



FINANCIAL STATEMENTS  
With Independent Auditors' Report

June 30, 2015 and 2014

# 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, 2015 and 2014, 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, 2015 and 2014, 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  
November 20, 2015

# SPRINGS RESCUE MISSION

## Statements of Financial Position

	June 30,	
	2015	2014
<b>ASSETS:</b>		
Current assets:		
Cash	\$ 484,293	\$ 253,298
Contributions receivable	64,334	34,417
Gift-in-kind inventory	64,513	86,963
Grants receivable	-	197,911
Other assets	113,059	24,075
	726,199	596,664
Property and equipment, net	5,540,097	4,429,054
<b>Total Assets</b>	<b>\$ 6,266,296</b>	<b>\$ 5,025,718</b>
<b>LIABILITIES AND NET ASSETS:</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 217,430	\$ 174,773
Construction costs payable	110,742	53,020
Current portion of notes payable	558,113	116,021
Line of credit	100,000	61,600
	986,285	405,414
Notes payable, net of current portion	1,385,838	1,439,332
Asset retirement obligations	279,918	56,995
	2,652,041	1,901,741
Net assets:		
Unrestricted:		
Operating	(331,105)	(284,838)
Board designated operating reserves	741,332	664,185
Equity in property and equipment	3,105,486	2,702,086
	3,515,713	3,081,433
Temporarily restricted	98,542	42,544
	3,614,255	3,123,977
<b>Total Liabilities and Net Assets</b>	<b>\$ 6,266,296</b>	<b>\$ 5,025,718</b>

See notes to financial statements

# SPRINGS RESCUE MISSION

## Statements of Activities

	Year Ended June 30,					
	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE:</b>						
Contributions	\$4,339,640	\$ 401,626	\$4,741,266	\$3,487,095	\$ 349,837	\$3,836,932
Gift-in-kind contributions	3,934,871	-	3,934,871	5,174,262	-	5,174,262
Catering revenue	151,252	-	151,252	62,283	-	62,283
Gain on sale of property	-	-	-	152,938	-	152,938
Insurance proceeds	205,412	-	205,412	-	-	-
Other income	45,606	-	45,606	23,283	-	23,283
<b>Total Support and Revenue</b>	<b>8,676,781</b>	<b>401,626</b>	<b>9,078,407</b>	<b>8,899,861</b>	<b>349,837</b>	<b>9,249,698</b>
<b>NET ASSETS RELEASED:</b>						
Purpose restrictions	311,211	(311,211)	-	389,057	(389,057)	-
Time restrictions	34,417	(34,417)	-	54,741	(54,741)	-
<b>Total Net Assets Released</b>	<b>345,628</b>	<b>(345,628)</b>	<b>-</b>	<b>443,798</b>	<b>(443,798)</b>	<b>-</b>
<b>EXPENSES:</b>						
Program services	6,348,387	-	6,348,387	7,656,878	-	7,656,878
Supporting activities:						
General and administrative	1,016,629	-	1,016,629	894,715	-	894,715
Fundraising	1,223,113	-	1,223,113	957,774	-	957,774
	2,239,742	-	2,239,742	1,852,489	-	1,852,489
<b>Total Expenses</b>	<b>8,588,129</b>	<b>-</b>	<b>8,588,129</b>	<b>9,509,367</b>	<b>-</b>	<b>9,509,367</b>
<b>Change in Net Assets</b>	<b>434,280</b>	<b>55,998</b>	<b>490,278</b>	<b>(165,708)</b>	<b>(93,961)</b>	<b>(259,669)</b>
<b>Net Assets, Beginning of Year</b>	<b>3,081,433</b>	<b>42,544</b>	<b>3,123,977</b>	<b>3,247,141</b>	<b>136,505</b>	<b>3,383,646</b>
<b>Net Assets, End of Year</b>	<b>\$3,515,713</b>	<b>\$ 98,542</b>	<b>\$3,614,255</b>	<b>\$3,081,433</b>	<b>\$ 42,544</b>	<b>\$3,123,977</b>

See notes to financial statements

# SPRINGS RESCUE MISSION

## Statements of Cash Flows

	Year Ended June 30,	
	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 490,278	\$ (259,669)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	209,591	193,763
Accretion of asset retirement obligations	2,923	2,786
Contributions restricted for long-term purposes	(51,674)	(224,510)
Gain on sale of property held for sale	-	(152,938)
Change in operating assets and liabilities:		
Restricted cash	-	200,000
Contributions receivable	(29,917)	15,928
Gift-in-kind inventory	22,450	(14,998)
Grants receivable	197,911	3,879
Other assets	(88,984)	(17,543)
Accounts payable and accrued expenses	42,657	(24,244)
Net Cash Provided (Used) by Operating Activities	795,235	(277,546)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Property and equipment purchases	(538,912)	(220,432)
Proceeds from sale of property held for sale	-	240,404
Net Cash Provided (Used) by Investing Activities	(538,912)	19,972
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Contributions restricted for long-term purposes	51,674	224,510
Payments on notes payable	(248,402)	(41,574)
Payments on line of credit	(121,600)	(75,000)
Proceeds from notes payable	133,000	20,153
Draws on line of credit	160,000	136,600
Net Cash Provided (Used) by Financing Activities	(25,328)	264,689
Net Change in Cash	230,995	7,115
Cash, Beginning of Year	253,298	246,183
Cash, End of Year	\$ 484,293	\$ 253,298
<b>SUPPLEMENTAL DISCLOSURES:</b>		
Notes payable proceeds used to pay off notes payable	\$ -	\$ 1,529,892
Cash paid for interest (\$0 and \$7,991 capitalized during the years ended June 30, 2015 and 2014, respectively)	\$ 100,821	\$ 93,678
Property and equipment acquired but not yet paid	\$ 834,742	\$ 53,020

See notes to financial statements

# SPRINGS RESCUE MISSION

## Statements of Functional Expenses

	Year Ended June 30, 2015			Total Expenses
	Program Services	Supporting Activities		
		General and Administrative	Fund- raising	
Wages and benefits	\$ 1,302,221	\$ 651,098	\$ 373,008	\$ 2,326,327
Gift in kind	3,957,321	-	-	3,957,321
Printing and advertising	97,045	62,153	657,022	816,220
Professional services	122,024	129,035	172,568	423,627
General and office	158,061	72,935	58	231,054
Depreciation and amortization	197,015	8,384	4,192	209,591
Outreach and assistance	169,393	-	-	169,393
Telephone and utilities	108,114	4,223	2,112	114,449
Staff training	10,082	80,657	10,082	100,821
Repairs and maintenance	67,957	2,892	1,446	72,295
Interest	67,090	2,855	1,427	71,372
Insurance	56,327	2,397	1,198	59,922
Facilities and transportation	35,737	-	-	35,737
<b>Total Expenses</b>	<b>\$ 6,348,387</b>	<b>\$ 1,016,629</b>	<b>\$ 1,223,113</b>	<b>\$ 8,588,129</b>

	Year Ended June 30, 2014			Total Expenses
	Program Services	Supporting Activities		
		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
<b>Total Expenses</b>	<b>\$ 7,656,878</b>	<b>\$ 894,715</b>	<b>\$ 957,774</b>	<b>\$ 9,509,367</b>

See notes to financial statements



# SPRINGS RESCUE MISSION

## Notes to Financial Statements

June 30, 2015 and 2014

### 1. NATURE OF ORGANIZATION:

Springs Rescue Mission and subsidiaries (collectively, 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.

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. As of June 30, 2015, MEC has not conducted any financial activity.

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.

#### 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 \$3,372 as of June 30, 2015. No allowance was taken during the year ended June 30, 2014 as all contributions receivable were determined fully collectible.

# SPRINGS RESCUE MISSION

## Notes to Financial Statements

June 30, 2015 and 2014

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### 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. 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.

#### 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.

# SPRINGS RESCUE MISSION

## Notes to Financial Statements

June 30, 2015 and 2014

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### SUPPORT, REVENUE, AND EXPENSES, continued

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, 2015 and 2014, was \$32,502 and \$23,006, 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, 2015, SRM had no uncertain tax positions that qualify for recognition or separate disclosure in the financial statements.

SRM is generally no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2012.

#### 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, 2015 and 2014

3. CONTRIBUTIONS RECEIVABLE:

Contributions receivable consist of:

	June 30,	
	2015	2014
Due in less than one year	\$ 67,706	\$ 34,417
Less: unamortized discount	(3,372)	-
	<u>\$ 64,334</u>	<u>\$ 34,417</u>

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. There is no property classified as property held for sale as of June 30, 2015 and 2014.

5. PROPERTY AND EQUIPMENT, NET:

Property and equipment, net consist of:

	June 30,	
	2015	2014
Land	\$ 1,509,175	\$ 762,168
Land improvements	60,737	60,737
Buildings and improvements	4,828,570	4,535,572
Furniture and equipment	396,655	351,898
Vehicles	80,451	80,451
	<u>6,875,588</u>	<u>5,790,826</u>
Less: accumulated depreciation and amortization	(1,777,303)	(1,584,540)
	<u>5,098,285</u>	<u>4,206,286</u>
Construction in progress	441,812	222,768
	<u>\$ 5,540,097</u>	<u>\$ 4,429,054</u>

# SPRINGS RESCUE MISSION

## Notes to Financial Statements

June 30, 2015 and 2014

5. PROPERTY AND EQUIPMENT, NET, continued:

Equity in property and equipment consists of the following:

	June 30,	
	2015	2014
Property and equipment, net	\$ 5,540,097	\$ 4,429,054
Less: construction costs payable	(110,742)	(53,020)
Less: related notes payable	(1,943,951)	(1,555,353)
Less: related line of credit	(100,000)	(61,600)
Less: related asset retirement obligations	(279,918)	(56,995)
	<u>\$ 3,105,486</u>	<u>\$ 2,702,086</u>

Subsequent to year end, SRM purchased two properties. Each property was purchased for \$350,000, totaling \$700,000. Both properties were completely financed through the issuance of notes payable.

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 for \$400,000 from FHLB, which includes a 15-year retention period. Through the year ended June 30, 2014, SRM received funds totaling \$399,701, with \$197,911 as a grant receivable on the statements of financial position as of June 30, 2014. The grant receivable balance as of June 30, 2014 was received in full during the year ended June 30, 2015, and SRM did not enter into any new similar conditional grant agreements during the year ended June 30, 2015. 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, 2015 and 2014

7. NOTES PAYABLE:

Notes payable consist of:

	June 30,	
	2015	2014
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.	\$ 846,149	\$ 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.	593,802	614,999
Note payable to a private creditor in the amount of \$504,000, due in a balloon payment in December 2015. There is no interest on this note, and it is secured by property and equipment. Management intends to refinance this note payable and extend the balloon payment. As of the report date, the note payable has not been refinanced.	504,000	-
Construction loan payable to a financial institution for a maximum of \$360,000. Paid off during the year ended June 30, 2015.	-	64,000
	1,943,951	1,555,353
Less: current portion	(558,113)	(116,021)
	\$ 1,385,838	\$ 1,439,332

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

Year Ending June 30,	
2016	\$ 558,113
2017	56,628
2018	59,087
2019	61,652
2020	64,191
Thereafter	1,144,280
	\$ 1,943,951

SRM was in compliance with all financial and reporting covenants at June 30, 2015.

# SPRINGS RESCUE MISSION

## Notes to Financial Statements

June 30, 2015 and 2014

7. NOTES PAYABLE, continued:

Subsequent to year end, SRM purchased two properties. Each property was purchased for \$350,000, totaling \$700,000. Both properties were completely financed through the issuance of notes payable that bear interest at 3.05% and are due November 2, 2016. SRM also obtained an unsecured note payable from a member of the board of directors for \$150,000, that bears interest at 1.5% and is due January 31, 2016.

8. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets are available for the following purposes:

	June 30,	
	2015	2014
Social enterprise	\$ 11,858	\$ -
Elevate	8,127	8,127
Other programs	7,500	-
Building fund	6,723	-
	34,208	8,127
Time restricted contributions receivable	64,334	34,417
	\$ 98,542	\$ 42,544

9. GIFT-IN-KIND CONTRIBUTIONS:

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

	Year ended June 30,	
	2015	2014
Clothing	\$ 2,494,583	\$ 3,677,655
Household goods	666,322	675,272
Food	642,123	609,611
Others	131,843	211,724
	\$ 3,934,871	\$ 5,174,262

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, 2015 and 2014, employer contributions were \$8,047 and \$10,936, respectively.

# SPRINGS RESCUE MISSION

## Notes to Financial Statements

June 30, 2015 and 2014

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, 2015) 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 \$100,000 as of June 30, 2015.

12. RELATED PARTY TRANSACTION:

During the year ended June 30, 2015 and 2014, 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, 2015 and 2014 were \$127,521 and \$169,726, 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. Other than the transaction noted in footnote 7, there were no other significant transactions to be disclosed.