



DENVER RESCUE MISSION

DENVER RESCUE MISSION AND AFFILIATE

Consolidated Financial Statements
With Independent Auditors' Report

June 30, 2017 and 2016

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, 2017 and 2016, 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 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 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
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, 2017 and 2016, 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
September 21, 2017

DENVER RESCUE MISSION AND AFFILIATE

Consolidated Statements of Financial Position

	June 30,	
	2017	2016
ASSETS:		
Cash and cash equivalents	\$ 5,962,555	\$ 4,196,863
Investments	2,004,931	2,990,000
Contributions receivable–net	200,000	249,542
Prepaid expenses and other assets	657,388	568,043
Gift-in-kind inventory	711,589	485,542
Property held for sale	1,300,000	-
Land, buildings, and equipment–net	29,595,169	30,953,957
Total Assets	\$ 40,431,632	\$ 39,443,947
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 331,576	\$ 431,620
Construction accounts payable	767,080	-
Accrued expenses and other liabilities	1,450,689	1,080,677
Notes payable–net	3,559,656	3,834,929
	6,109,001	5,347,226
Net assets:		
Unrestricted:		
Operating	6,519,295	6,226,701
Equity in land, buildings, and equipment–net and property held for sale	26,568,433	27,119,028
	33,087,728	33,345,729
Temporarily restricted	1,234,903	750,992
	34,322,631	34,096,721
Total Liabilities and Net Assets	\$ 40,431,632	\$ 39,443,947

See notes to consolidated financial statements

DENVER RESCUE MISSION AND AFFILIATE

Consolidated Statements of Activities

	Year Ended June 30,					
	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
OPERATING:						
SUPPORT AND REVENUE:						
Contributions:						
Individuals, businesses, and others	\$ 13,225,945	\$ 6,142,719	\$ 19,368,664	\$ 13,302,739	\$ 5,200,580	\$ 18,503,319
Gift-in-kind inventory	12,732,388	-	12,732,388	13,044,553	-	13,044,553
	25,958,333	6,142,719	32,101,052	26,347,292	5,200,580	31,547,872
Program service and other revenue	1,688,907	-	1,688,907	1,461,585	-	1,461,585
	27,647,240	6,142,719	33,789,959	27,808,877	5,200,580	33,009,457
Total Support and Revenue	27,647,240	6,142,719	33,789,959	27,808,877	5,200,580	33,009,457
NET ASSETS RELEASED:						
Purpose and time restrictions	5,575,808	(5,575,808)	-	5,278,341	(5,278,341)	-
	5,575,808	(5,575,808)	-	5,278,341	(5,278,341)	-
EXPENSES:						
Program services:						
Ministry Outreach Center	11,591,716	-	11,591,716	10,978,195	-	10,978,195
The Crossing	7,132,100	-	7,132,100	6,924,553	-	6,924,553
Lawrence Street	3,802,262	-	3,802,262	3,909,002	-	3,909,002
Harvest Farm	2,402,946	-	2,402,946	2,531,452	-	2,531,452
Fort Collins	1,135,184	-	1,135,184	1,092,872	-	1,092,872
Champa House	742,318	-	742,318	718,593	-	718,593
	26,806,526	-	26,806,526	26,154,667	-	26,154,667

(continued)

See notes to consolidated financial statements

DENVER RESCUE MISSION AND AFFILIATE

Consolidated Statements of Activities

(continued)

	Year Ended June 30,					
	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
OPERATING, continued:						
EXPENSES, continued:						
Supporting activities:						
General and administrative	1,675,068	-	1,675,068	1,389,461	-	1,389,461
Fund-raising	5,009,790	-	5,009,790	5,208,572	-	5,208,572
	6,684,858	-	6,684,858	6,598,033	-	6,598,033
 Total Expenses	 33,491,384	 -	 33,491,384	 32,752,700	 -	 32,752,700
 Change in Net Assets From Operations	 (268,336)	 566,911	 298,575	 334,518	 (77,761)	 256,757
NON-OPERATING:						
Contributions restricted for long-term purposes	-	250,000	250,000	-	80,000	80,000
Gain on involuntary conversion of nonmonetary assets	-	-	-	586,907	-	586,907
Loss on disposal of land, buildings, and equipment	-	-	-	(47,107)	-	(47,107)
Loss on impairment of property held for sale	(322,665)	-	(322,665)	-	-	-
Net assets released for capital projects	333,000	(333,000)	-	2,149,130	(2,149,130)	-
	10,335	(83,000)	(72,665)	2,688,930	(2,069,130)	619,800
Change in Net Assets From Non-Operating Activities	10,335	(83,000)	(72,665)	2,688,930	(2,069,130)	619,800
Change in Net Assets	(258,001)	483,911	225,910	3,023,448	(2,146,891)	876,557
Net Assets, Beginning of Year	33,345,729	750,992	34,096,721	30,322,281	2,897,883	33,220,164
Net Assets, End of Year	\$ 33,087,728	\$ 1,234,903	\$ 34,322,631	\$ 33,345,729	\$ 750,992	\$ 34,096,721

See notes to consolidated financial statements

DENVER RESCUE MISSION AND AFFILIATE

Consolidated Statement of Operating Functional Expenses

Year Ended June 30, 2017

(with comparative information for the year ended June 30, 2016)

	Program Services						Supporting Activities					Total	2016
	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	\$ 8,992,609	\$ 1,242,820	\$ 1,378,890	\$ 394,603	\$ 402,046	\$ 95,373	\$ 12,506,341	\$ -	\$ -	\$ -	\$ 12,506,341	\$ 12,787,385	
Salaries, wages, and benefits	1,351,544	3,782,715	1,409,788	1,329,314	532,540	520,346	8,926,247	1,111,447	1,126,292	2,237,739	11,163,986	10,273,397	
Printing and postage	4,842	9,449	1,917	1,298	892	481	18,879	24,443	2,364,634	2,389,077	2,407,956	2,534,787	
Facility operations	416,998	401,307	244,275	257,818	90,839	36,323	1,447,560	136,280	102,148	238,428	1,685,988	1,620,121	
Depreciation	409,037	472,949	306,994	169,985	37,272	46,573	1,442,810	85,314	50,922	136,236	1,579,046	1,519,657	
Ministry to clients and others	160,069	585,339	268,597	68,423	15,651	8,268	1,106,347	4,251	6,158	10,409	1,116,756	1,149,123	
Office and miscellaneous	54,788	201,690	20,433	48,241	11,846	3,804	340,802	163,184	446,030	609,214	950,016	854,924	
Utilities	194,476	324,980	170,560	127,210	43,564	30,335	891,125	15,346	17,186	32,532	923,657	889,792	
Professional services	6,244	99,189	-	6,050	-	630	112,113	112,594	652,508	765,102	877,215	798,118	
Media and marketing	1,109	11,662	808	4	534	185	14,302	22,209	243,912	266,121	280,423	325,396	
Total Expenses	\$ 11,591,716	\$ 7,132,100	\$ 3,802,262	\$ 2,402,946	\$ 1,135,184	\$ 742,318	\$ 26,806,526	\$ 1,675,068	\$ 5,009,790	\$ 6,684,858	\$ 33,491,384		
Percent of Total Expenses	35%	22%	11%	7%	3%	2%	80%	5%	15%	20%	100%		
2016:													
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%	

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	
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	
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	
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 Statements of Cash Flows

	Year Ended June 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 225,910	\$ 876,557
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,579,045	1,519,657
Amortization of loan origination fees	8,231	8,433
Net change in contributions and grant receivable	49,542	1,031,044
Contributions received for long-term purposes	(250,000)	(80,000)
Loss on impairment of property held for sale	322,665	-
Loss on disposal of land, buildings, and equipment	-	47,107
Gain on involuntary conversion	-	(586,907)
Receipt of gift-in-kind inventory	(12,732,388)	(13,044,553)
Distribution of gift-in-kind inventory	12,506,341	12,787,385
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(89,345)	(147,527)
Accounts payable	(100,044)	(33,149)
Accrued expenses and other liabilities	370,012	74,799
Net Cash Provided by Operating Activities	1,889,969	2,452,846
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of land, buildings, and equipment	(1,075,842)	(3,199,825)
Proceeds from involuntary conversion of nonmonetary assets	-	586,907
Proceeds from sale of investments	8,189,067	3,391,156
Purchases of investments	(7,203,998)	(3,652,404)
Net Cash Used by Investing Activities	(90,773)	(2,874,166)

(continued)

See notes to consolidated financial statements

DENVER RESCUE MISSION AND AFFILIATE

Consolidated Statements of Cash Flows

(continued)

	Year Ended June 30,	
	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds on notes payable	-	1,805,597
Principal payments on notes payable	(283,504)	(1,348,126)
Contributions received for long-term purposes	250,000	80,000
Change in construction accounts payable	-	(630,155)
Change in restricted cash	-	272,505
Net Cash Provided (Used) by Financing Activities	(33,504)	179,821
Change in Cash and Cash Equivalents	1,765,692	(241,499)
Cash and Cash Equivalents, Beginning of Year	4,196,863	4,438,362
Cash and Cash Equivalents, End of Year	\$ 5,962,555	\$ 4,196,863
NON-CASH TRANSACTIONS AND SUPPLEMENTAL DISCLOSURE:		
Land, buildings, and equipment capitalized but not yet paid for	\$ 767,080	\$ -
Property held for sale transferred from land, buildings, and equipment	\$ 1,622,665	\$ -
Cash paid for interest (none capitalized)	\$ 113,402	\$ 130,736

See notes to consolidated financial statements

DENVER RESCUE MISSION AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

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. There is also a medical/dental clinic onsite. Approximately 4,800 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 601,000 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 (MOC): 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. Located within the MOC is the Holly Center, which is a \$2.5 million project that was started in April 2017 and has a planned completion date of November 2017. The Holly Center is a new high-functioning shelter that will sleep 228 men and includes 28 showers.
- 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, 2017 and 2016

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 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.

OPERATING AND NON-OPERATING ACTIVITIES

The activity of the Mission has been reported in the consolidated statements of activities in the following two categories: operating and non-operating. Operating includes the core activities of the Mission. Non-operating includes all other activity that is not considered to be core activity.

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.

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 of \$3,500,000 as of June 30, 2017 and 2016. These amounts are at the discretion of management and are not designated by the board of directors.

DENVER RESCUE MISSION AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

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 have not been discounted due to immateriality. 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.

PROPERTY HELD FOR SALE

Property held for sale consists of land and buildings that is actively marketed at \$1,300,000. Property held for sale is recorded at the lower of carrying value or estimated fair value. During the year ended June 30, 2017, the asset was considered to be impaired. As such, an impairment loss of \$322,665 was recorded in the non-operating section of the consolidated statements of activities.

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

DENVER RESCUE MISSION AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

NET ASSETS

Net assets include the following two classes:

Unrestricted net assets include resources that are available to support operations and those resources invested in equity in land, buildings, and equipment—net and property held for sale.

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,	
	2017	2016
Purpose restricted:		
Programs	\$ 1,034,903	\$ 421,450
Capital campaign	-	80,000
Time restricted	200,000	249,542
	<u>\$ 1,234,903</u>	<u>\$ 750,992</u>

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 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, which includes program fees, the emergency shelter contract, and program event income, and other income, consisting of admissions income and product sales, is recognized when earned.

DENVER RESCUE MISSION AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

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, 2017 and 2016, was \$232,276 and \$261,663, respectively.

UNCERTAIN TAX POSITIONS

The consolidated financial statement effects of a tax position taken or expected to be taken are recognized in the consolidated 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, 2017, the Mission had no uncertain tax positions that qualify for recognition or disclosure in the consolidated financial statements.

The Mission is generally no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2014.

RECLASSIFICATION

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

3. CONTRIBUTIONS RECEIVABLE—NET:

Contributions receivable—net consist of contributions receivable:

	June 30,	
	2017	2016
Due in less than one year	\$ 83,333	\$ 83,333
Due in one to five years	116,667	166,209
	<u>\$ 200,000</u>	<u>\$ 249,542</u>

DENVER RESCUE MISSION AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

4. GIFT-IN-KIND PROGRAM:

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

	Year Ended June 30, 2017			
	Beginning Inventory	Contributions	Distributions	Ending Inventory
Food	\$ 301,987	\$ 4,752,188	\$ 4,544,932	\$ 509,243
Furniture and equipment	134,356	2,188,098	2,155,574	166,880
Clothing	49,199	5,792,102	5,805,835	35,466
	\$ 485,542	\$ 12,732,388	\$ 12,506,341	\$ 711,589

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

	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

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

5. LAND, BUILDINGS, AND EQUIPMENT–NET:

Land, buildings, and equipment–net consist of:

	June 30,	
	2017	2016
Land	\$ 5,266,405	\$ 6,762,569
Land improvements	596,303	534,909
Buildings and improvements	28,677,940	28,442,460
Machinery and equipment	3,615,572	3,192,615
Furniture and fixtures	455,891	450,426
Vehicles	1,012,669	912,871
	39,624,780	40,295,850
Less accumulated depreciation	(10,971,523)	(9,447,805)
	28,653,257	30,848,045
Construction in process	941,912	105,912
	\$ 29,595,169	\$ 30,953,957

Equity in land, buildings, and equipment–net and property held for sale consists of:

	June 30,	
	2017	2016
Land, buildings, and equipment–net	\$ 29,595,169	\$ 30,953,957
Property held for sale	1,300,000	-
Less construction accounts payable	(767,080)	-
Less notes payable-net	(3,559,656)	(3,834,929)
	\$ 26,568,433	\$ 27,119,028

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 had 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 are made according to a 25-year amortization schedule. The note matures on May 1, 2023, at which time a balloon payment will be due.

DENVER RESCUE MISSION AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

6. NOTES PAYABLE–NET, continued:

Future minimum payments are:

<u>Year Ending June 30,</u>	
2018	\$ 292,088
2019	300,915
2020	309,771
2021	319,369
2022	329,020
Thereafter	<u>2,121,555</u>
	<u>\$ 3,672,718</u>

In summary, notes payable–net consists of:

	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
CECFA note payable–net	\$ 3,672,718	\$ 3,956,222
Less loan origination fees–net	<u>(113,062)</u>	<u>(121,293)</u>
	<u>\$ 3,559,656</u>	<u>\$ 3,834,929</u>

Loan origination fees are recorded at cost and are amortized over the term of the loan agreement using the effective-interest method. Accumulated amortization for the years ended June 30, 2017 and 2016, was \$35,607 and \$27,376, respectively.

The Mission was in compliance with all financial and reporting covenants as of June 30, 2017.

7. LINE OF CREDIT:

The Mission has access to a revolving line of credit, maturing December 1, 2017, 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, 2017 and 2016.

DENVER RESCUE MISSION AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

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 consolidated financial statements totaled \$203,278 and \$269,541, for the years ended June 30, 2017 and 2016, 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. COMMITMENTS:

During the year ended June 30, 2017, the Mission entered into a contract with a contractor for a building addition. The total construction costs, including architectural services and furnishings, is estimated to be \$2,532,000. The amount completed and incurred and included in land, buildings, and equipment on the consolidated statements of financial position as of June 30, 2017 was \$767,080, which is also included in construction payable. The remaining estimated cost for the project as of June 30, 2017 is \$1,765,000

10. 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, 2017 and 2016, were \$594,223 and \$500,154, respectively.

11. 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 expenses and other liabilities on the consolidated statements of financial position. Plan assets and liabilities, at fair market value, as of June 30, 2017 and 2016, were \$60,727 and \$28,362, respectively.

12. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through the report date, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.