



SPRINGS RESCUE MISSION AND
AFFILIATES

Consolidated Financial Statements
With Independent Auditors' Report

June 30, 2017 and 2016

SPRINGS RESCUE MISSION AND AFFILIATES

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Springs Rescue Mission and Affiliates
Colorado Springs, Colorado

We have audited the accompanying consolidated financial statements of Springs Rescue Mission and Affiliates, which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 and Affiliates
Colorado Springs, Colorado

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Springs Rescue Mission and Affiliates as of June 30, 2017 and 2016, and the changes in their 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
November 29, 2017

SPRINGS RESCUE MISSION AND AFFILIATES

Consolidated Statements of Financial Position

	June 30,	
	2017	2016
ASSETS:		
Current assets:		
Cash	\$ 182,408	\$ 150,075
Cash restricted for capital projects	1,129,127	253,575
Contributions receivable	153,296	84,207
Gift-in-kind inventory	130,354	199,872
Grants receivable	31,425	87,618
Other assets	48,779	120,784
	1,675,389	896,131
Note receivable	-	32,500
Property held for investment	1,916,060	1,916,060
Property and equipment, net	13,770,384	6,764,424
	\$ 17,361,833	\$ 9,609,115
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable and accrued expenses	\$ 299,193	\$ 226,763
Construction costs payable	914,736	107,174
Current portion of notes payable	59,087	1,006,628
Lines of credit	1,250,000	200,000
	2,523,016	1,540,565
Notes payable, net of current portion	1,772,207	1,330,209
Asset retirement obligations	286,204	282,985
	4,581,427	3,153,759
Net assets:		
Unrestricted	9,200,899	4,098,269
Temporarily restricted	3,579,507	2,357,087
	12,780,406	6,455,356
Total Liabilities and Net Assets	\$ 17,361,833	\$ 9,609,115

See notes to consolidated financial statements

SPRINGS RESCUE MISSION AND AFFILIATES

Consolidated Statements of Activities

	Year Ended June 30,					
	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Contributions	\$ 4,097,702	\$ 3,389,361	\$ 7,487,063	\$ 4,304,124	\$ 1,668,209	\$ 5,972,333
Gift-in-kind contributions	4,724,531	-	4,724,531	4,103,320	1,914,000	6,017,320
Grant income	5,000	4,512,177	4,517,177	33,445	223,605	257,050
Contribution of net assets from new affiliate	442,550	-	442,550	-	-	-
Catering revenue	299,610	-	299,610	233,031	-	233,031
Other income	132,437	-	132,437	73,229	-	73,229
Total Support and Revenue	9,701,830	7,901,538	17,603,368	8,747,149	3,805,814	12,552,963
NET ASSETS RELEASED:						
Purpose restrictions	5,470,793	(5,470,793)	-	1,482,935	(1,482,935)	-
Time restrictions	1,208,325	(1,208,325)	-	64,334	(64,334)	-
Total Net Assets Released	6,679,118	(6,679,118)	-	1,547,269	(1,547,269)	-
EXPENSES:						
Program services	8,555,981	-	8,555,981	6,783,236	-	6,783,236
Supporting activities:						
General and administrative	1,605,082	-	1,605,082	1,479,388	-	1,479,388
Fundraising	1,117,255	-	1,117,255	1,449,238	-	1,449,238
	2,722,337	-	2,722,337	2,928,626	-	2,928,626
Total Expenses	11,278,318	-	11,278,318	9,711,862	-	9,711,862
Change in Net Assets	5,102,630	1,222,420	6,325,050	582,556	2,258,545	2,841,101
Net Assets, Beginning of Year	4,098,269	2,357,087	6,455,356	3,515,713	98,542	3,614,255
Net Assets, End of Year	\$ 9,200,899	\$ 3,579,507	\$12,780,406	\$ 4,098,269	\$ 2,357,087	\$ 6,455,356

See notes to consolidated financial statements

SPRINGS RESCUE MISSION AND AFFILIATES

Consolidated Statements of Cash Flows

	Year Ended June 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 6,325,050	\$ 2,841,101
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	395,462	255,154
Accretion of asset retirement obligations	3,219	3,067
Allowance on note receivable	56,988	-
Contributions and grants restricted for long-term purposes	(6,259,509)	(1,475,437)
Gift-in-kind property held for investment	-	(1,914,000)
Gift-in-kind property and equipment	-	(108,664)
Change in operating assets and liabilities:		
Contributions receivable	(69,089)	(19,873)
Gift-in-kind inventory	69,518	(135,359)
Grants receivable	56,193	(87,618)
Other assets	72,005	(7,725)
Accounts payable and accrued expenses	72,430	9,333
Net Cash Provided (Used) by Operating Activities	722,267	(640,021)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property and equipment purchases	(6,593,860)	(1,374,385)
Property held for investment purchases	-	(2,060)
Issuance of note receivable	(24,488)	(32,500)
Net Cash Used by Investing Activities	(6,618,348)	(1,408,945)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions and grants restricted for long-term purposes	6,259,509	1,475,437
Increase in cash restricted for capital projects	(875,552)	(253,575)
Payments on notes payable	(505,543)	(802,846)
Payments on lines of credit	(900,000)	-
Proceeds from notes payable	-	1,195,732
Draws on lines of credit	1,950,000	100,000
Net Cash Provided by Financing Activities	5,928,414	1,714,748
Net Change in Cash	32,333	(334,218)
Cash, Beginning of Year	150,075	484,293
Cash, End of Year	\$ 182,408	\$ 150,075
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest (\$34,000 and \$0 capitalized during the years ended June 30, 2017 and 2016, respectively)	\$ 124,652	\$ 107,291
Property and equipment acquired but not yet paid	\$ 914,736	\$ 107,174

See notes to consolidated financial statements

SPRINGS RESCUE MISSION AND AFFILIATES

Consolidated Statements of Functional Expenses

Year Ended June 30, 2017				
Program Services	Supporting Activities		Fund-raising	Total Expenses
	General and Administrative			
Wages and benefits	\$ 2,009,945	\$ 893,722	\$ 459,384	\$ 3,363,051
Gift in kind	4,794,049	-	-	4,794,049
Printing and advertising	90,984	62,650	510,321	663,955
Professional services	202,399	334,170	67,779	604,348
Depreciation and amortization	344,488	32,674	17,298	394,460
General and office	213,046	169,782	9,863	392,691
Outreach and assistance	258,969	5,785	1,903	266,657
Facilities and transportation	177,208	8,960	4,744	190,912
Staff training	57,795	55,989	26,729	140,513
Telephone and utilities	111,979	14,258	5,019	131,256
Interest	108,861	10,325	5,541	124,727
Insurance	105,621	9,748	5,096	120,465
Repairs and maintenance	80,635	7,020	3,579	91,234
Total Expenses	\$ 8,555,979	\$ 1,605,083	\$ 1,117,256	\$ 11,278,318

Year Ended June 30, 2016				
Program Services	Supporting Activities		Fund-raising	Total Expenses
	General and Administrative			
Wages and benefits	\$ 1,765,479	\$ 760,926	\$ 456,994	\$ 2,983,399
Gift in kind	3,859,317	-	-	3,859,317
Printing and advertising	88,697	73,770	660,986	823,453
Professional services	97,762	359,242	255,157	712,161
General and office	156,597	106,272	9,035	271,904
Depreciation and amortization	206,780	36,917	11,457	255,154
Outreach and assistance	59,368	79,734	36,145	175,247
Telephone and utilities	147,961	170	-	148,131
Interest	99,091	19,154	5,505	123,750
Insurance	86,906	15,557	4,828	107,291
Staff training	71,467	12,793	3,970	88,230
Repairs and maintenance	69,703	12,709	4,496	86,908
Facilities and transportation	74,108	2,144	665	76,917
Total Expenses	\$ 6,783,236	\$ 1,479,388	\$ 1,449,238	\$ 9,711,862

See notes to consolidated financial statements

SPRINGS RESCUE MISSION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

1. NATURE OF ORGANIZATION:

Springs Rescue Mission and Affiliates (collectively, SRM) was incorporated in Colorado in 1996. The mission of SRM is to see lives transformed and filled with hope as the community works together to fight homelessness, poverty, and addiction. 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.

On January 1, 2017, SRM expanded by taking control of Wayside Cross Gospel Rescue Mission d.b.a. Pueblo Rescue Mission (PRM), a rescue mission in Pueblo, Colorado. The board of directors of PRM voted to donate all net assets and to secede all control of PRM to the board of directors of SRM. The assumption of control of this affiliate resulted in a contribution of net assets of \$442,550 to SRM, which was accounted for using the purchase method of combination, which required that PRM's net assets as of January 1, 2017, be recorded as a contribution at estimated fair value. All of PRM's assets and liabilities as of June 30, 2017, and all activities for the six-months ended June 30, 2017, are included in these consolidated financial statements. All inter-company activity is eliminated.

During the year ended June 30, 2015, SRM formed Mission Enterprises Corporation (MEC), a wholly-owned for-profit Colorado corporation. All inter-company activity is eliminated.

SRM is a nonprofit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code (IRC) and comparable state laws. However, the organization is subject to federal income tax on any unrelated business taxable income. In addition the organization is not classified as a private foundation within the meaning of Section 509(c) of the IRC.

2. SIGNIFICANT ACCOUNTING POLICIES:

SRM maintains its accounts and prepares its consolidated financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The preparation of consolidated 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 consolidated 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 consolidated financial statements to the reader.

SPRINGS RESCUE MISSION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

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.

CASH RESTRICTED FOR CAPITAL PROJECTS

Cash restricted for capital projects consists of cash received and held with underlying donor restrictions that it be used for capital project expansion. As of June 30, 2017, SRM has used \$349,599 of this restricted cash for general operations.

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 receivable based on prior year average collectability ratios and has recorded an allowance of \$0 and \$3,372, as of the years ended June 30, 2017 and 2016, 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

During the year ended June 30, 2016, SRM capitalized fixed asset purchases exceeding \$1,000 and expensed lesser amounts in the year purchased. During the year ended June 30, 2017, SRM increased the capitalization policy to \$2,500 and expensed 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.

INVESTMENT IN AFFILIATE

MEC is a 49% owner of Made With A Mission, LLC (MWAM). During the years ended June 30, 2016, MEC contributed capital of \$10,000 to MWAM. The investment in this affiliate is accounted for using the equity method based on the ownership percentage and evaluation of other control factors and consists of capital contributions and net income or losses for MEC's share of MWAM activities. During the year ended June 30, 2017 and 2016, losses of \$9,426 and \$23,074, respectively, were incurred within the affiliate resulting in an overall cumulative negative investment of \$22,500. This is not reported on the consolidated statements of financial position due to MEC ultimately not bearing the risk to cover any of MWAM's net liabilities.

SPRINGS RESCUE MISSION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

NOTE RECEIVABLE

Note receivable consists of a note to MEC's minority-owned affiliate, MWAM. The note bears 0% interest and matures in March 2019. An allowance for doubtful accounts was recorded in the amount of \$56,988, the full amount of the note, during the year ended June 30, 2017, as management believes the loan is no longer collectible. No allowance was recorded as of the year ended June 30, 2016.

PROPERTY HELD FOR INVESTMENT

During the year ended June 30, 2016, SRM received a gift-in-kind contribution of property in which SRM is required to hold the property until at least January 1, 2019. Therefore, the property and subsequent additions by SRM are recorded as property held for investment and within temporarily restricted net assets as of June 30, 2017 and 2016. Property held for investment is held at the lower of cost or fair market value.

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. Board designated operating reserves is based upon the budgeted expenditures of the subsequent fiscal year.

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 AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

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 consolidated 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 consolidated 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 consolidated 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.

RECLASSIFICATIONS

Grant income in the amount of \$257,050 has been broken out of contributions on the consolidated statements of activities for the year ended June 30, 2016. This amount has been reclassified in order to conform to current year presentation.

SPRINGS RESCUE MISSION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

3. CONTRIBUTIONS RECEIVABLE:

Contributions receivable consist of:

	June 30,	
	2017	2016
Due in less than one year	\$ 153,296	\$ 87,579
Less: unamortized discount	-	(3,372)
	\$ 153,296	\$ 84,207

4. PROPERTY AND EQUIPMENT, NET:

Property and equipment, net consist of:

	June 30,	
	2017	2016
Land	\$ 1,677,707	\$ 1,572,704
Land improvements	60,737	60,737
Buildings and improvements	9,351,971	5,591,071
Furniture and equipment	748,565	547,251
Vehicles	80,451	80,451
	11,919,431	7,852,214
Less: accumulated depreciation and amortization	(2,434,492)	(2,032,456)
	9,484,939	5,819,758
Construction in progress	4,285,445	944,666
	\$ 13,770,384	\$ 6,764,424

SPRINGS RESCUE MISSION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

4. PROPERTY AND EQUIPMENT, NET, continued:

Equity in property and equipment consists of the following:

	June 30,	
	2017	2016
Property and equipment, net	\$ 13,770,384	\$ 6,764,424
Less: construction costs payable	(914,736)	(107,174)
Less: related notes payable	(1,831,294)	(2,336,837)
Less: related line of credit	(1,250,000)	(200,000)
Less: related asset retirement obligations	(286,204)	(282,985)
	\$ 9,488,150	\$ 3,837,428

5. CONDITIONAL GRANTS:

Since 2007, SRM has received four 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. 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 for \$400,000 from FHLB, which included a 15-year retention period. During the year ended June 30, 2015, SRM received the remainder of the grant balance in full. SRM continues to believe that it is highly probable it will fulfill the retention period requirement for this grant.

During the year ended June 30, 2017, SRM received a grant of \$500,000, from FHLB, with a 15-year retention period. This grant was recognized as contribution income during the year ended June 30, 2017. SRM continues to believe that it is highly probable it will fulfill the retention period requirements for this grant.

SPRINGS RESCUE MISSION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

6. NOTES PAYABLE:

Notes payable consist of:

	June 30,	
	2017	2016
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.	\$ 782,242	\$ 814,938
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.	549,052	571,899
Note payable to a financial institution in the amount of \$350,000, due in a balloon payment of the outstanding balance of \$250,000, with interest calculated at a rate of 4.25%. Note was refinanced during the year ended June 30, 2017. Note matures January 2019 and is secured by property.	250,000	350,000
Note payable to a financial institution in the amount of \$250,000, due in a balloon payment of \$250,000, with interest calculated at a rate of 4.02%. Note was refinanced during the year ended June 30, 2017. Note matures February 2019 and is secured by property.	250,000	250,000
Note payable to a financial institution in the amount of \$350,000, paid off during the year ended June 30, 2017. Interest was calculated at 3.05% and was secured by property.	-	350,000
	1,831,294	2,336,837
Less: current portion	(59,087)	(1,006,628)
	\$ 1,772,207	\$ 1,330,209

SPRINGS RESCUE MISSION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

6. NOTES PAYABLE, continued:

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

<u>Year Ending June 30,</u>	
2018	\$ 59,087
2019	561,652
2020	64,191
2021	67,115
2022	70,029
Thereafter	<u>1,009,220</u>
	<u><u>\$ 1,831,294</u></u>

SRM was in compliance with all financial and reporting covenants at June 30, 2017.

7. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets are available for the following purposes:

	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
Building fund	\$ 1,478,726	\$ 253,575
Elevate	-	8,127
Other programs	-	7,500
	<u>1,478,726</u>	<u>269,202</u>
Time restricted contributions receivable	153,296	84,207
Time restricted grants receivable	31,425	87,618
Time restricted property held for investment	1,916,060	1,916,060
	<u>2,100,781</u>	<u>2,087,885</u>
	<u><u>\$ 3,579,507</u></u>	<u><u>\$ 2,357,087</u></u>

SPRINGS RESCUE MISSION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

8. GIFT-IN-KIND CONTRIBUTIONS:

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

	Year ended June 30,	
	2017	2016
Clothing	\$ 3,405,387	\$ 1,544,439
Household goods	922,692	1,607,745
Food	389,676	695,321
Others	6,776	255,815
Property held for investment	-	1,914,000
	\$ 4,724,531	\$ 6,017,320

9. EMPLOYEE BENEFITS:

SRM has a 403(b) Retirement Plan that is available for all employees who meet eligibility requirements. SRM matches up to 2% of eligible compensation to those employees who meet eligibility requirements. SRM also contributes an additional 1% for direct expenses. Effective February 1, 2016, all eligible employees who were contributing less than 3% of eligible compensation were automatically enrolled at 3% unless they chose to opt out. The change resulted in an increase to employer base and matching contributions. During the years ended June 30, 2017 and 2016, employer contributions were \$58,046 and \$23,356, respectively.

10. LINES OF CREDIT:

During the year ended June 30, 2016, SRM obtained a \$250,000 revolving line of credit, with variable interest (effective rate of 5.5% and 4.372% as of June 30, 2017 and 2016, respectively) from a financial institution. The line was revised to a maximum facility amount of \$1,250,000 during the year ended June 30, 2017, and has a maturity date of November 2017. The balance drawn on the line of credit is \$1,250,000 and \$0 as of June 30, 2017 and 2016, respectively. The line is secured by property. Subsequent to the year ended June 30, 2017, this line of credit was renewed to February 2018.

During the year ended June 30, 2014, SRM obtained a \$200,000 revolving line of credit. This limit was increased during the year ended June 30, 2017, to \$500,000. The line has variable interest (effective rate of 5.25% and 4.5% as of June 30, 2017 and 2016, respectively) from a financial institution. The line has a maturity date of October 2017. The balance drawn on the line of credit is \$0 and \$200,000 as of June 30, 2017 and 2016, respectively. The line is secured by property. Subsequent to the year ended June 30, 2017, this line of credit was renewed to October 2018. In addition, \$500,000 was drawn from the line for use for operations.

SPRINGS RESCUE MISSION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

11. RELATED PARTY TRANSACTION:

During the year ended June 30, 2017, 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, 2017 were \$435,635.

12. SUBSEQUENT EVENTS:

Subsequent events were evaluated through November 29, 2017, which is the date the consolidated financial statements were available to be issued.

Subsequent to the year ended June 30, 2017, two properties were purchased in the amount of \$1,200,000 by SRM. Financing in the amount of \$1,080,000 was entered into with the seller, with interest calculated at 5% per annum of the initial principal balance to be paid quarterly by SRM. The full principal balance is due November 2020.