligations are incurred.

Financial Statement Presentation

The Organization has adopted FASB ASC 958, *Financial Statements of Not-for-Profit Organizations*. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributions and Net Asset Classifications

Contributions that are restricted as to time or purpose by the donor are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. The Organization did not have any temporarily or permanently restricted net assets for the years ended September 30, 2017 and 2016.

ILLINI CHRISTIAN MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Services

Contributed services are reported as contribution revenue and as assets or expenses only if the services create or enhance a non-financial asset (for example property and equipment) or:

- Would typically need to be purchased by the Organization if the services had not been provided by contribution
- Require specialized skills
- Are provided by individuals with those skills (such as accountants, architects, carpenters, doctors, electricians, lawyers, nurses, plumbers, teachers, and other professionals and craftsmen)

The Organization did not recognize any contributed services during the years ended September 30, 2017 and 2016.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with maturities of three months or less, when purchased, to be cash equivalents. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for the years ended September 30, 2017 and 2016. Deposits with financial institutions may, at times, exceed FDIC limits. The Organization believes it is not exposed to any significant risk on cash deposits.

Accounts Receivable

Accounts receivable are carried at original invoice amount less an allowance reduction for credit losses that reflects management's best estimate of the amounts that will not be collected. The allowance is based on experience and other circumstances which may affect the ability of customers and other agencies to meet their obligations. Accounts receivable are written off as a charge to the allowance for credit losses when, in management's estimation, it is probable that the receivable is worthless.

Accounts receivable represent primarily amounts due from clients and are due within 30 days. Accounts receivable are considered to be past due if any portion of the receivable balance is outstanding for more than 90 days. Interest is not charged on accounts receivable. Management did not consider any of the accounts receivable uncollectible at September 30, 2017 and 2016; therefore, there was no allowance recorded as of those dates.

ILLINI CHRISTIAN MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

The Organization's investments include certificates of deposit, mutual funds, and other fixed income securities. Investments are carried at fair value with unrealized gains and losses recognized as an increase or decrease in unrestricted net assets on the Statement of Activities.

Property and Equipment

Property and equipment is valued at cost, or if donated, at fair value as of the date recorded as a gift. Property and equipment are being depreciated over the useful lives of the assets using the straight-line method. Generally, property and equipment are capitalized when the cost exceeds \$500. The cost of normal maintenance and repairs that do not add to the value of the asset or increase the functionality of the asset are not capitalized.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code and is not classified by the Internal Revenue Service to be a private Organization under section 509(a) of the Internal Revenue Code.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities as of September 30, 2017 and 2016.

The Organization files information tax returns in the U.S. Federal and Illinois jurisdictions. The Organization is no longer subject to U.S. federal, state, and local income tax examinations by tax authorities for years ending prior to September 30, 2014.

ILLINI CHRISTIAN MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 3: LEASE COMMITMENTS

The Organization leases office space at 3 Henson Place in Champaign, Illinois. The lease began on November 10, 2016 and expires on January 31, 2022 with an option for a 5 year renewal. Rent due under the lease is \$2,200 per month through January 31, 2022.

Total rent expense for the years ended September 30, 2017 and 2016 was \$22,876 and \$31,200, respectively.

Future minimum lease payments under the existing lease are as follows:

September 30, 2018	\$ 26,400
September 30, 2019	26,400
September 30, 2020	26,400
September 30, 2021	26,400
September 30, 2022	<u>8,800</u>
Total lease commitments	\$ <u>114,400</u>

NOTE 4: CONCENTRATION OF RISK

During the years ended September 30, 2017 and 2016, approximately 81 percent and 84 percent, respectively, of the Organization's total support and revenue is from contributions from churches and individuals in the local geographic area. A significant reduction in the level of this support, if this were to occur, may have a significant effect on the Organization's programs and activities.

ILLINI CHRISTIAN MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 5: FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
---------	---

Level 2	Inputs to the valuation methodology include <ul style="list-style-type: none">• quoted prices for similar assets or liabilities in active markets;• quoted prices for identical or similar assets or liabilities in inactive markets;• inputs other than quoted prices that are observable for the asset or liability;• inputs that are derived principally from or corroborated by observable market data by correlation or other means.
---------	--

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.
---------	---

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

ILLINI CHRISTIAN MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 5: FAIR VALUE MEASUREMENTS (CONTINUED)

Following is a description of the valuation methodologies used for assets measured at fair value. There has been no change in the methodology used at September 30, 2017 or 2016.

Mutual Funds – Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV), to transact at that price, and are deemed to be actively traded.

Fixed Income Securities and Certificates of Deposit – Valued based on the closing price reported on the active market where the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of September 30, 2017:

Investments at Fair Value as of September 30, 2017				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds	\$ 32,043	\$ -	\$ -	\$ 32,043
Certificates of Deposit	630,410	-	-	630,410
Fixed Income	76,331	-	-	76,331
Total Fair Value	<u>\$ 738,784</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 738,784</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of September 30, 2016:

Investments at Fair Value as of September 30, 2016				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds	\$ 25,048	\$ -	\$ -	\$ 25,048
Certificates of Deposit	627,301	-	-	627,301
Fixed Income	76,790	-	-	76,790
Total Asset Fair Value	<u>\$ 729,139</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 729,139</u>

ILLINI CHRISTIAN MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 6: RETIREMENT PLAN

During 1999, the Organization established a Section 403(b) plan, which combines pre-tax employee salary deferrals and employer contributions. All contributions including both employee and employer contributions to the plan are 100% vested at all times. The Organization contributes 5% of participating employees' salaries. For the year ended September 30, 2017 and 2016, the Organization contributed \$11,784 and \$10,520, respectively.

NOTE 7: RISKS AND UNCERTAINTIES

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Financial Position.

NOTE 8: NEW ACCOUNTING PRONOUNCEMENT

In August of 2016, the FASB issued ASU 2016-14, Not-for-profit Entities (Topic 958). The provisions of ASU 2016-14 require the presentation of two classes of net assets, net assets with donor restrictions and net assets without donor restrictions, rather than the currently required three classes. The provisions also require enhanced disclosures about the amounts and purposes of board designations, the composition of net assets with donor restrictions, qualitative information about how the entity manages its liquid resources, quantitative information about the availability of financial assets to meet cash needs for general expenditure within one year of the balance sheet date, amounts of expenses by both their natural and functional classification, the methods used to allocate costs among program and support functions, and underwater endowment funds.

The provisions also require the entity to report investment return net of investment expenses, and to use the placed-in-service approach for expirations of restrictions on gifts of cash or other assets to be used to acquire or construct long-lived assets and reclassify any amounts from net assets with donor restrictions to net assets without donor restrictions for such long-lived assets that have been placed in service as of the beginning of the period of adoption. Finally, the provisions remove the requirement to present or disclose the indirect method reconciliation if using the direct method for operating cash flows. Early adoption is permitted; however, the Organization has chosen not to do so. Therefore this updated standard will be effective beginning with the Organization's fiscal year beginning October 1, 2018. The Organization is currently evaluating the effect that the updated standard will have on its financial statements.