



SPRINGS RESCUE MISSION AND AFFILIATES

Consolidated Financial Statements
With Independent Auditors' Report

June 30, 2020 and 2019

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, 2020 and 2019, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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, 2020 and 2019, 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
December 8, 2020

SPRINGS RESCUE MISSION AND AFFILIATES

Consolidated Statements of Financial Position

	June 30,	
	2020	2019
ASSETS:		
Current assets:		
Cash	\$ 3,098,989	\$ 1,928,355
Cash restricted for capital projects	132,920	927,549
Gift-in-kind inventory	159,460	143,504
Prepaid expenses and other assets	285,174	186,762
	3,676,543	3,186,170
Notes receivable - related party	3,166,475	241,475
Property and equipment, net	18,258,715	15,732,353
	18,258,715	15,732,353
Total Assets	\$ 25,101,733	\$ 19,159,998
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,076,571	\$ 511,415
Line of credit	-	503,142
Current portion of notes payable	109,408	88,105
	1,185,979	1,102,662
Notes payable, net of current portion	5,875,213	3,986,558
Deferred gain	98,879	98,879
Asset retirement obligations	76,843	73,125
	7,236,914	5,261,224
Net assets:		
Without donor restrictions	14,924,642	12,964,122
With donor restrictions	2,940,177	934,652
	17,864,819	13,898,774
Total Liabilities and Net Assets	\$ 25,101,733	\$ 19,159,998

See notes to consolidated financial statements

**SPRINGS RESCUE MISSION
AND AFFILIATES**

Consolidated 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	\$ 3,828,411	\$ 4,460,181	\$ 8,288,592	\$ 4,251,282	\$ 2,334,953	\$ 6,586,235
Gift-in-kind contributions	4,433,297	-	4,433,297	5,752,701	-	5,752,701
Government grants	3,141,585	-	3,141,585	1,246,671	-	1,246,671
Catering revenue	325,362	-	325,362	382,475	-	382,475
Other income	377,774	-	377,774	329,607	-	329,607
Total Support and Revenue	12,106,429	4,460,181	16,566,610	11,962,736	2,334,953	14,297,689
NET ASSETS RELEASED:						
Purpose restrictions	2,213,167	(2,213,167)	-	1,813,502	(1,813,502)	-
Time restrictions	241,489	(241,489)	-	1,942,925	(1,942,925)	-
Total Net Assets Released	2,454,656	(2,454,656)	-	3,756,427	(3,756,427)	-
EXPENSES:						
Program services	10,021,882	-	10,021,882	11,884,117	-	11,884,117
Supporting activities:						
General and administrative	1,390,446	-	1,390,446	1,488,758	-	1,488,758
Fundraising	1,188,237	-	1,188,237	1,157,755	-	1,157,755
	2,578,683	-	2,578,683	2,646,513	-	2,646,513
Total Expenses	12,600,565	-	12,600,565	14,530,630	-	14,530,630
Change in Net Assets	1,960,520	2,005,525	3,966,045	1,188,533	(1,421,474)	(232,941)
Net Assets, Beginning of Year	12,964,122	934,652	13,898,774	11,775,589	2,356,126	14,131,715
Net Assets, End of Year	<u>\$ 14,924,642</u>	<u>\$ 2,940,177</u>	<u>\$ 17,864,819</u>	<u>\$ 12,964,122</u>	<u>\$ 934,652</u>	<u>\$ 13,898,774</u>

See notes to consolidated financial statements

**SPRINGS RESCUE MISSION
AND AFFILIATES**

Consolidated Statement of Functional Expenses

Year Ended June 30, 2020

	Program Services	Supporting Activities		Total
		General and Administrative	Fundraising	
Wages and benefits	\$ 3,441,888	\$ 699,460	\$ 630,274	\$ 4,771,622
Food, clothing, and other distributions	4,418,842	-	-	4,418,842
Depreciation and amortization	679,388	42,492	22,496	744,376
Printing and advertising	1,026	73,209	441,350	515,585
Professional services	159,846	272,889	51,562	484,297
Staff training and other	292,344	66,122	22,935	381,401
Office and supplies	154,061	206,606	4,805	365,472
Client supplies and events	353,181	-	-	353,181
Facilities and transportation	197,863	8,021	4,247	210,131
Interest	167,522	10,478	5,547	183,547
Telephone and utilities	155,921	11,169	5,021	172,111
Total Expenses	\$ 10,021,882	\$ 1,390,446	\$ 1,188,237	\$ 12,600,565

See notes to consolidated financial statements

**SPRINGS RESCUE MISSION
AND AFFILIATES**

Consolidated Statement of Functional Expenses

Year Ended June 30, 2019

	Program Services	Supporting Activities		Total
		General and Administrative	Fundraising	
Wages and benefits	\$ 2,858,216	\$ 787,638	\$ 539,255	\$ 4,185,109
Food, clothing, and other distributions	6,065,640	-	-	6,065,640
Depreciation and amortization	677,276	43,492	22,666	743,434
Printing and advertising	3,935	88,126	461,408	553,469
Professional services	447,862	248,829	86,721	783,412
Staff training and other	268,688	82,177	25,834	376,699
Office and supplies	202,602	205,760	5,753	414,115
Client supplies and events	417,473	-	-	417,473
Facilities and transportation	166,633	7,913	4,027	178,573
Interest	208,488	13,040	6,904	228,432
Telephone and utilities	160,427	11,477	5,187	177,091
Grant of assets to a charity	406,877	306	-	407,183
Total Expenses	\$ 11,884,117	\$ 1,488,758	\$ 1,157,755	\$ 14,530,630

See notes to consolidated financial statements

SPRINGS RESCUE MISSION AND AFFILIATES

Consolidated Statements of Cash Flows

	Year Ended June 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 3,966,045	\$ (232,941)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Donation of property and equipment	-	399,886
Depreciation and amortization	744,376	743,434
Accretion of asset retirement obligations	3,718	3,544
Contributions and grants restricted for long-term purposes	(3,325,552)	(1,320,473)
Recognition of Paycheck Protection Program grant income	(629,212)	-
Change in operating assets and liabilities:		
Gift-in-kind inventory	(15,956)	319,923
Prepaid expenses and other assets	(98,412)	(14,837)
Accounts payable and accrued expenses	(116,214)	(71,197)
Net Cash Provided (Used) by Operating Activities	528,793	(172,661)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property and equipment purchases	(2,589,368)	(1,317,839)
Proceeds from notes receivable - related party	(3,166,475)	-
Payoff of notes receivable - related party	241,475	-
Proceeds from sale of property held for investment	-	1,916,060
Net Cash Provided (Used) by Investing Activities	(5,514,368)	598,221
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions and grants restricted for long-term purposes	3,325,552	1,320,473
Principal payments on notes payable	(90,042)	(75,304)
Payments on lines of credit	(503,142)	-
Draws on lines of credit	-	350,000
Proceeds from notes payable	2,000,000	50,339
Proceeds from Paycheck Protection Program loan	629,212	-
Net Cash Provided by Financing Activities	5,361,580	1,645,508
Net Change in Cash and Restricted Cash	376,005	2,071,068
Cash and Restricted Cash, Beginning of Year	2,855,904	784,836
Cash and Restricted Cash, End of Year	\$ 3,231,909	\$ 2,855,904

(continued)

See notes to consolidated financial statements

SPRINGS RESCUE MISSION AND AFFILIATES

Consolidated Statements of Cash Flows (Continued)

CASH AND RESTRICTED CASH CONSIST OF:

Cash	\$ 3,098,989	\$ 1,928,355
Cash restricted for projects	132,920	927,549
	\$ 3,231,909	\$ 2,855,904

SUPPLEMENTAL DISCLOSURE AND NON-CASH ITEMS:

Property and equipment acquired through liabilities	\$ 681,370	\$ -
Recognition of paycheck protection program loan contribution	\$ 629,212	\$ -
Cash paid for interest	\$ 183,546	\$ 228,432
Notes payable and lines of credit paid with proceeds from new notes payable	\$ -	\$ 1,246,858
Capitalized loan origination fees financed with debt proceeds	\$ -	\$ 57,660

See notes to consolidated financial statements

SPRINGS RESCUE MISSION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

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. However, as of November 2018, SRM's board of directors decided to relinquish control over PRM and grant the assets back to them. Accordingly, PRM's assets and liabilities were removed from the consolidated financial statements as of that date. The net of these amounts was \$407,183 and is recorded as a grant of assets to a charity in the consolidated statements of functional expenses. All activities for PRM for the four-months ended November 30, 2019 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. Cash and non-cash contributions are SRM's primary source of support and revenue.

SPRINGS RESCUE MISSION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

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, 2020 and 2019, the Company has cash and cash equivalents on deposit with financial institutions that exceed the federally insured (FDIC) balance by approximately \$2,986,000 and \$2,560,000, respectively, for cash and restricted cash. 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.

PREPAID EXPENSES AND OTHER ASSETS

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

PROPERTY HELD FOR INVESTMENT

Prior to the year ended June 30, 2017, SRM received a gift-in-kind contribution of property in which SRM was required to hold the property until at least January 1, 2019. Therefore, the property and subsequent additions by SRM were recorded as property held for investment and within net assets with donor restrictions as of June 30, 2018. During the year ended June 30, 2019, the land was sold and the amount was reclassified from net assets with donor restrictions to net assets without donor restrictions. Property held for investment was held at the lower of cost or fair market value.

SPRINGS RESCUE MISSION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

NOTES RECEIVABLE

During the year ended June 30, 2020, SRM loaned \$3,166,475 to the Greenway Flats project. This consisted of a \$1,500,000 loan with interest due of 1% per annum; a \$500,000 loan bearing no interest; and a \$1,166,475 loan bearing no interest. The maturity dates are December 31, 2050, for all the loans.

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 pay 30% of their income toward rent and GF will pay all utility expenses. Of the 65 total units, 62 units are to 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 are supported by project based vouchers.

The investor member of GF is US Bancorp Community Development Corporation which 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 PPPSH1 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.

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.

DEFERRED GAIN

A gain related to the note receivables referred to above was recorded in the amount of \$98,879 during the year ended June 30, 2019. SRM did not receive a down payment from Greenway Flats, LLC for the purchase of this land. Therefore, the amount was recorded as a deferred gain and the balance as of both June 30 2020, and 2019 is \$98,879.

SPRINGS RESCUE MISSION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

CLASSES OF NET ASSETS

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

Net assets without donor restrictions are currently available for use at the discretion of the board and resources invested in property and equipment-net.

Net assets with donor restrictions 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.

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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. All contributions are considered available for use without donor restrictions unless specifically restricted by the donor.

Grant income is recognized on all conditional grants when the condition has been met and is recorded as income without donor restrictions due to the related donor restrictions being simultaneously met when the condition or barrier is overcome.

During the year ended June 30, 2020, SRM received a Paycheck Protection Program loan of \$629,212. The loan is eligible for forgiveness based on SRM incurring various qualifying expenses such as normal payroll costs and utilities. Since SRM has overcome the required barriers related to these funds as of June 30, 2020, the full loan has been recorded as government grants on the consolidated statements of activities.

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.

SPRINGS RESCUE MISSION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

FUNCTIONAL ALLOCATION OF EXPENSES

The consolidated statements of activities and functional expenses report certain categories of expenses that are attributable to one or more program or supporting functions of SRM. These expenses include depreciation and amortization, interest, office and other, and facilities operations, utilities and maintenance. Depreciation is allocated base on square footage and interest is allocated based on usage of space. Costs of other categories were allocated on estimates of time and effort.

RECENTLY ADOPTED ACCOUNTING STANDARD

In 2018, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. SRM 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 did not have a material effect on the financial statements.

During the year ended June 30, 2020, SRM adopted the provisions of the FASB *ASU 2016-18, Statement of Cash Flows - Restricted Cash*. The ASU has been applied on a modified retrospective basis as of the ASU's effective date. New disclosures were added regarding the composition of cash and restricted cash (Note 2). Adoption of this standard had no effect on change in net assets or net assets in total.

SPRINGS RESCUE MISSION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The following table reflects SRM'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	\$ 3,098,989	\$ 1,928,355
Cash restricted for capital projects	132,920	927,549
Notes receivable	3,166,475	241,475
Contributions receivable	86,812	44,307
	6,485,196	3,141,686
Less those unavailable for general expenditure within one year, due to:		
Cash restricted for capital projects	(132,920)	(927,549)
Notes receivable, not collectible in the next year	(3,166,475)	(241,475)
	\$ 3,185,801	\$ 1,972,662

As part of SRM's liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations come due. In addition, SRM has policies to review cash flows weekly and financial statements monthly.

SPRINGS RESCUE MISSION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

4. PROPERTY AND EQUIPMENT, NET:

Property and equipment, net consists of:

	June 30,	
	2020	2019
Land and improvements	\$ 1,581,938	\$ 1,580,848
Buildings and improvements	17,255,750	16,441,809
Furniture and equipment	1,046,041	987,097
Vehicles	174,700	174,700
	20,058,429	19,184,454
Less accumulated depreciation and amortization	(4,563,858)	(3,829,269)
	15,494,571	15,355,185
Construction in progress	2,764,144	377,168
	\$ 18,258,715	\$ 15,732,353

5. LINE OF CREDIT:

During the year ended June 30, 2019, SRM obtained a \$750,000 revolving line of credit. The line has variable interest (effective rate of 5.50% as of June 30, 2019) from a financial institution. The line had a maturity date of December 2019. During the year ended June 30, 2020, the line of credit was extended until December 2020. As of June 30, 2020, the balance was \$0.

SPRINGS RESCUE MISSION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

6. NOTES PAYABLE:

Notes payable consist of:

	June 30,	
	2020	2019
Note payable to a financial institution in the amount of \$3,100,000, due in monthly installments of principal and interest of \$18,719, with interest calculated at 3.91%. Note matures December 2028 with a balloon payment due at that time and is secured by property. Note payable is presented net of capitalized loan fees of \$51,590 and \$57,660, respectively, net of accumulated amortization.	\$ 2,904,621	\$ 2,994,663
Promissory note to the seller of a 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 December 2030. The note is secured by property.	1,080,000	1,080,000
Note payable to the City of Colorado Springs in the amount of \$1,500,000, related to the Greenway Flats project. This note bears interest at 1% per annum, and the maturity date is December 31, 2050. Subject to certain conditions, the loan is eligible for forgiveness at loan maturity date.	1,500,000	-
Note payable to the City of Colorado Springs in the amount of \$500,000, related to the Greenway Flats project. This note bears no interest, and the maturity date is December 31, 2050. Subject to certain conditions, the loan is eligible for forgiveness at loan maturity date.	500,000	-
Less current portion	5,984,621 (109,408)	4,074,663 (88,105)
	\$ 5,875,213	\$ 3,986,558

SPRINGS RESCUE MISSION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

6. NOTES PAYABLE, continued:

Future minimum payments for notes payable are:

<u>Year Ending June 30,</u>		
2021	\$	109,408
2022		113,823
2023		118,418
2024		122,920
2025		128,161
Thereafter		<u>5,391,891</u>
	<u>\$</u>	<u>5,984,621</u>

Subsequent to the year ended June 30, 2020, SRM refinanced the \$1,080,000 note payable with a financial institution. The new maturity date for this note is December 2030. The future minimum payments above are based on the refinanced loan terms.

SRM was in compliance with all financial and reporting covenants at June 30, 2020.

7. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions are available for the following purposes:

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Building fund	\$ 2,897,063	\$ 927,549
Ezone	<u>43,114</u>	<u>7,103</u>
	<u>\$ 2,940,177</u>	<u>\$ 934,652</u>

SPRINGS RESCUE MISSION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

8. GIFT-IN-KIND CONTRIBUTIONS:

Gift-in-kind contributions were received for the following types of items:

	Year ended June 30,	
	2020	2019
Clothing	\$ 2,755,003	\$ 4,317,537
Food	978,424	846,610
Household goods	413,757	560,267
Others	286,113	28,287
	\$ 4,433,297	\$ 5,752,701

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 2016, all eligible employees are automatically enrolled at 3% unless they chose to opt out. During the years ended June 30, 2020 and 2019, employer contributions were \$74,632 and \$70,505, respectively.

10. 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 SRM for future periods. Management is carefully monitoring the situation and evaluating its options as circumstances evolve.

SRM has received a number of grants from the Federal Home Loan Bank prior to July 1, 2018, and from the City of Colorado Springs during the years ended June 30, 2020 and 2019. These grants contained a right of return provision and also program specific barriers to overcome. SRM has met all of these program specific conditions as of June 30, 2020 and 2019, respectively and has therefore recognized this grant income.

SPRINGS RESCUE MISSION AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

11. DONOR CONCENTRATION:

During the year ended June 30, 2020, one donor contributed approximately 12% of contributions. No such concentration existed for the year ended June 30, 2019.

12. SUBSEQUENT EVENTS:

In July 2020, SRM received control of PPPSH1 through the ability to appoint a majority of the board members. As the managing member of Greenway Flats, if at any time an operating deficit exists, SRM shall advance funds to Greenway Flats as a loan in an equal amount to the operating deficit accruing. SRM's obligation shall be limited to a maximum amount of \$216,872.

As described in Note 6, the terms of the \$1,080,000 note payable were changed subsequent to June 30, 2020.

Subsequent events were evaluated through December 8, 2020, which is the date the consolidated financial statements were available to be issued.