



SPRINGS RESCUE MISSION AND  
AFFILIATES

Consolidated Financial Statements  
With Independent Auditors' Report

June 30, 2022 and 2021

# SPRINGS RESCUE MISSION AND AFFILIATES

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## INDEPENDENT AUDITORS' REPORT

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

### ***Opinion***

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, 2022 and 2021, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Springs Rescue Mission and Affiliates 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 Consolidated Financial Statements* section of our report. We are required to be independent of Springs Rescue Mission and Affiliates 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 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, and for 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.

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

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

***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Springs Rescue Mission and Affiliates' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Springs Rescue Mission and Affiliates' 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 audit.

***Other Information Included in the Annual Report***

Management is responsible for the other information included in the annual report. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

*Capin Crouse LLP*

Colorado Springs, Colorado  
December 7, 2022

# SPRINGS RESCUE MISSION AND AFFILIATES

## Consolidated Statements of Financial Position

	June 30,	
	2022	2021
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents	\$ 4,995,290	\$ 3,177,867
Gift-in-kind inventory	86,566	95,464
Contributions and government grants receivable	502,202	859,860
Prepaid expenses and other assets	141,904	166,379
	5,725,962	4,299,570
Board-designated cash	200,000	-
Cash restricted for capital projects	466,161	-
Notes receivable-related party	3,166,475	3,166,475
Property and equipment-net	22,428,466	22,129,255
	\$ 31,987,064	\$ 29,595,300
<b>LIABILITIES AND NET ASSETS:</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 829,831	\$ 1,206,632
Notes payable-current portion	191,942	152,086
	1,021,773	1,358,718
Notes payable-net of current portion	6,382,843	5,693,439
Deferred revenue	202,623	98,879
Other liabilities	80,745	80,745
Total liabilities	7,687,984	7,231,781
Net assets:		
Without donor restrictions	22,769,556	21,503,659
With donor restrictions	1,529,524	859,860
Total net assets	24,299,080	22,363,519
Total Liabilities and Net Assets	\$ 31,987,064	\$ 29,595,300

See notes to consolidated financial statements

**SPRINGS RESCUE MISSION  
AND AFFILIATES**

**Consolidated Statements of Activities**

	Year Ended June 30,					
	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE:</b>						
Contributions	\$ 4,267,464	\$ 4,273,211	\$ 8,540,675	\$ 4,915,297	\$ 4,571,732	\$ 9,487,029
Government grants	2,732,165	457,417	3,189,582	2,526,006	785,474	3,311,480
Gift-in-kind contributions	3,581,858	-	3,581,858	3,050,192	-	3,050,192
Catering revenue	445,693	-	445,693	403,795	-	403,795
Other income	461,691	-	461,691	454,718	-	454,718
<b>Total Support and Revenue</b>	<b>11,488,871</b>	<b>4,730,628</b>	<b>16,219,499</b>	<b>11,350,008</b>	<b>5,357,206</b>	<b>16,707,214</b>
<b>NET ASSETS RELEASED:</b>						
Purpose restrictions	3,201,104	(3,201,104)	-	6,936,420	(6,936,420)	-
Time restrictions	859,860	(859,860)	-	501,103	(501,103)	-
<b>Total Net Assets Released</b>	<b>4,060,964</b>	<b>(4,060,964)</b>	<b>-</b>	<b>7,437,523</b>	<b>(7,437,523)</b>	<b>-</b>
<b>EXPENSES:</b>						
Program services	11,356,416	-	11,356,416	9,345,102	-	9,345,102
Supporting activities:						
General and administrative	1,273,462	-	1,273,462	1,557,854	-	1,557,854
Fundraising	1,654,060	-	1,654,060	1,305,558	-	1,305,558
	2,927,522	-	2,927,522	2,863,412	-	2,863,412
<b>Total Expenses</b>	<b>14,283,938</b>	<b>-</b>	<b>14,283,938</b>	<b>12,208,514</b>	<b>-</b>	<b>12,208,514</b>
Change in Net Assets	1,265,897	669,664	1,935,561	6,579,017	(2,080,317)	4,498,700
Net Assets, Beginning of Year	21,503,659	859,860	22,363,519	14,924,642	2,940,177	17,864,819
Net Assets, End of Year	\$ 22,769,556	\$ 1,529,524	\$ 24,299,080	\$ 21,503,659	\$ 859,860	\$ 22,363,519

See notes to consolidated financial statements

# SPRINGS RESCUE MISSION AND AFFILIATES

## Consolidated Statement of Functional Expenses

Year Ended June 30, 2022

	Program Services	Supporting Activities		Total
		General and Administrative	Fundraising	
Wages and benefits	\$ 4,469,073	\$ 539,872	\$ 761,525	\$ 5,770,470
Food, clothing, and other distributions	3,590,755	-	-	3,590,755
Depreciation and amortization	929,161	24,421	26,935	980,517
Professional services	590,608	313,419	73,757	977,784
Printing and advertising	9,048	68,004	736,231	813,283
Staff training and other	472,559	38,027	34,396	544,982
Client supplies and events	509,524	-	-	509,524
Office and supplies	223,522	273,844	6,134	503,500
Telephone and utilities	236,273	8,324	6,754	251,351
Interest	177,413	4,663	5,143	187,219
Facilities and transportation	148,480	2,888	3,185	154,553
<b>Total Expenses</b>	<b>\$ 11,356,416</b>	<b>\$ 1,273,462</b>	<b>\$ 1,654,060</b>	<b>\$ 14,283,938</b>

See notes to consolidated financial statements

**SPRINGS RESCUE MISSION  
AND AFFILIATES**

**Consolidated Statement of Functional Expenses**

Year Ended June 30, 2021

	Program Services	Supporting Activities		Total
		General and Administrative	Fundraising	
Wages and benefits	\$ 3,793,656	\$ 794,500	\$ 712,027	\$ 5,300,183
Food, clothing, and other distributions	3,114,188	-	-	3,114,188
Depreciation and amortization	771,312	32,831	22,714	826,857
Professional services	196,696	294,524	79,438	570,658
Printing and advertising	452	78,862	450,079	529,393
Staff training and other	299,201	40,783	21,294	361,278
Client supplies and events	407,263	-	-	407,263
Office and supplies	250,805	296,353	6,652	553,810
Telephone and utilities	193,848	8,736	5,560	208,144
Interest	161,738	6,884	4,763	173,385
Facilities and transportation	155,943	4,381	3,031	163,355
<b>Total Expenses</b>	<b>\$ 9,345,102</b>	<b>\$ 1,557,854</b>	<b>\$ 1,305,558</b>	<b>\$ 12,208,514</b>

See notes to consolidated financial statements

# SPRINGS RESCUE MISSION AND AFFILIATES

## Consolidated Statements of Cash Flows

	Year Ended June 30,	
	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 1,935,561	\$ 4,498,700
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	980,517	826,857
Capitalized loan fees	(18,475)	(17,658)
Contributions and grants restricted for long-term purposes	(515,530)	(3,062,657)
Change in operating assets and liabilities:		
Gift-in-kind inventory	8,898	63,996
Contributions and government grants receivable	357,658	(729,161)
Prepaid expenses and other assets	24,475	(11,904)
Accounts payable and accrued expenses	(376,801)	130,061
Deferred revenue	103,744	-
Other liabilities	-	3,902
Net Cash Provided by Operating Activities	2,500,047	1,702,136
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Property and equipment purchases	(1,261,483)	(4,680,835)
Net Cash Used by Investing Activities	(1,261,483)	(4,680,835)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Contributions and grants restricted for long-term purposes	515,530	3,062,657
Principal payments on notes payable	(190,510)	(138,000)
Proceeds from notes payable	920,000	-
Net Cash Provided by Financing Activities	1,245,020	2,924,657
Net Change in Cash, Designated Cash, and Restricted Cash	2,483,584	(54,042)
Cash, Designated Cash, and Restricted Cash, Beginning of Year	3,177,867	3,231,909
Cash, Designated Cash, and Restricted Cash, End of Year	\$ 5,661,451	\$ 3,177,867
<b>CASH, DESIGNATED CASH, AND RESTRICTED CASH CONSIST OF:</b>		
Cash and cash equivalents	\$ 4,995,290	\$ 3,177,867
Board-designated cash	200,000	-
Cash restricted for capital projects	466,161	-
	\$ 5,661,451	\$ 3,177,867
<b>SUPPLEMENTAL DISCLOSURE AND NON-CASH ITEMS:</b>		
Cash paid for interest	\$ 187,219	\$ 150,885

See notes to consolidated financial statements

# **SPRINGS RESCUE MISSION AND AFFILIATES**

## **Notes to Consolidated Financial Statements**

June 30, 2022 and 2021

### **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.

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. 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 and grants are SRM's primary source of support and revenue.

### **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 AND CASH EQUIVALENTS**

Cash includes checking and savings accounts, and a money market account. As of June 30, 2022 and 2021, SRM has cash and cash equivalents on deposit with financial institutions that exceed the federally insured (FDIC) balance by approximately \$5,241,000 and \$2,860,000, respectively. SRM has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

# **SPRINGS RESCUE MISSION AND AFFILIATES**

## **Notes to Consolidated Financial Statements**

June 30, 2022 and 2021

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### **BOARD-DESIGNATED CASH**

Board-designated cash consists of cash designated by the board for operating reserves.

#### **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, household goods, food, and other items. These items are recorded at their estimated fair market value on the date of the donation and reported at their carrying amount thereafter.

#### **CONTRIBUTIONS AND GOVERNMENT GRANTS RECEIVABLE**

Contributions and government grants receivable consist of contributions receivable from individual donors, and government grants receivable on conditional grant agreements. These agreements have a right-of-release in the form of funds to be paid to SRM once the barriers to entitlement are met. As of the year ended June 30, 2022, these barriers had been met, but the funds had not yet been paid to SRM by the grantors. All receivables are considered to be due within one year, and no allowance has been recorded.

#### **PREPAID EXPENSES AND OTHER ASSETS**

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

#### **NOTES RECEIVABLE-RELATED PARTY**

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 are 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 30% area median income (AMI) and 3 units at 40% AMI. However, all units are dedicated to use by homeless or near homeless individuals. The 62 units at 30% AMI are supported by project based vouchers.

# SPRINGS RESCUE MISSION AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### NOTES RECEIVABLE—RELATED PARTY, continued

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 0.009% interest in GF. During the year ending June 30, 2021, SRM PPSH1 Inc. obtained full control of the board of PPPSH1 and has full interest in the LLC. As the managing member of Greenway Flats, SRM is the Guarantor and required that if at any time an operating deficit occurs, SRM shall advance funds to Greenway Flats as a loan equal to the amount of the deficit. SRM's obligation is however limited, to a maximum amount of \$216,872. In the same agreement, SRM also has guaranteed the performance of certain operational requirements and performance obligations that guarantee punctual payment and performance of a \$150,000 Community Development Block Grant Loan from the City of Colorado Springs, and its obligations to satisfy its indemnification requirements of the Member Operating Agreement. During the years ended June 30, 2022 and 2021, no payments were made as a result of this agreement. The Colorado Springs Housing Authority is a special member of GF, and has a 0.001% 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 REVENUE

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 years ended June 30, 2022 and 2021 is \$98,879. During the year ended June 30, 2022, SRM also received a conditional grant but had not yet overcome the barriers to recognize as revenue a portion of the funds received. The amount of funds received but not yet recognized as revenue is included in deferred revenue on the consolidated statements of financial position.

#### 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. During the year ended June 30, 2022, the board designated \$200,000 to be set aside for operating reserves. There were no board designated net assets as of June 30, 2021.

*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.

# SPRINGS RESCUE MISSION AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

### 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, 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.

Donated food, materials, supplies, 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.

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.

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.

#### 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 fiscal year 2022, SRM adopted Accounting Standards Update (ASU) 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.

# SPRINGS RESCUE MISSION AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

### 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,	
	2022	2021
Financial assets:		
Cash and cash equivalents	\$ 4,995,290	\$ 3,177,867
Contributions and government grants receivable	502,202	859,860
Accounts receivable	38,399	48,556
Board-designated cash	200,000	-
Cash restricted for capital projects	466,161	-
Notes receivable	3,166,475	3,166,475
	9,368,527	7,252,758
Less those unavailable for general expenditure within one year, due to:		
Board-designated cash	(200,000)	-
Cash restricted for capital projects	(466,161)	-
Notes receivable, not collectible in the next year	(3,166,475)	(3,166,475)
	(3,832,636)	(3,166,475)
Financial assets available to meet cash needs for general expenditures within one year	\$ 5,535,891	\$ 4,086,283

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, 2022 and 2021

4. PROPERTY AND EQUIPMENT, NET:

Property and equipment, net consists of:

	June 30,	
	2022	2021
Land and improvements	\$ 2,144,220	\$ 1,600,778
Buildings and improvements	25,251,422	24,623,407
Furniture and equipment	1,180,569	1,104,521
Vehicles	188,678	174,700
	28,764,889	27,503,406
Less accumulated depreciation and amortization	(6,336,423)	(5,374,151)
	22,428,466	22,129,255
Construction in progress	-	-
	\$ 22,428,466	\$ 22,129,255

5. NOTES PAYABLE:

Notes payable consist of:

	June 30,	
	2022	2021
<p>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 \$39,451 and \$45,521, respectively, net of accumulated amortization.</p>	\$ 2,693,556	\$ 2,801,300
<p>Note payable to a financial institution in the amount of \$1,080,000, due in monthly installments of principal and interest of \$6,320, with interest calculated at 3.55%. Balloon payment of principal due on scheduled maturity date of \$640,464. Note matures December 2030 and is secured by property. Note payable is presented net of capitalized loan fees of \$15,009 and \$16,775, respectively, net of accumulated amortization.</p>	1,007,716	1,044,225

# SPRINGS RESCUE MISSION AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

5. NOTES PAYABLE, continued:

Notes payable consist of, continued:

	June 30,	
	2022	2021
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	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	500,000
Note payable to a financial institution in the amount of \$920,000, due in monthly installments of principal and interest of \$5,336. A balloon payment of outstanding principal and interest is due at maturity in July 2031. This note bears interest at 3.45% and is secured by property. Note payable is presented net of capitalized loan fees of \$16,628, net of accumulated amortization.	873,513	-
	6,574,785	5,845,525
Less current portion	(191,942)	(152,086)
	\$ 6,382,843	\$ 5,693,439

Future minimum payments for notes payable are:

Year Ending June 30,	
2023	\$ 191,942
2024	198,988
2025	207,053
2026	215,058
2027	223,374
Thereafter	5,538,370
	\$ 6,574,785

SRM was in compliance with all financial and reporting covenants at June 30, 2022.

# SPRINGS RESCUE MISSION AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

6. NET ASSETS WITH DONOR RESTRICTIONS:

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

	June 30,	
	2022	2021
Building fund	\$ 466,161	\$ -
Government grants receivable	457,417	785,474
Resource Center	228,008	-
Shelter	173,568	-
Security	159,585	-
Ezone	44,785	74,386
	\$ 1,529,524	\$ 859,860

7. GIFT-IN-KIND CONTRIBUTIONS:

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

	Year ended June 30,	
	2022	2021
Clothing	\$ 2,722,649	\$ 2,030,474
Household goods	466,772	595,653
Food	175,239	227,774
Others	217,198	196,291
	\$ 3,581,858	\$ 3,050,192

The gift-in-kind contributions received did not have donor-imposed restrictions. SRM estimates the fair market value of the donated items based on price studies performed of what similar products could be sold for in the United States. The estimated fair market value of the donated clothing and household goods is discounted 30% as these items are generally used or secondhand. After SRM receives gift-in-kind contributions, they are either sold in SRM's thrift store or utilized for program activities such as providing clothing, food, or supplies to homeless individuals.

# SPRINGS RESCUE MISSION AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2022 and 2021

7. GIFT-IN-KIND CONTRIBUTIONS, continued:

During the year ended June 30, 2022, SRM monetized or utilized gift-in-kind contributions as follows:

	Monetized	Utilized	Total
Clothing	\$ 1,675,524	\$ 1,047,125	\$ 2,722,649
Household goods	283,338	183,434	466,772
Food	66,232	109,007	175,239
Others	90,146	127,052	217,198
	\$ 2,115,240	\$ 1,466,618	\$ 3,581,858

8. 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, 2022 and 2021, employer contributions were \$90,492 and \$87,630, respectively.

9. FUTURE LEASE INCOME:

During the year ended June 30, 2021, SRM entered into a lease agreement with an unrelated third-party tenant. Lease income for the year ended June 30, 2022, was approximately \$117,000. Future minimum lease income under this agreement is:

<u>Year Ending June 30,</u>	
2023	\$ 121,917
2024	126,667
2025	131,417
2026	44,333
	\$ 424,334

10. DONOR CONCENTRATION:

During the years ended June 30, 2022 and 2021, one donor contributed approximately 19% and 16% of total contributions, respectively.

11. RELATED PARTY TRANSACTIONS:

During the years ended June 30, 2022 and 2021, the board of directors made contributions to SRM of approximately \$87,000 and \$77,000, respectively.

# **SPRINGS RESCUE MISSION AND AFFILIATES**

## **Notes to Consolidated Financial Statements**

June 30, 2022 and 2021

### **12. RISKS AND UNCERTAINTIES:**

During the year ended June 30, 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. COVID-19 has caused a severe negative impact on the world economy and has contributed to significant 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 prior to July 1, 2021. 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, 2022 and 2021, respectively and has therefore recognized this grant income.

### **13. SUBSEQUENT EVENTS:**

Subsequent events were evaluated through December 7, 2022, which is the date the consolidated financial statements were available to be issued.