Jeffco Action Center, Inc.

June 30, 2013 and 2012
with
Independent Auditors' Report

Jeffco Action Center, Inc.

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BiggsKofford
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS SPECIALISTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Jeffco Action Center, Inc.
Lakewood, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the Jeffco Action Center, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management Responsibility for the Financial Statements

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

Auditor Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Jeffco Action Center, Inc. as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Jeffco Action Center, Inc. as of June 30, 2012, were audited by other auditors whose report dated November 12, 2012, expressed an unmodified opinion on those statements.

BiggsKofford, P.C.

Colorado Springs, Colorado
November 12, 2013

Jeffco Action Center, Inc.
Statements of Financial Position
June 30, 2013 and 2012
(See Independent Auditors' Report)

Assets

	2013	2012
Current assets:		
Cash and cash equivalents	$ 435,139	$ 467,780
Accounts receivable	43,137	17,143
Unconditional promises to give, net of uncollectible accounts ($45,900 - 2013; $16,350 - 2012)	1,057,899	667,299
Prepaid expenses and other	16,790	26,830
Total current assets	1,552,965	1,179,052
Property, equipment and improvements, at cost:		
Buildings and improvements	4,137,699	4,137,699
Furniture and fixtures	217,070	217,070
Land	494,082	494,082
Vehicles	46,425	46,425
	4,895,276	4,895,276
Accumulated depreciation and amortization	1,251,218	1,129,951
Total property, equipment and improvements, net	3,644,058	3,765,325
Other assets:		
Unconditional promises to give, net of current portion	712,736	418,647
Investments:		
Board designated endowment	365,130	308,528
Community First Foundation	155,071	142,913
Permanently restricted endowment	4,000	4,000
Other assets	32,259	32,259
Total other assets	1,269,196	906,347
Total assets	$ 6,466,219	$ 5,850,724

(See Notes to Financial Statements)

Jeffco Action Center, Inc.
Statements of Financial Position
June 30, 2013 and 2012
(See Independent Auditors' Report)

Liabilities and Net Assets

	2013	2012
Current liabilities:		
Note payable, bank	$ 42,925	$ 40,089
Accounts payable, trade and other accrued expenses	53,382	58,377
Payroll taxes and related liabilities	47,621	58,890
Deferred revenue	5,131	1,170
Tenant deposits	15,400	16,417
Total current liabilities	164,459	174,943
Note payable, bank, net of current portion and total long-term liabilities:	1,860,262	1,903,372
Total liabilities	2,024,721	2,078,315
Net assets:		
Unrestricted:		
Operating	(34,341)	(129,545)
Net investment in property, equipment and improvements	1,740,871	1,821,864
Board designated:		
Endowment	365,130	312,528
Facilities reserve	20,000	50,000
Technology reserve	10,000	40,000
Total unrestricted	2,101,660	2,094,847
Temporarily restricted	2,194,963	1,553,404
Permanently restricted	144,875	124,158
Total net assets	4,441,498	3,772,409
Total liabilities and net assets	$ 6,466,219	$ 5,850,724

(See Notes to Financial Statements)

Jeffco Action Center, Inc.
Statement of Activities
Year Ended June 30, 2013
(See Independent Auditors' Report)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Total
Revenue and other support:				
Contributions:				
In-kind	$ 8,156,946	$ -	$ -	$ 8,156,946
Promises to give	630,227	391,205	-	1,021,432
Other	323,738	1,786,819	-	2,110,557
Government grants and contracts	547,740	-	-	547,740
Special projects and events, net of costs - $42,362	69,457	-	-	69,457
Interest and dividend income	10,899	-	-	10,899
Other revenue	2,616	-	-	2,616
Rental revenue, net	210,605	-	-	210,605
Unrealized gain on investments	45,010	-	20,717	65,727
Net assets released from restriction	1,536,465	(1,536,465)	-	-
Total revenue and other support	11,533,703	641,559	20,717	12,195,979
Expenses:				
Program services:				
Client services	4,362,675	-	-	4,362,675
Food pantry	5,236,885	-	-	5,236,885
Shelter	863,734	-	-	863,734
Total program services expense	10,463,294	-	-	10,463,294
Supporting services:				
Management and general	304,621	-	-	304,621
Fund-raising	499,661	-	-	499,661
Capital campaign	259,314	-	-	259,314
Total supporting services expense	1,063,596	-	-	1,063,596
Total expenses	11,526,890	-	-	11,526,890
Increase (decrease) in net assets	6,813	641,559	20,717	669,089
Net assets, beginning of year	2,094,847	1,553,404	124,158	3,772,409
Net assets, end of year	$ 2,101,660	$ 2,194,963	$ 144,875	$ 4,441,498

(See Notes to Financial Statements)

Jeffco Action Center, Inc.
Statement of Activities
Year Ended June 30, 2012
(See Independent Auditors' Report)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2012 Total
Revenue and other support:				
Contributions:				
In-kind	$ 6,725,551	$ -	$ -	$ 6,725,551
Promises to give	238,795	528,860	-	767,655
Other	1,063,944	1,336,752	-	2,400,696
Government grants and contracts	133,595	-	-	133,595
Special projects and events, net				-
of costs - $20,099	93,238	-	-	93,238
Interest and dividend income	4,640	-	-	4,640
Other revenue	53,387	-	-	53,387
Rental revenue, net	127,793	-	-	127,793
Unrealized gain on investments	9,073	-	-	9,073
Net assets released from restriction	971,407	(971,407)	-	-
Total revenue and other support	9,421,423	894,205	-	10,315,628
Expenses:				
Program services:				
Client services	4,243,580	-	-	4,243,580
Food pantry	4,102,102	-	-	4,102,102
Shelter	759,883	-	-	759,883
Total program services expense	9,105,565	-	-	9,105,565
Supporting services:				
Management and general	129,014	-	-	129,014
Fund-raising	430,273	-	-	430,273
Capital campaign	402,379	-	-	402,379
Total supporting services expense	961,666	-	-	961,666
Total expenses	10,067,231	-	-	10,067,231
Increase in net assets	(645,808)	894,205	-	248,397
Net assets, beginning of year	2,740,655	659,199	124,158	3,524,012
Net assets, end of year	$ 2,094,847	$ 1,553,404	$ 124,158	$ 3,772,409

(See Notes to Financial Statements)

Jeffco Action Center, Inc.
Statement of Functional Expenses
Year Ended June 30, 2013
(With Comparative Totals for the Year Ended June 30, 2012)
(See Independent Auditors' Report)

	Program Services				Supporting Services					
	Client services	Food Pantry	Shelter	Total Programs	Management and General	Fund-raising	Capital Campaign	Total Support	2013 Total	2012 Total
Personal services:										
Salaries and benefits	$ 765,214	$ 215,597	$ 270,490	$ 1,251,301	$ 137,040	$ 304,273	$ 132,093	$ 573,406	$ 1,824,707	$ 1,744,229
Donated services	143,903	9,327	1,771	155,001	10,268	2,115	-	12,383	167,384	215,636
Total personal services	909,117	224,924	272,261	1,406,302	147,308	306,388	132,093	585,789	1,992,091	1,959,865
Operating expense	56,115	17,538	23,985	97,638	65,995	105,507	121,128	292,630	390,268	642,320
Facilities costs	61,259	13,192	20,362	94,813	85,073	63,740	6,093	154,906	249,719	183,065
Direct assistance:										
Donated materials	2,519,650	4,933,138	531,484	7,984,272	-	5,290	-	5,290	7,989,562	6,503,213
Direct program	739,092	31,746	13,144	783,982	-	-	-	-	783,982	653,615
Total	3,376,116	4,995,614	588,975	8,960,705	151,068	174,537	127,221	452,826	9,413,531	7,982,213
Total expenses before depreciation	4,285,233	5,220,538	861,236	10,367,007	298,376	480,925	259,314	1,038,615	11,405,622	9,942,078
Depreciation	77,442	16,347	2,498	96,287	6,245	18,736	-	24,981	121,268	125,153
Total expenses	$ 4,362,675	$ 5,236,885	$ 863,734	$ 10,463,294	$ 304,621	$ 499,661	$ 259,314	$ 1,063,596	$ 11,526,890	$ 10,067,231

(See Notes to Financial Statements)

Jeffco Action Center, Inc.
Statements of Cash Flows
Years Ended June 30, 2013 and 2012
(See Independent Auditors' Report)

	2013	2012
Cash flows from operating activities:		
Cash received from contributions, grants, contracts, events and other sources	$ 2,881,593	$ 3,129,476
Cash paid to suppliers and employees	(3,240,054)	(2,977,222)
Interest paid	(106,425)	(103,926)
Net cash provided (used) by operating activities	(464,886)	48,328
Cash flows from investing activities:		
Purchase of property, equipment and improvements	-	(1,916,647)
Purchase of investments, net	(1,125)	-
Payment (refund) of tenant deposits	(1,017)	16,417
Net cash used by investing activities	(2,142)	(1,900,230)
Cash flows from financing activities:		
Note payable, bank:		
Proceeds	-	1,975,000
Repayments	(40,274)	(197,204)
Collection of pledges receivable	474,661	-
Capitalized interest and loan fees paid	-	(32,259)
Net cash provided by financing activities	434,387	1,745,537
Net decrease in cash and cash equivalents	(32,641)	(106,365)
Cash and cash equivalents, beginning	467,780	574,145
Cash and cash equivalents, ending	$ 435,139	$ 467,780

(continued)

(See Notes to Financial Statements)

Jeffco Action Center, Inc.
Statements of Cash Flows (continued)
Years Ended June 30, 2013 and 2012
(See Independent Auditors' Report)

	2013	2012
Cash flows from operating activities:		
Change in net assets	$ 669,089	$ 248,397
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Loss on disposition of assets	-	1,275
Unrealized (gain) loss on investments	(57,938)	7,834
Net endowment reinvestment activity	(9,697)	(30,187)
Increase in allowance for doubtful accounts on unconditional promises to give	29,550	-
Depreciation and amortization	121,267	125,153
Donated equipment	-	(6,700)
(Increase) decrease in:		
Accounts receivable	(25,994)	13,170
Unconditional promises to give	(1,188,900)	(453,865)
Prepaid expenses and other	10,040	157,615
Increase (decrease) in:		
Accounts payable, trade and other accrued expenses	(4,995)	28,427
Payroll taxes and related liabilities	(11,269)	(43,961)
Deferred revenue	3,961	1,170
Net cash provided (used) by operating activities	$ (464,886)	$ 48,328

(See Notes to Financial Statements)

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of operations

Jeffco Action Center, Inc., dba The Action Center (the "Organization"), is a nonprofit Colorado charitable corporation. The Organization's mission is to provide an immediate response to basic human needs and to promote pathways to self-sufficiency. The Organization serves clients who reside or are homeless in Jefferson County, Colorado.

The Organization's major programs include Client Services, Food Pantry and Shelter programs detailed as follows:

- Client Services: Provides case management and support, including financial assistance, health assistance, tenant-landlord counseling, a clothing bank, and other programs to meet immediate, basic needs of individuals seeking help through the Organization.

- Food Pantry: Instituted for the purpose of alleviating food insecurity concerns for needy individuals.

- Shelter Program: Provides a shelter for the homeless in Jefferson County that allows the residents to work to advance their employment status while in the program.

The primary funding sources of the Organization include private contributions of cash and in-kind goods and services from individuals, churches, businesses and foundations. The Organization also receives revenue from special events and grants from governmental sources.

Basis of presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Organization's financial position and activities are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets that are temporarily subject to donor-imposed stipulations.

Permanently Restricted Net Assets – Net assets that are permanently subject to donor stipulations.

Functional allocation of expenses

Expenses by function have been allocated among programs and supporting services classifications on the basis of employee time allocation forms and square feet occupied.

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Cash and cash equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude permanently restricted cash and cash equivalents. The Organization maintains cash in bank deposit accounts at various financial institutions in bank deposit accounts in which the deposits are guaranteed by the Federal Deposit Insurance Corporation (“FDIC”).

The operating accounts of the Organization are held at institutions that as of January 1, 2013 are provided insurance up to $250,000 per FDIC-insured depository institution. Prior to December 31, 2012, the operating accounts of the Organization were provided unlimited coverage by the FDIC for non-interest bearing transaction accounts as per of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Topic 825 of the FASB ASC, *Financial Instruments,* identifies such accounts as a concentration of credit risk requiring disclosure regardless of the degree of risk. Risk related to deposits held outside of institutions participating in the above program is managed by maintaining deposits with high quality financial institutions and monitoring cash such that balances are rarely, if ever, in excess of any applicable FDIC insurance limits that may be in place. In addition, management does not believe that the Organization is exposed to any significant risk related to cash and cash equivalents. Cash and cash equivalents balances as of June 30, 2013 and 2012 are considered unrestricted.

Accounting for certain investments

The Organization records its investments at fair value in the statement of financial position, with any unrealized gains or losses reported in the statement of activities.

Property, equipment and improvements

The Organization capitalizes the cost of all expenditures in excess of $2,000 for property, equipment and improvements. Property, equipment and improvements are recorded at acquisition cost with donated property and equipment recorded at estimated fair market value. When items are disposed, the cost and related depreciation and amortization are removed from the accounts, with gains or losses on disposal recorded. Depreciation and amortization are computed by the straight-line method, over the estimated useful lives of the assets ranging from three to forty years.

Contributions

Under the Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) Topic 958, Subtopic 605, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Contributions (continued)

All donations are considered to be available for unrestricted use unless specifically restricted by the donor. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

In-Kind contributions

Donated goods and professional services are reflected as “In-Kind” contributions in the accompanying statements at their estimated values at the date of service, with a corresponding entry to “In-Kind” goods and services.

Use of estimates in the preparation of financial statements

The preparation of financial statements in the conformity with accounting principles generally accepted in the United States of America (“US GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income taxes

No provision for taxes on earnings has been made in the financial statements as the Organization has qualified as a nonprofit organization under Section 501(c) (3) of the Internal Revenue Code (the “Code”). During the years ended 2013 and 2012 the Organization had unrelated business income from rental properties. However, related expenses exceeded rental revenues. Therefore, this activity did not result in a potential income tax liability or expense.

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

<u>Fair value measurements</u>

During 2008, the Organization adopted Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") Topic 820, *Fair Value Measurements and Disclosures*. FASB ASC Topic 820 establishes a single authoritative definition of fair value and sets a hierarchy for measuring fair value. The adoption of FASB ASC Topic 820 has no impact on the Organization's accounting policies for investments, but requires additional disclosures about fair value measurement. The hierarchy for measuring fair value prioritizes the inputs to valuation techniques used to measure fair value and gives the highest priority to unadjusted quoted prices for securities traded in active markets (Level 1) and the lowest priority to unobservable inputs (level 3). The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The Organization has also entered into an agreement with Community First Foundation (the "Foundation"), a 501(c)(3) organization, to manage a portion of its investment. The Organization makes periodic transfers to the Foundation and the Foundation bundles these investments with other similar organization investments. The combined transfers from the various organizations are invested in various income-earning investments. Income earned is proportionately allocated to participating organizations and is reduced by fees from the Foundation. The Organization may liquidate any portion of its holdings with the Foundation at any time without withdrawal penalties. A portion of the assets held by the Foundation are permanently restricted.

The hierarchies for measuring fair value under FASB ASC Topic 820 are as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 – Inputs to the valuation methodology include a) quoted prices for similar assets or liabilities in active markets; b) quoted prices for identical or similar assets or liabilities in inactive markets; c) inputs other than quoted prices that are observable for the asset or liability; and d) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Fair value measurements (continued)

As required by FASB ASC Topic 820, the Plan's portfolio investments as of June 30, 2013 were classified as follows, based on the lowest level of input that is significant to the fair value measurement:

Description	Level 1	Level 2	Level 3	Total
Designated Endowment Assets:				
Cash and money market funds	$ 41,775	$ -	$ -	$ 41,775
Corporate stocks	327,355	-	-	327,355
Community First Foundation:				
Common investment funds	-	155,071	-	155,071
	$ 369,130	$ 155,071	$ -	$ 524,201

As required by FASB ASC Topic 820, the Plan's portfolio investments as of June 30, 2012 were classified as follows, based on the lowest level of input that is significant to the fair value measurement:

Description	Level 1	Level 2	Level 3	Total
Designated Endowment Assets:				
Cash and money market funds	$ 37,510	$ -	$ -	$ 37,510
Corporate stocks	275,018	-	-	275,018
Community First Foundation:				
Common investment funds	4,417	138,496	-	142,913
	$ 316,945	$ 138,496	$ -	$ 455,441

Valuation techniques used to measure assets at fair value include net asset value of shares held by the Organization at year end and closing prices reported on the active markets in which securities held by the Organization are traded.

2. Promises to Give

Unconditional promises to give are reflected as either current or non-current assets based on the terms of the commitment by the individual donors. The allowance for uncollectible amounts is determined by management based on the evaluation of collectability of the pledges outstanding. The following is a summary of unconditional promises to give at June 30, 2013 and 2012:

	2013	2012
Promises to give	$ 1,834,459	$ 1,113,432
Less: Allowance for uncollectible amounts	(45,900)	(16,350)
Less: Discount to present value	(20,924)	(11,136)
Unconditional promises to give, net	$ 1,767,635	$ 1,085,946
Amounts Due In:		
Less than one year	$ 1,057,899	$ 667,299
One to five years	696,511	418,647
Greater than five years	16,225	-
	$ 1,770,635	$ 1,085,946

The above amounts are presented in the statements of financial position as follows:

	2013	2012
Current:		
Operations	$ 244,304	$ 238,971
Capital Campaign	813,595	428,328
Total current	1,057,899	667,299
Long-term:		
Operations	404,862	360,315
Capital Campaign	307,874	58,332
Total long-term	712,736	418,647
Unconditional promises to give, net	$ 1,770,635	$ 1,085,946

Unconditional promises to give in more than one year are reflected at the present value of estimated future cash flows using a discount rate of between 0.83% and 1.00% based on the Treasury note rates at June 30, 2013 for similar terms.

3. Donated Materials and Services

The Organization records in-kind revenues relating to contributed materials and services.

Materials

The Organization records the estimated fair value of goods that are received and distributed to clients during the year as in-kind contributions revenue and donated goods expense. The amounts of donated materials reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property, equipment and improvements.

Tangible goods donated to the Organization during the year ended June 30, 2013 consisted of the following:

	2013	2012
Food	$ 5,233,270	$ 4,048,427
Clothing	1,828,638	1,537,840
Emergency shelter	231,352	208,310
Toys	228,298	212,037
School supplies	199,026	210,839
Household goods	127,907	200,657
Personal items	91,152	35,546
Baby care items	42,867	38,475
Other	7,052	17,784
	$ 7,989,562	$ 6,509,915

Services

Services are recognized at fair value if the services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated. The Organization recognized in-kind contribution revenue for certain services received at the estimated fair value of those services. Most services were valued using 2013 volunteer rates published by the Independent Sector or rates per the appropriate occupation code published by the Bureau of Labor Statistics. The Organization also received donations of direct intangible aid to its clients. These donations are reported at fair value on the date of donation as in-kind contribution revenue offset by like amounts included in in-kind expenses.

3. Donated Materials and Services (continued)

Services (continued)

Donated services and intangible items include the following for the year ended June 30, 2013:

	2013	2012
Client services - counseling	$ 71,027	$ 113,978
Tenant/Landlord - counseling	66,697	85,828
Organizational development consulting	19,050	13,000
Construction services and consulting	8,453	-
Other	1,160	2,830
Information technology services	997	-
	$ 167,384	$ 215,636

Total in-kind contributions for the year ended June 30, 2013 is summarized as follows:

	2013	2012
In-kind materials	$ 7,989,562	$ 6,509,915
In-kind services	167,384	215,636
	$ 8,156,946	$ 6,725,551

The Organization received additional contributed services that did not meet the requirements for recognition in the financial statements. Those services include the following:

`	2013	2012
Client services in-take desk	$ 272,721	$ 242,436
Administrative services	50,767	31,028
Telephone receptionist	43,904	45,759
Shelter assistance	43,417	34,603
Funds development	21,542	23,925
Computer services	17,092	34,341
Other	9,233	5,731
	$ 458,676	$ 417,823

3. Donated Materials and Services (continued)

Services (continued)

In addition to the services noted previously, hundreds of other individuals volunteer their time and perform a variety of tasks that assist the Organization with specific programs, fund-raising events, and various committee assignments. The Organization received more than 75,900 and 62,700 additional volunteer hours during the years ended June 30, 2013 and 2012, respectively.

4. Rental Income

The Organization currently has 14 lease agreements for space with tenants in buildings owned by the Organization with lease terms from 1 to 3 years. The monthly base rents vary from $195 to $4,156. Total rental revenue for the year ended June 30, 2013 totaled approximately $289,400.

The following represents future minimum lease receipts to be received by the Organization under the existing lease agreements:

Years Ending June 30,		
2014	$	119,518
2015		20,854
2016		6,008
	$	146,380

5. Note Payable, Bank

The Organization entered into a mortgage note payable in the amount of $1,975,000 with a lender in July 2011 that requires monthly installments of $12,313 through July 2016 and monthly payments of $12,976 from August 2016 to June 2021. Interest is based on the five-year U.S. Treasury Index, plus 2%. The loan is secured by a deed of trust on three buildings owned by the Organization.

5. Note Payable, Bank (continued)

The balance due as of June 30, 2013 was $1,903,187. Scheduled future payments on the mortgage note payable as of June 30, 2013 are as follows:

Years Ending June 30,		
2014	$	42,925
2015		44,711
2016		46,950
2017		49,392
2018		52,440
Thereafter		1,666,769
	$	1,903,187

6. Note Payable, Line of Credit

The Organization entered into a line of credit agreement with a lender in September 2012 that allowed for a maximum borrowing of $250,000. Outstanding balances bear interest at 1.0% over the Wall Street Journal prime rate with a floor of 5.0%. The line matures on September 15, 2015. The line of credit is secured through deeds of trust on three properties owned by the Organization and is subject to certain covenants. As of June 30, 2013, there was no outstanding balance on the line of credit.

7. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes as of June 30, 2013 and 2012:

	2013	2012
Betty Proctor Fund	$ 87,431	$ 74,634
Capital campaign:		
Payments received	390,277	356,031
Promises to give: current	813,595	428,328
Promises to give: long-term	307,874	58,332
Donations to various Action Center funds	119,233	30,264
Energy Outreach of Colorado	21,760	67,771
Evergreen Partners Shelter After-Care	12,379	25,000
J-HELP	12,945	70,566
Jeffco Community Development Block Grant	-	64,000
Operations:		
Promises to give: long-term	404,862	360,315
Other	24,607	18,163
Total temporarily restricted net assets	$ 2,194,963	$ 1,553,404

8. Permanently Restricted and Board Designated Net Assets

Permanently restricted net assets consist of the following as of June 30, 2013 and 2012:

	2013	2012
Endowment for Homeless Shelter	$ 140,875	$ 120,158
Martha Edwards Donor Restricted Fund	4,000	4,000
	$ 144,875	$ 124,158

8. Permanently Restricted and Board Designated Net Assets (continued)

The Organization’s endowment consists of several funds established for various purposes. The Organization’s Board has restricted $365,130 for a general endowment fund. Separate donors have permanently restricted $140,875 to support the Organization’s homeless shelter and $4,000 to be maintained by the Organization. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The organization follows the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), as enacted by the State of Colorado in 2008, and its own governing documents. UPMIFA requires the preservation of the historical dollar amount of a donor-restricted endowment fund. The Organization’s donors have not placed restrictions on the use of investment income or net appreciation resulting from the donor-restricted endowment funds.

The Board has determined that the majority of the Organization’s contributions are subject to the terms of its governing documents. Certain received contributions are subject to specific agreements with the Organization. Under the terms of the governing documents of the Organization, the Board is able to distribute the original principal, all contributions not classified as temporarily restricted or permanently restricted are classified as unrestricted net assets for financial statement purposes.

The Board has adopted investment and spending policies for endowment assets that attempt to provide a stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of these endowment assets over the long term.

8. Permanently Restricted and Board Designated Net Assets (continued)

Endowment-related net asset activity for the years ended June 30, 2013 and 2012 is as follows:

	Permanently Restricted Net Assets	Board Designated Endowment
Balance at July 1, 2011	$ 124,158	$ 270,566
Investment income:		
Interest and dividends	-	1,094
Unrealized gain	-	8,779
Net investment activity	-	32,089
Balance at June 30, 2012	124,158	312,528
Investment income:		
Interest and dividends	-	2,935
Unrealized gain	20,717	49,667
Net investment activity	-	-
Balance at June 30, 2013	$ 144,875	$ 365,130

Interest and dividend income for the year ended June 30, 2013 is net of fees and expenses of approximately $5,600.

9. Joint Ventures

The Organization participates in two joint ventures, the Estes Street Community Clinic (the “Clinic”) and J-HELP. The Clinic is a joint venture with Metro Community Providers Network (“MCPN”) and Exempla/Lutheran Medical Center (the “Hospital”) to provide a four-exam room clinic, located in one of the buildings owned by the Organization. The Organization’s role is to provide physical space and case management services to refer clients to become patients at the Clinic. MCPN is the medical services provider and operates the Clinic under its medical standards and insurance requirements. The Hospital provides financial assistance for the operation of the Clinic. Both MCPN and the Hospital are separate legal entities and are not included in the financial statements of the Organization.

9. Joint Ventures (continued)

J-HELP is a joint venture with Volunteers of America ("VOA") to extend VOA's Meals on Wheels program to clients under the age of 60. These clients are not eligible for the Meals on Wheels program because of their age, but have the same physical need for the service. The Organization raises money to purchase the J-HELP meals. VOA is a separate legal entity and is not included in the financial statements of the Organization.

10. Net Assets Released from Donor or Board Restrictions

Net assets released from restrictions of $1,108,137 for the year ended June 30, 2013 represents funds released related to the use of temporarily restricted programs. In addition, $60,000 of net assets previously designated by the board of directors was released which includes $30,000 each from both the facilities reserve and technology reserve.

Net assets released from restrictions of $1,399,735 for the year ended June 30, 2012 represents funds released related to the use of temporarily restricted programs.

11. Retirement Plan

The Organization has a 401(k) employee salary reduction savings plan (the "Plan"). The Plan allows for employee contributions up to the maximum allowable by the Internal Revenue Code. All employees are eligible to enroll in the Plan immediately after employment. The Organization does not contribute to the Plan.

12. Commitments

<u>Office, equipment and warehouse leases</u>

The Organization leases warehouse space in Lakewood, Colorado under two lease agreements both commenced in January 2011 and expired in January 2013 and were month-to-month until new leases were signed in August 2013, expiring in September 2015. The first agreement requires monthly payments of $880 in addition to applicable property taxes, insurance and utilities for the space. The second agreement requires monthly payments of $1,755 and similar terms related to taxes, insurance and utilities.

12. Commitments (continued)

Office, equipment and warehouse leases (continued)

The following is a summary of the minimum annual commitments under the terms of these leases as they currently exist for years ending after June 30, 2013:

Years Ending June 30,		
2014	$	26,350
2015		31,620
2016		5,270
	$	63,240

Rent expense for the years ended June 30, 2013 and 2012 was approximately $153,900 and $45,900, respectively.

13. Income Taxes

The Organization is organized as a not-for-profit entity in the state of Colorado. The Internal Revenue Service has determined that the Organization is exempt from federal income tax under Section 501(c)(3) of the Code. As a qualified tax-exempt organization, the Organization must operate in conformity with the Code in order to maintain its tax-exempt status. The Organization is also exempt from state corporate income tax.

The Organization follows the guidance contained in ASC Topic 740-10-25, *Accounting for Uncertainty in Income Taxes*. ASC Topic 740-10-25 prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken. Based on its evaluation, the Organization concluded that there are no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

14. Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

15. Subsequent Events

The Organization has evaluated subsequent events through the report date, the date which the financial statements were available to be issued.