

DENVER URBAN MINISTRIES

FINANCIAL STATEMENTS

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DECEMBER 31, 2010

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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, 2010 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 2009 financial statements and, in our report dated April 23, 2010, 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, 2010 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
March 25, 2011

DENVER URBAN MINISTRIES
Statement of Financial Position
December 31, 2010
(With Comparative Totals for 2009)

	<u>Unrestricted- Operating</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2010 Total</u>	<u>2009 Total</u>
ASSETS					
Current assets					
Cash and cash equivalents	\$128,570	\$ 13,039	\$ --	\$141,609	\$202,627
Marketable securities	--	9,788	110,253	120,041	109,817
Grants and donations receivable	<u>23,070</u>	<u>136,667</u>	<u> </u>	<u>159,737</u>	<u>146,637</u>
	151,640	159,494	110,253	421,387	459,081
Property, equipment, and vehicles	563,091			563,091	563,091
Less: accumulated depreciation	<u>(184,935)</u>	<u> </u>	<u> </u>	<u>(184,935)</u>	<u>(169,336)</u>
	<u>378,186</u>	<u> </u>	<u> </u>	<u>378,186</u>	<u>393,755</u>
	<u>\$529,826</u>	<u>\$159,494</u>	<u>\$110,253</u>	<u>\$799,573</u>	<u>\$852,836</u>
LIABILITIES AND NET ASSETS					
Current liabilities					
Accounts payable	\$ 8,219	\$ --	\$ --	\$ 8,219	\$ 4,477
Accrued compensated absences	<u>13,666</u>	<u> </u>	<u> </u>	<u>13,666</u>	<u>10,982</u>
	21,885			21,885	15,459
Net assets	<u>507,941</u>	<u>159,494</u>	<u>110,253</u>	<u>777,688</u>	<u>837,377</u>
	<u>\$529,826</u>	<u>\$159,494</u>	<u>\$110,253</u>	<u>\$799,573</u>	<u>\$852,836</u>

The accompanying notes are a part of this statement.

DENVER URBAN MINISTRIES
Statement of Activity
For the Year Ended December 31, 2010
(With Comparative Totals for 2009)

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	2010 <u>Total</u>	2009 <u>Total</u>
SUPPORT AND REVENUE					
Private grants	\$ 221,030	\$ 538,382	\$ --	\$ 759,412	\$585,790
Contributions	199,060			199,060	266,011
Donated food & services	402,748			402,748	271,082
Government grants	24,755			24,755	48,049
Earned fees and income	83,709			83,709	64,652
Unrealized gains (losses)	--	6,181		6,181	14,403
Realized investment income	<u>750</u>	<u>4,851</u>		<u>5,601</u>	<u>2,913</u>
Total support and revenue	932,052	549,414	--	1,481,466	1,252,900
Net assets released from restrictions due to satisfaction of program restrictions	<u>529,515</u>	<u>(529,515)</u>			
Total support and revenue and reclassifications	1,461,567	19,899	--	1,481,466	1,252,900
FUNCTIONAL EXPENSES					
Program services					
Outreach services	1,150,396			1,150,396	779,491
Job Services	141,468			141,468	157,232
Community services	<u>141,062</u>			<u>141,062</u>	<u>96,517</u>
	1,432,926			1,432,926	1,033,240
Supporting services					
Management and general	64,135			64,135	36,806
Financial development	<u>44,094</u>			<u>44,094</u>	<u>30,733</u>
	<u>108,229</u>			<u>108,229</u>	<u>67,539</u>
Total expenses	<u>1,541,155</u>			<u>1,541,155</u>	<u>1,100,779</u>
Change in net assets	(79,588)	19,899	--	(59,689)	152,121
Net assets, beginning of year	<u>587,529</u>	<u>139,595</u>	<u>110,253</u>	<u>837,377</u>	<u>685,256</u>
Net assets, end of year	<u>\$507,941</u>	<u>\$159,494</u>	<u>\$110,253</u>	<u>\$777,688</u>	<u>\$837,377</u>

The accompanying notes are a part of this statement.

DENVER URBAN MINISTRIES
Statement of Functional Expenses
For the Year Ended December 31, 2010
(With Comparative Totals for 2009)

	Program Services				Supporting Services		2010 <u>Total</u>	2009 <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	\$157,398	\$107,562	\$109,199	\$374,159	\$42,306	\$28,205	\$444,670	\$337,196
Client needs and assistance:								
- Utility assistance	497,515	--	--	497,515	--	--	497,515	285,560
- Food bank	390,669	--	--	390,669	--	--	390,669	264,429
- Shelter, transportation & other	49,606	15,652	--	65,258	--	--	65,258	69,338
- Legal services	30,127	--	--	30,127	--	--	30,127	24,600
Contract & professional services	798	798	3,593	5,189	6,561	7,424	19,174	18,588
Occupancy costs	5,198	3,274	11,072	19,544	2,477	1,652	23,673	36,091
Office supplies & expenses	4,566	4,370	3,924	12,860	5,463	2,797	21,120	23,814
Technology & communications	3,882	3,842	3,752	11,476	2,475	1,650	15,601	10,847
Travel, meetings & conferences	2,803	84	1,716	4,603	786	524	5,913	5,984
Insurance & miscellaneous	<u>2,304</u>	<u>2,108</u>	<u>3,993</u>	<u>8,405</u>	<u>2,598</u>	<u>863</u>	<u>11,866</u>	<u>10,011</u>
Expenses before depreciation	1,144,866	137,690	137,249	1,419,805	62,666	43,115	1,525,586	1,086,458
Depreciation	<u>5,530</u>	<u>3,778</u>	<u>3,813</u>	<u>13,121</u>	<u>1,469</u>	<u>979</u>	<u>15,569</u>	<u>14,321</u>
Total expenses	<u>\$1,150,396</u>	<u>\$141,468</u>	<u>\$141,062</u>	<u>\$1,432,926</u>	<u>\$64,135</u>	<u>\$44,094</u>	<u>\$1,541,155</u>	<u>\$1,100,779</u>

The accompanying notes are a part of this statement.

DENVER URBAN MINISTRIES
Statement of Cash Flows
For the Year Ended December 31, 2010
(With Comparative Totals for 2009)

	<u>2010</u>	<u>2009</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$(59,689)	\$152,121
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation	15,569	14,321
Unrealized loss (gain) on marketable securities	(6,181)	(14,403)
Changes in operating assets and liabilities:		
(Increase) decrease in marketable securities	(4,043)	(948)
(Increase) in grants and donations receivable	(13,100)	(12,466)
Increase in accounts payable	3,742	1,865
Increase in accrued compensated absences	<u>2,684</u>	<u>337</u>
Net cash flow from operating activities	(61,018)	140,827
Cash flow from investing activities:		
Transfers from (donations to) endowment fund	--	--
Purchase of fixed assets	<u>--</u>	<u>(18,502)</u>
	--	(18,502)
CHANGE IN CASH AND CASH EQUIVALENTS	(61,018)	122,325
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>202,627</u>	<u>80,302</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$141,609</u>	<u>\$202,627</u>
Supplemental disclosure of cash flow information:		
Interest/dividends received – cash basis	<u>\$3,457</u>	<u>\$1,110</u>
Interest expense – cash basis	<u>\$ --</u>	<u>\$ 4</u>

The accompanying notes are a part of this statement.

DENVER URBAN MINISTRIES

Notes to Financial Statements

December 31, 2010

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 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 restricted as to withdrawal.

(Continued)

DENVER URBAN MINISTRIES
Notes to Financial Statements
December 31, 2010

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 2010 was \$15,569.

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 \$372,621, is recorded herein under "Client Needs and Assistance - Food Bank." The Organization also received \$30,127 of donated legal services benefiting clients are recorded herein under "Client Needs and Assistance – Legal Services".

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, 2010

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.

Effective January 1, 2010 the Organization adopted FASB Interpretation #48, "Accounting for Uncertainty in Income Taxes" (FIN 48), which interpreted various previous announcements with respect to the accounting for all tax positions taken (or expected to be taken) on any income tax return. The Organization determined that no cumulative effect adjustment was necessary upon adoption of FIN 48, and that no uncertain tax positions have been taken (or are expected to be taken) that could have a material effect on its income tax liabilities. The Organization believes that 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, 2010 is as follows:

Land	\$ 79,283
Building & improvements	426,898
Equipment and furnishings	24,917
Program vehicles	<u>32,023</u>
	563,121
Less accumulated depreciation	<u>(184,935)</u>
	<u><u>\$378,186</u></u>

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

The Organization's 159,494 of temporarily restricted net assets represent donor restricted contributions that are available for the following purposes at December 31, 2010 (along with a summary of activity for the year):

Purpose	Balance at Dec. 31, 2009	2010		Balance at Dec. 31, 2010
		Receipts	Expenditures	
EOC - Utility Assistance Funds	\$ 95,800	\$538,382	\$(497,515)	\$136,667
Unexpended endowment gains	11,795	11,032	--	22,827
ESG grants for next fiscal year	<u>32,000</u>	--	<u>(32,000)</u>	<u>--</u>
	<u><u>\$139,595</u></u>	<u><u>\$549,414</u></u>	<u><u>\$(529,515)</u></u>	<u><u>\$159,494</u></u>

(Continued)

DENVER URBAN MINISTRIES
Notes to Financial Statements
December 31, 2010

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. 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 2010 unrealized gains of \$6,181 and investment income of \$4,851 increased the market value of the underlying investments to \$133,080. No expenditures have been authorized to date as the fund has just recently appreciated back to a level in excess of original donor principal. Accordingly, unspent cumulative income and gains of \$22,827 at December 31, 2010 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.