

CAPITOL HILL COMMUNITY SERVICES

FINANCIAL STATEMENTS

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AUGUST 31, 2022

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Member, AICPA and Colorado Society of CPAs

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Capitol Hill Community Services
Englewood, Colorado

Opinion

We have audited the accompanying financial statements of Capitol Hill Community Services (a nonprofit organization), which comprise the statement of financial position as of August 31, 2022, and the related statements of activity and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Capitol Hill Community Services as of August 31, 2022 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Capitol Hill Community Services and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Capitol Hill Community Services' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Capitol Hill Community Services' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Capitol Hill Community Services' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Davin + Co., CPAs, P.C.

Highlands Ranch, Colorado
November 29, 2022

CAPITOL HILL COMMUNITY SERVICES
Statement of Financial Position
August 31, 2022
(With Comparative Totals for 2021)

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 31,741	\$ 67,556
Investments	72,211	94,575
Property and Equipment		
Computers and equipment	2,555	2,555
Program vehicle	<u>18,626</u>	<u>18,626</u>
	21,181	21,181
Less: accumulated depreciation	<u>(18,386)</u>	<u>(14,661)</u>
	<u>2,795</u>	<u>6,520</u>
	<u>\$106,747</u>	<u>\$168,651</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accrued payroll liabilities	\$ 575	\$ 19,308
Net assets		
Without restrictions – operating	33,961	54,768
Without restrictions – board designated	<u>72,211</u>	<u>94,575</u>
	<u>106,172</u>	<u>149,343</u>
	<u>\$106,747</u>	<u>\$168,651</u>

The accompanying notes are an integral part of these statements.

CAPITOL HILL COMMUNITY SERVICES
Statement of Activity and Changes in Net Assets
For the Year Ended August 31, 2022
(With Comparative Totals for 2021)

	<u>2022</u>	<u>2021</u>
PUBLIC SUPPORT AND REVENUE		
Direct and indirect contributions	\$ 106,883	\$ 135,870
Government support	10,000	44,110
Foundation grants	153,695	150,606
In-kind donations	<u>125,574</u>	<u>97,900</u>
Total public support	396,152	428,486
Realized investment income	1,242	2,433
Unrealized gain (loss)	<u>(3,607)</u>	<u>11,399</u>
Total revenue	<u>(2,365)</u>	<u>13,832</u>
Total public support and revenue	393,787	442,318
FUNCTIONAL EXPENSES		
Program Services		
Meal site program	397,868	388,956
Support Services		
Management and general	27,888	23,174
Financial development	<u>11,202</u>	<u>9,370</u>
Total expenses	<u>39,090</u>	<u>32,544</u>
Change in net assets	(43,171)	20,818
Net assets, beginning of year	<u>149,343</u>	<u>128,525</u>
Net assets, end of year	<u>\$106,172</u>	<u>\$149,343</u>

The accompanying notes are an integral part of these statements.

CAPITOL HILL COMMUNITY SERVICES

Statement of Functional Expenses
 For the Year Ended August 31, 2022
 (With Comparative Totals for 2021)

	Program Services	Management and General	Financial Development	Total expenses 2022	Total expenses 2021
Personnel expenses	\$ 195,404	\$ 16,374	\$ 6,549	\$ 218,327	\$ 235,695
Cost of meals	112,209	--	--	112,209	85,883
Occupancy costs	49,154	2,640	660	52,454	43,609
Contract & professional services	27,113	5,083	1,694	33,890	37,192
Insurance expense	5,106	2,816	--	7,922	8,311
Postage & printing	--	683	--	683	228
Technology & communications	1,633	127	55	1,815	2,578
Transportation expenses	1,401	--	--	1,401	1,512
Office supplies & expenses	2,123	165	70	2,358	2,309
Development expenses	--	--	2,174	2,174	458
Sub-total before depreciation	<u>394,143</u>	<u>27,888</u>	<u>11,202</u>	<u>433,233</u>	<u>417,775</u>
Depreciation	<u>3,725</u>	<u>--</u>	<u>--</u>	<u>3,725</u>	<u>3,725</u>
Total	<u>\$397,868</u>	<u>\$27,888</u>	<u>\$11,202</u>	<u>\$436,958</u>	<u>\$421,500</u>

The accompanying notes are an integral part of these statements.

CAPITOL HILL COMMUNITY SERVICES
Statement of Cash Flows
For the Years Ended August 31, 2022 & 2021

	<u>2022</u>	<u>2021</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (43,171)	\$ 20,818
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation	3,725	3,725
Unrealized (gain) loss on investments	3,607	(11,399)
Forgiveness of PPP loan by SBA	--	(31,610)
Changes in operating assets and liabilities:		
Proceeds from PPP loan from SBA	--	31,610
(Decrease) increase in accrued payroll liabilities	<u>(18,734)</u>	<u>17,011</u>
Net cash flow from operating activities	(54,573)	30,155
Cash flow from investing activities:		
Investments – reinvestment of income & gains	(1,242)	(2,917)
Investments – transfers out to operations	<u>20,000</u>	<u>--</u>
Net cash flow from investing activities	18,758	(2,917)
CHANGE IN CASH AND CASH EQUIVALENTS	(35,815)	27,238
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>67,556</u>	<u>40,318</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$31,741</u>	<u>\$67,556</u>
Supplemental disclosure of cash flow information:		
Interest & dividends received – cash basis	<u>\$1,242</u>	<u>\$1,494</u>

The accompanying notes are an integral part of these statements.

CAPITOL HILL COMMUNITY SERVICES

Notes to Financial Statements

August 31, 2022

Note 1: Summary of Significant Accounting Policies
Significant accounting policies are as follows:

a. Organization

Capitol Hill Community Services (CHCS) was incorporated under the laws of the state of Colorado on January 13, 1986 as a 501(c)(3) nonprofit corporation. CHCS has been serving nutritious hot meals to Denver's homeless and indigent population ever since. The philosophy of CHCS is to serve people with dignity and respect. The network of volunteers that CHCS relies upon to serve meals has been trained to extend a sense of empathy and caring to those they serve.

Meals are served at noon six days a week from four rotating church site kitchens in the Capitol Hill neighborhood. CHCS served 26,000 meals during its most recent year-ended August 31, 2022.

b. Financial statement presentation

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles of the United States of America (USGAAP).

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:

Without restrictions- Resources not subject to donor-imposed restrictions.

With donor restrictions - Resources subject to donor-imposed restrictions that will be satisfied either by the actions of CHCS or the passage of time. There were no net assets of this type on hand at either August 31, 2022 or 2021.

c. Cash and cash equivalents and marketable securities

CHCS considers all demand deposits, savings accounts, 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. Account balances at August 31, 2022 were fully insured by the FDIC.

d. Property and equipment

CHCS follows the practice of capitalizing all expenditures for property and equipment in excess of \$500. The fair value of donated assets is similarly capitalized. Repairs and other renewals of items are charged to expense as incurred. Depreciation of items is provided herein using the straight-line basis and estimated useful lives of five years.

(Continued)

CAPITOL HILL COMMUNITY SERVICES

Notes to Financial Statements

August 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

d. Property and equipment (continued)

Depreciation expense for the current year was \$3,725.

e. Revenue recognition

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor either for future periods or specific purposes are reported as support that increases the "with donor restrictions" net asset class. When a donor restriction is satisfied, net assets "with donor restrictions" are reclassified to net assets "without restrictions" and reported in the statement of activities as "net assets released from restrictions". If a donor restriction is satisfied in the same time period in which the contribution is received, CHCS reports the support as "without restrictions". CHCS has no fee income.

f. Donated food, program space and services

Contributions of food and meal site and office space are recorded at their estimated fair values since both would typically need to be purchased if not provided by donation. Food and donated space received with values of \$91,200 and \$27,174, respectively, are recorded under "cost of meals" and "occupancy," herein. Contributed services are also recorded at estimated fair value if they are technical in nature, are donated by people with the certified skills and would have been purchased if not donated. \$7,200 of the services received during the current year met these requirements and are recorded herein under "contract & professional services". CHCS relies on the services of numerous "general labor" volunteers to carry out its mission of serving meals. Since the related skills are not technical, this time is not recorded herein but would have amounted to \$29,520 during the most recent year.

g. Estimates

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

h. Functional expenses

Expenses which directly benefit a program or a supporting service area are charged directly to such area. Expenses which benefit more than one area are allocated based upon the staff time expended or another reasonable basis.

(Continued)

CAPITOL HILL COMMUNITY SERVICES
Notes to Financial Statements
August 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

i. Subsequent events

Management has evaluated subsequent events through November 29, 2022, the date that the auditor's opinion was available to be issued.

j. Comparative financial information

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class, which does not constitute a presentation in conformity with USGAAP. Accordingly, such information should be read in conjunction with our audited financial statements for the year ended August 31, 2021, from which the summarized information was derived.

k. Tax status

The Internal Revenue Service recognizes the tax-exempt status of CHCS under IRC Section 501(c)(3). CHCS has determined that it has no items of unrelated business income and believes that it has complied with all requirements necessary to maintain its tax-exempt status

Note 2: Designated Endowment Fund

The CHCS Board of Directors has established a Designated Endowment Fund, which is designated as a reserve for "unanticipated needs" and can only be spent based upon the Board's prior majority approval. The fund's value was \$94,575 at August 31, 2021. During the current year the fund had \$1,242 in realized investment income and an unrealized loss of \$3,607. A \$20,000 distribution was authorized and taken during the current year. The balance in the fund at August 31, 2022 was \$72,211. There is no prescribed formula for distributions from the fund. In accordance with the Board's investment policy the underlying assets are invested in a prescribed mix of cash equivalents, stocks and mutual funds.

Note 3: Fair Value of Investments

In accordance with USGAAP, investments with an original cost basis of \$64,646 and \$80,891 at August 31, 2022 and 2021, respectively, are recorded herein by CHCS at fair value using FASB Hierarchy Level 1 quoted existing market prices, which were as follows at August 31:

<u>Category</u>	<u>2022</u>	<u>2021</u>
Stocks	\$20,839	\$22,838
Cash equivalents	22,713	40,648
Mutual funds	<u>28,659</u>	<u>31,089</u>
	<u>\$72,211</u>	<u>\$94,575</u>

(Continued)

CAPITOL HILL COMMUNITY SERVICES

Notes to Financial Statements

August 31, 2022

Note 4: Liquidity and Availability of Financial Resources

CHCS's cash flow needs are closely monitored during the year by the Board of Directors. Financial assets available for general operating expenditure within one year of the balance sheet date consist of the following current assets, less that which is designated by the board of directors, as illustrated on the Statement of Financial Position, herein:

Cash and cash equivalents	\$ 31,741
Investment assets	72,211
Less: funds designated by board of directors	<u>(72,211)</u>
	<u>\$31,741</u>

Note 5: Retirement Plan

CHCS maintains a Simplified Employee Pension Plan (SEP) for the benefit of eligible employees. Although not required, CHCS has made annual employer contributions to the plan since its inception. During the current year, the employer contribution was \$9,385, representing 15% of qualifying salaries.

Note 6: Prior Year PPP Loan from Small Business Administration

In February 2021, CHCS received a \$31,610 loan through its bank under the Small Business Administration's Payroll Protection Program (PPP) intended to help mitigate the financial impact of the COVID 19 pandemic by providing support to meet certain payroll and related expenses. Recorded as a liability initially, CHCS used the proceeds as prescribed in the loan agreement and submitted an application for forgiveness of the loan.

On July 19, 2021 CHCS was officially informed by the SBA that the debt had been forgiven. Accordingly, it was reclassified as "government support" in the prior year in the financial statements, herein.