

DENVER URBAN MINISTRIES

FINANCIAL STATEMENTS

* * * * *

DECEMBER 31, 2006

CONTENTS

	<u>Page</u>
Report of Independent Certified Public Accountants	1
Statement of Financial Position	2
Statement of Activity	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-8

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
Denver Urban Ministries
Denver, Colorado

We have audited the accompanying statement of financial position of Denver Urban Ministries as of December 31, 2006 and the related statements of activity, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2005 financial statements and, in our report dated February 15, 2006, we expressed an unqualified opinion on those financial statements.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Denver Urban Ministries at December 31, 2006 and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Davis & Co., CPAs, P.C.
Certified Public Accountants

Highlands Ranch, Colorado
April 6, 2007

DENVER URBAN MINISTRIES
Statement of Financial Position
December 31, 2006
(With Comparative Totals for 2005)

	<u>Unrestricted-</u> <u>Operating</u>	<u>Temporarily</u> <u>Restricted</u>	<u>Permanently</u> <u>Restricted</u>	<u>2006</u> <u>Total</u>	<u>2005</u> <u>Total</u>
ASSETS					
Current assets					
Cash and cash equivalents	\$ 55,979	\$ 17,140	\$ --	\$ 73,119	\$ 38,146
Grants and donations receivable	<u>2,938</u>	<u>80,325</u>	<u> </u>	<u>83,263</u>	<u>96,931</u>
	58,917	97,465		156,382	135,077
Long-term investment- Endowment Fund			135,983	135,983	113,360
Property, plant and equipment, at cost	536,716			536,716	536,556
Less: accumulated depreciation	<u>(132,306)</u>	<u> </u>	<u> </u>	<u>(132,306)</u>	<u>(126,310)</u>
	<u>404,410</u>	<u> </u>	<u> </u>	<u>404,410</u>	<u>410,246</u>
	<u>\$463,327</u>	<u>\$97,465</u>	<u>\$135,983</u>	<u>\$696,775</u>	<u>\$658,683</u>
LIABILITIES AND NET ASSETS					
Current liabilities					
Accounts payable	\$ 4,992	\$ --	\$ --	\$ 4,992	\$ 7,755
Accrued compensated absences	<u>9,431</u>	<u> </u>	<u> </u>	<u>9,431</u>	<u>8,642</u>
	14,423			14,423	16,397
Net assets	<u>448,904</u>	<u>97,465</u>	<u>135,983</u>	<u>682,352</u>	<u>642,286</u>
	<u>\$463,327</u>	<u>\$97,465</u>	<u>\$135,983</u>	<u>\$696,775</u>	<u>\$658,683</u>

The accompanying notes are a part of this statement.

DENVER URBAN MINISTRIES
Statement of Activity
For the Year Ended December 31, 2006
(With Comparative Totals for 2005)

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>2006 Total</u>	<u>2005 Total</u>
SUPPORT AND REVENUE					
Private grants	\$198,931	\$133,307	\$ --	\$332,238	\$280,649
Contributions	152,922		5,873	158,795	130,396
In-kind services and materials	356,806			356,806	342,512
Government grants	22,065			22,065	26,451
Earned fees and income	40,041			40,041	29,053
Unrealized gains	--		16,750	16,750	6,257
Interest and other	<u>6,363</u>			<u>6,363</u>	<u>4,965</u>
Total support and revenue	777,128	133,307	22,623	933,058	820,280
Net assets released from restrictions due to satisfaction of program restrictions	<u>126,167</u>	<u>(126,167)</u>	_____	_____	_____
Total support and revenue and reclassifications	903,295	7,140	22,623	933,058	820,280
FUNCTIONAL EXPENSES					
Program services					
Outreach services	569,584			569,584	514,261
Job Services	158,603			158,603	181,522
Volunteer services	<u>100,837</u>			<u>100,837</u>	<u>84,942</u>
	829,024			829,024	780,725
Supporting services					
Management and general	25,776			25,776	26,924
Financial development	<u>38,192</u>			<u>38,192</u>	<u>44,192</u>
	<u>63,968</u>			<u>63,968</u>	<u>71,116</u>
Total expenses	<u>892,992</u>			<u>892,992</u>	<u>851,841</u>
Change in net assets	10,303	7,140	22,623	40,066	(31,561)
Net assets, beginning of year	<u>438,601</u>	<u>90,325</u>	<u>113,360</u>	<u>642,286</u>	<u>673,847</u>
Net assets, end of year	<u>\$448,904</u>	<u>\$97,465</u>	<u>\$135,983</u>	<u>\$682,352</u>	<u>\$642,286</u>

The accompanying notes are a part of this statement.

DENVER URBAN MINISTRIES
Statement of Functional Expenses
For the Year Ended December 31, 2006
(With Comparative Totals for 2005)

	Program Services				Supporting Services		2006 <u>Total</u>	2005 <u>Total</u>
	<u>Outreach Services</u>	<u>Job Services</u>	<u>Volunteer Services</u>	<u>Total</u>	<u>Management and General</u>	<u>Financial Devel- opment</u>		
Personnel expenses	\$ 92,489	\$102,137	\$ 54,088	\$248,714	\$17,179	\$25,769	\$291,662	\$258,462
Client needs and assistance:								
Rent and utility assistance	125,632	--	--	125,632	--	--	125,632	102,795
Food and clothing bank & other	328,519	35,461	20,175	384,155	--	--	384,155	361,369
Contract & professional services	1,815	2,690	3,907	8,412	1,590	1,923	11,925	14,890
Occupancy costs	5,871	2,802	8,218	16,891	1,508	2,262	20,661	27,030
Office supplies & expenses	4,712	6,609	6,433	17,754	3,129	4,693	25,576	42,447
Telecommunications & internet	2,237	2,236	3,465	7,938	895	1,341	10,174	12,029
Travel, meetings & conferences	2,903	659	1,376	4,938	440	659	6,037	13,354
Insurance & miscellaneous	<u>1,980</u>	<u>2,201</u>	<u>1,163</u>	<u>5,344</u>	<u>380</u>	<u>566</u>	<u>6,290</u>	<u>8,267</u>
Expenses before depreciation	566,158	154,795	98,825	819,778	25,121	37,213	882,112	840,643
Depreciation	<u>3,426</u>	<u>3,808</u>	<u>2,012</u>	<u>9,246</u>	<u>655</u>	<u>979</u>	<u>10,880</u>	<u>11,198</u>
Total expenses	<u>\$569,584</u>	<u>\$158,603</u>	<u>\$100,837</u>	<u>\$829,024</u>	<u>\$25,776</u>	<u>\$38,192</u>	<u>\$892,992</u>	<u>\$851,841</u>

The accompanying notes are a part of this statement.

DENVER URBAN MINISTRIES
Statement of Cash Flows
For the Year Ended December 31, 2006
(With Comparative Totals for 2005)

	<u>2006</u>	<u>2005</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$40,066	\$(31,561)
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation	10,880	11,198
Unrealized gain on investment	(16,750)	(6,257)
Changes in operating assets and liabilities:		
Decrease (increase) in grants and donations receivable	13,668	(33,706)
(Decrease) increase in accounts payable	(2,763)	4,039
Increase in accrued compensated absences	<u>789</u>	<u>1,189</u>
Net cash flow from operating activities	45,890	(55,098)
Cash flow from investing activities:		
Donations to endowment fund	(5,873)	
Purchase of fixed assets	<u>(5,044)</u>	<u>(12,023)</u>
	(10,917)	(12,023)
CHANGE IN CASH AND CASH EQUIVALENTS	34,973	(67,121)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>38,146</u>	<u>105,267</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$73,119</u>	<u>\$38,146</u>
Supplemental disclosure of cash flow information:		
Interest/dividends received	<u>\$1,698</u>	<u>\$1,330</u>

The accompanying notes are a part of this statement.

DENVER URBAN MINISTRIES

Notes to Financial Statements

December 31, 2006

Note 1: Summary of Significant Accounting Policies

Significant accounting policies are as follows:

a. Organization

Denver Urban Ministries (DenUM) was organized in 1981 as a 501(c)(3) non-profit agency. DenUM provides emergency and stabilization services within impoverished neighborhoods in Denver through its signature "Outreach Services" program, which operates a food/clothing bank and provides rent/utility assistance to those demonstrating need. Self-sufficiency opportunities were initiated in 1989 and DenUM's "Job Services" program opened in 1994. The "Urban Education" program is the primary component of DenUM's volunteer services area and offers volunteer opportunities for local volunteers to become involved in the life of Denver Urban Ministries. The "Urban Education" program also serves as a host for youth and adult groups from around the country who are seeking hands-on inner city service-learning experiences.

In September 1997 the Organization purchased property and a building to house all of its facilities and programs in one location in central downtown Denver, Colorado. Extensive renovations were made to the facility during the end of 1997 and in 1998. This centralization of facilities has furthered the Organization's goal of providing resources for economically challenged and ethnically transitional neighborhoods; thereby creating opportunities for self-sufficiency and community activism.

b. Financial statement presentation

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. 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 legally restricted as to withdrawal.

(Continued)

DENVER URBAN MINISTRIES

Notes to Financial Statements

December 31, 2006

Note 1: Summary of Significant Accounting Policies (Continued)

d. Property, plant and equipment

Expenditures for property, plant and equipment 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 2006 was \$10,880.

e. Donated food, clothing and supplies

The Organization receives numerous donations of food, clothing and other supplies that would have to be purchased if not received by donation. The market value of food and the "thrift" value of clothing donated to the Organization's food and clothing bank, totaling \$336,631, are recorded herein as the major components of "Client Needs and Assistance - Food and Clothing Bank." The Organization also received \$20,175 of donated legal services benefiting clients which are also recorded herein under "Client Needs and Assistance - other."

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 the Financial Accounting Standards Board Statement No. 43, *Accounting for Compensated Absences*, the Organization accrues vacation leave when earned.

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, 2006

Note 1: Summary of Significant Accounting Policies (Continued)

i. 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.

j. Tax status

The Internal Revenue Service has recognized the Organization since inception under Section 501(c)(3) of the Internal Revenue Code.

Note 2: Property, Plant and Equipment

A summary of property, plant and equipment at December 31, 2006 is as follows:

Land - 1717 East Colfax	\$ 79,283
Building - 1717 East Colfax	118,559
Building improvements	293,574
Office equipment and furniture	21,150
Van	<u>24,150</u>
	536,716
Less accumulated depreciation	<u>(132,306)</u>
	<u>\$404,410</u>

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

The Organization's \$97,465 of temporarily restricted net assets represents donor restricted contributions that are available for the following purposes at December 31, 2006 (along with a summary of activity for the year):

<u>Purpose</u>	<u>Balance at Dec. 31, 2005</u>	<u>2006</u>	<u>Balance at Dec. 31, 2006</u>
		<u>Receipts</u> <u>Expenditures</u>	
EOC- Utility Assistance Fund	\$80,325	\$130,342 \$(116,167)	\$94,500
Foundation grants for next year	<u>10,000</u>	<u>2,965</u> <u>(10,000)</u>	<u>2,965</u>
	<u>\$90,325</u>	<u>\$133,307</u> <u>\$(126,167)</u>	<u>\$97,465</u>

Note 4: Endowment Fund

The Organization's \$135,983 of permanently restricted net assets represents a donor-restricted gift of stock received during 2000 with an original basis of \$104,380. During 2006 \$5,873 of additional contributions were added to the fund and an unrealized market fluctuation gain of \$16,750 occurred. The principal of \$110,253 is to be maintained in perpetuity while a portion of the annual income generated by the asset may be transferred and used for program needs as determined by the Board of Directors. Since inception, no transfers of this nature have yet been made.