

**DENVER URBAN MINISTRIES**

FINANCIAL STATEMENTS

\* \* \* \* \*

DECEMBER 31, 2012

## CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Statement of Financial Position	2
Statement of Activity	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 9

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Denver Urban Ministries  
Denver, Colorado

We have audited the accompanying financial statements of Denver Urban Ministries (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012, 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's 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's 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.

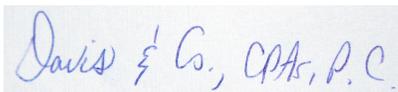
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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.

The prior year summarized comparative totals have been derived from the Organization's 2011 financial statements, and, in our opinion dated May 14, 2012, we issued an unqualified opinion on those financial statements.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Denver Urban Ministries as of December 31, 2012 and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Highlands Ranch, Colorado  
May 2, 2013

**DENVER URBAN MINISTRIES**  
Statement of Financial Position  
December 31, 2012  
(With Comparative Totals for 2011)

	<u>Unrestricted- Operating</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2012 Total</u>	<u>2011 Total</u>
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ 86,175	\$ --	\$ --	\$ 86,175	\$214,805
Marketable securities	--	23,925	110,253	134,178	126,008
Prepaid expenses	7,270			7,270	5,650
Grants and donations receivable	<u>5,989</u>	<u>161,875</u>		<u>167,864</u>	<u>186,716</u>
	99,434	185,800	110,253	395,487	533,179
Property, plant and equipment, at cost	581,253			581,253	572,753
Less: accumulated depreciation	<u>(217,874)</u>			<u>(217,874)</u>	<u>(200,745)</u>
	<u>363,379</u>			<u>363,379</u>	<u>372,008</u>
	<u>\$462,813</u>	<u>\$185,800</u>	<u>\$110,253</u>	<u>\$758,866</u>	<u>\$905,187</u>
<b>LIABILITIES AND NET ASSETS</b>					
Current liabilities					
Accounts payable	\$ 7,136	\$ --	\$ --	\$ 7,136	\$13,717
Note payable, bank line of credit	6,500			6,500	--
Accrued compensated absences	<u>10,062</u>			<u>10,062</u>	<u>16,348</u>
	23,698			23,698	30,065
Net assets	<u>439,115</u>	<u>185,800</u>	<u>110,253</u>	<u>735,168</u>	<u>875,122</u>
	<u>\$462,813</u>	<u>\$185,800</u>	<u>\$110,253</u>	<u>\$758,866</u>	<u>\$905,187</u>

The accompanying notes are a part of this statement.

**DENVER URBAN MINISTRIES**  
Statement of Activity  
For the Year Ended December 31, 2012  
(With Comparative Totals for 2011)

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>2012 Total</u>	<u>2011 Total</u>
<b>SUPPORT AND REVENUE</b>					
Private grants	\$ 107,219	\$ 308,125	\$ --	\$ 415,344	\$778,969
Contributions	218,704			218,704	206,053
Donated food & services	478,001			478,001	451,899
Government grants	65,084			65,084	68,554
Earned fees and income	106,000			106,000	136,915
Unrealized gains	--	8,256		8,256	744
Realized investment income	<u>388</u>	<u>6,514</u>		<u>6,902</u>	<u>6,536</u>
Total support and revenue	975,396	322,895	--	1,298,291	1,649,670
Net assets released from restrictions due to satisfaction of program restrictions	<u>364,000</u>	<u>(364,000)</u>			
Total support and revenue and reclassifications	1,339,396	(41,105)	--	1,298,291	1,649,670
<b>FUNCTIONAL EXPENSES</b>					
Program services					
Outreach services	1,058,416			1,058,416	1,142,262
Job Services	128,746			128,746	137,573
Community services	<u>141,669</u>			<u>141,669</u>	<u>154,080</u>
	1,328,831			1,328,831	1,433,915
Supporting services					
Management and general	73,240			73,240	84,018
Financial development	<u>36,174</u>			<u>36,174</u>	<u>34,303</u>
	<u>109,414</u>			<u>109,414</u>	<u>118,321</u>
Total expenses	<u>1,438,245</u>			<u>1,438,245</u>	<u>1,552,236</u>
<b>Change in net assets</b>	(98,849)	(41,105)	--	(139,954)	97,434
<b>Net assets, beginning of year</b>	<u>537,964</u>	<u>226,905</u>	<u>110,253</u>	<u>875,122</u>	<u>777,688</u>
<b>Net assets, end of year</b>	<u>\$439,115</u>	<u>\$185,800</u>	<u>\$110,253</u>	<u>\$735,168</u>	<u>\$875,122</u>

The accompanying notes are a part of this statement.

**DENVER URBAN MINISTRIES**  
Statement of Functional Expenses  
For the Year Ended December 31, 2012  
(With Comparative Totals for 2011)

	Program Services				Supporting Services		2012 <u>Total</u>	2011 <u>Total</u>
	<u>Outreach Services</u>	<u>Job Services</u>	<u>Community Services</u>	<u>Total</u>	<u>Management and General</u>	<u>Financial Devel- opment</u>		
Personnel expenses	\$131,568	\$91,092	\$99,223	\$321,883	\$52,781	\$17,593	\$392,257	\$422,630
Client needs and assistance:								
- Utility assistance	341,347	--	--	341,347	--	--	341,347	475,184
- Food bank	458,826	--	--	458,826	--	--	458,826	433,251
- Shelter, transportation & other	57,250	7,805	--	65,055	--	--	65,055	54,740
- Legal services	25,346	--	--	25,346	--	--	25,346	25,600
Contract & professional services	16,299	10,371	12,347	39,017	7,779	6,182	52,978	29,615
Occupancy costs	7,341	5,228	13,109	25,678	2,721	1,573	29,972	43,265
Office supplies & expenses	4,997	3,179	3,785	11,961	2,385	794	15,140	18,886
Communications & promotion	3,554	3,554	3,554	10,662	1,881	8,413	20,956	14,380
Travel, meetings & conferences	1,536	1,212	1,941	4,689	837	--	5,526	5,250
Insurance & miscellaneous	<u>4,527</u>	<u>2,879</u>	<u>3,428</u>	<u>10,834</u>	<u>2,159</u>	<u>720</u>	<u>13,713</u>	<u>13,625</u>
Expenses before depreciation	1,052,591	125,320	137,387	1,315,298	70,543	35,275	1,421,116	1,536,426
Depreciation	<u>5,825</u>	<u>3,426</u>	<u>4,282</u>	<u>13,533</u>	<u>2,697</u>	<u>899</u>	<u>17,129</u>	<u>15,810</u>
Total expenses	<u>\$1,058,416</u>	<u>\$128,746</u>	<u>\$141,669</u>	<u>\$1,328,831</u>	<u>\$73,240</u>	<u>\$36,174</u>	<u>\$1,438,245</u>	<u>\$1,552,236</u>

The accompanying notes are a part of this statement.

**DENVER URBAN MINISTRIES**  
Statement of Cash Flows  
For the Year Ended December 31, 2012  
(With Comparative Totals for 2011)

	<u>2012</u>	<u>2011</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$(139,954)	\$ 97,434
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation	17,129	15,810
Unrealized (gain) on marketable securities	(8,256)	(744)
Changes in operating assets and liabilities:		
(Increase) in marketable securities	(6,514)	(11,523)
(Increase) decrease in grants/donations receivable	18,852	(26,979)
(Increase) in prepaid expenses	(1,620)	(5,650)
Increase (decrease) in accounts payable	(6,581)	5,498
Increase (decrease) in accrued compensated absences	<u>(6,286)</u>	<u>2,682</u>
Net cash flow from operating activities	(133,230)	76,528
 <b>Cash flow from financing activity</b> – line of credit advance	 6,500	 --
 <b>Cash flow from investing activities:</b>		
Transfers from (donations to) endowment fund	6,600	6,300
Purchase of fixed assets	<u>(8,500)</u>	<u>(9,632)</u>
	(1,900)	(3,332)
 <b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	 (128,630)	 73,196
 <b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	 <u>214,805</u>	 <u>141,609</u>
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	 <u>\$86,175</u>	 <u>\$214,805</u>
 Supplemental disclosure of cash flow information:		
Interest/dividends received – cash basis	<u>\$2,896</u>	<u>\$3,712</u>

The accompanying notes are a part of this statement.

## DENVER URBAN MINISTRIES

Notes to Financial Statements

December 31, 2012

Note 1: Summary of Significant Accounting Policies

Significant accounting policies are as follows:

a. Organization

Denver Urban Ministries (DenUM) was organized in 1981 and received 501(c)(3) status as a non-profit agency in 1984. DenUM's mission is to "inspire hope as an advocate and trusted provider of needed services." DenUM serves low-income families throughout Metro Denver by providing emergency and stabilization services through its "Outreach Services" program, which operates a food pantry, offers rent and utility assistance, and provides infant items, legal counseling and health screenings. In 1993, DenUM's Job Services program was founded in order to provide supportive services to those looking for employment so they can be self sufficient. Through its Community Services program, DenUM operates the Urban Education program, which offers service learning and volunteer opportunities to groups within the Metro Denver community who travel to Denver from throughout the country. The volunteer program makes opportunities available to local volunteers to become involved in the work of DenUM.

In September of 1997, DenUM purchased property and a building to house all of its facilities and programs in one location in central Denver, Colorado. This centralization of facilities has furthered DenUM's goal of providing resources for economically challenged neighborhoods; thereby creating opportunities for self-sufficiency.

b. Financial statement presentation

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, support and revenues are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and the changes therein are classified and reported as follows:

Unrestricted – Resources not subject to donor-imposed restrictions.

Temporarily restricted – Resources subject to donor-imposed restrictions that will be satisfied by actions of the Organization or the passage of time.

Permanently restricted – Resources subject to donor-imposed restrictions which require principal to remain invested while certain earnings can be released for other purposes.

c. Cash and cash equivalents

The Organization considers all demand deposits and highly liquid investments purchased with an original maturity of three months or less to be cash equivalents provided they are not restricted as to withdrawal.

(Continued)

## DENVER URBAN MINISTRIES

### Notes to Financial Statements

December 31, 2012

Note 1: Summary of Significant Accounting Policies (Continued)

d. Property, plant and equipment

Expenditures for property, plant and equipment exceeding \$1,000 are capitalized at cost. Expenditures for maintenance, repairs and other renewals of items are charged to expense. When items are disposed of, the cost and accumulated depreciation are eliminated from the accounts and any gain or loss is included in the results of operations.

The provision for depreciation is calculated using the straight-line method based upon estimated useful lives of three years for computers, forty years for buildings and improvements, and five years for furniture, equipment and vehicles. Depreciation expense for 2012 was \$17,129.

e. Donated food, clothing and supplies

The Organization receives numerous substantial donations of food that would have to be purchased if not received by donation. The market value of food items donated to the Organization's food bank, totaling \$425,670, is recorded herein under "Client Needs and Assistance - Food Bank." The Organization also received \$25,346 of donated legal services benefiting clients and \$26,985 of donated accounting services, which are recorded herein under "Client Needs and Assistance – Legal Services" and "Contract & Professional Services", respectively..

f. Revenue recognition

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If a restriction is fulfilled in the same time period the contribution is received, the support is shown as unrestricted.

g. Accrued vacation payable

In accordance with US generally accepted accounting principles, the Organization accrues vacation leave when earned. The balance of the liability at December 31, 2012 was \$10,062.

h. Functional expenses

Expenses directly identified with a functional area are charged to such area. If an expense affects more than one area, it is allocated by the time expended or another reasonable basis.

(Continued)

**DENVER URBAN MINISTRIES**

Notes to Financial Statements

December 31, 2012

Note 1: Summary of Significant Accounting Policies (Continued)

i. Estimates

The preparation of financial statements in conformity with U. S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

j. Grants and donations receivable

The current balance is due from a large foundation with which the Organization has a long history. Accordingly, management believes all balances are fully collectable.

k. Subsequent Events

Management has evaluated subsequent events through May 2, 2013, the date that these financial statements were available to be issued.

l. Tax status

The Organization is exempted from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization has adopted FASB ASC #740. The Organization has no items of unrelated business income and believes it has conducted its operations in accordance with, and has properly maintained, its tax-exempt status.

Note 2: Property, Plant and Equipment

Property, plant and equipment cost basis at December 31, 2012 is as follows:

Land & improvements	\$ 87,783
Building & improvements	436,530
Equipment and furnishings	24,917
Program vehicles	<u>32,023</u>
	581,253
Less accumulated depreciation	<u>(217,874)</u>
	<u>\$363,379</u>

Note 3: Net Assets Released from Restrictions and Temporarily Restricted Net Assets

The Organization's \$185,800 of temporarily restricted net assets represent donor restricted contributions that are available for the following purposes at December 31, 2012 (along with a summary of activity for the year):

Purpose	Balance at	2012		Balance at
	Dec. 31, 2011	Receipts	Expenditures	Dec. 31, 2012
EOC - Utility Assistance Funds	\$183,750	\$308,125	\$(330,000)	\$161,875
Grants for food purchases	27,400	--	(27,400)	--
Unexpended endowment gains	<u>15,755</u>	<u>14,770</u>	<u>(6,600)</u>	<u>23,925</u>
	<u>\$226,905</u>	<u>\$322,895</u>	<u>\$(364,000)</u>	<u>\$185,800</u>

(Continued)

## DENVER URBAN MINISTRIES

Notes to Financial Statements

December 31, 2012

Note 4: Endowment Fund

The Organization's permanently restricted net assets represent a gift of stock received during 2000 with an original basis of \$104,380 and an additional donor contribution of \$5,873 received in 2006, totaling \$110,253. Per donor intent, principal is to be maintained in perpetuity while income and gains generated by the assets may be spent based on the spending policy of the Board of Directors, which allows for up to 4% of the fund to be spent in any given year.

During 2012 \$6,600 was authorized to be drawn out for operations and the underlying investments realized \$6,514 in investment income and gains and gained \$8,256 in market value appreciation, resulting in an underlying investment value of \$134,178. Accordingly, unspent cumulative income and gains of \$23,925 at December 31, 2012 are reflected as "temporarily restricted net assets" herein in accordance with the provisions of the Uniform Prudent Management of Institutional Funds Act, adopted by the Organization concurrently with the state of Colorado on January 1, 2009. The funds investment policy calls for a diversified cash, fixed income and equities portfolio which minimizes the risk of a large loss. All underlying securities are classified as Level 1 due to the availability of quoted market prices to record their fair market value..