

**MORNING STAR MISSION MINISTRIES, INC.  
(AN ILLINOIS NOT-FOR-PROFIT CORPORATION)**

**FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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To the Board of Trustees  
Morning Star Mission Ministries, Inc.  
Joliet, Illinois

### **Independent Auditor's Report**

We have audited the accompanying financial statements of Morning Star Mission Ministries, Inc. (an Illinois not-for-profit corporation) which comprise the statement of financial position as of December 31, 2018, 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 Morning Star Mission Ministries, Inc., as of December 31, 2018 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.

*Wermer, Rogers, Doran & Ruzon, L.L.C.*

July 22, 2019

# MORNING STAR MISSION MINISTRIES, INC.

## Statement of Financial Position December 31, 2018

### ASSETS

#### Current Assets

Cash	\$ 411,629
Inventory	195,510
Miscellaneous Receivables	6,755
Prepaid Expenses	<u>14,800</u>

Total Current Assets 628,694

#### Endowment Investments

166,530

#### Capital Assets

Land	1,169,112
Buildings and Leasehold Improvements	9,623,400
Furniture, Fixtures and Equipment	750,071
Motor Vehicles	<u>299,071</u>
	11,841,654

Less Accumulated Depreciation 5,077,348

Total Capital Assets 6,764,306

Total Assets \$ 7,559,530

The Accompanying Notes are an Integral Part of These Statements.

## LIABILITIES AND NET ASSETS

### Current Liabilities

Accounts Payable	\$ 44,779
Accrued Liabilities	6,694
Payroll Liabilities	14,622
Current Portion of Long-Term Debt	151,147
Security Deposit on Rental Property	<u>5,050</u>
Total Current Liabilities	<u>222,292</u>

### Long-Term Liabilities

Long-Term Debt	3,584,443
Less Current Portion	<u>( 151,147)</u>
Total Long-Term Debt	<u>3,433,296</u>
Total Liabilities	<u>3,655,588</u>

### Net Assets

Net Assets without Donor Restrictions	3,878,442
Net Assets with Donor Restrictions	<u>25,500</u>
Total Net Assets	<u>3,903,942</u>
Total Liabilities and Net Assets	<u>\$ 7,559,530</u>

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# MORNING STAR MISSION MINISTRIES, INC.

Statement of Activities  
For the Year Ended December 31, 2018

## Changes in Net Assets Without Donor Restrictions

### Public Support and Other Revenue

#### Public Support

Contributions	\$ 2,310,057
In-kind Contributions	3,411,464
Bequests	8,706
Other Grants	221,353
Special Events	47,377
Counseling Center	22,778
Retail Shop Income	960,649
Rent	112,877
Emergency Shelter Privileges	20,311
Miscellaneous	44,560

Total Public Support 7,160,132

#### Other Revenue

Investment Income	13,988
Net Unrealized Gain (Loss) on Investments	( 21,427)

Total Other Revenue ( 7,439)

Total Public Support and Other Revenue 7,152,693

### Expenses

Program Services	6,450,146
Management and General	291,771
Fundraising	785,739

Total Expenses 7,527,656

Change in Net Assets without Donor Restrictions ( 374,963)

**Net Assets - Beginning of Year**

4,278,905

**Net Assets - End of Year**

\$ 3,903,942

The Accompanying Notes are an Integral Part of These Statements.

# MORNING STAR MISSION MINISTRIES, INC.

## Statement of Functional Expenses For the Year Ended December 31, 2018

Expenses	Treasure Chest	Other	Total Program
Wages and Payroll Taxes	\$ 398,370	\$ 702,638	\$ 1,101,008
Contract Labor	-	88,300	88,300
Postage	-	78,226	78,226
Printing and Publications	-	13,335	13,335
Miscellaneous Expense	12,216	33,753	45,969
Repairs and Maintenance	39,191	158,305	197,496
Supplies	27,225	88,093	115,318
Professional Services	-	21,592	21,592
Professional Fundraisers	-	-	-
Advertising	1,543	4,715	6,258
Telephone	3,511	62,811	66,322
Utilities	46,512	129,897	176,409
Disposal	17,842	8,830	26,672
Donations	-	-	-
Holiday Baskets	-	6,323	6,323
Dues and Subscriptions	-	6,738	6,738
Seminars and Education	549	16,248	16,797
Insurance	50,821	204,446	255,267
In-kind Rent	-	19,548	19,548
In-kind Salaries	-	84,630	84,630
In-kind Food and Other Consumables	-	3,361,467	3,361,467
Food and Clothing	-	15,790	15,790
Sales Tax	70,417	-	70,417
Rent	-	13,800	13,800
Property Tax	-	20,593	20,593
Stars of Hope	-	2,231	2,231
Jump on the Bus	-	-	-
Progressive Dinner	-	-	-
Women's Spring Tea	-	-	-
Shop With a Cop	-	11,923	11,923
Vending	-	2,514	2,514
Vouchers	9,558	-	9,558
Parades and Expos	-	149	149
Alarm	1,812	722	2,534
Activities	-	6,784	6,784
Fuel	18,802	15,051	33,853
Interest	4,869	180,973	185,842
Depreciation	-	378,996	378,996
Board Directives	-	5,567	5,567
Investment Fees	-	1,529	1,529
Mileage and Tolls	-	391	391
<b>Total Expenses</b>	<b>\$ 703,238</b>	<b>\$ 5,746,908</b>	<b>\$ 6,450,146</b>

The Accompanying Notes are an Integral Part of These Statements.

<b>Management And General</b>	<b>Fund Raising</b>	<b>Total</b>
\$ 156,418	\$ 94,500	\$ 1,351,926
12,544	7,579	108,423
11,113	6,714	96,053
1,894	1,145	16,374
5,574	3,367	54,910
7,891	-	205,387
9,261	5,594	130,173
3,068	1,853	26,513
-	631,486	631,486
-	-	6,258
1,508	911	68,741
4,031	-	180,440
54	-	26,726
2,000	-	2,000
-	-	6,323
620	375	7,733
315	191	17,303
26,407	15,634	297,308
-	-	19,548
-	-	84,630
-	-	3,361,467
-	-	15,790
-	-	70,417
-	-	13,800
-	-	20,593
-	-	2,231
-	8,891	8,891
-	3,894	3,894
-	2,463	2,463
-	-	11,923
357	216	3,087
-	-	9,558
-	-	149
60	-	2,594
-	-	6,784
471	284	34,608
15,504	-	201,346
31,617	-	410,613
791	478	6,836
217	131	1,877
56	33	480
<u>\$ 291,771</u>	<u>\$ 785,739</u>	<u>\$ 7,527,656</u>

## MORNING STAR MISSION MINISTRIES, INC.

### Statement of Cash Flows For the Year Ended December 31, 2018

#### Increase (Decrease) in Cash

##### **Cash Flows from Operating Activities**

Change in Net Assets	(\$ 374,963)
Adjustments to Reconcile Change in Net Assets	
To Net Cash Provided by Operating Activities	
Depreciation	410,613
Unrealized Loss on Investments	21,427
In-kind Contributions of Capital Assets	( 600)
Changes in Assets and Liabilities	
Miscellaneous Receivables	( 2,420)
Inventory	54,780
Prepaid Expenses	12,706
Accounts Payable	( 1,720)
Accrued Liabilities	( 3,220)
Security Deposit on Rental Property	( 7,324)
Payroll Liabilities	( 19,782)
Total Adjustments	464,460
Net Cash Provided by Operating Activities	89,497

##### **Cash Flows from Investing Activities**

Purchase of Capital Assets	( 150,517)
Proceeds from Sale of Long-Term Investments	39,724
Proceeds from Sale of Capital Assets	3,609
Net Cash (Used In) Investing Activities	( 107,184)

##### **Cash Flows from Financing Activities**

Increase of Long-Term Borrowings	245,965
Repayment of Long-Term Borrowings	( 398,529)
Net Cash Provided by Financing Activities	( 152,564)

##### **Net (Decrease) in Cash**

( 170,251)

##### **Cash, Beginning of Year**

581,880

##### **Cash, End of Year**

\$ 411,629

##### **Non-cash Investing Activities:**

Contribution of Capital Assets	\$ 600
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The Accompanying Notes are an Integral Part of These Statements.

# MORNING STAR MISSION MINISTRIES, INC.

Notes to Financial Statements  
December 31, 2018

## 1. Summary of Significant Accounting Policies

### *Organization*

Morning Star Mission Ministries, Inc., was organized in the State of Illinois as a not-for-profit corporation in 1909. The Mission serves as a non-denominational organization that provides Christian spiritual resources as well as providing for the immediate needs of the homeless or hungry. The Mission provides shelter, meals, clothing and counseling to men, women and families in the community of Joliet, Illinois.

### *Basis of Accounting*

The financial statements are presented in accordance with accounting principles generally accepted in the United States of America on an accrual basis. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred. The Mission presents its financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 "Not-for-Profit Entities". Under FASB ASC 958, the mission is required to report information regarding its financial position and activities to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

*Net Assets without Donor Restrictions-* Amounts included in this class represent resources which can be used currently for the general purposes of the Mission. This includes donor-restricted contributions whose restrictions are met within the same year as received.

*Net Assets with Donor Restrictions-* Amounts included in this class represent resources which are to be used for a specific purpose or a stated period of time as required by the donor. Once these amounts have been released from restriction, they are transferred to the without donor restrictions fund and are used for the general purposed of the Mission. Amounts in this class also include resources which are to be permanently used for a specific purpose determined by the donor.

### *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 certain reported amounts and disclosures. Actual results could differ from those estimates.

# MORNING STAR MISSION MINISTRIES, INC.

Notes to Financial Statements  
December 31, 2018

## 1. Summary of Significant Accounting Policies

### *Investments*

Investments in marketable securities and mutual funds with readily determinable fair values are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Unrestricted marketable investments are classified as short-term unless otherwise designated by the Board. Investment income and gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless a donor or law temporarily or permanently restricts their use. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either passage of time or by use) in the reporting period in which the income and gain are recognized.

### *Cash and Cash Equivalents*

Items presented as "Cash" on the statement of financial position consist primarily of cash held in demand deposit accounts. On the statement of cash flows, cash equivalents consist of short-term, highly liquid non-equity investments with an original maturity of three months or less.

Supplemental disclosure of cash flow information:

Cash paid during the year for:

Interest	\$ 201,346
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### *Capital Assets*

The cost of property and equipment purchased in excess of \$2,000 is capitalized. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Mission reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Mission reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the respective assets.

### *Revenue Recognition*

All contributions are considered available for the Mission's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as donor restricted support and increase the respective class of net assets. Contributions that are restricted by the donor are reported as increased in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

# MORNING STAR MISSION MINISTRIES, INC.

Notes to Financial Statements  
December 31, 2018

## 1. Summary of Significant Accounting Policies

### *Functional Expenses*

Functional expenses have been allocated between program services and supporting services based on a method developed by the Mission. Methodology includes direct allocation, allocation based on square footage of space used, and allocation based on employee hours.

### *Inventory*

Inventory is comprised of donated merchandise to be sold within the retail stores. Donated inventory is valued at thrift store value at the date of donation.

### *Donated Services, Materials, and Use of Facilities*

The Mission receives donations of professional and non-professional volunteer services. Donations of services performed by professionals have been recorded by the Mission in the amount of \$84,630 for the year ended December 31, 2018. The value of non-professional donated volunteer services is not reflected in the accompanying financial statements since there is no objective basis available by which to measure the value of such services. Nevertheless, a substantial number of volunteers have donated significant amounts of their time on behalf of the Mission's program services.

The Mission receives donated food and other consumables from various donors, which have been recorded by the Mission at the fair market value at the date of contribution. The amount of these contributions for the year ended December 31, 2018 is \$3,361,467.

The Mission leases a community residential house in Joliet, IL, which expired in November 2015, for a minimum annual rental of \$12. The Mission continues to lease the house on a month-to-month basis. The approximate fair rental value of such rent donated for the year ended December 31, 2018 was \$19,548, which is included in in-kind contributions revenue and in-kind rent expense in the accompanying statements of activities and functional expenses. The lease agreement will automatically renew month-to-month, but may be terminated by either party by giving a 30-day written notice of intention to terminate.

### *Retail Shop Income*

Retail shop income represents proceeds from sales of donated inventory.

### *Advertising Expense*

It is the Mission's policy to expense all advertising costs when incurred.

# MORNING STAR MISSION MINISTRIES, INC.

Notes to Financial Statements  
December 31, 2018

## 1. Summary of Significant Accounting Policies

### *Contributions*

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence or nature of any donor restrictions.

### *Accounting Standards Update*

The Mission adopted the provisions of ASU 2016-14 *Not-for-Profit Entities (Topic 958)* during its year ended December 31, 2018. The provisions adopted involve the presentation of net assets, disclosure of liquidity and availability of funds, expense reporting, and investment return.

## 2. Investments

The Mission held \$166,530, in investments as of December 31, 2018. Investments are stated at fair value and consist of mutual funds and money market accounts. Fair value is obtained from year-end statements provided by funds. There have been no changes in valuation techniques. Cost, fair values and unrealized appreciation at December 31, 2018 are summarized as follows:

	Cost	Fair Value	Unrealized Gain (Loss)
Endowment	\$ 171,131	\$ 166,530	\$ (4,601)
	<u>\$ 171,131</u>	<u>\$ 166,530</u>	<u>(\$ 4,601)</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and Dividend Income, Net	\$ 13,988	\$ -	\$ 13,988
Net Unrealized Gain on Investments	( 21,427)	-	( 21,427)
Total Investment Income	<u>(\$ 7,439)</u>	<u>\$ -</u>	<u>(\$ 7,439)</u>

### *Endowment Investments*

The Mission's endowment consists of both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

# MORNING STAR MISSION MINISTRIES, INC.

Notes to Financial Statements  
December 31, 2018

## 2. Investments

### *Board-Designated Endowment Investment*

Since November 17, 2011, the Board of Directors has designated \$141,030 of unrestricted donor gifts as funds functioning as an endowment for the purpose of producing income and appreciation for uses in the best interests of the Mission as it applies to the Mary L. Weitendorf Campus Family Center (Center). Since this endowment resulted from an internal designation and is not donor-restricted, it is classified and reported within net assets without donor restrictions.

The Mission has a spending policy that allows the interest and dividend income to be used for expenses of management of the Center. By vote of the majority of the entire Board of Directors, net income or five percent of the year-end market value of the fund (if net income is less) may be used as revenue in the annual budget of the Center. When operational funds of the Center are not sufficient, the Board of Directors may approve the invasion of principal on a 75 percent approval of the entire Board of Directors for the structure and equipment of the Center, and on a 90 percent approval of the entire Board of Directors for aid in the general operation of the Center. This is consistent with the Mission's objective to maintain these funds without invasion except under the most necessary of circumstances and with the approval of the entire board.

To achieve that objective, the Mission has adopted an investment policy that attempts to provide a total return on the assets including income, appreciation, and protection of principal. The Board of Directors determine the asset allocation strategy utilized in investing the assets of the board-designated endowment fund. The classification of investments include equity, fixed income securities, and cash equivalents.

### *Donor-Restricted Endowment Investment*

The Mission's donor-restricted endowment consists of donor-restricted funds established to enhance the quality of life for people without means.

The Board of Trustees of the Mission 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, the Mission classifies as net assets without donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of 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. Any capital appreciation is considered to be temporarily restricted until gains are realized and therefore available to be appropriated for expenditure by the Mission. Unrealized losses are included in net assets without donor restrictions. Earnings of the fund are included in net assets without donor restrictions as these amounts are appropriated for expenditure. In accordance with SPMIFA, the Mission 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 the Mission, and (7) the Mission's investment policies.

Spending and Investment Policies - The Mission has not established a formal investment policy or spending policy at December 31, 2018.

## MORNING STAR MISSION MINISTRIES, INC.

Notes to Financial Statements  
December 31, 2018

### 2. Investments

#### *Endowment Net Asset Composition*

Endowment net asset composition by type of fund as of December 31, 2018 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Donor-Restricted Endowment Funds	\$ -	\$ 25,500	\$ 25,500
Board-Designated Endowment Funds	141,030	-	141,030
Total Endowment Funds	<u>\$ 141,030</u>	<u>\$ 25,500</u>	<u>\$ 166,530</u>

Changes in endowment net assets as of December 31, 2018 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Endowment Net Assets, Beginning of Year	\$ 202,181	\$ 25,500	\$ 227,681
Distributions	( 51,447)		( 51,447)
Net Investment Income	11,723	-	11,723
Net Unrealized Appreciation (Depreciation)	( 21,427)	-	( 21,427)
Endowment Net Assets, End of Year	<u>\$ 141,030</u>	<u>\$ 25,500</u>	<u>\$ 166,530</u>

#### *Implementation of FSP FAS 117-1*

In August 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position No. FAS 117-1, "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds" (FSP FAS 117-1). FSP FAS 117-1 provides guidance on the net asset classification of donor-restricted endowment funds of a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management Institutional Funds Act of 2006 (UPMIFA). FSP FAS 117-1 also requires additional disclosures about an organization's endowment funds (both donor restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

The State of Illinois enacted UPMIFA effective June 30, 2009, the provisions of which apply to endowment funds existing or established after that date. The Mission adopted FSP FAS 117-1 for the year ending December 31, 2007. The board of trustees has determined that the Mission's net assets with donor restrictions meet the definition of endowment funds under UPMIFA.

## MORNING STAR MISSION MINISTRIES, INC.

Notes to Financial Statements  
December 31, 2018

### 2. Investments

#### *Fair Value Measurements*

Accounting principles generally accepted in the United States of America provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques 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 US GAAP 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 plan has the ability to access.

Level 2 - Inputs to the valuation methodology include

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in active 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.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

Fair value measurements at December 31, 2018 are as follows:

	Level 1	Level 2	Level 3
Investments:			
Money Market Funds and Other Cash	\$ -	\$ -	\$ -
Mutual Funds	-		
Endowment Investments:			
Money Market Funds and Other Cash			
Equivalents	19,129	-	-
Mutual Funds	147,401	-	-
	<u>166,530</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 166,530</u>	<u>\$ -</u>	<u>\$ -</u>

# MORNING STAR MISSION MINISTRIES, INC.

## Notes to Financial Statements December 31, 2018

### 3. Capital Assets

The summary of capital assets by major category is as follows:

Land	\$ 1,169,112
Buildings	9,623,400
Furniture, Fixtures and Equipment	750,071
Motor Vehicles	299,071
	<u>11,841,654</u>
Accumulated Depreciation	( 5,077,348)
Total Capital Assets	<u>\$ 6,764,306</u>

### 4. Long-Term Debt

Long-term debt at December 31, 2018 consists of the following:

BMO Harris Bank N.A, Due January 15, 2021, Interest rate of 4.45%, 59 payments of \$1,775 and one payment of \$233,551. Secured by property located at 250 North Republic, Joliet, IL 60435.	\$ 204,016
Hometown National Bank, Due May 9, 2028, Interest rate of 5.35%, 120 payments of \$1,375. Secured by property located at 106 East Benton, Joliet, IL 60432.	120,381
People First Bank, due April 21, 2038 payments of \$20,833 thru April 21, 2013 Initial interest rate of 5.9%, 300 payments of \$18,961 beginning May 21, 2013. Interest rate changed on 4/21/2013, at a rate of 4.95% (based on the 5 year treasury rate plus a margin of 3.5%). Secured by property located at 2571 East Lincoln Highway, New Lenox, IL 60451.	2,819,893
Hometown National Bank, Due November 07, 2022, Interest rate of 4.38%, 59 payments of \$1,511 and one payment of \$199,778. Secured by property located at 2561 East Lincoln Highway, New Lenox, IL 60451.	230,729
Old Plank Trail Community Bank, Due December 1, 2020 Interest rate of 4.5%, 59 payments of \$3,604 and one payment of \$156,136 at maturity.	<u>209,424</u>
	<u>\$ 3,584,443</u>

## MORNING STAR MISSION MINISTRIES, INC.

Notes to Financial Statements  
December 31, 2018

### 4. Long-Term Debt

Debt repayment for the following five years and in total is as follows:

<u>Year Ended</u>	<u>Amount</u>
December 31, 2019	\$ 151,147
December 31, 2020	303,237
December 31, 2021	303,593
December 31, 2022	323,204
December 31, 2023	123,574
Thereafter	<u>2,379,688</u>
	<u>\$ 3,584,443</u>

### 5. Net Asset Restrictions

Net assets with donor restrictions represent contributions to an Endowment fund. Income from the fund including net realized gains, interest and dividends shall be utilized specifically for assisting those persons in need of food, shelter, clothing and Christian-care.

### 6. Availability of Financial Assets

As mentioned in note 5 above, certain financial assets are set aside or restricted for certain purposes or periods. Other than the assets specifically mention in note 5, all of the Mission's financial assets are considered available to meet cash needs for general expenditures within one year of the date of the statement of financial position.

### 7. Concentrations of Credit Risk

The Mission maintains cash balances at various financial institutions located in Illinois. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At various times during the year ended December 31, 2018 amounts held at certain financial institutions exceeded the insured amount.

### 8. Thrift Shop Operations

The Treasure Chest Resale shops and Some Where In Time Antique Store are thrift shops operated by Morning Star Mission Ministries. The Mission receives donations of clothing and household goods (see note 1) some of which are placed in inventory at the thrift shops for resale. Donated inventory is valued at thrift store value at the date of donation. Sales generated by the thrift shop operations are recognized as public support.

### 9. Employee Benefit Plan

The mission has a 403(b) plan covering employees. Employees may contribute six months after their hire date. The mission will match up to three percent of salary after one year of service. Plan expenses incurred by the Mission during 2018 were \$11,213.

## MORNING STAR MISSION MINISTRIES, INC.

Notes to Financial Statements  
December 31, 2018

### 10. Leases

The Mission is the lessor under operating leases expiring in 2019 and thereafter. The following is a summary of property held for lease at December 31, 2018:

Land	\$	576,500
Buildings		1,499,448
Less Accumulated Depreciation	(	<u>590,625</u> )
	\$	<u>1,485,323</u>

Minimum future rentals to be received on non-cancelable leases as of December 31, 2018 for the next five years are:

2019	\$	36,527
2020		-
2021		-
2022		-
	\$	<u>36,527</u>

### 11. Uncertain Tax Positions

The Mission is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code except on net income derived from unrelated business activities. The Mission rents out 50% of its commercial real estate located in New Lenox, Illinois. Income derived from this rental activity is subject to tax on unrelated business income. The Mission did not incur a tax liability for the year ended December 31, 2018 on this unrelated business income. In addition, the Mission has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

The Mission has concluded that no material uncertain tax positions have been taken on any open tax returns. For the current year, the Mission's management believes all tax positions are fully supportable by existing Federal law and related interpretations and there are no uncertain tax positions to consider.

### 12. Subsequent Events

The Mission's management evaluated subsequent events through July 22, 2019, the date these financial statements were available to be issued.