



SPRINGS RESCUE MISSION AND  
AFFILIATES

Consolidated Financial Statements  
With Independent Auditors' Report

June 30, 2018 and 2017

# SPRINGS RESCUE MISSION AND AFFILIATES

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Springs Rescue Mission and Affiliates  
Colorado Springs, Colorado

We have audited the accompanying consolidated financial statements of Springs Rescue Mission and Affiliates, which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the 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 audit 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 consolidated 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  
Springs Rescue Mission and Affiliates  
Colorado Springs, Colorado

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Springs Rescue Mission and Affiliates as of June 30, 2018 and 2017, and the changes in their 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*

Colorado Springs, Colorado  
November 19, 2018

# SPRINGS RESCUE MISSION AND AFFILIATES

## Consolidated Statements of Financial Position

	June 30,	
	2018	2017
<b>ASSETS:</b>		
Current assets:		
Cash	\$ 378,738	\$ 182,408
Cash restricted for capital projects	406,098	1,129,127
Gift-in-kind inventory	463,427	130,354
Contributions receivable	58,927	184,721
Prepaid expenses and other assets	112,998	48,779
	1,420,188	1,675,389
Property held for investment	1,916,060	1,916,060
Note receivable - related party	241,475	-
Property and equipment, net	15,557,834	13,770,384
	15,557,834	13,770,384
<b>Total Assets</b>	<b>\$ 19,135,557</b>	<b>\$ 17,361,833</b>
<b>LIABILITIES AND NET ASSETS:</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 582,612	\$ 299,193
Construction costs payable	-	914,736
Lines of credit	1,400,000	1,250,000
Current portion of notes payable	561,652	59,087
	2,544,264	2,523,016
Notes payable, net of current portion	2,291,118	1,772,207
Deferred gain	98,879	-
Asset retirement obligations	69,581	286,204
	5,003,842	4,581,427
Net assets:		
Unrestricted	11,775,589	9,200,899
Temporarily restricted	2,356,126	3,579,507
	14,131,715	12,780,406
<b>Total Liabilities and Net Assets</b>	<b>\$ 19,135,557</b>	<b>\$ 17,361,833</b>

See notes to consolidated financial statements

# SPRINGS RESCUE MISSION AND AFFILIATES

## Consolidated Statements of Activities

	Year Ended June 30,					
	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE:</b>						
Contributions	\$ 4,990,712	\$ 1,960,897	\$ 6,951,609	\$ 4,097,702	\$ 3,389,361	\$ 7,487,063
Gift-in-kind contributions	6,830,079	-	6,830,079	4,724,531	-	4,724,531
Grant income	174,601	322,682	497,283	5,000	4,512,177	4,517,177
Contribution of net assets from new affiliate	-	-	-	442,550	-	442,550
Catering revenue	368,704	-	368,704	299,610	-	299,610
Gain on sale of property and equipment	32,176	-	32,176	-	-	-
Gain on satisfaction of asset retirement obligation	220,000	-	220,000	-	-	-
Other income	258,509	-	258,509	132,437	-	132,437
<b>Total Support and Revenue</b>	<b>12,874,781</b>	<b>2,283,579</b>	<b>15,158,360</b>	<b>9,701,830</b>	<b>7,901,538</b>	<b>17,603,368</b>
<b>NET ASSETS RELEASED:</b>						
Purpose restrictions	2,495,943	(2,495,943)	-	5,470,793	(5,470,793)	-
Time restrictions	1,011,017	(1,011,017)	-	1,208,325	(1,208,325)	-
<b>Total Net Assets Released</b>	<b>3,506,960</b>	<b>(3,506,960)</b>	<b>-</b>	<b>6,679,118</b>	<b>(6,679,118)</b>	<b>-</b>
<b>EXPENSES:</b>						
Program services	10,673,114	-	10,673,114	8,555,981	-	8,555,981
Supporting activities:						
General and administrative	1,843,758	-	1,843,758	1,605,082	-	1,605,082
Fundraising	1,290,179	-	1,290,179	1,117,255	-	1,117,255
	3,133,937	-	3,133,937	2,722,337	-	2,722,337
<b>Total Expenses</b>	<b>13,807,051</b>	<b>-</b>	<b>13,807,051</b>	<b>11,278,318</b>	<b>-</b>	<b>11,278,318</b>
<b>Change in Net Assets</b>	<b>2,574,690</b>	<b>(1,223,381)</b>	<b>1,351,309</b>	<b>5,102,630</b>	<b>1,222,420</b>	<b>6,325,050</b>
<b>Net Assets, Beginning of Year</b>	<b>9,200,899</b>	<b>3,579,507</b>	<b>12,780,406</b>	<b>4,098,269</b>	<b>2,357,087</b>	<b>6,455,356</b>
<b>Net Assets, End of Year</b>	<b>\$11,775,589</b>	<b>\$ 2,356,126</b>	<b>\$14,131,715</b>	<b>\$ 9,200,899</b>	<b>\$ 3,579,507</b>	<b>\$12,780,406</b>

See notes to consolidated financial statements

# SPRINGS RESCUE MISSION AND AFFILIATES

## Consolidated Statements of Cash Flows

	Year Ended June 30,	
	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 1,351,309	\$ 6,325,050
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Gift-in-kind donation of property and equipment	(590,000)	-
Loss on disposal of property and equipment	82,420	-
Depreciation and amortization	663,594	395,462
Accretion of asset retirement obligations	3,377	3,219
Gain on asset retirement obligation	(220,000)	-
Allowance on note receivable	-	56,988
Contributions and grants restricted for long-term purposes	(1,395,810)	(6,259,509)
Change in operating assets and liabilities:		
Contributions receivable	125,794	(12,896)
Gift-in-kind inventory	(333,073)	69,518
Other assets	(64,219)	72,005
Deferred gain	98,879	
Accounts payable and accrued expenses	283,419	72,430
Net Cash Provided by Operating Activities	5,690	722,267
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Property and equipment purchases	(1,104,939)	(6,593,860)
Payment of construction costs payables	(914,736)	-
Issuance of note receivable	-	(24,488)
Net Cash Used by Investing Activities	(2,019,675)	(6,618,348)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Contributions and grants restricted for long-term purposes	1,395,810	6,259,509
Change in cash restricted for capital projects	723,029	(875,552)
Payments on notes payable	(58,524)	(505,543)
Payments on lines of credit	(500,000)	(900,000)
Draws on lines of credit	650,000	1,950,000
Net Cash Provided by Financing Activities	2,210,315	5,928,414
Net Change in Cash	196,330	32,333
Cash, Beginning of Year	182,408	150,075
Cash, End of Year	\$ 378,738	\$ 182,408
<b>SUPPLEMENTAL DISCLOSURES:</b>		
Cash paid for interest (\$0 and \$34,000 capitalized during the years ended June 30, 2018 and 2017, respectively)	\$ 192,519	\$ 124,652
Property and equipment acquired through liabilities	\$ 1,080,000	\$ 914,736
Notes receivable from property sale	\$ 241,475	\$ -

See notes to consolidated financial statements

## SPRINGS RESCUE MISSION AND AFFILIATES

### Consolidated Statements of Functional Expenses

	Year Ended June 30, 2018			
	Program Services	Supporting Activities		Total Expenses
		General and Administrative	Fund- raising	
Wages and benefits	\$ 2,396,681	\$ 1,053,469	\$ 499,150	\$ 3,949,300
Gift in kind	5,907,006	-	-	5,907,006
Professional services	449,256	386,525	132,871	968,652
Depreciation and amortization	580,747	54,169	28,678	663,594
Printing and advertising	10,381	67,795	568,037	646,213
Outreach and assistance	442,927	-	-	442,927
General and office	206,256	137,840	11,663	355,759
Interest	141,238	44,606	6,939	192,783
Telephone and utilities	137,478	16,344	5,885	159,707
Repairs and maintenance	127,718	8,360	4,189	140,267
Facilities and transportation	143,331	8,175	2,653	154,159
Staff training	59,437	58,498	27,078	145,013
Insurance	70,658	7,977	3,036	81,671
<b>Total Expenses</b>	<b>\$ 10,673,114</b>	<b>\$ 1,843,758</b>	<b>\$ 1,290,179</b>	<b>\$ 13,807,051</b>

	Year Ended June 30, 2017			
	Program Services	Supporting Activities		Total Expenses
		General and Administrative	Fund- raising	
Wages and benefits	\$ 2,009,945	\$ 893,722	\$ 459,384	\$ 3,363,051
Gift in kind	4,794,049	-	-	4,794,049
Printing and advertising	90,984	62,650	510,321	663,955
Professional services	202,399	334,170	67,779	604,348
Depreciation and amortization	345,490	32,674	17,298	395,462
General and office	212,046	169,781	9,863	391,690
Outreach and assistance	258,969	5,785	1,902	266,656
Facilities and transportation	177,208	8,960	4,744	190,912
Staff training	57,795	55,989	26,729	140,513
Telephone and utilities	111,979	14,258	5,019	131,256
Interest	108,861	10,325	5,541	124,727
Insurance	105,621	9,748	5,096	120,465
Repairs and maintenance	80,635	7,020	3,579	91,234
<b>Total Expenses</b>	<b>\$ 8,555,981</b>	<b>\$ 1,605,082</b>	<b>\$ 1,117,255</b>	<b>\$ 11,278,318</b>

See notes to consolidated financial statements



# SPRINGS RESCUE MISSION AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2018 and 2017

### 1. NATURE OF ORGANIZATION:

Springs Rescue Mission and Affiliates (collectively, SRM) was incorporated in Colorado in 1996. The mission of SRM is to see lives transformed and filled with hope as the community works together to fight homelessness, poverty, and addiction. SRM provides emergency services, daily meals, educational opportunities, vocational training, and numerous special events and outreaches. The New Life Discipleship Program is a ministry of SRM that consists of three main elements including regeneration, restoration, and accountability. The goal of the program is that each client be restored to a productive Christian life in the community with all the essential elements needed to live and work successfully.

On January 1, 2017, SRM expanded by taking control of Pueblo Rescue Mission (PRM), a rescue mission in Pueblo, Colorado. The board of directors of PRM voted to donate all net assets and to secede all control of PRM to the board of directors of SRM. The assumption of control of this affiliate resulted in a contribution of net assets of \$442,550 to SRM, which was accounted for using the purchase method of combination, which required that PRM's net assets as of January 1, 2017, be recorded as a contribution at estimated fair value. All of PRM's assets and liabilities as of June 30, 2018 and 2017, and all activities for the year ended June 30, 2018 and the six-months ended June 30, 2017, are included in these consolidated financial statements. All inter-company activity is eliminated.

During the year ended June 30, 2015, SRM formed Mission Enterprises Corporation (MEC), a wholly-owned for-profit Colorado corporation. All inter-company activity is eliminated.

During the year ended June 30, 2018, SRM formed SRM PPSH1 Inc., a wholly-owned for-profit Colorado corporation. All inter-company activity is eliminated.

During the year ended June 30, 2018, SRM formed City Gate Motors, LLC, a wholly-owned not-for-profit Colorado corporation. SRM is the sole member of this corporation. All inter-company activity is eliminated.

SRM is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and comparable state laws. However, SRM is subject to federal income tax on any unrelated business taxable income. In addition, SRM is not classified as a private foundation within the meaning of Section 509(a) of the IRC.

# SPRINGS RESCUE MISSION AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2018 and 2017

### 2. SIGNIFICANT ACCOUNTING POLICIES:

SRM 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.

#### CASH

Cash includes checking and savings accounts. As of June 30, 2018 and 2017, amounts exceeding the federally insured limits were approximately \$225,000 and \$625,000, respectively for cash and cash restricted for capital projects. SRM has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

#### CASH RESTRICTED FOR CAPITAL PROJECTS

Cash restricted for capital projects consists of cash received and held with underlying donor restrictions that it be used for capital project expansion.

#### GIFT-IN-KIND INVENTORY

Gift-in-kind inventory consists of items donated to SRM by donors such as clothing, vehicles, furniture, and appliances. These items are recorded at their estimated fair market value on the date of the donation and reported at their carrying amount thereafter.

#### CONTRIBUTIONS RECEIVABLE

Contributions receivable are reported as income of SRM when made, if the amount is estimable and absent of any conditions. The contributions receivable have been recorded at the present value of their estimated future cash flows. SRM has assessed the collectability of the contributions receivable based on prior year average collectability ratios and has recorded an allowance of \$0, as of the years ended June 30, 2018 and 2017. All contributions receivable are due in less than one year.

#### PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets consist mainly of prepaid insurance and receivables for catering revenue.

# SPRINGS RESCUE MISSION AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2018 and 2017

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### INVESTMENT IN AFFILIATE

During the year ended June 30, 2017, MEC was a 49% owner of Made With A Mission, LLC (MWAM). The investment in this affiliate was accounted for using the equity method based on the ownership percentage and evaluation of other control factors and consists of capital contributions and net income or losses for MEC's share of MWAM activities. During the year ended June 30, 2017, a loss of \$9,426 was incurred within the affiliate resulting in an overall cumulative negative investment of \$22,500. This was not reported on the consolidated statements of financial position due to MEC ultimately not bearing the risk to cover any of MWAM's net liabilities. During the year ended June 30, 2018, MEC withdrew from the investment.

#### PROPERTY HELD FOR INVESTMENT

Prior to the year ended June 30, 2017, SRM received a gift-in-kind contribution of property in which SRM is required to hold the property until at least January 1, 2019. Therefore, the property and subsequent additions by SRM are recorded as property held for investment and within temporarily restricted net assets as of June 30, 2018 and 2017. Property held for investment is held at the lower of cost or fair market value.

#### NOTE RECEIVABLE

During the year ended June 30, 2018, SRM sold a portion of its land to Greenway Flats, LLC. The land was sold in consideration for a note receivable in the amount of \$241,475. The note accrues interest, at 2.0% per year, compounded annually. It matures in December, 2047, at which time all principal and accrued interest will be due. The note is secured by land.

Greenway Flats, LLC operates the Greenway Flats (GF) project. This project represents a 65-unit new construction permanent supportive housing rental housing property for the homeless and is located at 31 W. Las Vegas Street, Colorado Springs, CO. GF abuts to the SRM's main campus, immediately to the west. All 65 units will be efficiency types with full bathroom and galley style kitchen with sleeping area. Residents will pay 30% of their income and GF will pay all utility expenses. Of the 65 total units, 62 units will be 30% area median income (AMI) and 3 units at 40% AMI. However, all units will be dedicated to use by homeless or near homeless individuals. The 62 units at 30% AMI will be support by project based vouchers.

The investor member of GF is City Light, LLC, an affiliate of Norwood Development Group. City Light, LLC has a 99.9% interest in GF. The managing member of GF is Pikes Peak Permanent Supportive Housing No. 1 LLC (PPPSH1), which has a 0.09% interest in GF. SRM PPSH1 Inc. has a 50% interest in PPPSH1, and another organization has the remaining 50% interest. The Colorado Springs Housing Authority is a special member of GF, and has a 0.01% interest in GF.

# SPRINGS RESCUE MISSION AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2018 and 2017

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### PROPERTY AND EQUIPMENT

SRM capitalizes fixed assets exceeding \$2,500. Property and equipment are recorded at cost. Donated items are recorded at their estimated fair market value on the date of the gift. Depreciation is computed on the straight-line method over the estimated useful lives which range from three to thirty years.

#### ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations (ARO) are legal obligations associated with the retirement of long-lived assets. As of June 30, 2017, the liability existed for the asbestos remediation of two buildings. During the year ended June 30, 2018, one of the buildings was sold to the GF project, which performed the remediation services. As a result, SRM recognized a gain for the amount previously incurred for the asset retirement obligation liability for this building in the amount of \$220,000. This gain is recorded in gain on satisfaction of asset retirement obligation on the statement of activities.

This liability is 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. SRM 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.

#### CLASSES OF NET ASSETS

The financial statements report amounts separately by class of net assets.

*Unrestricted net assets* are currently available for use at the discretion of the board and resources invested in property and equipment.

*Temporarily restricted net assets* are restricted by donors for specific operating purposes or until time restrictions have been met. They are not currently available for use in SRM activities until restrictions regarding their use have been fulfilled.

# SPRINGS RESCUE MISSION AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2018 and 2017

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### SUPPORT, REVENUE, AND EXPENSES

Contributions are recorded when made, which may be when cash and other assets are received or unconditionally promised. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated amounts. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

Donated materials, property and equipment are reflected as gift-in-kind contributions in the accompanying consolidated statements of activities at their estimated fair market values on the date of receipt. Only donated professional services are recorded at their estimated fair market values. For all other donated services, SRM does not record contribution revenue as these services do not meet the criteria to be recorded under accounting standards. However, a substantial number of volunteers have donated significant amounts of time to the programs of SRM.

Catering revenue is generated from the Culinary Arts Training Program, and is recorded when earned.

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

#### ALLOCATION OF EXPENSES

The costs of providing program services and supporting activities have been summarized on a functional basis in the consolidated statements of activities and functional expenses. Accordingly, certain costs relating to more than one function have been allocated among the program services and supporting activities benefited.

# SPRINGS RESCUE MISSION AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2018 and 2017

3. PROPERTY AND EQUIPMENT, NET:

Property and equipment, net consist of:

	June 30,	
	2018	2017
Land	\$ 1,625,111	\$ 1,677,707
Land improvements	60,737	60,737
Buildings and improvements	15,992,920	9,351,971
Furniture and equipment	825,049	748,565
Vehicles	150,026	80,451
	18,653,843	11,919,431
Less: accumulated depreciation and amortization	(3,096,009)	(2,434,492)
	15,557,834	9,484,939
Construction in progress	-	4,285,445
	\$ 15,557,834	\$ 13,770,384

Equity in property and equipment consists of the following:

	June 30,	
	2018	2017
Property and equipment, net	\$ 15,557,834	\$ 13,770,384
Less: construction costs payable	-	(914,736)
Less: related notes payable	(2,852,770)	(1,831,294)
Less: related line of credit	(1,250,000)	(1,250,000)
Less: related asset retirement obligations	(69,581)	(286,204)
	\$ 11,385,483	\$ 9,488,150

# SPRINGS RESCUE MISSION AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2018 and 2017

### 4. CONDITIONAL GRANTS:

Since 2007, SRM has received four grants from the Federal Home Loan Bank of Topeka (FHLB) to acquire and rehabilitate certain properties for use in SRM's programs. These grants contain conditions requiring the property be used for a specified period of time according to the grant requirements. If the retention period is not met, the grant has a repayment requirement. SRM reviews the requirements of each grant and projects the likelihood of meeting the retention period. If the probability of meeting all grant requirements during the retention period is high, SRM records the grant revenue upon receipt.

During the years ended June 30, 2008 and 2012, SRM received two grants of \$450,000 and \$500,000, respectively, from FHLB, each with a 15-year retention period. These grants were recognized as contribution income during the years received. SRM continues to believe that it is highly probable it will fulfill the retention period requirements for these grants.

During the year ended June 30, 2013, SRM received a grant notification for \$400,000 from FHLB, which included a 15-year retention period. During the year ended June 30, 2015, SRM received the remainder of the grant balance in full. SRM continues to believe that it is highly probable it will fulfill the retention period requirement for this grant.

During the year ended June 30, 2017, SRM received a grant of \$500,000, from FHLB, with a 15-year retention period. This grant was recognized as contribution income during the year ended June 30, 2017. SRM continues to believe that it is highly probable it will fulfill the retention period requirements for this grant.

### 5. LINES OF CREDIT:

During the year ended June 30, 2016, SRM obtained a \$250,000 revolving line of credit, with variable interest (effective rate of 6.25% and 5.5% as of June 30, 2018 and 2017, respectively) from a financial institution. The line was revised to a maximum facility amount of \$1,250,000 during the year ended June 30, 2017. The line was renewed during the year ended June 30, 2018, and has a maturity date in August 2018. The balance drawn on the line of credit is \$1,250,000 as of both the years ended June 30, 2018 and 2017. The line is secured by property. Subsequent to the year ended June 30, 2018, this line of credit was renewed to December 2018.

During the year ended June 30, 2014, SRM obtained a \$200,000 revolving line of credit. This limit was increased during the year ended June 30, 2017, to \$500,000. The line has variable interest (effective rate of 5.5% and 4.75% as of June 30, 2018 and 2017, respectively) from a financial institution. The line has a maturity date in October 2018. The balance drawn on the line of credit is \$150,000 and \$0 as of June 30, 2018 and 2017, respectively. The line is secured by property. Subsequent to the year ended June 30, 2018, this line of credit was renewed to January 2019.

# SPRINGS RESCUE MISSION AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2018 and 2017

6. NOTES PAYABLE:

Notes payable consist of:

	June 30,	
	2018	2017
Promissory note to the seller of the property in the amount of \$1,080,000, due in quarterly payments of interest of \$13,500, with interest calculated at 5%. The entire principal amount outstanding and accrued interest shall be due and payable in November 2020. The note is secured by property.	\$ 1,080,000	\$ -
Note payable to a financial institution in the amount of \$899,000, due in monthly installments of principal and interest of \$5,606, with interest calculated at a rate of 4.25%. Note matures August 2033 and is secured by property and equipment.	747,909	782,242
Note payable to a financial institution in the amount of \$630,892, due in monthly installments of principal and interest of \$3,934, with interest calculated at rate of 4.25%. Note matures August 2033 and is secured by property and equipment.	524,861	549,052
Note payable to a financial institution in the amount of \$350,000, due in a balloon payment of the outstanding balance of \$250,000, with interest calculated at a rate of 4.25%. Note matures January 2019 and is secured by property.	250,000	250,000
Note payable to a financial institution in the amount of \$250,000, due in a balloon payment of \$250,000, with interest calculated at a rate of 4.25%. Note was refinanced during the year ended June 30, 2017. Note matures February 2019 and is secured by property.	250,000	250,000
	2,852,770	1,831,294
Less: current portion	(561,652)	(59,087)
	\$ 2,291,118	\$ 1,772,207



# SPRINGS RESCUE MISSION AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2018 and 2017

6. NOTES PAYABLE, continued:

Future minimum payments under the refinanced notes payable and continuing notes payable are as follows:

<u>Year Ending June 30,</u>	
2019	\$ 561,652
2020	64,191
2021	1,147,115
2022	70,029
2023	73,069
Thereafter	<u>936,714</u>
	<u><u>\$ 2,852,770</u></u>

SRM was in compliance with all financial and reporting covenants at June 30, 2018.

7. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets are available for the following purposes:

	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
Building fund	\$ 378,593	\$ 1,478,726
Time restricted contributions receivable	61,473	153,296
Time restricted grants receivable	-	31,425
Time restricted property held for investment	<u>1,916,060</u>	<u>1,916,060</u>
	<u><u>\$ 2,356,126</u></u>	<u><u>\$ 3,579,507</u></u>

# SPRINGS RESCUE MISSION AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2018 and 2017

8. GIFT-IN-KIND CONTRIBUTIONS:

Gift-in-kind contributions were given in the following amounts:

	Year ended June 30,	
	2018	2017
Clothing	\$ 4,951,526	\$ 3,405,387
Food	911,120	389,676
Property and equipment	590,000	-
Household goods	347,483	922,692
Others	29,950	6,776
	\$ 6,830,079	\$ 4,724,531

9. EMPLOYEE BENEFITS:

SRM has a 403(b) Retirement Plan that is available for all employees who meet eligibility requirements. SRM matches up to 2% of eligible compensation to those employees who meet eligibility requirements. SRM also contributes an additional 1% for direct expenses. Effective February 1, 2016, all eligible employees who were contributing less than 3% of eligible compensation were automatically enrolled at 3% unless they chose to opt out. The change resulted in an increase to employer base and matching contributions. During the years ended June 30, 2018 and 2017, employer contributions were \$65,923 and \$58,046, respectively.

10. RELATED PARTY TRANSACTION:

SRM has contracted with a construction company owned by one of SRM's board members. Total fees paid for services during the years ended June 30, 2018 and 2017 were \$36,328 and \$435,635, respectively.

11. SUBSEQUENT EVENTS:

Subsequent events were evaluated through November 19, 2018, which is the date the consolidated financial statements were available to be issued.