



SPRINGS RESCUE MISSION AND AFFILIATES

Consolidated Financial Statements
With Independent Auditors' Report

June 30, 2019 and 2018

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, 2019 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related statement of functional expenses for the year ended June 30, 2019, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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, 2019 and 2018, 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.

Emphasis of Matter

Springs Rescue Mission and Affiliates have adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as described in Note 2. This has had a material effect on the presentation of the June 30, 2019 and 2018 consolidated financial statements. Our opinion is not modified with respect to this matter.

Capin Crouse LLP

Colorado Springs, Colorado
October 31, 2019

SPRINGS RESCUE MISSION AND AFFILIATES

Consolidated Statements of Financial Position

	June 30,	
	2019	2018
ASSETS:		
Current assets:		
Cash	\$ 1,928,355	\$ 378,738
Cash restricted for capital projects	927,549	406,098
Gift-in-kind inventory	143,504	463,427
Prepaid expenses and other assets	186,762	171,925
	3,186,170	1,420,188
Property held for investment	-	1,916,060
Note receivable - related party	241,475	241,475
Property and equipment, net	15,732,353	15,557,834
	\$ 19,159,998	\$ 19,135,557
Total Assets	\$ 19,159,998	\$ 19,135,557
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable and accrued expenses	\$ 511,415	\$ 582,612
Lines of credit	503,142	1,400,000
Current portion of notes payable	88,105	561,652
	1,102,662	2,544,264
Notes payable, net of current portion	3,986,558	2,291,118
Deferred gain	98,879	98,879
Asset retirement obligations	73,125	69,581
	5,261,224	5,003,842
Net assets:		
Without donor restrictions	12,964,122	11,775,589
With donor restrictions	934,652	2,356,126
	13,898,774	14,131,715
Total Liabilities and Net Assets	\$ 19,159,998	\$ 19,135,557

See notes to consolidated financial statements

**SPRINGS RESCUE MISSION
AND AFFILIATES**

Consolidated Statements of Activities

	Year Ended June 30,					
	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions	\$ 4,251,282	\$ 2,334,953	\$ 6,586,235	\$ 4,990,712	\$ 1,960,897	\$ 6,951,609
Gift-in-kind contributions	5,752,701	-	5,752,701	6,830,079	-	6,830,079
Grant income	1,246,671	-	1,246,671	174,601	322,682	497,283
Catering revenue	382,475	-	382,475	368,704	-	368,704
Other income	329,607	-	329,607	290,685	-	290,685
Gain on satisfaction of asset retirement obligation	-	-	-	220,000	-	220,000
Total Support and Revenue	11,962,736	2,334,953	14,297,689	12,874,781	2,283,579	15,158,360
NET ASSETS RELEASED:						
Purpose restrictions	1,813,502	(1,813,502)	-	2,495,943	(2,495,943)	-
Time restrictions	1,942,925	(1,942,925)	-	1,011,017	(1,011,017)	-
Total Net Assets Released	3,756,427	(3,756,427)	-	3,506,960	(3,506,960)	-
EXPENSES:						
Program services	11,884,117	-	11,884,117	10,673,114	-	10,673,114
Supporting activities:						
General and administrative	1,488,758	-	1,488,758	1,843,758	-	1,843,758
Fundraising	1,157,755	-	1,157,755	1,290,179	-	1,290,179
	2,646,513	-	2,646,513	3,133,937	-	3,133,937
Total Expenses	14,530,630	-	14,530,630	13,807,051	-	13,807,051
Change in Net Assets	1,188,533	(1,421,474)	(232,941)	2,574,690	(1,223,381)	1,351,309
Net Assets, Beginning of Year	11,775,589	2,356,126	14,131,715	9,200,899	3,579,507	12,780,406
Net Assets, End of Year	<u>\$ 12,964,122</u>	<u>\$ 934,652</u>	<u>\$ 13,898,774</u>	<u>\$ 11,775,589</u>	<u>\$ 2,356,126</u>	<u>\$ 14,131,715</u>

See notes to consolidated financial statements

**SPRINGS RESCUE MISSION
AND AFFILIATES**

Consolidated Statement of Functional Expenses

Year Ended June 30, 2019
(With Comparable Information for the year Ended June 30, 2018)

	Program Services	Supporting Activities		Total	2018
		General and Administrative	Fundraising		
Food, clothing, and other distributions	\$ 6,065,640	\$ -	\$ -	\$ 6,065,640	\$ 5,907,006
Wages and benefits	2,858,216	787,638	539,255	4,185,109	3,949,300
Professional services	447,862	248,829	86,721	783,412	968,652
Depreciation and amortization	677,276	43,492	22,666	743,434	663,594
Printing and advertising	3,935	88,126	461,408	553,469	646,213
Client supplies and events	417,473	-	-	417,473	442,927
Office and supplies	202,602	205,760	5,753	414,115	355,759
Grant of assets to a charity	406,877	306	-	407,183	-
Staff training and other	268,688	82,177	25,834	376,699	366,951
Interest	208,488	13,040	6,904	228,432	192,783
Facilities and transportation	166,633	7,913	4,027	178,573	154,159
Telephone and utilities	160,427	11,477	5,187	177,091	159,707
Total Expenses	\$ 11,884,117	\$ 1,488,758	\$ 1,157,755	\$ 14,530,630	
2018: Total Expenses	\$ 10,673,114	\$ 1,843,758	\$ 1,290,179		\$ 13,807,051

See notes to consolidated financial statements

SPRINGS RESCUE MISSION AND AFFILIATES

Consolidated Statements of Cash Flows

	Year Ended June 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (232,941)	\$ 1,351,309
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Gift-in-kind donation of property and equipment	-	(590,000)
Loss on disposal of property and equipment	-	82,420
Donation of property and equipment	399,886	-
Depreciation and amortization	743,434	663,594
Accretion of asset retirement obligations	3,544	3,377
Gain on asset retirement obligation	-	(220,000)
Contributions and grants restricted for long-term purposes	(1,320,473)	(1,395,810)
Change in operating assets and liabilities:		
Gift-in-kind inventory	319,923	(333,073)
Prepaid expenses and other assets	(14,837)	61,575
Deferred gain	-	98,879
Accounts payable and accrued expenses	(71,197)	283,419
Net Cash Provided (Used) by Operating Activities	(172,661)	5,690
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property and equipment purchases	(1,317,839)	(1,104,939)
Proceeds from sale of property held for investment	1,916,060	-
Payment of construction costs payables	-	(914,736)
Net Cash Provided (Used) by Investing Activities	598,221	(2,019,675)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions and grants restricted for long-term purposes	1,320,473	1,395,810
Change in cash restricted for capital projects	(521,451)	723,029
Principal payments on notes payable	(75,304)	(58,524)
Payments on lines of credit	-	(500,000)
Draws on lines of credit	350,000	650,000
Proceeds from notes payable	50,339	-
Net Cash Provided by Financing Activities	1,124,057	2,210,315
Net Change in Cash	1,549,617	196,330
Cash, Beginning of Year	378,738	182,408
Cash, End of Year	\$ 1,928,355	\$ 378,738
SUPPLEMENTAL DISCLOSURE AND NON-CASH ITEMS:		
Cash paid for interest	\$ 228,432	\$ 192,519
Property and equipment acquired through liabilities	\$ -	\$ 1,080,000
Notes receivable from property sale	\$ -	\$ 241,475
Capitalized loan origination fees financed with debt proceeds	\$ 57,660	\$ -
Notes payable and lines of credit paid with proceeds from new notes payable	\$ 1,246,858	\$ -

See notes to consolidated financial statements

SPRINGS RESCUE MISSION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

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 Pueblo Rescue Mission (PRM), a rescue mission in Pueblo, Colorado. However, as of November 2018, SRM's board of directors decided to relinquish control over PRM and grant the assets back to them. Accordingly, PRM's assets and liabilities were removed from the consolidated financial statements as of that date. The net of these amounts was \$407,183 and is recorded as a grant of assets to a charity in the consolidated statements of functional expenses. All activities for PRM for the year ended June 30, 2018, and the four-months ended November 30, 2019 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.

During the year ended June 30, 2018, SRM formed SRM PPSH1 Inc., a wholly-owned for-profit Colorado corporation. All inter-company activity is eliminated.

During the year ended June 30, 2018, SRM formed City Gate Motors, LLC, a wholly-owned not-for-profit Colorado corporation. SRM is the sole member of this 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, SRM is subject to federal income tax on any unrelated business taxable income. In addition, SRM is not classified as a private foundation within the meaning of Section 509(a) of the IRC. Cash and non-cash contributions are SRM's primary source of support and revenue.

SPRINGS RESCUE MISSION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

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.

CASH

Cash includes checking and savings accounts. As of June 30, 2019 and 2018, the Company has cash and cash equivalents on deposit with financial institutions that exceed the federally insured (FDIC) balance by approximately \$2,560,000 and \$240,000, respectively, for cash and cash restricted for capital projects. 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.

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.

PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets consist mainly of prepaid insurance and receivables for catering revenue.

PROPERTY HELD FOR INVESTMENT

Prior to the year ended June 30, 2017, SRM received a gift-in-kind contribution of property in which SRM was required to hold the property until at least January 1, 2019. Therefore, the property and subsequent additions by SRM were recorded as property held for investment and within net assets with donor restrictions as of June 30, 2018. During the year ended June 30, 2019, the land was sold and the amount was reclassified from net assets with donor restrictions to net assets without donor restrictions. Property held for investment was held at the lower of cost or fair market value.

SPRINGS RESCUE MISSION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

NOTE RECEIVABLE

During the year ended June 30, 2018, SRM sold a portion of its land to Greenway Flats, LLC. The land was sold in consideration for a note receivable in the amount of \$241,475. The note accrues interest, at 2.0% per year, compounded annually. It matures in December, 2047 at which time all principal and accrued interest will be due. The note is secured by land.

Greenway Flats, LLC will operate the Greenway Flats (GF) project. This project represents a 65-unit new construction permanent supportive housing rental housing property for the homeless and is located at 31 W. Las Vegas Street, Colorado Springs, CO. GF abuts to the SRM's main campus, immediately to the west. All 65 units will be efficiency types with full bathroom and galley style kitchen with sleeping area. Residents will pay 30% of their income and GF will pay all utility expenses. Of the 65 total units, 62 units will be 30% area median income (AMI) and 3 units at 40% AMI. However, all units will be dedicated to use by homeless or near homeless individuals. The 62 units at 30% AMI will be support by project based vouchers.

The investor member of GF is City Light, LLC, an affiliate of Norwood Development Group. City Light, LLC has a 99.9% interest in GF. The managing member of GF is Pikes Peak Permanent Supportive Housing No. 1 LLC (PPPSH1), which has a 0.09% interest in GF. SRM PPSH1 Inc. has a 50% interest in PPPSH1, and another organization has the remaining 50% interest. The Colorado Springs Housing Authority is a special member of GF, and has a 0.01% interest in GF.

PROPERTY AND EQUIPMENT

SRM capitalizes fixed assets exceeding \$2,500. 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.

DEFERRED GAIN

A gain related to the note receivable referred to above was recorded in the amount of \$98,879. SRM did not receive a down payment from Greenway Flats, LLC for the purchase of this land. Therefore, the amount has been recorded as a deferred gain as of June 30, 2019 and 2018.

SPRINGS RESCUE MISSION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations (ARO) are legal obligations associated with the retirement of long-lived assets. As of June 30, 2017, the liability existed for the asbestos remediation of two buildings. During the year ended June 30, 2018, one of the buildings was sold to the GF project, which performed the remediation services. As a result, SRM recognized a gain for the amount previously incurred for the asset retirement obligation liability for this building in the amount of \$220,000. This gain is recorded in gain on satisfaction of asset retirement obligation on the consolidated statement of activities.

This liability is 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 consolidated financial statements report amounts separately by class of net assets.

Net assets without donor restrictions are currently available for use at the discretion of the board and resources invested in property and equipment-net.

Net assets with donor restrictions 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, 2019 and 2018

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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. All contributions are considered available for use without donor restrictions unless specifically restricted by the donor.

Donated materials, property 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 donated 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.

FUNCTIONAL ALLOCATION OF EXPENSES

The consolidated statements of activities and functional expenses report certain categories of expenses that are attributable to one or more program or supporting functions of SRM. These expenses include depreciation and amortization, interest, office and other, and facilities operations, utilities and maintenance. Depreciation is allocated base on square footage and interest is allocated based on usage of space. Costs of other categories were allocated on estimates of time and effort.

RECENTLY ADOPTED ACCOUNTING STANDARD

In 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. SRM adopted the provisions of this new standard during the year ended June 30, 2019. In addition to the changes in terminology used to describe categories of net assets throughout the consolidated financial statements, new disclosures were added regarding liquidity and availability of financial assets (Note 3) and disclosures related to functional allocation of expenses were expanded (Note 2, above). Adoption of this standard had no effect on the change in net assets by class of net assets or in total.

SPRINGS RESCUE MISSION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The following table reflects SRM's financial assets reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

	June 30,	
	2019	2018
Financial assets:		
Cash	\$ 1,928,355	\$ 378,738
Cash restricted for capital projects	927,549	406,098
Contributions receivable	44,307	58,927
Less those unavailable for general expenditure within one year, due to:		
Cash restricted for capital projects	(927,549)	(406,098)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,972,662	\$ 437,665

As part of SRM's liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations come due. In addition, SRM has policies to review cash flows weekly and financial statements monthly. SRM also has ability to draw on a line of credit as necessary. As of June 30, 2019, \$246,858 is available to SRM.

4. PROPERTY AND EQUIPMENT, NET:

Property and equipment, net consists of:

	June 30,	
	2019	2018
Land and improvements	\$ 1,580,848	\$ 1,685,848
Buildings and improvements	16,441,809	15,992,920
Furniture and equipment	987,097	825,049
Vehicles	174,700	150,026
	19,184,454	18,653,843
Less accumulated depreciation and amortization	(3,829,269)	(3,096,009)
	15,355,185	15,557,834
Construction in progress	377,168	-
	\$ 15,732,353	\$ 15,557,834

SPRINGS RESCUE MISSION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

5. CONDITIONAL GRANTS:

Since 2007, SRM has received four grants from the Federal Home Loan Bank (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.

Additionally, during the year ended June 30, 2019, SRM received a grant of \$581,900 from the City of Colorado Springs, with a 5-year retention period. This grant was recognized as contribution income during the year ended June 30, 2019. SRM believes that it is highly probable it will fulfill the retention period requirements for this grant.

6. LINES OF CREDIT:

During the year ended June 30, 2019, SRM obtained a \$750,000 revolving line of credit. The line has variable interest (effective rate of 5.50% as of June 30, 2019) from a financial institution. The line has a maturity date of December 2019. The balance drawn on the line of credit is \$503,142 as of June 30, 2019.

SRM had access to a revolving line of credit, with variable interest (effective rate of 6.25% as of June 30, 2018) from a financial institution. The line had a maximum facility amount of \$1,250,000. The balance drawn on the line of credit was \$1,250,000 as of June 30, 2018. The line was secured by property. In December 2018, the line of credit was paid in full and closed when SRM refinanced with another financial institution.

SPRINGS RESCUE MISSION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

6. LINES OF CREDIT, continued:

SRM had access to an additional \$500,000 revolving line of credit. The line had variable interest (effective rate of 5.5% as of June 30, 2018) from a financial institution. The balance drawn on the line of credit was \$150,000 as of June 30, 2018. The line was secured by property. In December 2018, the line of credit was paid in full and closed when SRM refinanced with another financial institution.

7. NOTES PAYABLE:

Notes payable consist of:

	June 30,	
	2019	2018
Note payable to a financial institution in the amount of \$3,100,000, due in monthly installments of principal and interest of \$18,719, with interest calculated at 3.91%. Note matures December 2028 with a balloon payment due at that time and is secured by property.	\$ 2,994,663	\$ -
Promissory note to the seller of the property in the amount of \$1,080,000, due in quarterly payments of interest of \$13,500, with interest calculated at 5%. The entire principal amount outstanding and accrued interest shall be due and payable in November 2020. The note is secured by property.	1,080,000	1,080,000
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 matured August 2033 and is secured by property and equipment. In December 2018, the note payable was paid in full when SRM refinanced with another financial institution.	-	747,909
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 matured August 2033 and is secured by property and equipment. In December 2018, the note payable was paid in full when SRM refinanced with another financial institution.	-	524,861

SPRINGS RESCUE MISSION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

7. NOTES PAYABLE, continued:

Notes payable consist of, continued:

	June 30,	
	2019	2018
Note payable to a financial institution in the amount of \$350,000, due in a balloon payment, with interest calculated at a rate of 4.25%. Note matured January 2019 and is secured by property. In December 2018, the note payable was paid in full when SRM refinanced with another financial institution.	-	250,000
Note payable to a financial institution in the amount of \$250,000, due in a balloon payment, with interest calculated at a rate of 4.25%. The note matured February 2019 and is secured by property. In December 2018, the note payable was paid in full when SRM refinanced with another financial institution.	-	250,000
	4,074,663	2,852,770
Less current portion	(88,105)	(561,652)
	\$ 3,986,558	\$ 2,291,118

Future minimum payments for notes payable are:

<u>Year Ending June 30,</u>	
2020	\$ 88,105
2021	1,189,408
2022	113,823
2023	118,418
2024	122,920
Thereafter	2,441,989
	\$ 4,074,663

SRM was in compliance with all financial and reporting covenants at June 30, 2019.

SPRINGS RESCUE MISSION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

8. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions are available for the following purposes:

	June 30,	
	2019	2018
Building fund and other	\$ 934,652	\$ 440,066
Time restricted property held for investment	-	1,916,060
	\$ 934,652	\$ 2,356,126

9. GIFT-IN-KIND CONTRIBUTIONS:

Gift-in-kind contributions were received for the following types of items:

	Year ended June 30,	
	2019	2018
Clothing	\$ 4,317,537	\$ 4,951,526
Food	846,610	911,120
Household goods	560,267	347,483
Others	28,287	29,950
Property and equipment	-	590,000
	\$ 5,752,701	\$ 6,830,079

10. 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 2016, all eligible employees are automatically enrolled at 3% unless they chose to opt out. During the years ended June 30, 2019 and 2018, employer contributions were \$70,505 and \$65,923, respectively.

11. RELATED PARTY TRANSACTION:

SRM has contracted with a construction company owned by one of SRM's board members. Total fees paid for services during the years ended June 30, 2019 and 2018 were \$0 and \$36,328, respectively.

12. SUBSEQUENT EVENTS:

Subsequent events were evaluated through October 31, 2019, which is the date the consolidated financial statements were available to be issued.

Subsequent to June 30, 2019, the Greenway Flats Project was completed and commenced operations.