



**DENVER
RESCUE
MISSION**

**DENVER RESCUE MISSION
AND AFFILIATE**

CONSOLIDATED FINANCIAL STATEMENTS
With Independent Auditors' Report

June 30, 2016 and 2015

DENVER RESCUE MISSION AND AFFILIATE

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Denver Rescue Mission and Affiliate
Denver, Colorado

We have audited the accompanying consolidated financial statements of Denver Rescue Mission and Affiliate, which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities, operating functional expenses, and cash flows for the years then ended, 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 audits 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
Denver Rescue Mission and Affiliate
Denver, Colorado

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Denver Rescue Mission and Affiliate as of June 30, 2016 and 2015, 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

Centennial, Colorado
October 10, 2016

DENVER RESCUE MISSION AND AFFILIATE

Consolidated Statements of Financial Position

	June 30,	
	2016	2015
ASSETS:		
Cash and cash equivalents	\$ 4,196,863	\$ 4,438,362
Restricted cash and investments	-	2,003,687
Investments	2,990,000	997,570
Contributions receivable–net	249,542	371,135
Grant receivable–net	-	909,451
Prepaid expenses and other assets	568,043	420,516
Gift-in-kind inventory	485,542	228,374
Land, buildings, and equipment–net	30,953,957	29,320,896
Total Assets	\$ 39,443,947	\$ 38,689,991
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 431,620	\$ 464,769
Construction accounts payable	-	630,155
Accrued expenses	1,012,707	901,346
Deferred revenue and other liabilities	67,970	104,532
Notes payable–net	3,834,929	3,369,025
	5,347,226	5,469,827
Net assets:		
Unrestricted:		
Operating	6,226,701	5,000,565
Equity in land, buildings, and equipment–net	27,119,028	25,321,716
	33,345,729	30,322,281
Temporarily restricted	750,992	2,897,883
	34,096,721	33,220,164
Total Liabilities and Net Assets	\$ 39,443,947	\$ 38,689,991

See notes to consolidated financial statements

DENVER RESCUE MISSION AND AFFILIATE

Consolidated Statements of Activities

	Year Ended June 30,					
	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
OPERATING:						
SUPPORT AND REVENUE:						
Contributions:						
Individuals, businesses, and others	\$ 13,302,739	\$ 5,200,580	\$ 18,503,319	\$ 13,906,425	\$ 5,150,641	\$ 19,057,066
Gift-in-kind inventory	13,044,553	-	13,044,553	11,069,818	-	11,069,818
	26,347,292	5,200,580	31,547,872	24,976,243	5,150,641	30,126,884
Program service and other revenue	1,461,585	-	1,461,585	1,333,182	-	1,333,182
	27,808,877	5,200,580	33,009,457	26,309,425	5,150,641	31,460,066
Total Support and Revenue						
NET ASSETS RELEASED:						
Purpose and time restrictions	5,278,341	(5,278,341)	-	4,854,849	(4,854,849)	-
EXPENSES:						
Program services:						
Ministry Outreach Center	10,978,195	-	10,978,195	10,201,320	-	10,201,320
The Crossing	6,924,553	-	6,924,553	6,905,278	-	6,905,278
Lawrence Street	3,909,002	-	3,909,002	3,978,759	-	3,978,759
Harvest Farm	2,531,452	-	2,531,452	2,387,282	-	2,387,282
Fort Collins	1,092,872	-	1,092,872	986,567	-	986,567
Champa House	718,593	-	718,593	707,474	-	707,474
	26,154,667	-	26,154,667	25,166,680	-	25,166,680

(continued)

See notes to consolidated financial statements

DENVER RESCUE MISSION AND AFFILIATE

Consolidated Statements of Activities

(continued)

	Year Ended June 30,					
	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
OPERATING, continued:						
EXPENSES, continued:						
Supporting activities:						
General and administrative	1,389,461	-	1,389,461	1,304,891	-	1,304,891
Fund-raising	5,208,572	-	5,208,572	4,724,788	-	4,724,788
	<u>6,598,033</u>	<u>-</u>	<u>6,598,033</u>	<u>6,029,679</u>	<u>-</u>	<u>6,029,679</u>
 Total Expenses	 <u>32,752,700</u>	 <u>-</u>	 <u>32,752,700</u>	 <u>31,196,359</u>	 <u>-</u>	 <u>31,196,359</u>
 Change in Net Assets From Operations	 <u>334,518</u>	 <u>(77,761)</u>	 <u>256,757</u>	 <u>(32,085)</u>	 <u>295,792</u>	 <u>263,707</u>
NON-OPERATING:						
Contributions restricted for long-term purposes	-	80,000	80,000	-	439,481	439,481
Gain on involuntary conversion of nonmonetary assets	586,907	-	586,907	2,101,999	-	2,101,999
Loss on disposal of land, buildings, and equipment	(47,107)	-	(47,107)	(111,278)	-	(111,278)
Net assets released for capital projects	2,149,130	(2,149,130)	-	2,890,361	(2,890,361)	-
	<u>2,688,930</u>	<u>(2,069,130)</u>	<u>619,800</u>	<u>4,881,082</u>	<u>(2,450,880)</u>	<u>2,430,202</u>
Change in Net Assets From Non-Operating Activities	<u>2,688,930</u>	<u>(2,069,130)</u>	<u>619,800</u>	<u>4,881,082</u>	<u>(2,450,880)</u>	<u>2,430,202</u>
Change in Net Assets	3,023,448	(2,146,891)	876,557	4,848,997	(2,155,088)	2,693,909
Net Assets, Beginning of Year	<u>30,322,281</u>	<u>2,897,883</u>	<u>33,220,164</u>	<u>25,473,284</u>	<u>5,052,971</u>	<u>30,526,255</u>
Net Assets, End of Year	<u>\$ 33,345,729</u>	<u>\$ 750,992</u>	<u>\$ 34,096,721</u>	<u>\$ 30,322,281</u>	<u>\$ 2,897,883</u>	<u>\$ 33,220,164</u>

See notes to consolidated financial statements

DENVER RESCUE MISSION AND AFFILIATE

Consolidated Statement of Operating Functional Expenses

Year Ended June 30, 2016

(with comparative information for the year ended June 30, 2015)

	Program Services						Supporting Activities				Total	2015
	Ministry Outreach Center	The Crossing & Glencoe	Lawrence Street	Harvest Farm	Fort Collins	Champa House	Program Services Total	General and Administrative	Fund-Raising	Supporting Activities Total		
	Gift-in-kind	\$ 8,711,706	\$ 1,402,816	\$ 1,545,955	\$ 606,563	\$ 464,212	\$ 56,133	\$ 12,787,385	\$ -	\$ -		
Salaries, wages, and benefits	1,070,090	3,587,692	1,313,024	1,264,856	445,965	540,601	8,222,228	879,914	1,171,255	2,051,169	10,273,397	10,094,114
Printing and postage	4,090	9,907	2,086	2,331	298	456	19,168	7,770	2,507,849	2,515,619	2,534,787	2,452,573
Facility operations	367,578	400,730	263,863	217,057	74,123	36,086	1,359,437	114,980	145,704	260,684	1,620,121	1,500,844
Depreciation	410,866	472,022	246,623	174,486	43,372	45,988	1,393,357	72,225	54,075	126,300	1,519,657	1,193,113
Ministry to clients and others	149,911	513,461	374,234	73,973	12,052	8,262	1,131,893	9,241	7,989	17,230	1,149,123	1,708,430
Utilities	201,812	305,208	146,184	122,049	42,129	26,661	844,043	22,138	23,611	45,749	889,792	904,059
Office and miscellaneous	40,047	146,812	16,759	70,445	10,067	3,893	288,023	141,716	425,185	566,901	854,924	888,845
Professional services	1,264	78,132	-	(308)	-	-	79,088	131,788	587,242	719,030	798,118	560,076
Media and marketing	20,831	7,773	274	-	654	513	30,045	9,689	285,662	295,351	325,396	316,032
Total Expenses	\$ 10,978,195	\$ 6,924,553	\$ 3,909,002	\$ 2,531,452	\$ 1,092,872	\$ 718,593	\$ 26,154,667	\$ 1,389,461	\$ 5,208,572	\$ 6,598,033	\$ 32,752,700	
Percent of Total Expenses	34%	21%	12%	8%	3%	2%	80%	4%	16%	20%	100%	
2015:												
Total Expenses	\$ 10,201,320	\$ 6,905,278	\$ 3,978,759	\$ 2,387,282	\$ 986,567	\$ 707,474	\$ 25,166,680	\$ 1,304,891	\$ 4,724,788	\$ 6,029,679		\$ 31,196,359
Percent of Total Expenses	33%	22%	13%	8%	3%	2%	81%	4%	15%	19%		100%

See notes to consolidated financial statements

DENVER RESCUE MISSION AND AFFILIATE

Consolidated Statement of Operating Functional Expenses

Year Ended June 30, 2015

(with comparative information for the year ended June 30, 2014)

	Program Services						Supporting Activities				Total	2014
	Ministry Outreach Center	The Crossing & Glencoe	Lawrence Street	Harvest Farm	Fort Collins	Champa House	Program Services Total	General and Adminis- trative	Fund- Raising	Supporting Activities Total		
	Gift-in-kind	\$ 8,209,789	\$ 1,258,120	\$ 1,312,180	\$ 395,975	\$ 372,551	\$ 29,658	\$ 11,578,273	\$ -	\$ -		
Salaries, wages, and benefits	1,004,109	3,560,956	1,194,053	1,236,181	427,842	559,335	7,982,476	919,990	1,191,648	2,111,638	10,094,114	9,372,916
Printing and postage	3,656	10,675	2,765	5,996	1,129	369	24,590	6,462	2,421,521	2,427,983	2,452,573	2,632,526
Facility operations	335,104	389,001	246,233	267,085	75,558	27,273	1,340,254	86,885	73,705	160,590	1,500,844	1,305,674
Depreciation	214,440	520,564	112,890	165,433	40,831	42,764	1,096,922	48,197	47,994	96,191	1,193,113	1,150,095
Ministry to clients and others	175,281	466,367	960,357	77,905	11,561	12,231	1,703,702	304	4,424	4,728	1,708,430	1,455,354
Utilities	191,593	349,019	117,535	127,250	45,523	31,863	862,783	21,177	20,099	41,276	904,059	862,470
Office and miscellaneous	50,975	274,241	31,909	73,152	10,267	3,555	444,099	145,083	299,663	444,746	888,845	852,238
Professional services	1,136	69,615	140	14,180	-	-	85,071	64,774	410,231	475,005	560,076	335,000
Media and marketing	15,237	6,720	697	24,125	1,305	426	48,510	12,019	255,503	267,522	316,032	480,858
Total Expenses	\$ 10,201,320	\$ 6,905,278	\$ 3,978,759	\$ 2,387,282	\$ 986,567	\$ 707,474	\$ 25,166,680	\$ 1,304,891	\$ 4,724,788	\$ 6,029,679	\$ 31,196,359	
Percent of Total Expenses	33%	22%	13%	8%	3%	2%	81%	4%	15%	19%	100%	
2014:												
Total Expenses	\$ 7,379,692	\$ 6,393,883	\$ 3,791,337	\$ 2,176,381	\$ 796,341	\$ 653,806	\$ 21,191,440	\$ 940,429	\$ 4,601,714	\$ 5,542,143		\$ 26,733,583
Percent of Total Expenses	28%	24%	14%	8%	3%	2%	79%	4%	17%	21%		100%

See notes to consolidated financial statements

DENVER RESCUE MISSION AND AFFILIATE

Consolidated Statements of Cash Flows

	Year Ended June 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 876,557	\$ 2,693,909
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,519,657	1,193,113
Amortization of prepaid expenses and other assets and loan origination fees	495,279	495,477
Non-cash contributions of fixed assets	(6,150)	(40,615)
Net change in non-operating contributions and grant receivable	1,061,044	2,348,180
Net change in operating contributions receivable	(30,000)	30,000
Cash received for long-term purposes	(80,000)	(2,787,661)
Loss on disposal of land, buildings, and equipment	47,107	111,278
Gain on involuntary conversion	(586,907)	(2,101,999)
Receipt of gift-in-kind inventory	(13,044,553)	(11,069,818)
Distribution of gift-in-kind inventory	12,787,385	11,578,273
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(634,373)	(540,435)
Accounts payable	(33,149)	(175,091)
Accrued expenses	111,361	175,262
Deferred revenue and other liabilities	(36,562)	38,432
Net Cash Provided by Operating Activities	2,446,696	1,948,305
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of land, buildings, and equipment	(3,193,675)	(8,612,702)
Proceeds from involuntary conversion of nonmonetary assets	586,907	2,598,291
Proceeds from sale of investments	3,391,156	5,086,766
Purchases of investments	(3,652,404)	(4,340,823)
Net Cash Used by Investing Activities	(2,868,016)	(5,268,468)

(continued)

See notes to consolidated financial statements

DENVER RESCUE MISSION AND AFFILIATE

Consolidated Statements of Cash Flows

(continued)

	Year Ended June 30,	
	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds on notes payable	1,805,597	2,541,037
Principal payments on notes payable	(1,348,126)	(7,219)
Cash received for long-term purposes	80,000	2,787,661
Change in construction accounts payable	(630,155)	-
Change in restricted cash	272,505	(531,324)
Net Cash Provided by Financing Activities	<u>179,821</u>	<u>4,790,155</u>
Change in Cash and Cash Equivalents	(241,499)	1,469,992
Cash and Cash Equivalents, Beginning of Year	<u>4,438,362</u>	<u>2,968,370</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,196,863</u>	<u>\$ 4,438,362</u>
NON-CASH TRANSACTIONS AND SUPPLEMENTAL DISCLOSURE:		
Land, buildings, and equipment capitalized but not yet paid for	<u>\$ -</u>	<u>\$ 630,155</u>
Cash paid for interest (of which \$0 and \$58,429 was capitalized for the year ended June 30, 2016 and 2015, respectively)	<u>\$ 130,736</u>	<u>\$ 96,171</u>

See notes to consolidated financial statements

DENVER RESCUE MISSION AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2016 and 2015

1. NATURE OF ORGANIZATION:

The Denver Rescue Mission (the Organization), founded in 1892, is a Colorado corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the Code) and is not a private foundation under Section 509(a) of the Code.

The purpose of the Organization is to meet people at their physical and spiritual points of need. Through practical programs of education and life skills, shelter, food, and clothing distribution, and through Christian teaching and mentoring the Organization aims to return the poor, needy and homeless to society as productive self-sufficient citizens. The Organization has the following facilities to serve its clients for their specific needs:

- Lawrence Street Shelter: The shelter sleeps 200 men, with the potential for sleeping 115 additional men during cold-weather or other emergency conditions. Approximately 16,000 clinic visits are provided at this facility annually.
- Lawrence Street Community Center: The Lawrence Street Community Center (LSCC) is a day-time facility for the homeless population of Denver to access emergency and rehabilitation services in a safe and controlled environment. Approximately 481,000 meals are provided at this facility annually. Collectively, the Lawrence Street Shelter and LSCC are referred to as "Lawrence Street".
- Champa House: Up to 24 single women and children live at the Organization's transitional housing facility at any one time.
- Harvest Farm: Up to 72 men participate in the long-term residential New Life Program (NLP) and raise crops and livestock for the Organization's facilities.
- The Ministry Outreach Center: The warehouse operation distributes hundreds of tons of food, clothing, and furniture to the needy throughout the area. Family Services assists homeless families in transitioning to self-sufficiency.
- The Crossing: Up to 120 men are housed in this facility and participate in NLP. The Crossing also provides temporary living accommodations for families with small children, refugees, and single men and women, with capacity for 342 people in total.
- Fort Collins Rescue Mission: Fort Collins Rescue Mission (FCRM) provides emergency services to the homeless, meals for the hungry, food boxes, clothing, and hygiene items for those in need, and includes a shelter for 80 men and women. FCRM also offers a "Steps to Success" program that helps people become productive, self-sufficient members of the community.
- Administration and Education Building: The facility has large classrooms for program participants and a comprehensive client in-take center. It also houses over 50 administration staff.

DENVER RESCUE MISSION AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2016 and 2015

1. NATURE OF ORGANIZATION, continued:

The Organization receives the majority of its support from individuals, businesses, churches, and others within the Denver metropolitan area.

During the year ended June 30, 2016, Denver Rescue Mission Foundation (the Affiliate) was established to serve as a supporting organization to hold and invest assets on behalf of the Organization. Due to economic control, this entity is required to be consolidated in the financial statements of Denver Rescue Mission.

The Organization and the Affiliate are collectively referred to as the Mission in these consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES:

The Mission 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.

NON-OPERATING ACTIVITIES

During the year ended June 30, 2014, the Mission started a new building project called the LSCC. A substantial part of the project was funded through a grant from a local municipality (the municipality). As of June 30, 2015, a grant receivable of \$909,451, is reported net of a \$2,266,000 obligation that the Mission was to reimburse to the municipality upon completion of the project. During the year ended June 30, 2016, the project was completed, the municipality paid the grant receivable in full, and the Mission paid its obligation to the municipality.

During the year ended June 30, 2016, as part of a right-of-way proceeding related to the Mission's administrative building, the Mission received a one-time, \$586,907 reimbursement of architectural design and move costs from a municipality.

DENVER RESCUE MISSION AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2016 and 2015

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include checking, savings, money market accounts, and certificates of deposit with original maturities of three months or less that are not held for long-term purposes. These accounts from time to time exceed federally insured limits; however, the Mission has not experienced any losses on these accounts and does not believe it is exposed to any significant risk. Management has established an operating reserve, consisting of cash and cash equivalents and investments, as of June 30, 2016 and 2015 in the amounts of \$3,500,000 and \$3,750,000, respectively. These amounts are at the discretion of management and are not designated by the board of directors.

RESTRICTED CASH AND INVESTMENTS

During the year ended June 30, 2014, the Mission received amounts restricted by a donor to be held in a separate bank account and were only to be used for the LSCC project. During the year ended June 30, 2016, the project was completed and all amounts restricted for the LSCC project were spent.

INVESTMENTS

Investments consist of certificates of deposit with original maturities of longer than three months and are carried at fair value based on quoted prices in active markets for identical assets, which is Level 1 of the fair value hierarchy established under the Fair Value Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Investments received by gift are carried at market value on the date of donation and, thereafter, reported in accordance with the above provisions. Unrealized gains or losses in fair value, interest, and dividends are recognized in program service and other revenue on the consolidated statements of activities in the year in which they occur.

CONTRIBUTIONS RECEIVABLE

Unconditional promises to give are recorded at net realizable value if, at the time the promise is received, the Mission expects to receive payment in one year or less. Unconditional promises to give that the Mission expects to receive in more than one year are recorded at fair value initially and discounted using present value techniques subsequent to initial recognition. Management believes all contributions receivable are fully collectible.

GIFT-IN-KIND INVENTORY

Gift-in-kind inventory consists of donated merchandise, such as food, clothing, and miscellaneous items, used in the operation of the Mission's programs. All such inventory is recorded at its estimated fair value at the date of donation and reported at its carrying amount thereafter.

DENVER RESCUE MISSION AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2016 and 2015

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment are recorded at cost or, if donated, at estimated fair value at the date of receipt. The Mission capitalizes fixed assets with a cost greater than \$4,000. Depreciation is calculated based on the straight-line method over the following estimated useful lives:

Land improvements	20 years
Buildings and improvements	10-30 years
Furniture and fixtures	5-10 years
Machinery and equipment	3-10 years
Vehicles	3-5 years

DEFERRED REVENUE

Deferred revenue consists of prepaid rental income at The Crossing, as well as sponsorship and other revenue received for special events scheduled to be held in the next fiscal year.

NET ASSETS

Net assets include the following two classes:

Unrestricted net assets include resources that are available to support operations and provide for the long-term needs of the Mission.

Temporarily restricted net assets include gifts which are restricted by the donor for various projects and contributions receivable which are time-period restricted. Temporarily restricted net assets consist of:

	June 30,	
	2016	2015
Purpose restricted:		
Programs	\$ 421,450	\$ 499,210
LSCC capital campaign	-	2,365,192
Ministry Outreach Center capital campaign	80,000	-
Time restricted	249,542	33,481
	<u>\$ 750,992</u>	<u>\$ 2,897,883</u>

The resources related to the LSCC capital campaign above include restricted cash and investments, contributions receivable-net, and grant receivable-net.

DENVER RESCUE MISSION AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2016 and 2015

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various program services and supporting activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs, such as depreciation and salaries, have been allocated among the program services and supporting activities benefited.

SUPPORT AND REVENUE

Contributions, which include grant contributions, are recorded when made, which may be when cash or other assets are received or unconditionally promised. Contributions restricted by the donor for specified purposes are recorded as support in the temporarily restricted class of net assets until the funds have been expended for the purposes specified. Donated materials, including gifts-in-kind, and services are recorded at estimated fair value. The Mission records income and expense for contributed professional services valued at the providers' industry average hourly rates for the number of hours contributed to the Mission's program. Clothing contributed to the Mission in excess of requirements for the Mission's internal programs is distributed to other relief organizations and Indian reservations.

Program service revenue and other income primarily consists of corn maze admissions income and product sales. All other income is recognized when earned.

EXPENSES

Expenses are recognized when incurred in accordance with the accrual basis of accounting.

ADVERTISING

The Mission uses advertising to promote its programs among the audiences it serves and to raise funds. Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2016 and 2015, was \$261,663 and \$265,351, respectively.

UNCERTAIN TAX POSITIONS

The financial statement 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 the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the consolidated statements of activities. As of June 30, 2016, the Mission had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

The Mission is generally no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2013.

RECLASSIFICATION

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

DENVER RESCUE MISSION AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2016 and 2015

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

EARLY ADOPTION OF RECENTLY ISSUED PRONOUNCEMENTS

During the year ended December 31, 2015, the Mission early adopted ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs. ASU 2015-03 was issued in April 2015 and is effective for years beginning after December 15, 2015 with early implementation permitted and retrospective application required. ASU 2015-03 requires debt issuance costs to be reported as a direct reduction of the carrying value of the debt (i.e., a contra liability), rather than as an asset. See note 6 for disclosure of debt issuance costs.

3. CONTRIBUTIONS RECEIVABLE—NET:

Contributions receivable—net consist of:

	June 30,	
	2016	2015
Due in less than one year	\$ 83,333	\$ 121,250
Due in one to five years	166,209	259,052
	249,542	380,302
Less unamortized discount	-	(9,167)
	\$ 249,542	\$ 371,135

4. GIFT-IN-KIND PROGRAM:

The Mission's gift-in-kind activity is summarized below:

	Year Ended June 30, 2016			
	Beginning Inventory	Contributions	Distributions	Ending Inventory
Food	\$ 101,598	\$ 4,588,349	\$ 4,387,960	\$ 301,987
Furniture and equipment	58,629	3,101,610	3,025,883	134,356
Clothing	68,147	5,354,594	5,373,542	49,199
	\$ 228,374	\$ 13,044,553	\$ 12,787,385	\$ 485,542

DENVER RESCUE MISSION AND AFFILIATE

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4. GIFT-IN-KIND PROGRAM, continued:

The Mission's gift-in-kind activity is summarized below, continued:

	Year Ended June 30, 2015			
	Beginning Inventory	Contributions	Distributions	Ending Inventory
Food	\$ 154,758	\$ 4,074,572	\$ 4,127,732	\$ 101,598
Furniture and equipment	407,597	2,270,181	2,619,149	58,629
Clothing	174,474	4,725,065	4,831,392	68,147
	\$ 736,829	\$ 11,069,818	\$ 11,578,273	\$ 228,374

5. LAND, BUILDINGS, AND EQUIPMENT—NET:

Land, buildings, and equipment—net consist of:

	June 30,	
	2016	2015
Land	\$ 6,762,569	\$ 6,762,569
Land improvements	534,909	495,640
Buildings and improvements	28,442,460	23,322,837
Machinery and equipment	3,192,615	2,957,790
Furniture and fixtures	450,426	376,164
Vehicles	912,871	826,635
	40,295,850	34,741,635
Less accumulated depreciation	(9,447,805)	(8,054,175)
	30,848,045	26,687,460
Construction in process	105,912	2,633,436
	\$ 30,953,957	\$ 29,320,896

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5. LAND, BUILDINGS, AND EQUIPMENT–NET, continued:

Equity in land, buildings, and equipment–net consists of:

	June 30,	
	2016	2015
Land, buildings, and equipment–net	\$ 30,953,957	\$ 29,320,896
Less construction accounts payable	-	(630,155)
Less notes payable-net	(3,834,929)	(3,369,025)
	\$ 27,119,028	\$ 25,321,716

6. NOTES PAYABLE–NET:

On April 26, 2013, the Mission borrowed funds generated from Colorado Educational and Cultural Facilities Authority (CECFA) Revenue Bond Series 2013 Bonds. The lender loaned the proceeds to the Mission pursuant to a financing agreement dated April 1, 2013, and a promissory note (CECFA note payable) dated April 26, 2013. Through the agreement, the Mission has access to a total of \$7,000,000 of funding. The note may be prepaid in whole or in part at any time subject to the prepayment provisions set forth in the financing agreement. The CECFA note payable bears interest at a fixed rate of 2.94% and is collateralized by land, buildings, and equipment. Beginning May 1, 2016, monthly principal and interest payments of \$33,133 will be made according to a 25-year amortization schedule. The note matures on May 1, 2023, at which time a balloon payment will be due. Future minimum payments are:

Year Ending June 30,	
2017	\$ 282,804
2018	291,350
2019	300,155
2020	308,939
2021	328,189
Thereafter	2,444,785
	\$ 3,956,222

During the year ended June 30, 2014, the Mission obtained a note payable from a financial institution for \$315,000, which was secured by property and equipment. Principal and interest payments of \$1,851 are due monthly, with a fixed interest rate of 4.98%. During the year ended June 30, 2016, the note was paid in full.

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Notes to Consolidated Financial Statements

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6. NOTES PAYABLE–NET, continued:

In summary, notes payable–net consists of:

	June 30,	
	2016	2015
CECFA note payable–net	\$ 3,956,222	\$ 3,194,402
Other note payable–net	-	304,349
Less loan origination fees–net	(121,293)	(129,726)
	<u>\$ 3,834,929</u>	<u>\$ 3,369,025</u>

Loan origination fees are recorded at cost and are amortized over the term of the loan agreement using the effective-interest method. Amortization expense for the years ended June 30, 2016 and 2015 was \$8,433 and \$8,631. Accumulated amortization for the years ended June 30, 2016 and 2015, was \$27,376 and \$18,943, respectively.

The Mission was in compliance with all financial and reporting covenants as of June 30, 2016.

7. LINE OF CREDIT:

The Mission has access to a revolving line of credit, maturing December 1, 2016, in the amount of \$600,000. The line of credit has a variable interest rate and is for seasonal cash flow management. The Mission did not make any draws during the years ended June 30, 2016 and 2015.

8. CONTRIBUTED SERVICES:

The Mission operates a medical clinic at its main facility in downtown Denver, Colorado. Local doctors, dentists, and chiropractors volunteer their time serving patients. Other professionals also provided services to the Mission's clients. Contributed services recognized in the financial statements totaled \$269,541 and \$421,163, for the years ended June 30, 2016 and 2015, respectively. Contributed services are included as contributions in individuals, businesses, and others on the consolidated statements of activities. The Mission also has a number of unpaid volunteers who have made contributions of their time performing various assignments. These contributed services have not been recognized, as they do not meet the requirements under current accounting standards.

9. RETIREMENT PLAN:

The Mission has a defined contribution plan covering substantially all employees. To encourage employee retention, the Mission makes contributions to the plan based on employee length of service and also matches employee contributions dollar for dollar up to 5% of eligible compensation. Employees vest immediately in employer contributions. Employer contributions to the plan for the years ended June 30, 2016 and 2015, were \$500,154 and \$670,906, respectively.

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10. DEFERRED COMPENSATION PLAN 457(b)

During the year ended June 30, 2016, the Mission created a 457(b) plan for a highly compensated executive employee. The plan is funded solely by the Mission. The assets of the plan are the legal assets of the Mission until they are distributed to the participant and, therefore, the plan assets and corresponding liability are reported in prepaid expenses and other assets and accrued liabilities on the consolidated statements of financial position. Plan assets and liabilities, at fair market value, as of June 30, 2016 were \$28,362.

11. 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.