

**SPRINGS  
RESCUE  
MISSION**



FINANCIAL STATEMENTS  
With Independent Auditors' Report

June 30, 2012 and 2011

# SPRINGS RESCUE MISSION

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## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Springs Rescue Mission  
Colorado Springs, Colorado

We have audited the accompanying statements of financial position of Springs Rescue Mission as of June 30, 2012 and 2011, and the related statements of activities, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of the organization's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Springs Rescue Mission's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Springs Rescue Mission as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Capin Crouse LLP*

Colorado Springs, Colorado  
October 31, 2012

# SPRINGS RESCUE MISSION

## Statements of Financial Position

	June 30,	
	2012	2011
<b>ASSETS:</b>		
Current assets:		
Cash	\$ 572,999	\$ 415,068
Restricted cash	200,000	200,000
Contributions receivable	107,891	80,050
Gift-in-kind inventory	121,489	375,273
Other assets	13,974	33,347
Property held for investment	87,466	87,466
	1,103,819	1,191,204
Property and equipment, net	3,713,967	3,228,601
<b>Total Assets</b>	<b>\$ 4,817,786</b>	<b>\$ 4,419,805</b>
<b>LIABILITIES AND NET ASSETS:</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 151,747	\$ 139,608
Construction costs payable	129,864	-
Current portion of notes payable	120,046	48,838
	401,657	188,446
Notes payable, net of current portion	1,054,212	1,203,875
Asset retirement obligations	51,554	49,024
	1,507,423	1,441,345
Net assets:		
Unrestricted:		
Operating	215,403	310,347
Board designated operating reserves	587,310	524,930
Equity in property and equipment	2,358,291	1,926,864
	3,161,004	2,762,141
Temporarily restricted	149,359	216,319
	3,310,363	2,978,460
<b>Total Liabilities and Net Assets</b>	<b>\$ 4,817,786</b>	<b>\$ 4,419,805</b>

See notes to financial statements

# SPRINGS RESCUE MISSION

## Statements of Activities

For the Year Ended June 30,

	For the Year Ended June 30,					
	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE:</b>						
Contributions	\$ 3,005,524	\$ 807,929	\$ 3,813,453	\$ 2,530,838	\$ 137,234	\$ 2,668,072
Gift-in-kind contributions	4,037,605	-	4,037,605	4,017,877	-	4,017,877
Catering revenue	82,148	-	82,148	82,759	-	82,759
Rental income	14,840	-	14,840	37,990	-	37,990
Other income	8,330	-	8,330	14,000	-	14,000
<b>Total Support and Revenue</b>	<b>7,148,447</b>	<b>807,929</b>	<b>7,956,376</b>	<b>6,683,464</b>	<b>137,234</b>	<b>6,820,698</b>
<b>NET ASSETS RELEASED:</b>						
Purpose restrictions	809,237	(809,237)	-	161,812	(161,812)	-
Time restrictions	65,652	(65,652)	-	33,248	(33,248)	-
<b>Total Net Assets Released</b>	<b>874,889</b>	<b>(874,889)</b>	<b>-</b>	<b>195,060</b>	<b>(195,060)</b>	<b>-</b>
<b>EXPENSES:</b>						
Program services	6,166,736	-	6,166,736	5,330,484	-	5,330,484
Supporting activities:						
General and administrative	669,811	-	669,811	670,323	-	670,323
Fund-raising	787,926	-	787,926	800,894	-	800,894
	1,457,737	-	1,457,737	1,471,217	-	1,471,217
<b>Total Expenses</b>	<b>7,624,473</b>	<b>-</b>	<b>7,624,473</b>	<b>6,801,701</b>	<b>-</b>	<b>6,801,701</b>
Change in Net Assets	398,863	(66,960)	331,903	76,823	(57,826)	18,997
Net Assets, Beginning of Year	2,762,141	216,319	2,978,460	2,685,318	274,145	2,959,463
<b>Net Assets, End of Year</b>	<b>\$ 3,161,004</b>	<b>\$ 149,359</b>	<b>\$ 3,310,363</b>	<b>\$ 2,762,141</b>	<b>\$ 216,319</b>	<b>\$ 2,978,460</b>

See notes to financial statements

# SPRINGS RESCUE MISSION

## Statements of Cash Flows

	Year Ended June 30,	
	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 331,903	\$ 18,997
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	179,080	158,109
Accretion of asset retirement obligation	2,530	2,411
Recognition of contributions receivable	(66,549)	(45,574)
Contributions restricted for long-term purposes	(627,780)	(49,173)
Loss on disposal of property and equipment	1,281	-
Change in operating assets and liabilities:		
Restricted cash	-	(200,000)
Gift-in-kind inventory	253,784	(116,780)
Other assets	19,373	4,114
Accounts payable and accrued expenses	12,139	60,949
Construction costs payable	129,864	-
Net Cash Provided (Used) by Operating Activities	235,625	(166,947)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Property and equipment purchases	(665,727)	(424,887)
Net Cash Used by Investing Activities	(665,727)	(424,887)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Contributions restricted for long-term purposes	627,780	49,173
Collection of contributions receivable	38,708	33,248
Payments on notes payable	(142,455)	(94,125)
Proceeds from notes payable	64,000	324,163
Net Cash Provided by Financing Activities	588,033	312,459
Net Change in Cash	157,931	(279,375)
Cash, Beginning of Year	415,068	694,443
Cash, End of Year	\$ 572,999	\$ 415,068
<b>SUPPLEMENTAL DISCLOSURES:</b>		
Cash paid for interest (\$18,051 capitalized during the year ended June 30, 2012)	\$ 73,561	\$ 62,840

See notes to financial statements

# SPRINGS RESCUE MISSION

## Statements of Functional Expenses

Year Ended June 30, 2012				
Program Services	Supporting Activities		Fund- raising	Total Expenses
	General and Administrative			
Wages and benefits	\$ 943,905	\$ 424,611	\$ 256,441	\$ 1,624,957
Gift in kind	4,306,974	-	-	4,306,974
Printing and advertising	115,549	61,695	358,477	535,721
Professional services	70,687	36,043	155,372	262,102
Outreach and assistance	238,255	-	-	238,255
Depreciation and amortization	168,335	7,163	3,582	179,080
General and office	71,906	65,889	10,895	148,690
Telephone and utilities	66,903	11,365	-	78,268
Insurance	54,919	2,337	1,168	58,424
Interest	52,180	2,220	1,110	55,510
Staff training	7,812	45,348	-	53,160
Repairs and maintenance	41,419	1,762	881	44,062
Facilities and transportation	24,154	-	-	24,154
Other	3,738	11,378	-	15,116
Total Expenses	<u>\$ 6,166,736</u>	<u>\$ 669,811</u>	<u>\$ 787,926</u>	<u>\$ 7,624,473</u>

Year Ended June 30, 2011				
Program Services	Supporting Activities		Fund- raising	Total Expenses
	General and Administrative			
Wages and benefits	\$ 528,959	\$ 405,225	\$ 233,548	\$ 1,167,732
Gift in kind	3,909,758	-	-	3,909,758
Printing and advertising	63,197	27,727	428,303	519,227
Outreach and assistance	245,320	-	-	245,320
General and office	147,800	85,171	7,345	240,316
Professional services	47,922	60,580	122,061	230,563
Depreciation and amortization	118,582	36,365	3,162	158,109
Telephone and utilities	64,731	1,431	446	66,608
Interest	59,070	2,513	1,257	62,840
Repairs and maintenance	58,655	2,090	1,150	61,895
Insurance	52,442	2,231	1,116	55,789
Staff training	2,461	44,303	2,461	49,225
Facilities and transportation	31,587	2,687	45	34,319
Total Expenses	<u>\$ 5,330,484</u>	<u>\$ 670,323</u>	<u>\$ 800,894</u>	<u>\$ 6,801,701</u>

See notes to financial statements

# SPRINGS RESCUE MISSION

## Notes to Financial Statements

June 30, 2012 and 2011

### 1. NATURE OF ORGANIZATION:

Springs Rescue Mission (SRM) was incorporated in Colorado in 1997. The mission of SRM is to partner with and engage the local church and community to serve the poor and homeless, feed the hungry, and minister to the addicted with the transforming message of the Gospel. SRM provides emergency services, daily meals, educational opportunities, vocational training, and numerous special events and outreaches. The New Life Discipleship Program is a ministry of SRM that consists of three main elements including regeneration, restoration, and accountability. The goal of the program is that each client be restored to a productive Christian life in the community with all the essential elements needed to live and work successfully.

SRM is operated as a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code") and is not a private foundation under Section 501(a) of the Code. Income consists mainly of contributions from individuals, businesses, and foundations.

### 2. SIGNIFICANT ACCOUNTING POLICIES:

SRM uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of any contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements. The significant accounting policies followed are described below.

#### CASH

Cash includes checking and savings accounts. These accounts may, at times, exceed federally insured limits. SRM has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

#### RESTRICTED CASH

The restricted cash balance represents a reserve fund required by the lender of the construction loan payable as of June 30, 2012 and 2011. The assets held in this reserve fund cannot be used for operating purposes.

#### CONTRIBUTIONS RECEIVABLE

Contributions receivable are reported as income of SRM when made, if the amount is estimable and absent of any conditions. The contributions receivable have been recorded at the present value of their estimated future cash flows. SRM has assessed the collectability of the contributions and has not recorded an allowance as of June 30, 2012 and 2011. The discounts on the contributions receivable are computed using interest rates applicable to the years in which the promises are received, which was 6%. Accretion of the discount is included in contributions revenue.

#### GIFT-IN-KIND INVENTORY

Gift-in-kind inventory consists of items donated to SRM by donors such as clothing, vehicles, furniture, and appliances. These items are recorded at their estimated fair market value on the date of the donation, and reported at their carrying amount thereafter.



# SPRINGS RESCUE MISSION

## Notes to Financial Statements

June 30, 2012 and 2011

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### PROPERTY AND EQUIPMENT

SRM capitalizes fixed asset purchases exceeding \$1,000 and expenses lesser amounts in the year purchased. Property and equipment are recorded at cost. Donated items are recorded at their estimated fair market value on the date of the gift. Depreciation is computed on the straight-line method over the estimated useful lives which range from three to thirty years.

#### ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations (ARO) are legal obligations associated with the retirement of long-lived assets. These liabilities are initially recorded at fair value and the related asset retirement costs are capitalized by increasing the carrying amount of the related assets by the same amount as the liability. Asset retirement costs are subsequently depreciated over the useful lives of the related assets. SRM records period-to-period changes in the ARO liability resulting from the passage of time and revisions to either the timing of the amount of the original estimate or undiscounted cash flows.

#### CLASSES OF NET ASSETS

The financial statements report amounts separately by class of net assets.

*Unrestricted net assets* are currently available for use at the discretion of the board and resources invested in property and equipment.

*Temporarily restricted net assets* are restricted by donors for specific operating purposes or until time restrictions have been met. They are not currently available for use in SRM activities until restrictions regarding their use have been fulfilled. When a restriction expires, that is when a purpose restriction or stipulated time restriction ends, temporarily restricted assets will be reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

#### SUPPORT, REVENUE, AND EXPENSES

Contributions are recorded when made, which may be when cash or other assets are received or unconditionally promised. Donated materials and equipment are reflected as gift-in-kind contributions in the accompanying statements of activities at their estimated fair market values on the date of receipt. Only professional services are recorded at their estimated fair market values. For all other donated services, SRM does not record contribution revenue as these services do not meet the criteria to be recorded under accounting standards. However, a substantial number of volunteers have donated significant amounts of time to the programs of SRM.

Rental income is recorded as earned, which is when the rooms have been occupied. Catering revenue is generated from the Culinary Arts Training Program, and is recorded when earned.

Expenses are recognized when incurred in accordance with the accrual basis of accounting.

# SPRINGS RESCUE MISSION

## Notes to Financial Statements

June 30, 2012 and 2011

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### ALLOCATION OF EXPENSES

The costs of providing program services and supporting activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs relating to more than one function have been allocated among the program services and supporting activities benefited.

#### ADVERTISING

SRM uses advertising to communicate the needs it has to the general public. Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2012 and 2011, was \$46,712 and \$25,700, respectively.

#### UNCERTAIN TAX POSITIONS

The financial effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the statements of activities. As of June 30, 2012, SRM had no uncertain tax positions that qualify for recognition or separate disclosure in the financial statements.

#### RECLASSIFICATIONS

Certain prior year amounts have been reclassified in order to conform with current year presentation.

### 3. CONTRIBUTIONS RECEIVABLE:

Contributions receivable consist of:

	June 30,	
	2012	2011
Due in less than one year	\$ 108,592	\$ 65,574
Due in one to five years	-	17,000
	108,592	82,574
Unamortized discount	(701)	(2,524)
	<u>\$ 107,891</u>	<u>\$ 80,050</u>

### 4. PROPERTY HELD FOR INVESTMENT:

As of June 30, 2012 and 2011, SRM owned one property that is being held for investment purposes. The property held for investment purposes is recorded at the lower of carrying value or estimated fair value less estimated selling costs, which has been determined to be carrying value as of June 30, 2012 and 2011.

# SPRINGS RESCUE MISSION

## Notes to Financial Statements

June 30, 2012 and 2011

5. PROPERTY AND EQUIPMENT, NET:

Property and equipment, net consist of:

	June 30,	
	2012	2011
Land	\$ 649,818	\$ 560,843
Land improvements	60,737	56,332
Buildings and improvements	3,817,585	3,281,741
Furniture and equipment	352,602	333,710
Vehicles	92,505	74,003
	<u>4,973,247</u>	<u>4,306,629</u>
Less accumulated depreciation and amortization	<u>(1,270,943)</u>	<u>(1,092,778)</u>
	3,702,304	3,213,851
Construction in progress	11,663	14,750
	<u>\$ 3,713,967</u>	<u>\$ 3,228,601</u>

Equity in property and equipment consists of the following:

Property and equipment, net	\$ 3,713,967	\$ 3,228,601
Less construction costs payable	(129,864)	-
Less related notes payable	(1,174,258)	(1,252,713)
Less related asset retirement obligations	<u>(51,554)</u>	<u>(49,024)</u>
	<u>\$ 2,358,291</u>	<u>\$ 1,926,864</u>

# SPRINGS RESCUE MISSION

## Notes to Financial Statements

June 30, 2012 and 2011

6. NOTES PAYABLE:

Notes payable consist of:

	June 30,	
	2012	2011
Note payable to a financial institution in the amount of \$600,000, due in monthly installments of principal and interest of \$4,483, with interest calculated at a rate of 6.5%. Note matures December 2014 and is secured by land and a building.	\$ 553,975	\$ 570,540
Note payable to a financial institution in the amount of \$720,000, due in monthly installments of principal and interest of \$4,123, with interest calculated at a rate of 5.25%. Note matures January 2014 and is secured by land and a building.	304,854	358,010
Construction loan payable to a financial institution for a maximum of \$860,000, first eighteen months are interest only at the LIBOR rate plus 3.5%, with a floor of 4% (effectively 4.0% as of June 30, 2012). Starting January 2013, the note automatically converts to a term loan, the outstanding principal will be amortized over 25 years, with SRM making monthly principal and interest payments. The note matures December 2016 and is secured by land and a building.	251,429	324,163
Construction loan payable to a financial institution for a maximum of \$360,000, interest only at the Prime rate plus 1%, with a floor of 5.5% (effectively 5.5% as of June 30, 2012). Note matures May 2013 and is secured by property.	64,000	-
Less current portion	1,174,258 (120,046)	1,252,713 (48,838)
	\$ 1,054,212	\$ 1,203,875

# SPRINGS RESCUE MISSION

## Notes to Financial Statements

June 30, 2012 and 2011

6. NOTES PAYABLE, continued:

Future minimum payments are as follows:

<u>Year Ending June 30,</u>		
2013	\$	120,046
2014		300,547
2015		524,945
2016		9,779
2017		218,941
		218,941
	\$	1,174,258

SRM was in compliance with for all financial and reporting covenants at June 30, 2012 and 2011.

7. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets are available for the following purposes:

	<u>June 30,</u>	
	<u>2012</u>	<u>2011</u>
Building fund life recovery center	\$ 50,000	\$ -
Family mentor alliance	30,817	-
Elevate	8,127	-
Family housing	2,524	49,173
Food	-	87,096
	91,468	136,269
Time restricted contributions receivable	57,891	80,050
	\$ 149,359	\$ 216,319

# SPRINGS RESCUE MISSION

## Notes to Financial Statements

June 30, 2012 and 2011

### 8. OPERATING LEASES:

As part of its exempt activities, SRM has incurred certain obligations and commitments relating to services provided to SRM and office equipment. Lease expense approximated \$153,744 and \$40,940 for the years ended June 30, 2012 and 2011, respectively. Future minimum payments required under non-cancelable operating leases are as follows:

<u>Year Ending June 30,</u>	
2013	\$ 68,702
2014	22,308
2015	13,071
2016	924
	<hr/>
	\$ 105,005
	<hr/> <hr/>

SRM leased a portion of its facilities to two other organizations. Rental income for these arrangements was \$14,840 and \$37,990 for the years ended June 30, 2012 and 2011, respectively. Management has determined that there is no unrelated business income relating to this lease. Both of these rental agreements were terminated during the year ended June 30, 2012.

### 9. EMPLOYEE BENEFITS:

SRM has a 403(b) Retirement Plan that is available for all employees who meet eligibility requirements. SRM contributes up to 2% of eligible compensation to those employees who meet eligibility requirements. SRM also contributes an additional 1% for direct expenses. During the years ended June 30, 2012 and 2011, employer contributions were \$12,176 and \$9,995, respectively.

### 10. LINE OF CREDIT:

During the year ended June 30, 2011, SRM obtained from a financial institution a \$200,000 unsecured revolving line of credit with variable interest (effective rate of 5% as of June 30, 2012). The line of credit was renewed for an additional year and matures on December 1, 2012. As of June 30, 2012 and 2011, the line of credit was not drawn upon.

### 11. RELATED PARTY:

During the year ended June 30, 2012, SRM purchased a vehicle for \$18,500 from a company owned by SRM's board chair.

### 12. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through the report date, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

Subsequent to June 30, 2012, SRM received a \$500,000 grant for the purpose of assisting with the remodel of the above building. The entire grant is expected to be received during the year ended June 30, 2013.