



**DENVER
RESCUE
MISSION**

DENVER RESCUE MISSION
AND AFFILIATE

Consolidated Financial Statements
With Independent Auditors' Report

June 30, 2018 and 2017

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, 2018 and 2017, 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, 2018 and 2017, 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 14, 2018

DENVER RESCUE MISSION AND AFFILIATE

Consolidated Statements of Financial Position

	June 30,	
	2018	2017
ASSETS:		
Cash and cash equivalents	\$ 2,566,500	\$ 5,962,555
Investments	7,262,419	2,004,931
Contributions receivable–net	111,181	200,000
Prepaid expenses and other assets	626,586	657,388
Gift-in-kind inventory	586,979	711,589
Property held for sale	71,435	1,300,000
Land, buildings, and equipment–net	29,657,826	29,595,169
Total Assets	\$ 40,882,926	\$ 40,431,632
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 220,664	\$ 331,576
Construction accounts payable	-	767,080
Accrued expenses and other liabilities	1,482,967	1,450,689
Notes payable–net	2,575,604	3,559,656
	4,279,235	6,109,001
Net assets:		
Unrestricted:		
Operating	7,969,310	6,519,295
Equity in land, buildings, and equipment–net and property held for sale	27,153,657	26,568,433
	35,122,967	33,087,728
Temporarily restricted	1,480,724	1,234,903
	36,603,691	34,322,631
Total Liabilities and Net Assets	\$ 40,882,926	\$ 40,431,632

See notes to consolidated financial statements

DENVER RESCUE MISSION AND AFFILIATE

Consolidated Statements of Activities

	Year Ended June 30,					
	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
OPERATING:						
SUPPORT AND REVENUE:						
Contributions:						
Individuals, businesses, and others	\$ 12,939,618	\$ 6,902,483	\$ 19,842,101	\$ 13,225,945	\$ 6,142,719	\$ 19,368,664
Gift-in-kind inventory	11,859,996	-	11,859,996	12,732,388	-	12,732,388
	24,799,614	6,902,483	31,702,097	25,958,333	6,142,719	32,101,052
Program service and other revenue	1,914,838	-	1,914,838	1,688,907	-	1,688,907
	26,714,452	6,902,483	33,616,935	27,647,240	6,142,719	33,789,959
NET ASSETS RELEASED:						
Purpose and time restrictions	6,534,253	(6,534,253)	-	5,575,808	(5,575,808)	-
EXPENSES:						
Program services:						
Ministry Outreach Center	11,212,631	-	11,212,631	11,591,716	-	11,591,716
The Crossing	7,144,911	-	7,144,911	7,132,100	-	7,132,100
Lawrence Street	4,236,168	-	4,236,168	3,802,262	-	3,802,262
Harvest Farm	2,183,013	-	2,183,013	2,402,946	-	2,402,946
Fort Collins	1,093,650	-	1,093,650	1,135,184	-	1,135,184
Champa House and Holly Center	718,301	-	718,301	742,318	-	742,318
	26,588,674	-	26,588,674	26,806,526	-	26,806,526

(continued)

See notes to consolidated financial statements

DENVER RESCUE MISSION AND AFFILIATE

Consolidated Statements of Activities

(continued)

	Year Ended June 30,					
	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
OPERATING, continued:						
EXPENSES, continued:						
Supporting activities:						
General and administrative	1,883,942	-	1,883,942	1,675,068	-	1,675,068
Fund-raising	4,707,872	-	4,707,872	5,009,790	-	5,009,790
	6,591,814	-	6,591,814	6,684,858	-	6,684,858
 Total Expenses	33,180,488	-	33,180,488	33,491,384	-	33,491,384
 Change in Net Assets From Operations	68,217	368,230	436,447	(268,336)	566,911	298,575
NON-OPERATING:						
Contributions restricted for long-term purposes	-	50,000	50,000	-	250,000	250,000
Gain on sale of assets	1,869,613	-	1,869,613	-	-	-
Loss on impairment of property held for sale	(75,000)	-	(75,000)	(322,665)	-	(322,665)
Net assets released for capital projects	172,409	(172,409)	-	333,000	(333,000)	-
	1,967,022	(122,409)	1,844,613	10,335	(83,000)	(72,665)
 Change in Net Assets	2,035,239	245,821	2,281,060	(258,001)	483,911	225,910
 Net Assets, Beginning of Year	33,087,728	1,234,903	34,322,631	33,345,729	750,992	34,096,721
 Net Assets, End of Year	\$ 35,122,967	\$ 1,480,724	\$ 36,603,691	\$ 33,087,728	\$ 1,234,903	\$ 34,322,631

See notes to consolidated financial statements

DENVER RESCUE MISSION AND AFFILIATE

Consolidated Statement of Operating Functional Expenses

Year Ended June 30, 2018

(with comparative information for the year ended June 30, 2017)

	Program Services						Supporting Activities				Total	2017
	Ministry Outreach Center	The Crossing & Glencoe	Lawrence Street	Harvest Farm	Fort Collins	E-Shelter/Holly	Program Services Total	General and Administrative	Fund-Raising	Supporting Activities Total		
	Gift-in-kind	\$ 8,677,667	\$ 1,174,707	\$ 1,539,718	\$ 262,910	\$ 328,824	\$ -	\$ 11,983,826	\$ 390	\$ 390		
Salaries, wages, and benefits	1,347,209	3,971,042	1,567,974	1,306,412	588,393	537,740	9,318,770	1,110,832	1,047,119	2,157,951	11,476,721	11,163,986
Printing and postage	4,399	8,932	2,886	899	251	-	17,367	2,947	2,079,625	2,082,572	2,099,939	2,407,956
Facility operations	445,345	312,870	300,965	183,860	73,957	116,574	1,433,571	124,334	97,320	221,654	1,655,225	1,685,988
Depreciation	372,643	447,158	309,474	170,048	35,723	56,008	1,391,054	85,282	85,291	170,573	1,561,627	1,579,046
Professional services	5,681	123,093	16,810	660	-	-	146,244	130,084	821,746	951,830	1,098,074	877,215
Ministry to clients and others	153,814	537,769	263,472	69,579	16,253	591	1,041,478	1,429	2,692	4,121	1,045,599	1,116,756
Office and miscellaneous	49,655	182,512	47,776	61,912	11,489	4,358	357,702	373,727	256,824	630,551	988,253	950,016
Utilities	155,031	378,627	182,345	125,278	38,362	2,880	882,523	39,914	21,320	61,234	943,757	923,657
Media and marketing	1,187	8,201	4,748	1,455	398	150	16,139	15,003	295,545	310,548	326,687	280,423
Total Expenses	\$ 11,212,631	\$ 7,144,911	\$ 4,236,168	\$ 2,183,013	\$ 1,093,650	\$ 718,301	\$ 26,588,674	\$ 1,883,942	\$ 4,707,872	\$ 6,591,814	\$ 33,180,488	
Percent of Total Expenses	34%	21%	13%	7%	3%	2%	80%	6%	14%	20%	100%	
2017:												
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
Expenses	35%	21%	11%	7%	3%	2%	80%	5%	15%	20%		100%

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
Professional services	6,244	99,189	-	6,050	-	630	112,113	112,594	652,508	765,102	877,215	798,118
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
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
Expenses	34%	21%	12%	8%	3%	2%	80%	4%	16%	20%		100%

See notes to consolidated financial statements

DENVER RESCUE MISSION AND AFFILIATE

Consolidated Statements of Cash Flows

	Year Ended June 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,281,060	\$ 225,910
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,561,627	1,579,045
Amortization of loan origination fees	8,020	8,231
Net change in contributions and grant receivable	88,819	49,542
Contributions received for long-term purposes	(226,819)	(250,000)
Loss on impairment of property held for sale	75,000	322,665
Gain on sales of assets	(1,869,613)	-
Receipt of gift-in-kind inventory	(11,859,996)	(12,732,388)
Distribution of gift-in-kind inventory	11,984,606	12,506,341
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(40,634)	(89,345)
Accounts payable	(110,912)	(100,044)
Accrued expenses and other liabilities	32,278	370,012
Net Cash Provided by Operating Activities	1,923,436	1,889,969
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of land, buildings, and equipment	(2,290,712)	(1,075,842)
Proceeds from sales of assets	3,761,042	-
Proceeds from sale of investments	8,445,237	8,189,067
Purchases of investments	(13,702,725)	(7,203,998)
Net Cash Used by Investing Activities	(3,787,158)	(90,773)

(continued)

See notes to consolidated financial statements

DENVER RESCUE MISSION AND AFFILIATE

Consolidated Statements of Cash Flows

(continued)

	Year Ended June 30,	
	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on notes payable	(992,072)	(283,504)
Contributions received for long-term purposes	226,819	250,000
Change in construction accounts payable	(767,080)	-
Net Cash Used by Financing Activities	(1,532,333)	(33,504)
Change in Cash and Cash Equivalents	(3,396,055)	1,765,692
Cash and Cash Equivalents, Beginning of Year	5,962,555	4,196,863
Cash and Cash Equivalents, End of Year	\$ 2,566,500	\$ 5,962,555
NON-CASH TRANSACTIONS AND SUPPLEMENTAL DISCLOSURE:		
Property held for sale transferred from prepaid expenses	\$ 71,436	\$ -
Land, buildings, and equipment capitalized and 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)	\$ 104,812	\$ 113,402

See notes to consolidated financial statements

DENVER RESCUE MISSION AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

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 (IRC) and comparable state laws. However, the Organization is subject to federal income tax on any unrelated business income tax. In addition the Organization is not a private foundation under Section 509(c) of the IRC.

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, 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 70,000 bed nights and 5,000 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 558,000 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 Champa at any one time. This facility was sold in June 2018 and the program was consolidated into The Crossing.
- 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 that was completed in November 2017. The Holly Center is a new high-functioning shelter that provides beds and showers for 228 men. In the seven months of operations through the end of the fiscal year (June 2018), the Holly Center provided 24,000 bed nights to those in need.
- The Crossing: Up to 120 men are housed in this facility and participate in the New Life Program (NLP). The Crossing also provides transitional housing programs for families with small children, refugees, and single men and women. The Crossing has 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. Approximately 31,000 bed nights and 57,000 meals are provided at FCRM annually.
- 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, 2018 and 2017

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 Foundation was dissolved on March 27, 2018. The activities of the Foundation are included in the consolidated financial statements through the date of dissolution.

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.

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. As of June 30, 2018 and 2017, cash exceeded federally insured limits by approximately \$2,170,000 and \$5,550,000, respectively. 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 \$3,750,000 and \$3,500,000 as of June 30, 2018 and 2017. 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, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

INVESTMENTS

Investments consist of certificates of deposit and US Treasury bills 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 2 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 is recorded at the lower of carrying value or estimated fair value. During the year ended June 30, 2018, property held for sale consists of water rights marketed at \$75,000, that were previously recorded in prepaids and other assets on the statements of financial position.

Property held for sale as of June 30, 2017, consisted of land and buildings that were actively marketed at \$1,300,000. During the years ended June 30, 2018 and 2017, the asset was considered to be impaired. As such, an impairment loss of \$75,000 and \$322,665, respectively, was recorded in the non-operating section of the consolidated statements of activities. During the year ended June 30, 2018, these land and buildings were sold for \$1,225,000.

DENVER RESCUE MISSION AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

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

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,	
	2018	2017
Purpose restricted:		
Programs	\$ 1,315,133	\$ 1,034,903
Capital campaign	54,410	-
Time restricted	111,181	200,000
	<u>\$ 1,480,724</u>	<u>\$ 1,234,903</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. Main program activities of the Mission are described in note 1.

DENVER RESCUE MISSION AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

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.

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, 2018 and 2017, was \$267,402 and \$232,276, respectively.

3. CONTRIBUTIONS RECEIVABLE–NET:

Contributions receivable–net consist of contributions receivable:

	June 30,	
	2018	2017
Due in less than one year	\$ 111,181	\$ 83,333
Due in one to five years	-	116,667
	<u>\$ 111,181</u>	<u>\$ 200,000</u>

DENVER RESCUE MISSION AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

4. INVESTMENTS:

Investments consist of:

	June 30,	
	2018	2017
Certificates of deposit	\$ 6,749,751	\$ 2,001,322
Treasury bills and other	512,668	3,609
	\$ 7,262,419	\$ 2,004,931

The Mission uses appropriate valuation techniques to determine fair value based on inputs available. When possible, the Mission measures fair value using Level 1 inputs on the hierarchy presented in the Fair Value Measurements Topic of the FASB ASC because they generally provide the most reliable evidence of fair value.

The following table presents the fair value measurements of assets on a recurring basis as of June 30, 2018 and 2017.

	Fair Value	Fair Value Measurements Using:	
		Level 1	Level 2
June 30, 2018:			
Investments held at fair market value:			
Certificates of deposit	\$ 6,749,751	\$ -	\$ 6,749,751
Treasury bills and other	512,668	-	512,668
	\$ 7,262,419	\$ -	\$ 7,262,419
June 30, 2017:			
Investments held at fair market value:			
Certificates of deposit	\$ 2,001,322	\$ -	\$ 2,001,322
Equities and other	3,609	-	3,609
	\$ 2,004,931	\$ -	\$ 2,004,931

Valuation techniques: Fair values for equities and bonds are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value for the certificates of deposits and treasury bills is based on appraisals and market comparisons.

DENVER RESCUE MISSION AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

5. GIFT-IN-KIND PROGRAM:

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

	Year Ended June 30, 2018			
	Beginning Inventory	Contributions	Distributions	Ending Inventory
Food	\$ 509,243	\$ 3,856,705	\$ 3,902,141	\$ 463,807
Furniture and equipment	166,880	2,471,651	2,536,363	102,168
Clothing	35,466	5,531,640	5,546,102	21,004
	\$ 711,589	\$ 11,859,996	\$ 11,984,606	\$ 586,979

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

	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

DENVER RESCUE MISSION AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

6. LAND, BUILDINGS, AND EQUIPMENT–NET:

Land, buildings, and equipment–net consist of:

	June 30,	
	2018	2017
Land	\$ 5,228,405	\$ 5,266,405
Land improvements	591,935	596,303
Buildings and improvements	30,147,184	28,677,940
Machinery and equipment	3,455,034	3,615,572
Furniture and fixtures	547,924	455,891
Vehicles	1,093,540	1,012,669
	41,064,022	39,624,780
Less accumulated depreciation	(11,476,031)	(10,971,523)
	29,587,991	28,653,257
Construction in process	69,835	941,912
	\$ 29,657,826	\$ 29,595,169

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

	June 30,	
	2018	2017
Land, buildings, and equipment–net	\$ 29,657,826	\$ 29,595,169
Property held for sale	71,435	1,300,000
Less construction accounts payable	-	(767,080)
Less notes payable-net	(2,575,604)	(3,559,656)
	\$ 27,153,657	\$ 26,568,433

7. 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, 2018 and 2017

7. NOTES PAYABLE–NET, continued:

Future minimum payments are:

<u>Year Ending June 30,</u>	
2019	\$ 320,522
2020	331,572
2021	341,767
2022	352,095
2023	1,334,690
	\$ 2,680,646
	\$ 2,680,646

In summary, notes payable–net consists of:

	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
CECFA note payable–net	\$ 2,680,646	\$ 3,672,718
Less loan origination fees–net	(105,042)	(113,062)
	\$ 2,575,604	\$ 3,559,656

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, 2018 and 2017, was \$43,627 and \$35,607, respectively.

The Mission was in compliance with all financial and reporting covenants as of June 30, 2018.

8. LINE OF CREDIT:

The Mission has access to a revolving line of credit, maturing December 1, 2018, 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, 2018 and 2017.

DENVER RESCUE MISSION AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

9. 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 \$154,639 and \$203,278, for the years ended June 30, 2018 and 2017, 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.

10. 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, was estimated to be \$2,532,000. During the year ended June 30, 2018, this project was completed and paid for in full.

11. 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, 2018 and 2017, were \$576,334 and \$594,223, respectively.

12. DEFERRED COMPENSATION PLAN 457(b):

In 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, 2018 and 2017, were \$69,124 and \$60,727, respectively.

13. SUBSEQUENT EVENTS:

Subsequent to the year ended June 30, 2018, the water right shares included in property held for sale on the statements of financial position, were sold for \$75,000.

Subsequent events have been evaluated through September 14, 2018, which represents the date the consolidated financial statements were available to be issued.