

DENVER URBAN MATTERS

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

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FOR THE YEAR ENDED DECEMBER 31, 2015

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June 15, 2016

INDEPENDENT AUDITORS' REPORT

Board of Directors
Denver Urban Matters
Denver, Colorado

We have audited the accompanying financial statements of **Denver Urban Matters**, (a Colorado nonprofit organization) which comprise the statement of financial position as of December 31, 2015, 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 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.

Auditors' 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 auditors' 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 Denver Urban Matters as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Denver Urban Matters' 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 21, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Taylor, Roth and Company PLLC
TAYLOR, ROTH AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

DENVER URBAN MATTERS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015
(WITH COMPARATIVE TOTALS FOR 2014)

	2015			2014	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<u>Assets</u>					
Cash and cash equivalents	\$ 34,161	\$ 3,636	\$ -	\$ 37,797	\$ 59,081
Accounts receivable	212	-	-	212	-
Contributions receivable	2,195	-	-	2,195	10,100
Grants and contracts receivable	24,869	196,000	-	220,869	286,600
Prepaid expenses and deposits	6,258	-	-	6,258	6,694
Assets held by others (Note 3)	(4,040)	6,783	113,906	116,649	162,484
Property and equipment (Note 4)	390,229	-	-	390,229	359,128
Total assets	<u>\$ 453,884</u>	<u>\$ 206,419</u>	<u>\$ 113,906</u>	<u>\$ 774,209</u>	<u>\$ 884,087</u>
<u>Liabilities and net assets</u>					
<u>Liabilities</u>					
Accounts payable	\$ 21,827	\$ -	\$ -	\$ 21,827	\$ 21,196
Payroll liabilities	20,553	-	-	20,553	17,819
Line of credit (Note 5)	46,196	-	-	46,196	23,406
Capital lease obligation (Note 6)	38,077	-	-	38,077	-
Total liabilities	<u>126,653</u>	<u>-</u>	<u>-</u>	<u>126,653</u>	<u>62,421</u>
<u>Net assets</u>					
<u>Unrestricted net assets</u>					
Operating	(24,921)	-	-	(24,921)	74,844
Net investment in fixed assets	352,152	-	-	352,152	359,128
Temporarily restricted (Note 7)	-	206,419	-	206,419	273,788
Permanently restricted (Note 3)	-	-	113,906	113,906	113,906
Total net assets	<u>327,231</u>	<u>206,419</u>	<u>113,906</u>	<u>647,556</u>	<u>821,666</u>
Total liabilities and net assets	<u>\$ 453,884</u>	<u>\$ 206,419</u>	<u>\$ 113,906</u>	<u>\$ 774,209</u>	<u>\$ 884,087</u>

The accompanying notes are an integral part of these financial statements

DENVER URBAN MATTERS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015
(WITH COMPARATIVE TOTALS FOR 2014)

	2015			2014	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<u>Revenue and other support</u>					
Foundations	\$ 132,450	\$ 309,000	\$ -	\$ 441,450	\$ 571,559
Contributions	106,754	-	-	106,754	153,544
Urban Education & other program fees	98,766	-	-	98,766	68,842
Government	53,415	-	-	53,415	-
Special event income	60,625	-	-	60,625	25,666
less direct expenses	(19,131)	-	-	(19,131)	(21,058)
Faith communities	41,445	-	-	41,445	58,467
Corporations & other organizations	5,212	-	-	5,212	8,128
Insurance proceeds	1,521	-	-	1,521	-
Bequests	-	-	-	-	10,325
Other	2,057	-	-	2,057	-
Investment income (loss)	(18,742)	15,995	-	(2,747)	6,564
In-kind contributions (Note 8)	1,002,853	-	-	1,002,853	1,024,323
Net assets released from restrictions (Note 9)	392,364	(392,364)	-	-	-
Total revenue and other support	<u>1,859,589</u>	<u>(67,369)</u>	<u>-</u>	<u>1,792,220</u>	<u>1,906,360</u>
<u>Expense</u>					
<u>Program services</u>					
Basic Human Services	1,551,356	-	-	1,551,356	1,494,864
Community Education	144,361	-	-	144,361	155,079
Employment Services	123,322	-	-	123,322	89,819
Total program services	<u>1,819,039</u>	<u>-</u>	<u>-</u>	<u>1,819,039</u>	<u>1,739,762</u>
<u>Supporting services</u>					
Management and general	123,745	-	-	123,745	137,790
Fund-raising	23,546	-	-	23,546	27,040
Total expense	<u>1,966,330</u>	<u>-</u>	<u>-</u>	<u>1,966,330</u>	<u>1,904,592</u>
Change in net assets	(106,741)	(67,369)	-	(174,110)	1,768
Net assets, beginning of year	<u>433,972</u>	<u>273,788</u>	<u>113,906</u>	<u>821,666</u>	<u>819,898</u>
Net assets, end of year	<u>\$ 327,231</u>	<u>\$ 206,419</u>	<u>\$ 113,906</u>	<u>\$ 647,556</u>	<u>\$ 821,666</u>

The accompanying notes are an integral part of these financial statements

DENVER URBAN MATTERS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015
(WITH COMPARATIVE TOTALS FOR 2014)

	2015				2014			
	Program Services			Total Program	Supporting Services			Total
	Basic Human Services	Community Education	Employment Services		Management And General	Fund- raising	Total	
Salaries	\$ 116,749	\$ 85,630	\$ 82,623	\$ 285,002	\$ 63,698	\$ -	\$ 348,700	\$ 354,009
Payroll taxes & benefits	26,957	16,248	21,749	64,954	8,424	1,856	75,234	66,087
Client needs & assistance:								
Food pantry	935,462	-	-	935,462	-	-	935,462	955,917
Utility assistance	350,111	-	-	350,111	-	-	350,111	294,051
Legal services	49,692	-	15	49,707	-	-	49,707	64,903
Nursing services	11,840	-	-	11,840	-	-	11,840	1,827
Rent assistance	10,664	-	-	10,664	-	-	10,664	9,232
Other direct assistance	20,061	-	-	20,061	-	-	20,061	-
Contract services	-	6,199	-	6,199	12,060	-	18,259	11,117
Utilities	4,861	3,157	3,078	11,096	1,586	1,609	14,291	14,032
Insurance	5,086	4,435	2,404	11,925	1,030	1,190	14,145	14,094
IT services	4,326	2,766	2,734	9,826	1,291	1,441	12,558	26,987
Accounting fees	-	-	-	-	11,290	120	11,410	10,259
Occupancy	-	10,344	-	10,344	-	-	10,344	7,579
Telephone & internet	3,023	1,922	2,006	6,951	893	992	8,836	7,763
Dues, subscriptions, fees	-	26	60	86	4,452	3,238	7,776	3,807
Printing	1,299	791	744	2,834	1,744	2,529	7,107	3,019
Supplies	668	2,431	340	3,439	1,255	1,533	6,227	7,592
Repairs & maintenance	196	127	127	450	4,579	69	5,098	2,045
Postage	651	422	422	1,495	267	2,550	4,312	5,733
Grant writing	-	-	-	-	-	4,290	4,290	5,070
Equipment leases & maintenance	862	558	1,828	3,248	536	304	4,088	10,076
Staff development	1,156	748	748	2,652	800	408	3,860	4,811
Interest	-	-	-	-	3,018	-	3,018	600
Advertising	286	182	180	648	2,247	94	2,989	2,408
Bad debt	-	1,685	-	1,685	-	-	1,685	650
Volunteer training & recognition	-	497	-	497	474	-	971	258
All other	337	995	106	1,438	1,475	232	3,145	4,082
	<u>1,544,287</u>	<u>139,163</u>	<u>119,164</u>	<u>1,802,614</u>	<u>121,119</u>	<u>22,455</u>	<u>1,946,188</u>	<u>1,888,008</u>
Depreciation	7,069	5,198	4,158	16,425	2,626	1,091	20,142	16,584
Total expenses	<u>\$ 1,551,356</u>	<u>\$ 144,361</u>	<u>\$ 123,322</u>	<u>\$ 1,819,039</u>	<u>\$ 123,745</u>	<u>\$ 23,546</u>	<u>\$ 1,966,330</u>	<u>\$ 1,904,592</u>

The accompanying notes are an integral part of these financial statements

DENVER URBAN MATTERS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015
(WITH COMPARATIVE TOTALS FOR 2014)

	<u>2015</u>	<u>2014</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ (174,110)	\$ 1,768
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	20,142	16,584
Unrealized (gain)loss on endowment	18,830	(1,570)
<u>Changes in operating assets and liabilities</u>		
Decrease(increase) in accounts receivable	(212)	-
Decrease(increase) in contributions receivable	7,905	(10,100)
Decrease(increase) in grants receivable	65,731	(56,375)
Decrease(increase) in prepaid expenses and deposits	436	(2,204)
Increase(decrease) in accounts payable	631	(2)
Increase(decrease) in fiscal agent liability	-	(722)
Increase(decrease) in payroll accruals	2,734	(1,091)
Net cash provided(used) by operating activities	<u>(57,913)</u>	<u>(53,712)</u>
<u>Cash flows from investing activities</u>		
(Reinvestment) of endowment earnings	(15,995)	(4,962)
(Donations to)transfers from endowment fund	43,000	-
(Purchases) of fixed assets	(9,221)	(19,470)
Net cash provided(used) by investing activities	<u>17,784</u>	<u>(24,432)</u>
<u>Cash flows from financing activities</u>		
(Repayment) on capital leases	(3,945)	-
Borrowing(repayment) on line of credit	22,790	13,406
Net cash provided(used) by financing activities	<u>18,845</u>	<u>13,406</u>
Net increase(decrease) in cash and cash equivalents	(21,284)	(64,738)
Cash and cash equivalents, beginning of year	59,081	123,819
Cash and cash equivalents, end of year	<u>\$ 37,797</u>	<u>\$ 59,081</u>
<u>Supplemental disclosure of information:</u>		
Cash paid during the period for interest	<u>\$ 3,018</u>	<u>\$ 600</u>
Property purchased under a capital lease	<u>\$ 42,022</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

DENVER URBAN MATTERS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1 - NATURE OF ACTIVITIES

Denver Urban Matters (DenUM)(the Organization) was organized in 1981 and was incorporated in 1984 as a non-profit corporation. DenUM is an advocate, educator, and trusted provider of basic human and employment services to vulnerable families in greater Denver. During the year, the Organization legally changed its name from Denver Urban Ministries to Denver Urban Matters. The Organization is primarily funded by foundation grants and individual contributions. The Organization operates the following major programs:

Basic Human Services Program: Through this program, DenUM operates a food pantry, rent and utility assistance, and provides infant items, legal counseling, and health screenings.

Community Education Program: Through this program, DenUM operates the Urban Education program, which offers service learning and volunteer opportunities to groups within the greater Denver community who travel to Denver from across the country. The volunteer program makes opportunities available to local volunteers to become involved in the work of DenUM and create a more sustainable community.

Employment Services Program: Through this program, DenUM provides self-sufficiency services to those looking for employment so they can find and keep work.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

1. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

2. Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

3. Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

4. Donations

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (Continued)

4. Donations (Concluded)

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless the explicit donor stipulations specify how the donated assets must be used. 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 donor stipulations regarding 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.

5. Receivables

No allowance for doubtful accounts has been established. Management has evaluated these items and believes all receivables will be collected.

6. Capitalization and Depreciation

The Organization follows a practice of capitalizing all expenditures for furniture and equipment in excess of \$1,000. The fair value of donated assets is similarly capitalized. Depreciation of furniture and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis.

7. Estimates

The preparation of financial statements in conformity with 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.

8. Income Taxes

The Organization has received an Internal Revenue Service exemption from federal income taxes under Section 501(c)(3). Accordingly, no provision or liability for income taxes has been provided in the accompanying financial statements.

9. Functional Reporting of Expenses

For the year ended December 31, 2015, the costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

10. Summarized Prior-Year Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (Concluded)

11. Fair Value Measurements

The Organization is subject to the provisions of the Fair Value Measurements and Disclosures accounting standard. This standard requires the use of a fair value hierarchy that prioritizes the inputs to valuation techniques used the measure fair value into three levels: quoted market prices in active markets for identical assets and liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs for the asset or liability (Level 3).

12. Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

13. Subsequent Events

Management has evaluated subsequent events through June 15, 2016, the date the financial statements were available to be issued.

NOTE 3 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS – UNRESTRICTED, TEMPORARILY RESTRICTED, AND PERMANENTLY RESTRICTED NET ASSETS

The Organization has established an endowment fund through the Rocky Mountain United Methodist Foundation, Inc. The Organization's permanently restricted net assets represent a gift of stock received during 2000 with an original basis of \$104,380. Additional donor contributions of \$5,873 and \$3,653 in 2006 and 2013, respectively, have increased the permanent corpus to \$113,906. Per donor intent, principal is to be maintained in perpetuity while realized 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.

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, realized gains and income not yet distributed are recorded herein as a component of temporarily restricted net assets until spent.

The fund is stated at fair value, based on quoted market prices within active markets (Level 2 inputs).

<u>Description</u>	<u>Book Value</u>	<u>Fair Value</u>	<u>Appreciation (Depreciation)</u>
Money market	\$ 61,705	\$ 61,705	\$ 0
Equity growth fund	24,389	32,717	8,328
Fixed income fund	<u>23,793</u>	<u>22,227</u>	<u>(1,565)</u>
Total	<u>\$ 109,887</u>	<u>\$ 116,649</u>	<u>\$ 6,763</u>

NOTE 3 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS – UNRESTRICTED, TEMPORARILY RESTRICTED, AND PERMANENTLY RESTRICTED NET ASSETS (Concluded)

Changes in endowment net assets as of December 31, 2015 are as follows:

<u>Description</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, beginning of year	\$ 14,790	\$ 33,788	\$ 113,906	\$ 162,484
Interest & dividend income	-	2,573	-	2,573
Realized gains & losses	-	13,422	-	13,422
Unrealized gains & losses	(18,830)	-	-	(18,830)
Distributions	-	(43,000)	-	(43,000)
Balance, end of year	<u>\$ (4,040)</u>	<u>\$ 6,783</u>	<u>\$ 113,906</u>	<u>\$ 116,649</u>

Additionally, the Organization earned interest income of \$88 on its operating cash and cash equivalents.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<u>Description</u>	<u>Amount</u>
Land	\$ 79,283
Building and improvements	482,644
Leased equipment	42,022
Program vehicles	32,023
Furniture and equipment	<u>25,450</u>
Total	661,422
Less: accumulated depreciation	<u>(271,193)</u>
Net property and equipment	<u>\$ 390,229</u>

Depreciation expense for the year was \$20,142.

The Organization records all capital assets at historical cost as of the date acquired. During 2014, the building owned by DenUM was valued at \$775,400 which was equal to the Tax Assessed value of the property.

NOTE 5 - LINE OF CREDIT

The Organization has a \$100,000 bank line-of-credit at an interest rate of prime plus 1 percent. The line is secured by checking and savings accounts held at the bank. At year end, the balance was \$46,196 and the interest rate was 5%.

NOTE 6 - CAPITAL LEASE OBLIGATION

The Organization has two copiers under capital leasing arrangements. The future minimum lease payments are:

<u>Year</u>	<u>Amount</u>
2016	\$ 9,588
2017	9,588
2018	9,588
2019	9,588
2020	<u>6,392</u>
Total payments	44,744
Less: amount representing interest	<u>(6,667)</u>
Present value of capital lease obligation	<u>\$ 38,077</u>

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

At year-end, temporarily restricted net assets were available for the following program purposes:

<u>Description</u>	<u>Amount</u>
Utility assistance	\$ 196,000
Unexpended endowment gains	6,783
Inclusivity	<u>3,636</u>
Total	<u>\$ 206,419</u>

NOTE 8 - IN-KIND CONTRIBUTIONS

During the year, in-kind contributions were received as follows:

<u>Description</u>	<u>Amount</u>
Food	\$ 922,590
Client legal services	43,662
Diapers and other household items	19,781
Client nursing services	11,840
Accounting services	<u>4,980</u>
Total	<u>\$ 1,002,853</u>

No amounts have been reflected in the financial statements for donated services not requiring specific expertise. The Organization pays for most services requiring professional level skills. However, during the year, volunteers donated 16,234 hours of non-professional level service. Management estimates the fair value of those services to be \$ 421,435.

NOTE 9 - NET ASSETS RELEASED FROM RESTRICTIONS

During the year, expenditures were made satisfying donor restrictions as follows:

<u>Description</u>	<u>Amount</u>
Utility assistance	\$ 349,000
Endowment transfers	43,000
Inclusivity	<u>364</u>
Total	<u>\$ 392,364</u>

NOTE 10 - RETIREMENT PLAN

The Organization has a SIMPLE IRA plan covering all employees. The Organization matches participants' contributions to the plan up to 3% of compensation. The total retirement plan expense for the year was \$7,880.

NOTE 11 - RELATED PARTY TRANSACTIONS

Board members are not paid for their board functions; however, one board member performed contractual IT services in 2015 and received payments totaling \$12,536.

NOTE 12 - CONCENTRATION OF FUNDING SOURCE

During the year, the Organization received 41% of its cash funding from one funder and is dependent on that support to continue at the current level of service.