

**SPRINGS
RESCUE
MISSION**



FINANCIAL STATEMENTS
With Independent Auditors' Report

June 30, 2014 and 2013

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, 2014 and 2013, 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, 2014 and 2013, 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 30, 2014

SPRINGS RESCUE MISSION

Statements of Financial Position

	June 30,	
	2014	2013
ASSETS:		
Current assets:		
Cash	\$ 253,298	\$ 246,183
Restricted cash	-	200,000
Contributions receivable	34,417	50,345
Gift-in-kind inventory	86,963	71,965
Grants receivable	197,911	201,790
Other assets	24,075	6,532
Property held for sale	-	87,466
	596,664	864,281
Property and equipment, net	4,429,054	4,349,365
Total Assets	\$ 5,025,718	\$ 5,213,646
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable and accrued expenses	\$ 174,773	\$ 199,017
Construction costs payable	53,020	-
Current portion of notes payable	116,021	150,108
Line of credit	61,600	-
	405,414	349,125
Notes payable, net of current portion	1,439,332	1,426,666
Asset retirement obligations	56,995	54,209
	1,901,741	1,830,000
Net assets:		
Unrestricted:		
Operating	(284,838)	(107,573)
Board designated operating reserves	664,185	636,332
Equity in property and equipment	2,702,086	2,718,382
	3,081,433	3,247,141
Temporarily restricted	42,544	136,505
	3,123,977	3,383,646
Total Liabilities and Net Assets	\$ 5,025,718	\$ 5,213,646

See notes to financial statements

SPRINGS RESCUE MISSION

Statements of Activities

	Year Ended June 30,					
	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Contributions	\$ 3,487,095	\$ 349,837	\$ 3,836,932	\$ 3,315,494	\$ 403,717	\$ 3,719,211
Gift-in-kind contributions	5,174,262	-	5,174,262	4,946,379	-	4,946,379
Catering revenue	62,283	-	62,283	60,722	-	60,722
Gain on sale of property	152,938	-	152,938	-	-	-
Other income	23,283	-	23,283	11,514	-	11,514
Total Support and Revenue	8,899,861	349,837	9,249,698	8,334,109	403,717	8,737,826
NET ASSETS RELEASED:						
Purpose restrictions	389,057	(389,057)	-	363,776	(363,776)	-
Time restrictions	54,741	(54,741)	-	52,795	(52,795)	-
Total Net Assets Released	443,798	(443,798)	-	416,571	(416,571)	-
EXPENSES:						
Program services	7,656,878	-	7,656,878	7,054,298	-	7,054,298
Supporting activities:						
General and administrative	894,715	-	894,715	720,555	-	720,555
Fundraising	957,774	-	957,774	889,690	-	889,690
	1,852,489	-	1,852,489	1,610,245	-	1,610,245
Total Expenses	9,509,367	-	9,509,367	8,664,543	-	8,664,543
Change in Net Assets	(165,708)	(93,961)	(259,669)	86,137	(12,854)	73,283
Net Assets, Beginning of Year	3,247,141	136,505	3,383,646	3,161,004	149,359	3,310,363
Net Assets, End of Year	\$ 3,081,433	\$ 42,544	\$ 3,123,977	\$ 3,247,141	\$ 136,505	\$ 3,383,646

See notes to financial statements

SPRINGS RESCUE MISSION

Statements of Cash Flows

	Year Ended June 30,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (259,669)	\$ 73,283
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	193,763	204,835
Accretion of asset retirement obligations	2,786	2,655
Contributions restricted for long-term purposes	(224,510)	(219,990)
Gain on sale of property held for sale	(152,938)	-
Change in operating assets and liabilities:		
Restricted cash	200,000	-
Contributions receivable	15,928	57,546
Gift-in-kind inventory	(14,998)	49,524
Grants receivable	3,879	(201,790)
Other assets	(17,543)	7,442
Accounts payable and accrued expenses	(24,244)	47,270
Net Cash Provided (Used) by Operating Activities	(277,546)	20,775
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property and equipment purchases	(220,432)	(970,097)
Proceeds from sale of property held for sale	240,404	-
Net Cash Provided (Used) by Investing Activities	19,972	(970,097)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for long-term purposes	224,510	219,990
Payments on notes payable	(41,574)	(327,348)
Payments on line of credit	(75,000)	-
Proceeds from notes payable	20,153	729,864
Draws on line of credit	136,600	-
Net Cash Provided by Financing Activities	264,689	622,506
Net Change in Cash	7,115	(326,816)
Cash, Beginning of Year	246,183	572,999
Cash, End of Year	\$ 253,298	\$ 246,183
SUPPLEMENTAL DISCLOSURES:		
Notes payable proceeds used to pay off notes payable	\$ 1,529,892	\$ -
Cash paid for interest (\$7,991 and \$0 capitalized during the years ended June 30, 2014 and 2013, respectively)	\$ 93,678	\$ 77,006
Property held for investment transferred to property held for sale	\$ -	\$ 87,466
Property and equipment acquired but not yet paid	\$ 53,020	\$ -

See notes to financial statements

SPRINGS RESCUE MISSION

Statements of Functional Expenses

	Year Ended June 30, 2014			
	Program Services	Supporting Activities		Total Expenses
		General and Administrative	Fund- raising	
Wages and benefits	\$ 1,401,534	\$ 600,060	\$ 297,355	\$ 2,298,949
Gift in kind	5,159,264	-	-	5,159,264
Printing and advertising	82,359	83,393	525,489	691,241
Professional services	105,075	66,560	114,266	285,901
General and office	174,428	69,042	3,376	246,846
Depreciation and amortization	182,137	7,751	3,875	193,763
Outreach and assistance	184,093	-	-	184,093
Telephone and utilities	110,254	4,345	2,172	116,771
Interest	80,546	3,427	1,714	85,687
Insurance	80,396	3,421	1,711	85,528
Staff training	6,848	54,781	6,848	68,477
Repairs and maintenance	45,479	1,935	968	48,382
Facilities and transportation	44,465	-	-	44,465
	<u>\$ 7,656,878</u>	<u>\$ 894,715</u>	<u>\$ 957,774</u>	<u>\$ 9,509,367</u>

	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
Depreciation and amortization	192,545	8,193	4,097	204,835
Outreach and assistance	226,843	-	-	226,843
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>

See notes to financial statements

SPRINGS RESCUE MISSION

Notes to Financial Statements

June 30, 2014 and 2013

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. The assets held in this reserve fund could not be used for operating purposes. During the year ended June 30, 2014, SRM refinanced the notes payable. As a result of the refinance, SRM is no longer required to maintain a reserve fund.

SPRINGS RESCUE MISSION

Notes to Financial Statements

June 30, 2014 and 2013

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 \$0 and \$4,076 as of June 30, 2014 and 2013, 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, 2014 and 2013

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.

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, 2014 and 2013, was \$23,006 and \$27,832, 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, 2014, 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, 2013, 2012, and 2011 are subject to examination by the IRS, generally for three years after they were filed.

RECLASSIFICATIONS

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

SPRINGS RESCUE MISSION

Notes to Financial Statements

June 30, 2014 and 2013

3. CONTRIBUTIONS RECEIVABLE:

Contributions receivable consist of:

	June 30,	
	2014	2013
Due in less than one year	\$ 34,417	\$ 50,551
Less: unamortized discount	-	(206)
	\$ 34,417	\$ 50,345

4. PROPERTY HELD FOR SALE:

As of June 30, 2013, SRM owned one property that was being held for sale. The property held for sale was recorded at the lower of carrying value or estimated fair value less estimated selling costs as of June 30, 2013. The property was sold during the year ended June 30, 2014 and a gain of \$152,938 has been recorded in the statements of activities.

5. PROPERTY AND EQUIPMENT, NET:

Property and equipment, net consist of:

	June 30,	
	2014	2013
Land	\$ 762,168	\$ 762,168
Land improvements	60,737	60,737
Buildings and improvements	4,535,572	4,468,453
Furniture and equipment	351,898	407,598
Vehicles	80,451	92,505
	5,790,826	5,791,461
Less: accumulated depreciation and amortization	(1,584,540)	(1,475,778)
	4,206,286	4,315,683
Construction in progress	222,768	33,682
	\$ 4,429,054	\$ 4,349,365

SPRINGS RESCUE MISSION

Notes to Financial Statements

June 30, 2014 and 2013

5. PROPERTY AND EQUIPMENT, NET, continued:

Equity in property and equipment consists of the following:

	June 30,	
	2014	2013
Property and equipment, net	\$ 4,429,054	\$ 4,349,365
Less: construction costs payable	(53,020)	-
Less: related notes payable	(1,555,353)	(1,576,774)
Less: related line of credit	(61,600)	-
Less: related asset retirement obligations	(56,995)	(54,209)
	<u>\$ 2,702,086</u>	<u>\$ 2,718,382</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 FHLB. For the years ended June 30, 2014 and 2013, \$197,911 and \$201,790 was spent on the project for which this grant was received for the respective year, totaling \$399,701. The amount for the years ended June 30, 2014 and 2013 has been recorded as grants receivable on the statements of financial position and contribution income on the statements of activities. 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, 2014 and 2013

7. NOTES PAYABLE:

Notes payable consist of:

	June 30,	
	2014	2013
Note payable to a financial institution in the amount of \$899,000, due in monthly installments of principal and interest of \$5,606, with interest calculated at a rate of 4.25%. Note matures August 2033 and is secured by property and equipment.	\$ 876,354	\$ -
Note payable to a financial institution in the amount of \$630,892, due in monthly installments of principal and interest of \$3,934, with interest calculated at rate of 4.25%. Note matures August 2033 and is secured by property and equipment.	614,999	-
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, 2014 and 2013). Note matures November 2014 and is secured by property. Subsequent to year end, there were additional draws on the construction loan payable to make the outstanding balance approximately \$197,000 as of the date of this report.	64,000	64,000
Note payable to a financial institution in the amount of \$600,000. Paid off during the year ended June 30, 2014.	-	537,834
Note payable to a financial institution in the amount of \$500,000. Paid off during the year ended June 30, 2014.	-	500,000
Construction loan payable to a financial institution for a maximum of \$860,000. Paid off during the year ended June 30, 2014.	-	374,940
Note payable to a financial institution in the amount of \$100,000. Paid off during the year ended June 30, 2014.	-	100,000
	1,555,353	1,576,774
Less: current portion	(116,021)	(150,108)
	\$ 1,439,332	\$ 1,426,666

SPRINGS RESCUE MISSION

Notes to Financial Statements

June 30, 2014 and 2013

7. NOTES PAYABLE, continued:

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

<u>Year Ending June 30,</u>	
2015	\$ 116,021
2016	54,113
2017	56,628
2018	59,087
2019	61,652
Thereafter	<u>1,207,852</u>
	<u><u>\$ 1,555,353</u></u>

SRM was in compliance with all financial and reporting covenants at June 30, 2014.

8. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets are available for the following purposes:

	<u>June 30,</u>	
	<u>2014</u>	<u>2013</u>
Elevate	\$ 8,127	\$ 8,127
Family housing	-	78,033
	<u>8,127</u>	<u>86,160</u>
Time restricted contributions receivable	<u>34,417</u>	<u>50,345</u>
	<u><u>\$ 42,544</u></u>	<u><u>\$ 136,505</u></u>

9. GIFT-IN-KIND CONTRIBUTIONS:

Gift-in-kind contributions were given in the following amounts:

	<u>Year ended June 30,</u>	
	<u>2014</u>	<u>2013</u>
Clothing	\$ 3,677,655	\$ 3,408,678
Household goods	675,272	733,528
Food	609,611	611,243
Others	<u>211,724</u>	<u>192,930</u>
	<u><u>\$ 5,174,262</u></u>	<u><u>\$ 4,946,379</u></u>

SPRINGS RESCUE MISSION

Notes to Financial Statements

June 30, 2014 and 2013

10. 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, 2014 and 2013, employer contributions were \$10,936 and \$11,357, respectively.

11. LINE OF CREDIT:

During the year ended June 30, 2014, SRM obtained a \$200,000 revolving line of credit with variable interest (effective rate of 4.25% as of June 30, 2014) from a financial institution. 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. The balance drawn on the line of credit is \$61,600 as of June 30, 2014.

12. RELATED PARTY TRANSACTION:

During the year ended June 30, 2014 and 2013, SRM contracted with a construction company owned by one of SRM's board members. Total fees paid for services during the years ended June 30, 2014 and 2013 were \$250,247 and \$118,584, respectively.

13. 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.