

DENVER RESCUE MISSION

DENVER RESCUE MISSION

Financial Statements
With Independent Auditors' Report

June 30, 2022 and 2021

DENVER RESCUE MISSION

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Denver Rescue Mission
Denver, Colorado

Opinion

We have audited the accompanying financial statements of Denver Rescue Mission, which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Denver Rescue Mission as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Denver Rescue Mission and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Denver Rescue Mission's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Board of Directors
Denver Rescue Mission
Denver, Colorado

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Denver Rescue Mission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Denver Rescue Mission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audits.

Capin Crouse LLP

Centennial, Colorado
September 21, 2022

DENVER RESCUE MISSION

Statements of Financial Position

	June 30,	
	2022	2021
ASSETS:		
Cash and cash equivalents	\$ 15,858,698	\$ 13,594,955
Accounts receivable	1,482,928	2,512,371
Prepaid expenses and other assets	648,967	868,349
Gift-in-kind inventory	584,432	424,558
Investments	2,111,249	2,365,505
Grants receivable	378,763	333,763
Land, buildings, and equipment—net	39,290,515	34,475,936
Total Assets	<u>\$ 60,355,552</u>	<u>\$ 54,575,437</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 1,206,002	\$ 887,674
Accrued expenses and other liabilities	1,173,183	1,857,713
Asset retirement obligation	36,060	1,009,587
Note payable—net	191,313	562,032
Total liabilities:	<u>2,606,558</u>	<u>4,317,006</u>
Net assets:		
Without donor restrictions	56,230,736	49,825,448
With donor restrictions	1,518,258	432,983
Total net assets:	<u>57,748,994</u>	<u>50,258,431</u>
Total Liabilities and Net Assets	<u>\$ 60,355,552</u>	<u>\$ 54,575,437</u>

See notes to financial statements

DENVER RESCUE MISSION

Statements of Activities

	Year Ended June 30,					
	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions:						
Individuals, businesses, and others	\$ 20,371,363	\$ 8,041,623	\$ 28,412,986	\$ 21,355,927	\$ 8,606,706	\$ 29,962,633
Gift-in-kind contributions	13,306,188	-	13,306,188	20,541,698	-	20,541,698
	33,677,551	8,041,623	41,719,174	41,897,625	8,606,706	50,504,331
Program service contract revenue	8,955,333	-	8,955,333	7,980,283	-	7,980,283
Gain (loss) on insurance proceeds from water damage	2,962,184	-	2,962,184	(353,565)	-	(353,565)
Other income	452,049	-	452,049	470,558	-	470,558
Total Support and Revenue	46,047,117	8,041,623	54,088,740	49,994,901	8,606,706	58,601,607
NET ASSETS RELEASED FROM:						
Purpose and time restrictions	6,956,348	(6,956,348)	-	8,761,226	(8,761,226)	-
EXPENSES:						
Program services	38,551,453	-	38,551,453	42,895,822	-	42,895,822
Supporting activities:						
General and administrative	1,571,215	-	1,571,215	1,778,538	-	1,778,538
Fund-raising	6,475,509	-	6,475,509	5,580,708	-	5,580,708
Total Expenses	46,598,177	-	46,598,177	50,255,068	-	50,255,068
Change in Net Assets	6,405,288	1,085,275	7,490,563	8,501,059	(154,520)	8,346,539
Net Assets, Beginning of Year	49,825,448	432,983	50,258,431	41,324,389	587,503	41,911,892
Net Assets, End of Year	\$ 56,230,736	\$ 1,518,258	\$ 57,748,994	\$ 49,825,448	\$ 432,983	\$ 50,258,431

See notes to financial statements

DENVER RESCUE MISSION

Statements of Functional Expenses

Year Ended June 30, 2022

	Program Services:				Total Program Services	Supporting Activities:			Total Expenses
	Community Outreach	Emergency Services	Transitional	Rehabilitation		General and Adminis- trative	Fund-Raising	Total Supporting Activities	
Salaries and benefits	\$ 1,891,953	\$ 9,901,448	\$ 2,054,383	\$ 2,700,413	\$ 16,548,197	\$ 801,688	\$ 1,948,467	\$ 2,750,155	\$ 19,298,352
Food, clothing, and other gift-in-kind distributions	10,202,222	2,216,146	49,877	677,481	13,145,726	28	560	588	13,146,314
Professional services	56,708	1,512,527	37,709	37,651	1,644,595	252,129	1,063,130	1,315,259	2,959,854
Facility and maintenance	371,786	1,426,431	250,823	417,609	2,466,649	82,806	67,500	150,306	2,616,955
Printed material	5,460	33,410	1,396	660	40,926	5,400	2,327,844	2,333,244	2,374,170
Depreciation	191,287	1,032,154	300,215	265,677	1,789,333	69,059	150,513	219,572	2,008,905
Support to clients and others	491,652	312,309	328,886	154,150	1,286,997	645	33,325	33,970	1,320,967
Office and miscellaneous	102,239	339,695	81,897	97,552	621,383	350,688	310,468	661,156	1,282,539
Utilities	177,986	337,261	45,073	375,821	936,141	7,131	16,243	23,374	959,515
Media and marketing	21,192	33,234	9,104	7,976	71,506	1,641	557,459	559,100	630,606
Total Expenses	<u>\$ 13,512,485</u>	<u>\$ 17,144,615</u>	<u>\$ 3,159,363</u>	<u>\$ 4,734,990</u>	<u>\$ 38,551,453</u>	<u>\$ 1,571,215</u>	<u>\$ 6,475,509</u>	<u>\$ 8,046,724</u>	<u>\$ 46,598,177</u>
 Percent of Total Expenses	 <u>29%</u>	 <u>37%</u>	 <u>7%</u>	 <u>10%</u>	 <u>83%</u>	 <u>3%</u>	 <u>14%</u>	 <u>17%</u>	 <u>100%</u>

See notes to financial statements

DENVER RESCUE MISSION

Statements of Functional Expenses

Year Ended June 30, 2021

	Program Services:				Total Program Services	Supporting Activities:			Total Expenses
	Emergency Services	Community Outreach	Transitional	Rehabilitation		General and Adminis- trative	Fund-Raising	Total Supporting Activities	
Salaries and benefits	\$ 1,595,726	\$ 8,611,223	\$ 2,738,218	\$ 1,935,637	\$ 14,880,804	\$ 766,331	\$ 1,845,765	\$ 2,612,096	\$ 17,492,900
Food, clothing, and other gift-in-kind distributions	9,695,093	7,396,102	2,315,395	1,684,919	21,091,509	-	-	-	21,091,509
Professional services	46,404	250,416	79,628	56,289	432,737	302,739	923,648	1,226,387	1,659,124
Facility and maintenance	271,052	1,354,294	430,642	304,419	2,360,407	85,440	188,172	273,612	2,634,019
Printed material	-	-	-	-	-	103,622	2,008,771	2,112,393	2,112,393
Depreciation	150,246	810,797	257,819	182,252	1,401,114	54,437	119,892	174,329	1,575,443
Support to clients and others	91,812	543,478	362,596	134,241	1,132,127	2,700	-	2,700	1,134,827
Office and miscellaneous	74,540	402,252	127,909	90,418	695,119	428,224	73,938	502,162	1,197,281
Utilities	85,385	460,775	146,518	103,573	796,251	30,937	68,134	99,071	895,322
Media and marketing	11,340	61,198	19,460	13,756	105,754	4,108	352,388	356,496	462,250
Total Expenses	<u>\$ 12,021,598</u>	<u>\$ 19,890,535</u>	<u>\$ 6,478,185</u>	<u>\$ 4,505,504</u>	<u>\$ 42,895,822</u>	<u>\$ 1,778,538</u>	<u>\$ 5,580,708</u>	<u>\$ 7,359,246</u>	<u>\$ 50,255,068</u>
 Percent of Total Expenses	 <u>23%</u>	 <u>40%</u>	 <u>13%</u>	 <u>9%</u>	 <u>85%</u>	 <u>4%</u>	 <u>11%</u>	 <u>15%</u>	 <u>100%</u>

See notes to financial statements

DENVER RESCUE MISSION

Statements of Cash Flows

	Year Ended June 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 7,490,563	\$ 8,346,539
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	2,008,905	1,575,443
Amortization of loan origination fees	14,844	28,812
Donated stock	(600,249)	(975,312)
Contributions received for long-term purposes	(1,106,997)	(1,096,363)
Gain on insurance proceeds for land, buildings, and equipment	(3,004,217)	(140,010)
Receipt of gift-in-kind inventory	(13,306,188)	(20,541,698)
Distribution of gift-in-kind inventory	13,146,314	21,091,509
Recognition of grants receivable	-	(333,763)
Collection of grants receivable	(45,000)	-
Changes in operating assets and liabilities:		
Accounts receivable	1,029,443	(1,952,496)
Prepaid expenses and other assets	219,382	(41,665)
Accounts payable	(34,864)	74,748
Accrued expenses and other liabilities	(684,530)	379,413
Asset retirement obligation	(973,527)	889,930
Net Cash Provided by Operating Activities	4,153,879	7,305,087
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of land, buildings, and equipment	(6,565,157)	(8,236,632)
Insurance proceeds for land, buildings, and equipment	3,099,082	2,003,516
Proceeds from sale of investments	5,354,889	20,004,777
Purchases of investments	(4,500,384)	(12,267,028)
Net Cash Provided (Used) by Investing Activities	(2,611,570)	1,504,633
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on note payable	(385,563)	(374,261)
Contributions received for long-term purposes	1,106,997	1,096,363
Net Cash Provided by Financing Activities	721,434	722,102
Change in Cash and Cash Equivalents	2,263,743	9,531,822
Cash and Cash Equivalents, Beginning of Year	13,594,955	4,063,133
Cash and Cash Equivalents, End of Year	\$ 15,858,698	\$ 13,594,955
SUPPLEMENTAL DISCLOSURE AND NON-CASH ITEM:		
Cash paid for interest	\$ 10,619	\$ 24,775
Purchases of land, buildings, and equipment with accounts payable	\$ 353,192	\$ 172,298

See notes to financial statements

DENVER RESCUE MISSION

Notes to Financial Statements

June 30, 2022 and 2021

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, 2022 and 2021

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 (MOC): 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, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include checking, savings, and money market accounts. As of June 30, 2022 and 2021, cash exceeded federally insured limits by approximately \$15,945,000 and \$12,948,0000, 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, as of June 30, 2022 and 2021. These amounts are at the discretion of management and are not designated by the board of directors.

INVESTMENTS

Investments consist of certificates of deposit with original maturities of longer than three months. Certificates of deposit are carried at either cost or 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 amounts due for various services and government contracts 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.

GRANTS RECEIVABLE

Grants receivable consists of amounts due from various foundations and are considered contributions and are recognized when unconditionally promised. Management believes all grants receivables are fully collectible. Due to immateriality, no discount has been recorded.

DENVER RESCUE MISSION

Notes to Financial Statements

June 30, 2022 and 2021

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

ASSET RETIREMENT OBLIGATION

Asset retirement obligations (ARO) are legal obligations associated with the retirement of long-lived assets. These liabilities are initially recorded at fair value and the related asset retirement costs are capitalized by increasing the carrying amount of the related assets by the same amount as the liability. Asset retirement costs are subsequently depreciated over the useful lives of the related assets. The Mission records period-to-period changes in the ARO liability resulting from the passage of time and revisions to either the timing of the amount of the original estimate or undiscounted cash flows.

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 or time restricted. Net assets with donor restrictions consist of:

	June 30,	
	2022	2021
Capital projects	\$ 1,076,773	\$ 60,000
Various programs	360,059	325,736
Time restricted	81,426	47,247
	<u>\$ 1,518,258</u>	<u>\$ 432,983</u>

DENVER RESCUE MISSION

Notes to Financial Statements

June 30, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

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, communications, 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 (GIK), and services are recorded at estimated fair value. Clothing contributed to the Mission in excess of requirements for the Mission's internal programs is distributed to other relief organizations and Indian reservations. See additional information regarding GIK in Footnote 5.

Program service contract revenue, which includes various city contracts, is recognized when earned. Other income, which includes rent income and losses on involuntary conversions, are 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, 2022 and 2021, was \$514,404 and \$343,339, respectively, which is reported in media and marketing on the statements of functional expenses.

RECENTLY ADOPTED ACCOUNTING STANDARD

During the year ended June 30, 2022, the Mission adopted Accounting Standards Update 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact on the financial statements, with the exception of increased disclosure.

DENVER RESCUE MISSION

Notes to Financial Statements

June 30, 2022 and 2021

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,	
	2022	2021
Financial assets:		
Cash and cash equivalents	\$ 15,858,698	\$ 13,594,955
Accounts receivable	1,482,928	2,512,371
Investments	2,111,249	2,365,505
Grants receivable	378,763	333,763
Financial assets, at year end	<u>19,831,638</u>	<u>18,806,594</u>
Less those unavailable for general expenditure within one year, due to:		
Grants receivable not expected to be received within one year	<u>(168,609)</u>	<u>(115,154)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 19,663,029</u>	<u>\$ 18,691,440</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 certificates of deposits. Investment income was \$5,719 and \$25,076, for the years ended June 30, 2022 and 2021, respectively, which was reported on the statements of activities within other income.

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, 2022 and 2021

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, 2022 and 2021:

	<u>Fair Value</u>	<u>Fair Value Measurements Using:</u>	
		<u>Level 1</u>	<u>Level 2</u>
June 30, 2022:			
Investments held at fair market value:			
Certificates of deposit	\$ 1,745,425	<u>\$ -</u>	<u>\$ 1,745,425</u>
Reconciling investments held at cost:			
Certificates of deposit	<u>365,824</u>		
Total investments	<u>\$ 2,111,249</u>		
June 30, 2021:			
Investments held at fair market value:			
Certificates of deposit	\$ 2,000,047	<u>\$ -</u>	<u>\$ 2,000,047</u>
Reconciling investments held at cost:			
Certificates of deposit	<u>365,458</u>		
Total investments	<u>\$ 2,365,505</u>		

Valuation techniques: 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, 2022 and 2021

5. GIFT-IN-KIND PROGRAM:

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

	Year Ended June 30, 2022			
	Beginning Inventory	Contributions	Distributions	Ending Inventory
Food	\$ 128,710	\$ 5,428,726	\$ 5,289,508	\$ 267,928
Furniture and other	295,848	2,185,719	2,214,665	266,902
Clothing	-	5,691,743	5,642,141	49,602
	\$ 424,558	\$ 13,306,188	\$ 13,146,314	\$ 584,432
	Year Ended June 30, 2021			
	Beginning Inventory	Contributions	Distributions	Ending Inventory
Food	\$ 331,453	\$ 8,111,770	\$ 8,314,513	\$ 128,710
Furniture and other	345,124	4,219,181	4,268,457	295,848
Clothing	297,792	8,210,747	8,508,539	-
	\$ 974,369	\$ 20,541,698	\$ 21,091,509	\$ 424,558

The Mission receives various forms of GIK, including food, and non-food items such as clothing, household goods, hygiene products, and vehicles. These contributions are not donor restricted.

Food donations are utilized in all programs and shelters. For the year ended June 30, 2022, 1,015,731 meals were served. Clothing, household goods, and hygiene products are also used in the programs, as well as, distributed to those in need through the MOC warehouse. Vehicles are either gifted to program graduates or sold through auction.

Contributed items received by the Mission are recorded as gift-in-kind contributions with a corresponding increase to inventory. Expenses are recognized when the items are distributed. The Mission utilized three inventory valuation methods during the years ended June 30, 2022 and 2021. These methods include (1) average current price located on a publicly available websites if the donated item is a match for the website item when donated. (Food is not discounted because it is used right away and out of date and spoiled food are excluded from inventory); (2) the average price located on publicly available websites less a discount if the item donated has been used but the item located online is new; (3) average trade-in value for vehicles on NADA, a publicly available website.

DENVER RESCUE MISSION

Notes to Financial Statements

June 30, 2022 and 2021

6. LAND, BUILDINGS, AND EQUIPMENT—NET:

Land, buildings, and equipment—net consist of:

	June 30,	
	2022	2021
Land	\$ 7,741,897	\$ 7,741,897
Land improvements	591,870	595,770
Buildings and improvements	37,561,084	32,804,824
Machinery and equipment	4,133,054	3,821,598
Furniture and fixtures	704,183	537,847
Vehicles	1,347,183	1,022,878
	<u>52,079,271</u>	<u>46,524,814</u>
Less accumulated depreciation	<u>(13,636,331)</u>	<u>(12,391,494)</u>
	38,442,940	34,133,320
Construction in process	<u>847,575</u>	<u>342,616</u>
	<u>\$ 39,290,515</u>	<u>\$ 34,475,936</u>

During the year ended June 30, 2021, the Mission experienced extensive flooding at the Crossing building causing significant damage to the building which required clients and staff in the New Life Program to be relocated. The Mission made an insurance claim related to the water damage mitigation, asbestos abatement, reconstruction costs, and business interruption. The costs to restore the building were approximately \$6,448,000 of which \$4,553,711 was capitalized into building improvements, equipment, and furniture. Assets damaged by the flood were written off during the year ended June 30, 2021. Asbestos abatement costs incurred were capitalized according to generally accepted accounting principles in the amount of \$1,476,000 as of June 30, 2021 and increased by \$95,000 during the year ended June 30, 2022 to total \$1,571,000 capitalized for both years.

DENVER RESCUE MISSION

Notes to Financial Statements

June 30, 2022 and 2021

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

The gains and losses related to the water damage event was reported as gain (loss) on insurance proceeds from water damage on the statements of activities for both the years ended June 30, 2022 and 2021 and comprise of the following:

	Year Ended June 30,	
	2022	2021
Involuntary loss of land, buildings, and equipment	\$ -	\$ (1,815,280)
Mitigation expenses	(1,890)	(325,464)
Equipment and furniture under capitalization policy	(22,875)	-
Building insurance proceeds	3,099,082	2,003,516
Business interruption costs	(1,569,333)	(1,216,337)
Business interruption proceeds	1,457,200	1,000,000
	\$ 2,962,184	\$ (353,565)

7. NOTE 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 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 payable is expected to be paid in full during the year ended June 30, 2023, which is when the loan matures.

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, 2022 and 2021, was \$146,616 and \$131,773, respectively.

In summary, note payable–net consists of:

	June 30,	
	2022	2021
Note payable	\$ 193,365	\$ 578,928
Less loan origination fees–net	(2,052)	(16,896)
	\$ 191,313	\$ 562,032

The Mission was in compliance with all financial and reporting covenants as of June 30, 2022 and 2021.

DENVER RESCUE MISSION

Notes to Financial Statements

June 30, 2022 and 2021

8. LINE OF CREDIT:

The Mission has access to a revolving line of credit, maturing December 2023, 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, 2022 and 2021.

9. RETIREMENT PLAN:

The Mission has a defined contribution plan covering substantially all employees. To encourage employee retention, the Mission makes contributions to the plan based on employee length of service and also matches employee contributions dollar for dollar up to 5% of eligible compensation. 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, 2022 and 2021, were \$642,512 and \$501,724, respectively.

10. 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, 2022 and 2021, were \$93,334 and \$104,890. Plan assets are not included in the fair value table due to overall immateriality.

11. RELATED PARTY

A member of the Mission's board is also on the management team of a financial institution where the Mission holds investments. As of June 30, 2022 and 2021, the Mission held \$365,823 and \$365,458, of investments at this financial institution, respectively.

12. RISKS AND UNCERTAINTIES:

In March, 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 21, 2022, which represents the date the financial statements were available to be issued.