

**SPRINGS
RESCUE
MISSION**



FINANCIAL STATEMENTS
With Independent Auditors' Report

June 30, 2013 and 2012

SPRINGS RESCUE MISSION

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Springs Rescue Mission
Colorado Springs, Colorado

We have audited the accompanying financial statements of Springs Rescue Mission, which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, cash flows, and functional expenses 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.

Auditors' 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.

Board of Directors
Springs Rescue Mission
Colorado Springs, Colorado

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, 2013 and 2012, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Colorado Springs, Colorado
October 23, 2013

SPRINGS RESCUE MISSION

Statements of Financial Position

	June 30,	
	2013	2012
ASSETS:		
Current assets:		
Cash	\$ 246,183	\$ 572,999
Restricted cash	200,000	200,000
Contributions receivable	50,345	107,891
Gift-in-kind inventory	71,965	121,489
Other assets	208,322	13,974
Property held for sale	87,466	-
Property held for investment	-	87,466
	864,281	1,103,819
Property and equipment, net	4,349,365	3,713,967
Total Assets	\$ 5,213,646	\$ 4,817,786
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable and accrued expenses	\$ 199,017	\$ 151,747
Construction costs payable	-	129,864
Current portion of notes payable	150,108	120,046
	349,125	401,657
Notes payable, net of current portion	1,426,666	1,054,212
Asset retirement obligations	54,209	51,554
	1,830,000	1,507,423
Net assets:		
Unrestricted:		
Operating	(107,573)	215,403
Board designated operating reserves	636,332	587,310
Equity in property and equipment	2,718,382	2,358,291
	3,247,141	3,161,004
Temporarily restricted	136,505	149,359
	3,383,646	3,310,363
Total Liabilities and Net Assets	\$ 5,213,646	\$ 4,817,786

See notes to financial statements

SPRINGS RESCUE MISSION

Statements of Activities

	Year Ended June 30,					
	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Contributions	\$ 3,315,494	\$ 403,717	\$ 3,719,211	\$ 3,005,524	\$ 807,929	\$ 3,813,453
Gift-in-kind contributions	4,946,379	-	4,946,379	4,037,605	-	4,037,605
Catering revenue	60,722	-	60,722	82,148	-	82,148
Rental income	-	-	-	14,840	-	14,840
Other income	11,514	-	11,514	8,330	-	8,330
Total Support and Revenue	8,334,109	403,717	8,737,826	7,148,447	807,929	7,956,376
NET ASSETS RELEASED:						
Purpose restrictions	363,776	(363,776)	-	809,237	(809,237)	-
Time restrictions	52,795	(52,795)	-	65,652	(65,652)	-
Total Net Assets Released	416,571	(416,571)	-	874,889	(874,889)	-
EXPENSES:						
Program services	7,054,298	-	7,054,298	6,166,736	-	6,166,736
Supporting activities:						
General and administrative	720,555	-	720,555	669,811	-	669,811
Fund-raising	889,690	-	889,690	787,926	-	787,926
	1,610,245	-	1,610,245	1,457,737	-	1,457,737
Total Expenses	8,664,543	-	8,664,543	7,624,473	-	7,624,473
Change in Net Assets	86,137	(12,854)	73,283	398,863	(66,960)	331,903
Net Assets, Beginning of Year	3,161,004	149,359	3,310,363	2,762,141	216,319	2,978,460
Net Assets, End of Year	\$ 3,247,141	\$ 136,505	\$ 3,383,646	\$ 3,161,004	\$ 149,359	\$ 3,310,363

See notes to financial statements

SPRINGS RESCUE MISSION

Statements of Cash Flows

	Year Ended June 30,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 73,283	\$ 331,903
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	204,835	179,080
Accretion of asset retirement obligation	2,655	2,530
Recognition of contributions receivable	(45,249)	(66,549)
Contributions restricted for long-term purposes	(219,990)	(627,780)
Loss on disposal of property and equipment	-	1,281
Change in operating assets and liabilities:		
Gift-in-kind inventory	49,524	253,784
Other assets	(194,348)	19,373
Accounts payable and accrued expenses	47,270	12,139
Construction costs payable	(129,864)	129,864
Net Cash Provided (Used) by Operating Activities	(211,884)	235,625
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property and equipment purchases	(840,233)	(665,727)
Net Cash Used by Investing Activities	(840,233)	(665,727)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for long-term purposes	219,990	627,780
Collection of contributions receivable	102,795	38,708
Payments on notes payable	(327,348)	(142,455)
Proceeds from notes payable	729,864	64,000
Net Cash Provided by Financing Activities	725,301	588,033
Net Change in Cash	(326,816)	157,931
Cash, Beginning of Year	572,999	415,068
Cash, End of Year	\$ 246,183	\$ 572,999
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest (\$18,051 capitalized during the year ended June 30, 2012)	\$ 77,006	\$ 73,561
Property held for investment transferred to property held for sale	\$ 87,466	\$ -

See notes to financial statements

SPRINGS RESCUE MISSION

Statements of Functional Expenses

	Year Ended June 30, 2013			
	Program Services	Supporting Activities		Total Expenses
		General and Administrative	Fund- raising	
Wages and benefits	\$ 1,068,478	\$ 496,518	\$ 304,212	\$ 1,869,208
Gift in kind	4,995,903	-	-	4,995,903
Printing and advertising	49,318	35,366	459,267	543,951
Professional services	65,021	50,894	107,679	223,594
General and office	140,926	72,038	2,998	215,962
Outreach and assistance	226,843	-	-	226,843
Depreciation and amortization	192,545	8,193	4,097	204,835
Telephone and utilities	95,790	3,737	1,868	101,395
Interest	72,385	3,081	1,540	77,006
Insurance	59,714	2,541	1,271	63,526
Staff training	5,778	46,227	5,778	57,783
Repairs and maintenance	46,049	1,960	980	48,989
Facilities and transportation	35,548	-	-	35,548
	<u>\$ 7,054,298</u>	<u>\$ 720,555</u>	<u>\$ 889,690</u>	<u>\$ 8,664,543</u>

	Year Ended June 30, 2012			
	Program Services	Supporting Activities		Total Expenses
		General and Administrative	Fund- raising	
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
	<u>\$ 6,166,736</u>	<u>\$ 669,811</u>	<u>\$ 787,926</u>	<u>\$ 7,624,473</u>

See notes to financial statements

SPRINGS RESCUE MISSION

Notes to Financial Statements

June 30, 2013 and 2012

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 maintains its accounts and prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. 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, disclosures of any contingent assets and liabilities at the date of the financial statements, and the reported revenues and expenses during the reporting period. Actual results could differ from the estimates. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

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, 2013 and 2012. The assets held in this reserve fund cannot be used for operating purposes. Subsequent to June 30, 2013, SRM refinanced the notes payable. As a result of the refinance, SRM is no longer required to maintain a restricted cash balance.

SPRINGS RESCUE MISSION

Notes to Financial Statements

June 30, 2013 and 2012

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

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. 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. SRM has assessed the collectability of the contributions receivable based on prior year average collectability ratios and has recorded an allowance of \$4,076 and \$4,407 as of June 30, 2013 and 2012, respectively.

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.

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.

SPRINGS RESCUE MISSION

Notes to Financial Statements

June 30, 2013 and 2012

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT, REVENUE, AND EXPENSES

Contributions are recorded when made, which may be when cash and other assets are received or unconditionally promised. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated amounts. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

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 recorded when incurred in accordance with the accrual basis of accounting.

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, 2013 and 2012, was \$27,832 and \$46,712, 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, 2013, SRM had no uncertain tax positions that qualify for recognition or separate disclosure in the financial statements.

SRM's federal Return of Organization Exempt from Income Tax Form 990 for the years ended June 30, 2012, 2011, and 2010 are subject to examination by the IRS, generally for three years after they were filed.

SPRINGS RESCUE MISSION

Notes to Financial Statements

June 30, 2013 and 2012

3. CONTRIBUTIONS RECEIVABLE:

Contributions receivable consist of:

	June 30,	
	2013	2012
Due in less than one year	\$ 50,551	\$ 108,592
Due in one to five years	-	-
	<u>50,551</u>	<u>108,592</u>
Unamortized discount	(206)	(701)
	<u>\$ 50,345</u>	<u>\$ 107,891</u>

4. PROPERTY HELD FOR SALE:

As of June 30, 2012, SRM owned one property that was being held for investment purposes. During the year ended June 30, 2013, the property was reclassified as property held for sale. As of June 30, 2013, the property was under contract and the sale was expected to be finalized during the second half of 2013. The property held for sale 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, 2013 and 2012.

5. PROPERTY AND EQUIPMENT, NET:

Property and equipment, net consist of:

	June 30,	
	2013	2012
Land	\$ 762,168	\$ 649,818
Land improvements	60,737	60,737
Buildings and improvements	4,468,453	3,817,585
Furniture and equipment	407,598	352,602
Vehicles	92,505	92,505
	<u>5,791,461</u>	<u>4,973,247</u>
Less accumulated depreciation and amortization	(1,475,778)	(1,270,943)
	<u>4,315,683</u>	<u>3,702,304</u>
Construction in progress	33,682	11,663
	<u>\$ 4,349,365</u>	<u>\$ 3,713,967</u>

SPRINGS RESCUE MISSION

Notes to Financial Statements

June 30, 2013 and 2012

5. PROPERTY AND EQUIPMENT, NET, continued:

Equity in property and equipment consists of the following:

	June 30,	
	2013	2012
Property and equipment, net	\$ 4,349,365	\$ 3,713,967
Less construction costs payable	-	(129,864)
Less related notes payable	(1,576,774)	(1,174,258)
Less related asset retirement obligations	(54,209)	(51,554)
	<u>\$ 2,718,382</u>	<u>\$ 2,358,291</u>

6. CONDITIONAL GRANTS:

Since 2007, SRM has received three grants from the Federal Home Loan Bank of Topeka (FHLB) to acquire and rehabilitate certain properties for use in SRM's programs. These grants contain conditions requiring the property be used for a specified period of time according to the grant requirements. If the retention period is not met, the grant has a repayment requirement. SRM reviews the requirements of each grant and projects the likelihood of meeting the retention period. If the probability of meeting all grant requirements during the retention period is high, SRM records the grant revenue upon receipt.

During the years ended June 30, 2008 and 2012, SRM received two grants of \$450,000 and \$500,000, respectively, from FHLB, each with a 15-year retention period. These grants were recognized as contribution income during the years received. Through the date of this audit report, SRM continues to believe that it is highly probable it will fulfill the retention period requirements for these grants.

During the year ended June 30, 2013, SRM received a grant notification of \$400,000 from Federal Home Loan Bank of Topeka. As of June 30, 2013, \$201,790 had been spent on the project for which this grant was received. This amount has been recorded as other assets on the statements of financial position and contribution income on the statements of activities. Since the remainder of the grant is conditional upon SRM completing the construction project, it has not yet been recorded as contribution income. SRM believes that it is highly probable it will fulfill the retention period requirements for this grant.

SPRINGS RESCUE MISSION

Notes to Financial Statements

June 30, 2013 and 2012

7. NOTES PAYABLE:

Notes payable consist of:

	June 30,	
	2013	2012
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.	\$ 537,834	\$ 553,975
Note payable to a financial institution in the amount of \$500,000, due in a lump sum payment of principal plus accrued interest in January 2014. Interest is calculated at the LIBOR rate plus 3.5%, effectively 3.68% as of June 30, 2013. Note is secured by property and equipment.	500,000	-
Construction loan payable to a financial institution for a maximum of \$860,000, due in monthly installments of principal and interest of \$1,867, with interest calculated at a rate of 4.0%. The note matures December 2016 and is secured by land and a building.	374,940	251,429
Note payable to a financial institution in the amount of \$100,000, due in a lump sum payment of principal plus accrued interest in January 2014. Interest is calculated at the LIBOR rate plus 3.5%, effectively 3.68% as of June 30, 2013. Note is secured by property and equipment.	100,000	-
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, 2013). Note matures May 2014 and is secured by property.	64,000	64,000
Note payable to a financial institution paid off during the year ended June 30, 2013.	-	304,854
	1,576,774	1,174,258
Less current portion	(150,108)	(120,046)
	\$ 1,426,666	\$ 1,054,212

SPRINGS RESCUE MISSION

Notes to Financial Statements

June 30, 2013 and 2012

7. NOTES PAYABLE, continued:

In July 2013, SRM refinanced all but one outstanding notes payable, totaling \$1,529,892. The new note is due in monthly installments of principal and interest of \$9,540 with interest calculated at the Prime rate plus 1%, effectively 4.25% as of June 30, 2013. The interest rate is subject to change every five years. Note matures August 2033 and is secured by property and equipment.

Future minimum payments under the refinanced note payable and continuing notes payable are as follows:

<u>Year Ending June 30,</u>	
2014	\$ 150,108
2015	52,021
2016	54,113
2017	56,628
2018	59,087
Thereafter	<u>1,204,817</u>
	<u>\$ 1,576,774</u>

SRM was in compliance with for all financial and reporting covenants at June 30, 2013.

8. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets are available for the following purposes:

	<u>June 30,</u>	
	<u>2013</u>	<u>2012</u>
Family housing	\$ 78,033	\$ 2,524
Elevate	8,127	8,127
Building fund life recovery center	-	50,000
Family mentor alliance	-	30,817
	<u>86,160</u>	<u>91,468</u>
Time restricted contributions receivable	<u>50,345</u>	<u>57,891</u>
	<u>\$ 136,505</u>	<u>\$ 149,359</u>

SPRINGS RESCUE MISSION

Notes to Financial Statements

June 30, 2013 and 2012

9. 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 \$62,756 and \$153,744 for the years ended June 30, 2013 and 2012, respectively. Future minimum payments required under non-cancelable operating leases are as follows:

<u>Year Ending June 30,</u>	
2014	\$ 35,801
2015	20,267
2016	7,374
2017	<u>3,036</u>
	<u>\$ 66,478</u>

SRM leased a portion of its facilities to two other organizations. Rental income for these arrangements was \$0 and \$14,840 during the years ended June 30, 2013 and 2012, 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.

10. COMMITMENTS:

Subsequent to June 30, 2013, SRM entered into a contract for construction of the Family Center. Amounts expected to be paid during the year ending June 30, 2014 are approximately \$464,000, due upon completion of the construction.

11. 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, 2013 and 2012, employer contributions were \$11,357 and \$12,176, respectively.

12. 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 5.18% as of June 30, 2013). The line of credit was renewed for an additional year and matured on June 30, 2013. As of June 30, 2013 and 2012, the line of credit was not drawn upon.

Subsequent to June 30, 2013, SRM obtained from a financial institution a \$200,000 revolving line of credit with variable interest (effective rate of 4.25% as of June 30, 2013). The line has no set maturity date but can be cancelled during an annual review by the financial institution based on operating criteria set forth.

SPRINGS RESCUE MISSION

Notes to Financial Statements

June 30, 2013 and 2012

13. RELATED PARTY:

During the year ended June 30, 2013, SRM contracted with a construction company owned by one of SRM's board members. Total fees paid for services during the year ended June 30, 2013 were \$118,584.

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

14. 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.