Jeffco Action Center, Inc.

June 30, 2014 and 2013
with
Independent Auditors' Report

Jeffco Action Center, Inc.

June 30, 2014 and 2013

Contents

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 comprises the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses and cash flows for the years 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 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 audits 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.

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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, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

BiggsKofford, P.C.

Colorado Springs, Colorado
November 7, 2014

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Jeffco Action Center, Inc.
Statements of Financial Position
June 30, 2014 and 2013
(See Independent Auditors' Report)

Assets

	2014	2013
Current assets:		
Cash and cash equivalents	$ 1,191,169	$ 435,139
Accounts receivable	95,330	43,137
Unconditional promises to give, net of allowance for doubtful accounts ($33,960 - 2014; $40,900 - 2013)	581,662	1,057,899
Prepaid expenses and other	30,264	16,790
Total current assets	1,898,425	1,552,965
Property, equipment and improvements, at cost:		
Buildings and improvements	4,194,778	4,137,699
Furniture and fixtures	244,037	217,070
Land	494,082	494,082
Vehicles	135,723	46,425
	5,068,620	4,895,276
Accumulated depreciation and amortization	(1,380,810)	(1,251,218)
Sub-total	3,687,810	3,644,058
Construction in progress	528,992	-
Total property, equipment and improvements, net	4,216,802	3,644,058
Other assets:		
Unconditional promises to give, net of current portion	430,987	712,736
Investments:		
Board designated endowment	422,659	365,130
Community First Foundation	170,342	155,071
Permanently restricted endowment	4,000	4,000
Other assets	32,259	32,259
Total other assets	1,060,247	1,269,196
Total assets	$ 7,175,474	$ 6,466,219

(See Notes to Financial Statements)

Jeffco Action Center, Inc.
Statements of Financial Position
June 30, 2014 and 2013
(See Independent Auditors' Report)

Liabilities and Net Assets

	2014	2013
Current liabilities:		
Notes payable:		
Bank	$ 44,711	$ 42,925
Line of credit	65,000	-
Current portion of obligation under capital lease	13,597	-
Accounts payable:		
Trade and other accrued expenses	61,231	53,382
Construction	208,572	-
Payroll taxes and related liabilities	70,091	47,621
Retainage payable	38,495	-
Tenant deposits	14,291	15,400
Deferred revenue	-	5,131
Total current liabilities	515,988	164,459
Long-term liabilities, net of current portion:		
Note payable, bank	1,816,142	1,860,262
Obligation under capital lease	72,672	-
Total long-term liabilities	1,888,814	1,860,262
Total liabililties	2,404,802	2,024,721
Net assets:		
Unrestricted:		
Operating	(27,357)	(34,341)
Net investment in property, equipment and improvements	2,022,613	1,740,871
Board designated:		
Endowment	422,659	365,130
Facilities reserve	20,000	20,000
Technology reserve	10,000	10,000
Total unrestricted	2,447,915	2,101,660
Temporarily restricted	2,177,882	2,194,963
Permanently restricted	144,875	144,875
Total net assets	4,770,672	4,441,498
Total liabilities and net assets	$ 7,175,474	$ 6,466,219

(See Notes to Financial Statements)

Jeffco Action Center, Inc.
Statement of Activities
Year Ended June 30, 2014
(See Independent Auditors' Report)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total
Revenue and other support:				
Contributions:				
In-kind	$ 10,040,074	$ -	$ -	$ 10,040,074
Promises to give	303,901	191,618	-	495,519
Other	1,592,642	715,771	-	2,308,413
Government grants and contracts	630,285	-	-	630,285
Special projects and events, net of costs - $33,541	90,335	-	-	90,335
Interest and dividend income	15,462	-	-	15,462
Other revenue	9,405	-	-	9,405
Rental revenue, net	167,443	-	-	167,443
Unrealized gain on investments	70,068	-	-	70,068
Net assets released from restriction	924,470	(924,470)	-	-
Total revenue and other support	13,844,085	(17,081)	-	13,827,004
Expenses:				
Program services:				
Client services	5,194,806	-	-	5,194,806
Food pantry	6,320,186	-	-	6,320,186
Shelter	1,057,843	-	-	1,057,843
Total program services expense	12,572,835	-	-	12,572,835
Supporting services:				
Management and general	218,050	-	-	218,050
Fund raising	451,436	-	-	451,436
Capital campaign	255,509	-	-	255,509
Total supporting services expense	924,995	-	-	924,995
Total expenses	13,497,830	-	-	13,497,830
Increase (decrease) in net assets	346,255	(17,081)	-	329,174
Net assets, beginning of year	2,101,660	2,194,963	144,875	4,441,498
Net assets, end of year	$ 2,447,915	$ 2,177,882	$ 144,875	$ 4,770,672

(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 - $20,099	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 Functional Expenses
Year Ended June 30, 2014
With Comparative Totals for the Year Ended June 30, 2013
(See Independent Auditors' Report)

	Program Services				Supporting Services					
	Client services	Food Pantry	Shelter	Total Programs	Management and General	Fund raising	Capital Campaign	Total Support	Total 2014	Total 2013
Personal services:										
Salaries and benefits	$ 896,385	$ 309,908	$ 280,764	$ 1,487,057	$ 83,226	$ 269,280	$ 116,464	$ 468,970	$ 1,956,027	$ 1,824,708
Donated services	144,266	17,375	-	161,641	-	-	-	-	161,641	167,384
Total personal services	1,040,651	327,283	280,764	1,648,698	83,226	269,280	116,464	468,970	2,117,668	1,992,092
Operating expense	149,716	48,606	37,404	235,726	61,331	108,570	112,283	282,184	517,910	390,268
Facilities costs	63,310	27,401	25,410	116,121	66,936	53,798	26,762	147,496	263,617	249,719
Direct assistance:										
Donated materials	3,323,835	5,857,405	697,193	9,878,433	-	-	-	-	9,878,433	7,989,562
Direct program	527,256	41,361	14,325	582,942	-	-	-	-	582,942	783,982
Jefferson Prosperity Program	7,670	-	-	7,670	-	-	-	-	7,670	-
Total	4,071,787	5,974,773	774,332	10,820,892	128,267	162,368	139,045	429,680	11,250,572	9,413,531
Total expenses before depreciation	5,112,438	6,302,056	1,055,096	12,469,590	211,493	431,648	255,509	898,650	13,368,240	11,405,623
Depreciation	82,368	18,130	2,747	103,245	6,557	19,788	-	26,345	129,590	121,267
Total expenses	$ 5,194,806	$ 6,320,186	$ 1,057,843	$ 12,572,835	$ 218,050	$ 451,436	$ 255,509	$ 924,995	$ 13,497,830	$ 11,526,890

(See Notes to Financial Statements)

Jeffco Action Center, Inc.
Statements of Cash Flows
Years Ended June 30, 2014 and 2013
(See Independent Auditors' Report)

	2014	2013
Cash flows from operating activities:		
Cash received from contributions, grants, contracts, events and other sources	$ 3,067,050	$ 2,881,593
Cash paid to suppliers and employees	(3,213,776)	(3,240,054)
Interest paid	(109,482)	(106,425)
Net cash used by operating activities	(256,208)	(464,886)
Cash flows from investing activities:		
Acquisition of property, equipment and improvements	(173,344)	-
Acquisition of construction in progress	(281,926)	-
Purchase (sale) of investments, net	13,643	(1,125)
Refund of tenant deposits	(1,109)	(1,017)
Net cash used by investing activities	(442,736)	(2,142)
Cash flows from financing activities:		
Proceeds from note payable, line of credit, net	65,000	-
Repayment of note payable, bank	(42,334)	(40,274)
Obligation under capital lease:		
Proceeds	89,298	-
Repayments	(3,029)	-
Collection of pledges receivable	1,346,039	474,661
Net cash provided by financing activities	1,454,974	434,387
Net increase (decrease) in cash and cash equivalents	756,030	(32,641)
Cash and cash equivalents, beginning	435,139	467,780
Cash and cash equivalents, ending	$ 1,191,169	$ 435,139

(Continued)

(See Notes to Financial Statements)

Jeffco Action Center, Inc.
Statements of Cash Flows (continued)
Years Ended June 30, 2014 and 2013
(See Independent Auditors' Report)

	2014	2013
Cash flows from operating activities:		
Change in net assets	$ 329,174	$ 669,089
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Unrealized gain on investments	(70,068)	(57,938)
Net endowment reinvestment activity	(16,375)	(9,697)
Increase (decrease) in allowance for doubtful accounts on unconditional promises to give	(11,940)	29,550
Depreciation and amortization	129,592	121,267
(Increase) decrease in:		
Accounts receivable	(52,193)	(25,994)
Unconditional promises to give	(576,113)	(1,188,900)
Prepaid expenses and other	(13,474)	10,040
Increase (decrease) in:		
Accounts payable:		
Trade and other accrued expenses	7,850	(4,995)
Payroll taxes and related liabilities	22,470	(11,269)
Deferred revenue	(5,131)	3,961
Net cash used by operating activities	$ (256,208)	$ (464,886)

(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-imposed stipulations.

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

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.

Cash and cash equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be 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 Financial Accounting Standards Board Accounting Standards Codification ("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, 2014 and 2013 are considered unrestricted.

Accounting for certain investments

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

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

Property, equipment and improvements

The Organization capitalizes the cost of all expenditures in excess of $2,500 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.

Construction in progress and related capital campaign

During 2012, the Organization initiated a capital campaign to raise funds to be used toward the renovation of one of the buildings owned by the Organization. Construction in progress consists of the design, architecture and construction costs related to the renovation. The total estimated cost of the renovation is $2,100,000 and total funds received under the capital campaign as of June 30, 2014 is approximately $1,326,400. The renovation is scheduled to be completed by the end of November 2014.

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.

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 statements of activities as net assets released from restrictions.

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

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 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. During the years ended June 30, 2014 and 2013 the Organization had unrelated business income from rental properties. For the year ended June 30, 2013, the Organization paid federal income tax on this unrelated business income of approximately $5,200. However, for the year ended June 30, 2014, the related expenses are anticipated to exceed rental revenues. Therefore, the financial statements for the year ended June 30, 2014 do not reflect any potential income tax liability or expense.

Fair value measurements

During 2008, the Organization adopted 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.

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

Fair value measurements (continued)

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 investments. 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 a 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 Organization 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 Organization's portfolio investments as of June 30, 2014 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	$ 37,172	$ -	$ -	$ 37,172
Corporate stocks	389,487	-	-	389,487
Community First Foundation:				
Common investment funds	-	170,342	-	170,342
	$ 426,659	$ 170,342	$ -	$ 597,001

As required by FASB ASC Topic 820, the Organization'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

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 for years ending after June 30, 2014 and 2013 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, 2014 and 2013:

	2014	2013
Amounts Due In:		
Less than one year	$ 581,662	$ 1,057,899
One to five years	407,263	696,511
Greater than five years	23,724	16,225
	$ 1,012,649	$ 1,770,635
Promises to give	$ 1,060,860	$ 1,837,459
Less: Allowance for uncollectible amounts	(33,960)	(45,900)
Less: Discount to present value	(14,251)	(20,924)
Net unconditional promises to give	$ 1,012,649	$ 1,770,635

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

	2014	2013
Current:		
Operations	$ 262,144	$ 244,304
Capital Campaign	319,518	813,595
Total current	581,662	1,057,899
Long-term:		
Operations	373,554	404,862
Capital Campaign	57,433	307,874
Total long-term	430,987	712,736
Net unconditional promises to give	$ 1,012,649	$ 1,770,635

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 0.11% and 3.34% (2013 – 0.83% and 1.00%) based on the treasury note rates at June 30, 2014 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 years ended June 30, 2014 and 2013 consisted of the following:

	2014	2013
Food	$ 6,310,343	$ 5,233,270
Clothing	2,511,612	1,828,638
Emergency shelter	244,255	231,352
Toys	318,782	228,298
School supplies	180,843	199,026
Household goods	151,543	127,907
Personal items	113,459	91,152
Baby care items	47,595	42,867
Other	-	7,052
	$ 9,878,432	$ 7,989,562

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 2014 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 years ended June 30, 2014 and 2013:

	2014	2013
Client services - counseling	$ 76,853	$ 71,027
Tenant/Landlord - counseling	59,289	66,697
Organizational development consulting	8,125	19,050
Construction services & consulting	17,375	8,453
Other	-	1,160
Information technology services	-	997
	$ 161,642	$ 167,384

The total in-kind contributions for the years ended June 30, 2014 and 2013 is summarized as follows:

	2014	2013
In-kind materials	$ 9,878,432	$ 7,989,562
In-kind services	161,642	167,384
	$ 10,040,074	$ 8,156,946

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

	2014	2013
Client services in-take desk	$ 310,587	$ 272,721
Administrative services	118,623	50,767
Telephone receptionist	51,806	43,904
Shelter assistance	62,549	43,417
Funds development	22,766	21,542
Computer services	11,421	17,092
Other	-	9,233
	$ 577,752	$ 458,676

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 71,400 and 75,900 additional volunteer hours during the years ended June 30, 2014 and 2013, respectively.

4. Rental Income

The Organization currently has three lease agreements for space with tenants in buildings owned by the Organization with lease terms from 1 to 3 years and one agreement that is month to month. The monthly base rents vary from $890 to $1,502. Total rental revenue for the year ended June 30, 2014 and 2013 totaled approximately $258,200 and $289,400, respectively.

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

Years Ending June 30,		
2015	$	31,534
2016		16,688
2017		6,230
	$	54,452

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, 2014 was $1,860,853. Scheduled future payments on the mortgage note payable as of June 30, 2014 are as follows:

Years Ending June 30,		
2015	$	44,711
2016		46,950
2017		49,392
2018		52,440
2019		55,720
Thereafter		1,611,640
	$	1,860,853

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, which matures on September 15, 2015, is secured through deeds of trust on three properties owned by the Organization and is subject to certain covenants. As of June 30, 2014, there was an outstanding balance on the line of credit of $65,000.

7. Obligation under Capital Lease

The Organization entered into a capital lease agreement for a vehicle in January 2014. The lease agreement requires regular monthly fixed payments of $1,915 and a variable payment based on mileage incurred, which is considered part of the monthly minimum payment.

The asset and liability under capital lease are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The vehicle is depreciated over the lesser of the related lease term or its estimated useful life. The interest rate on the lease is 14.4%, representing the lessor’s implicit rate of return.

7. Obligation under Capital Lease (continued)

Future minimum payments under the lease, including the present value of such payments, for years ending after June 30, 2014 are as follows:

Years Ending June 30,	
2015	$ 25,180
2016	25,180
2017	25,180
2018	25,180
2019	21,063
	121,783
Less amount representing interest	(35,514)
Present value of future minimum lease payments	86,269
Less current portion	(13,597)
	$ 99,866

8. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes as of June 30, 2014 and 2013:

	2014	2013
Betty Proctor Fund	$ 95,740	$ 87,431
Capital campaign:		
Payments received and unused	1,051,514	390,277
Promises to give: current	319,518	813,595
Promises to give: long-term	57,433	307,874
Donations to various Action Center funds	73,275	119,233
Energy Outreach of Colorado	5,322	21,760
Evergreen Partners Shelter After-Care	27,956	12,379
J-HELP	14,816	12,945
Jeffco Prosperity Project	124,188	-
Lutheran Legacy (ProjectWISE)	26,888	-
Operations		
Promises to give: long-term	373,554	404,862
Other	7,678	24,607
Total temporarily restricted net assets	$ 2,177,882	$ 2,194,963

9. Permanently Restricted and Board Designated Net Assets

Permanently restricted net assets consist of the following as of June 30, 2014 and 2013:

	2014	2013
Endowment for Homeless Shelter	$ 140,875	$ 140,875
Martha Edwards Donor Restricted Fund	4,000	4,000
	$ 144,875	$ 144,875

9. 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 $422,654 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.

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

Endowment-related net asset activity for the years ended June 30, 2014 and 2013 was as follows:

	Permanently Restricted Net Assets	Board Designated Endowment
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
Investment income:		
Interest and dividends	-	9,435
Unrealized gain	-	55,032
Net investment (withdraw) activity	-	(6,938)
Balance at June 30, 2014	$ 144,875	$ 422,659

Interest and dividend income for the years ended June 30, 2014 and 2013 is net of fees and expenses of approximately $6,300 and $5,600, respectively.

10. 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 Exempla are separate legal entities and are not included in the financial statements of the Organization.

10. 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.

In March 2014, the Organization entered into an agreement with two other community agencies to form the Jeffco Prosperity Project (JPP) whose purpose is to leverage services of the participating agencies and other community service providers in helping families develop economic self-sufficiency. The Organization is the fiscal agent for the JPP, responsible for the accounting and administration of funds contributed and expended toward the JPP. The Organization receives 8.5% of all funds contributed to the JPP to cover administrative costs incurred.

11. Net Assets Released from Donor or Board Restrictions

Net assets released from restrictions of $924,470 for the year ended June 30, 2014 represents funds released related to costs for the construction and renovation as discussed in Note 1 and amounts related to the use of other temporarily restricted programs.

Net assets released from restrictions of $1,536,465 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.

12. 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.

13. 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.

13. 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, 2014:

Years Ending June 30,		
2015	$	31,620
2016		5,270
	$	36,890

Rent expense for the years ended June 30, 2014 and 2013 was approximately $159,100 and $153,900, respectively.

14. 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 Internal Revenue Code. As a qualified tax-exempt organization, the Organization must operate in conformity with the Internal Revenue 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.

15. Subsequent Events

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