



**DENVER
RESCUE
MISSION**

DENVER RESCUE MISSION

Financial Statements
With Independent Auditors Report

June 30, 2020 and 2019

DENVER RESCUE MISSION

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Denver Rescue Mission
Denver, Colorado

We have audited the accompanying financial statements of Denver Rescue Mission, which comprise the statements of financial position as of June 30, 2020 and 2019, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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
Denver, Colorado

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Denver Rescue Mission as of June 30, 2020 and 2019, 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 23, 2020

DENVER RESCUE MISSION

Statements of Financial Position

	June 30,	
	2020	2019
ASSETS:		
Cash and cash equivalents	\$ 4,063,133	\$ 2,312,961
Accounts receivable	559,875	685,081
Prepaid expenses and other assets	826,684	527,793
Investments	9,127,942	7,624,035
Gift-in-kind inventory	974,369	685,717
Land, buildings, and equipment–net	29,505,955	29,318,992
Total Assets	<u>\$ 45,057,958</u>	<u>\$ 41,154,579</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 640,628	\$ 707,181
Accrued expenses and other liabilities	1,597,957	1,211,385
Notes payable–net	907,481	2,211,799
	<u>3,146,066</u>	<u>4,130,365</u>
Net assets:		
Without donor restrictions	41,324,389	35,352,135
With donor restrictions	587,503	1,672,079
	<u>41,911,892</u>	<u>37,024,214</u>
Total Liabilities and Net Assets	<u>\$ 45,057,958</u>	<u>\$ 41,154,579</u>

See notes to financial statements

DENVER RESCUE MISSION

Statements of Activities

	Year Ended June 30,					
	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions:						
Individuals, businesses, and others	\$ 15,707,412	\$ 7,258,860	\$ 22,966,272	\$ 13,121,947	\$ 6,860,102	\$ 19,982,049
Gift-in-kind contributions	14,345,894	-	14,345,894	14,493,128	-	14,493,128
Payroll protection program income	-	2,101,500	2,101,500	-	-	-
	30,053,306	9,360,360	39,413,666	27,615,075	6,860,102	34,475,177
Loss on disposal land, buildings, and equipment	(9,357)	-	(9,357)	(401,396)	-	(401,396)
Program service and other revenue	2,865,186	-	2,865,186	2,078,081	-	2,078,081
Total Support and Revenue	32,909,135	9,360,360	42,269,495	29,291,760	6,860,102	36,151,862
NET ASSETS RELEASED FROM:						
Purpose and time restrictions	10,444,936	(10,444,936)	-	6,668,747	(6,668,747)	-
EXPENSES:						
Program services	31,114,059	-	31,114,059	29,624,167	-	29,624,167
Supporting activities:						
General and administrative	1,317,666	-	1,317,666	1,432,367	-	1,432,367
Fund-raising	4,950,092	-	4,950,092	4,674,805	-	4,674,805
Total Expenses	37,381,817	-	37,381,817	35,731,339	-	35,731,339
Change in Net Assets	5,972,254	(1,084,576)	4,887,678	229,168	191,355	420,523
Net Assets, Beginning of Year	35,352,135	1,672,079	37,024,214	35,122,967	1,480,724	36,603,691
Net Assets, End of Year	\$ 41,324,389	\$ 587,503	\$ 41,911,892	\$ 35,352,135	\$ 1,672,079	\$ 37,024,214

See notes to financial statements

DENVER RESCUE MISSION

Statements of Functional Expenses

Year Ended June 30, 2020

						Supporting Activities:			Total Expenses
	Emergency Services	Community Outreach	Transitional	Rehabilitation	Total Program Services	General and Administrative	Fund-Raising	Total Supporting Activities	
Food, clothing, and other gift-in-kind distributions	\$ 3,614,743	\$ 7,823,745	\$ 1,567,207	\$ 1,051,547	\$ 14,057,242	\$ -	\$ -	\$ -	\$ 14,057,242
Salaries and benefits	5,607,131	1,691,990	2,491,840	1,681,736	11,472,697	665,136	1,338,097	2,003,233	13,475,930
Printed material	-	-	-	-	-	101,355	1,994,406	2,095,761	2,095,761
Facility and maintenance	837,036	265,450	371,846	250,958	1,725,290	92,169	185,422	277,591	2,002,881
Depreciation	627,299	189,222	278,672	188,075	1,283,268	74,385	149,645	224,030	1,507,298
Professional services	232,483	70,127	103,279	69,702	475,591	37,368	792,053	829,421	1,305,012
Utilities	378,779	114,257	168,269	113,564	774,869	44,915	90,359	135,274	910,143
Office and miscellaneous	230,595	69,558	102,440	77,737	480,330	289,284	103,507	392,791	873,121
Support to clients and others	279,712	114,629	254,238	124,524	773,103	8,900	282	9,182	782,285
Media and marketing	35,034	10,568	15,563	10,504	71,669	4,154	296,321	300,475	372,144
Total Expenses	<u>\$ 11,842,812</u>	<u>\$ 10,349,546</u>	<u>\$ 5,353,354</u>	<u>\$ 3,568,347</u>	<u>\$ 31,114,059</u>	<u>\$ 1,317,666</u>	<u>\$ 4,950,092</u>	<u>\$ 6,267,758</u>	<u>\$ 37,381,817</u>
Percent of Total Expenses	31%	28%	14%	10%	83%	4%	13%	17%	100%

See notes to financial statements

DENVER RESCUE MISSION

Statements of Functional Expenses

Year Ended June 30, 2019

	Program Services:					Supporting Activities:			
	Community Outreach	Emergency Services	Transitional	Rehabilitation	Total Program Services	General and Adminis- trative	Fund-Raising	Total Supporting Activities	Total Expenses
Food, clothing, and other gift-in-kind distributions	\$ 8,105,398	\$ 3,385,637	\$ 1,657,031	\$ 1,246,324	\$ 14,394,390	\$ -	\$ -	\$ -	\$ 14,394,390
Salaries and benefits	1,754,186	4,385,465	2,123,488	1,684,942	9,948,081	782,418	1,228,312	2,010,730	11,958,811
Printed material	-	-	-	-	-	83,615	1,858,615	1,942,230	1,942,230
Facility and maintenance	327,289	685,255	331,808	263,282	1,607,634	109,723	172,254	281,977	1,889,611
Depreciation	228,267	570,667	276,323	219,256	1,294,513	102,337	160,659	262,996	1,557,509
Professional services	50,839	127,097	61,542	48,832	288,310	54,407	747,361	801,768	1,090,078
Utilities	140,336	350,841	169,881	134,797	795,855	62,916	98,771	161,687	957,542
Office and miscellaneous	93,945	231,174	111,937	104,049	541,105	230,689	119,027	349,716	890,821
Support to clients and others	130,190	173,840	253,914	142,549	700,493	2,010	658	2,668	703,161
Media and marketing	9,484	23,711	11,481	9,110	53,786	4,252	289,148	293,400	347,186
Total Expenses	<u>\$ 10,839,934</u>	<u>\$ 9,933,687</u>	<u>\$ 4,997,405</u>	<u>\$ 3,853,141</u>	<u>\$ 29,624,167</u>	<u>\$ 1,432,367</u>	<u>\$ 4,674,805</u>	<u>\$ 6,107,172</u>	<u>\$ 35,731,339</u>
Percent of Total Expenses	30%	28%	14%	11%	83%	4%	13%	17%	100%

See notes to financial statements

DENVER RESCUE MISSION

Statements of Cash Flows

	Year Ended June 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 4,887,678	\$ 420,523
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,507,298	1,557,509
Amortization of loan origination fees	51,548	7,804
Contributions received for long-term purposes	-	(143,780)
Loss on disposal of land, buildings, and equipment	9,357	401,396
Receipt of gift-in-kind inventory	(14,345,894)	(14,493,128)
Distribution of gift-in-kind inventory	14,057,242	14,394,390
Recognition of payroll protection program income	(2,101,500)	-
Changes in operating assets and liabilities:		
Accounts receivable	125,206	(531,570)
Contributions receivable	-	111,181
Prepaid expenses and other assets	(298,891)	(54,718)
Accounts payable	(66,553)	232,338
Accrued expenses and other liabilities	386,572	(17,403)
Net Cash Provided by Operating Activities	4,212,063	1,884,542
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of land, buildings, and equipment	(2,054,289)	(1,686,690)
Insurance proceeds for land, buildings, and equipment	350,671	138,054
Proceeds from sale of investments	10,890,659	13,441,323
Purchases of investments	(12,394,566)	(13,802,939)
Net Cash Used by Investing Activities	(3,207,525)	(1,910,252)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on notes payable	(1,355,866)	(371,609)
Contributions received for long-term purposes	-	143,780
Proceeds from payroll protection program loan	2,101,500	-
Net Cash Provide (Used) by Financing Activities	745,634	(227,829)
 Change in Cash and Cash Equivalents	 1,750,172	 (253,539)
Cash and Cash Equivalents, Beginning of Year	2,312,961	2,566,500
Cash and Cash Equivalents, End of Year	<u>\$ 4,063,133</u>	<u>\$ 2,312,961</u>
 SUPPLEMENTAL DISCLOSURE:		
Cash paid for interest	<u>\$ 36,074</u>	<u>\$ 73,774</u>

See notes to financial statements

DENVER RESCUE MISSION

Notes to Financial Statements

June 30, 2020 and 2019

1. NATURE OF ORGANIZATION:

The Denver Rescue Mission (the Mission), 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 Mission is subject to federal income tax on any unrelated business income tax. In addition, the Mission is not a private foundation under Section 509(c) of the IRC.

The purpose of the Mission 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 Mission aims to return the poor, needy and homeless to society as productive, self-sufficient citizens. The Mission developed the following four core strategies to address the homelessness in the greater Denver area and Northern Colorado:

Emergency Services:

For people experiencing homelessness and poverty, basic needs like food, shelter, water, clean restrooms, showers, and laundry services can be difficult to access. The Mission provides these services in order to build trust and develop relationships with the people we serve, encouraging them to consider long-term solutions. Emergency services include the following programs:

- 48th Street Center: Overnight shelter for men, operated in partnership with the City of Denver.
- Fort Collins Rescue Mission: Overnight shelter for men and women.
- Holly Center: Overnight shelter for men assigned with beds and lockers weekly.
- Lawrence Street Shelter: Overnight shelter for men, chapel and health clinic.
- Lawrence Street Community Center: Meals, restrooms, showers, laundry, and access to Mission staff for encouragement and guidance.
- Next Step Services: A community empowering men to exit the shelter system and connect them with programs and services throughout Denver.

Rehabilitation Programs:

In the New Life Program (rehabilitation), the Mission equips men to overcome various challenges such as broken relationships, job loss, lack of education, and drug and alcohol abuse and develop a renewed sense of hope and identity. The Mission offers the New Life Program at the two locations below:

- New Life Program at The Crossing: 1-year rehabilitation program for men.
- New Life Program at Harvest Farm: 6 months to 1-year rural rehabilitation program for men.

DENVER RESCUE MISSION

Notes to Financial Statements

June 30, 2020 and 2019

1. NATURE OF ORGANIZATION, continued:

The Mission developed the following four core strategies to address the homelessness in the greater Denver area and Northern Colorado, continued:

Transitional Programs:

The Mission's transitional programs help people who are experiencing homelessness, despite having a job and steady income, transition into a sustainable, self-sufficient life. From an on-site living program to mentoring and assistance with the first month's rent and deposit on a long-term housing solution, the Mission's transitional programs meet the unique needs of working families, the elderly and those with disabilities. The transitional programs include the following:

- STAR Transitional Program at The Crossing: 1-year transitional program for individuals and families.
- STAR Transitional Program Youth: After school programming and activities throughout the year for kids ages 3-18.

Community Outreach Programs:

The Mission's community outreach programs help better the lives of vulnerable neighbors in low-income households while strengthening the whole community. The Mission provides groceries, clothing, furniture, referrals to social services and more. Community outreach includes the following services:

- Global Ministry Outreach: Offering consultation, resources and support to city/rescue missions around the world.
- Ministry Outreach Center: Central warehouse facility including food, clothing and furniture distribution.
- Vehicle Donation Program: Vehicles are donated and repaired and then gifted to graduates of Mission programs.
- Volunteers: Thousands of volunteers serve meals, sort food and items, mentor, tutor, and much more.

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

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.

DENVER RESCUE MISSION

Notes to Financial Statements

June 30, 2020 and 2019

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. As of June 30, 2020 and 2019, cash exceeded federally insured limits by approximately \$3,688,000 and \$1,847,000, 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 \$5,000,000 and \$4,000,000, as of June 30, 2020 and 2019. These amounts are at the discretion of management and are not designated by the board of directors.

INVESTMENTS

Investments consist of cash and cash equivalents held for investment, certificates of deposit with original maturities of longer than three months, and stock. Certificates of deposit are carried at either cost or fair value and stock is held at fair value. Investments received by gift are carried at market value on the date of donation and, thereafter, reported in accordance with the above provisions. The Mission's policy is to liquidate donated securities and other marketable investments as soon as practical after receipt to minimize effects of market fluctuations. Unrealized gains or losses in fair value, interest, and dividends are recognized in program service and other revenue on the statements of activities in the year in which they occur.

ACCOUNTS RECEIVABLE

Accounts receivable consists of bequests receivable and amount due for various services that have been provided. Management believes all accounts receivables 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.

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

Notes to Financial Statements

June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

NET ASSETS

Net assets include the following two classes:

Net assets without donor restrictions include resources that are available to support operations.

Net assets with donor restrictions include gifts which are restricted by the donor for various projects. Net assets with donor restrictions consist of:

	June 30,	
	2020	2019
Various programs	\$ 579,903	\$ 1,629,579
Capital projects	7,600	42,500
	<u>\$ 587,503</u>	<u>\$ 1,672,079</u>

FUNCTIONAL ALLOCATION OF EXPENSES

The statements of functional expenses report certain categories of expenses that are attributable to one or more program or supporting functions of the Mission. These expenses include depreciation and amortization, interest, the president's office, communications, media production, information technology, and facilities operations and maintenance. Depreciation is allocated based on square footage and interest is allocated based on usage of space. Costs of other categories were allocated on estimates of time and effort. Program services of the Mission are described in Note 1.

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 net assets with donor restrictions 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.

During the year ended June 30, 2020, the Mission received a Paycheck Protection Program loan of \$2,101,500. The loan is eligible for forgiveness based on the Mission incurring various qualifying expenses such as normal payroll costs and utilities. Since the Mission has overcome the required barriers related to these funds as of June 30, 2020, the full loan has been recorded as contributions on the statements of activities.

DENVER RESCUE MISSION

Notes to Financial Statements

June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT AND REVENUE, continued

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, 2020 and 2019, was \$287,964 and \$282,473, respectively, which is reported in media and marketing on the statements of functional expenses.

RECENTLY ADOPTED ACCOUNTING STANDARDS

In 2018, the Financial Accounting Standards Board issued Accounting Standards Update No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The Mission adopted the provisions of this new standard during the year ended June 30, 2020. This new standard provides guidance on determining whether transactions should be accounted for as an exchange transaction or a contribution and whether a contribution should be recorded as conditional or unconditional. Adoption of this standard had an immaterial effect on the financial statements.

In 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*. The Mission adopted the provisions of this new standard during the year ended June 30, 2020. The new standard applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. Adoption of this standard had an immaterial effect on the financial statements.

DENVER RESCUE MISSION

Notes to Financial Statements

June 30, 2020 and 2019

3. LIQUIDITY AND AVAILABILITY OF RESOURCES:

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

	June 30,	
	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 4,063,133	\$ 2,312,961
Accounts receivable	559,875	685,081
Investments	9,127,942	7,624,035
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 13,750,950</u>	<u>\$ 10,622,077</u>

As part of the Mission's liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations come due. The Mission invests cash in excess of daily requirements in short term investments. In addition, the Mission has access to a line of credit of \$600,000 which is disclosed in Note 8.

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS:

Investments consist of:

	June 30,	
	2020	2019
Cash and cash equivalents	\$ -	\$ 15,304
Certificates of deposit	9,127,942	7,595,442
Stock	-	13,289
	<u>\$ 9,127,942</u>	<u>\$ 7,624,035</u>

Investment income was \$152,949 and \$119,804, for the years ended June 30, 2020 and 2019, respectively, which was reported on the statements of activities within program service and other revenue.

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 Accounting Standards Codification (ASC) because they generally provide the most reliable evidence of fair value.

DENVER RESCUE MISSION

Notes to Financial Statements

June 30, 2020 and 2019

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS, continued:

Assets and liabilities measured on a recurring basis and reported at fair value are classified and disclosed in one of the following categories:

Level 1: Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2: Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and the fair value is determined through the use of models or other valuation methodologies.

Level 3: Pricing inputs are unobservable for investments and include situations where there is little, if any, market activity for the investments.

The following table presents the fair value measurements of assets on a recurring basis as of June 30, 2020 and 2019:

	Fair Value	Fair Value Measurements Using:	
		Level 1	Level 2
June 30, 2020:			
Investments held at fair market value:			
Certificates of deposit	\$ 8,762,849	\$ -	\$ 8,762,849
Reconciling items held at cost:			
Certificates of deposit	365,093		
Total investments	<u>\$ 9,127,942</u>		
June 30, 2019:			
Investments held at fair market value:			
Certificates of deposit	\$ 6,738,209	\$ -	\$ 6,738,209
Stock	13,289	13,289	-
	6,751,498	<u>\$ 13,289</u>	<u>\$ 6,738,209</u>
Reconciling items held at cost:			
Cash and cash equivalents	15,304		
Certificates of deposit	857,233		
Total investments	<u>\$ 7,624,035</u>		

Valuation techniques: Fair values for stocks are determined by reference to quoted market prices. Fair value for certificates of deposits held at fair value is based on appraisals and market comparisons.

DENVER RESCUE MISSION

Notes to Financial Statements

June 30, 2020 and 2019

5. GIFT-IN-KIND PROGRAM:

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

	Year Ended June 30, 2020			
	Beginning Inventory	Contributions	Distributions	Ending Inventory
Food	\$ 367,171	\$ 4,130,611	\$ 4,166,329	\$ 331,453
Furniture and equipment	287,948	3,066,430	3,009,254	345,124
Clothing	30,598	7,148,853	6,881,659	297,792
	<u>\$ 685,717</u>	<u>\$ 14,345,894</u>	<u>\$ 14,057,242</u>	<u>\$ 974,369</u>

	Year Ended June 30, 2019			
	Beginning Inventory	Contributions	Distributions	Ending Inventory
Food	\$ 463,807	\$ 4,045,672	\$ 4,142,308	\$ 367,171
Furniture and equipment	102,168	3,400,536	3,214,756	287,948
Clothing	21,004	7,046,920	7,037,326	30,598
	<u>\$ 586,979</u>	<u>\$ 14,493,128</u>	<u>\$ 14,394,390</u>	<u>\$ 685,717</u>

6. LAND, BUILDINGS, AND EQUIPMENT—NET:

Land, buildings, and equipment—net consist of:

	June 30,	
	2020	2019
Land	\$ 5,212,089	\$ 5,212,089
Land improvements	637,455	627,906
Buildings and improvements	30,427,394	29,926,110
Machinery and equipment	3,351,821	3,644,693
Furniture and fixtures	498,801	504,885
Vehicles	1,151,643	1,204,074
	<u>41,279,203</u>	<u>41,119,757</u>
Less accumulated depreciation	<u>(12,646,190)</u>	<u>(12,396,418)</u>
	<u>28,633,013</u>	<u>28,723,339</u>
Construction in process	872,942	595,653
	<u>\$ 29,505,955</u>	<u>\$ 29,318,992</u>

DENVER RESCUE MISSION

Notes to Financial Statements

June 30, 2020 and 2019

7. NOTES PAYABLE–NET:

During the year ended June 30, 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. 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 in May 2023. During the year ended June 30, 2020, the Mission made an additional principal payment of \$1,000,000.

Future minimum principal payments are:

<u>Year Ending June 30,</u>	
2021	\$ 374,264
2022	385,574
2023	<u>193,333</u>
	<u><u>\$ 953,171</u></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, 2020 and 2019, was \$102,979 and \$51,431, respectively.

In summary, notes payable–net consists of:

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Note payable	\$ 953,171	\$ 2,309,037
Less loan origination fees–net	<u>(45,690)</u>	<u>(97,238)</u>
	<u><u>\$ 907,481</u></u>	<u><u>\$ 2,211,799</u></u>

The Mission was in compliance with all financial and reporting covenants as of June 30, 2020.

8. LINE OF CREDIT:

The Mission has access to a revolving line of credit, maturing December 2021, 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, 2020 and 2019.

DENVER RESCUE MISSION

Notes to Financial Statements

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9. CONTRIBUTED SERVICES:

The Mission operated a medical clinic at its main facility in downtown Denver, Colorado. The clinic was closed in the fall of 2019 as it was determined that another local organization was providing these types of services and fulfilling the need in the community. Other professionals also provided services to the Mission's clients. Contributed services recognized in the financial statements totaled \$68,187 and \$50,917, for the years ended June 30, 2020 and 2019, respectively. Contributed services are included as contributions in individuals, businesses, and others on the 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. 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. In addition, an incentive contribution of 0.67% per year of service times eligible compensation is paid annually. Employees vest immediately in employer contributions. Employer contributions to the plan for the years ended June 30, 2020 and 2019, were \$493,713 and \$477,819, respectively.

11. DEFERRED COMPENSATION PLAN 457(b):

During the year ended June 30, 2017, 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 statements of financial position. Plan assets, recorded at fair market value, and liabilities as of June 30, 2020 and 2019, were \$81,598. Plan assets are not included in the fair value table due to overall immateriality.

12. RISKS AND UNCERTAINTIES:

During the year ended June 30, 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. COVID-19 has caused a severe negative impact on the world economy and has contributed to significant declines and volatility in financial markets. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Mission for future periods. Management is carefully monitoring the situation and evaluating its options as circumstances evolve.

13. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through September 23, 2020, which represents the date the financial statements were available to be issued.