

CAPITOL HILL COMMUNITY SERVICES

FINANCIAL STATEMENTS

* * * * *

AUGUST 31, 2021

CONTENTS

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



Member, AICPA and Colorado Society of CPAs

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Capitol Hill Community Services

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, 2021, and the related statements of activities and changes in net assets 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.

Opinion

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, 2021 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.

Davis & Co., CPAs, P.C.

Highlands Ranch, Colorado
November 30, 2021

CAPITOL HILL COMMUNITY SERVICES
Statement of Financial Position
August 31, 2021
(With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 67,556	\$ 40,318
Investments	94,575	80,259
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>(14,661)</u>	<u>(10,936)</u>
	<u>6,520</u>	<u>10,245</u>
	<u>\$168,651</u>	<u>\$130,822</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accrued payroll liabilities	\$ 19,308	\$ 2,297
Net assets		
Without restrictions – operating	54,768	48,266
Without restrictions – board designated	<u>94,575</u>	<u>80,259</u>
	<u>149,343</u>	<u>128,525</u>
	<u>\$168,651</u>	<u>\$130,822</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, 2021
(With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
PUBLIC SUPPORT AND REVENUE		
Direct and indirect contributions	\$ 135,870	\$ 55,286
Government support & debt forgiveness income	44,110	--
Foundation grants	150,606	146,862
In-kind donations	<u>97,900</u>	<u>143,606</u>
Total public support	428,486	345,754
Realized investment income	2,433	2,060
Unrealized gains	<u>11,399</u>	<u>10,698</u>
Total revenue	<u>13,832</u>	<u>12,758</u>
Total public support and revenue	442,318	358,512
 FUNCTIONAL EXPENSES		
Program Services		
Meal site program	388,956	363,264
Support Services		
Management and general	23,174	17,568
Financial development	<u>9,370</u>	<u>7,705</u>
	<u>32,544</u>	<u>25,273</u>
Total expenses	<u>421,500</u>	<u>388,537</u>
Change in net assets	20,818	(30,025)
Net assets, beginning of year	<u>128,525</u>	<u>158,550</u>
Net assets, end of year	<u>\$149,343</u>	<u>\$128,525</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, 2021
 (With Comparative Totals for 2020)

	Program Services	Management and General	Financial Development	Total expenses 2021	Total expenses 2020
Personnel expenses	\$ 212,126	\$ 16,498	\$ 7,071	\$ 235,695	\$ 168,715
Cost of meals	85,883	--	--	85,883	125,703
Occupancy costs	42,083	1,090	436	43,609	44,254
Contract & professional services	32,994	2,939	1,259	37,192	34,374
Insurance expense	6,233	2,078	--	8,311	6,154
Postage & printing	--	228	--	228	70
Technology & communications	2,321	180	77	2,578	1,751
Transportation expenses	1,512	--	--	1,512	1,567
Office supplies & expenses	2,079	161	69	2,309	1,138
Development expenses	--	--	458	458	1,086
Sub-total before depreciation	<u>385,231</u>	<u>23,174</u>	<u>9,370</u>	<u>417,775</u>	<u>384,812</u>
Depreciation	<u>3,725</u>	<u>--</u>	<u>--</u>	<u>3,725</u>	<u>3,725</u>
Total	<u>\$388,956</u>	<u>\$23,174</u>	<u>\$9,370</u>	<u>\$421,500</u>	<u>\$388,537</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, 2021 & 2020

	<u>2021</u>	<u>2020</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 20,818	\$ (30,025)
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation	3,725	3,725
Unrealized (gain) on investments	(11,399)	(10,698)
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>17,011</u>	<u>(984)</u>
Net cash flow from operating activities	30,155	(37,982)
Cash flow from investing activities:		
Investments – reinvestment of income & gains	(2,917)	(5,395)
Investments – transfers out to operations	<u>--</u>	<u>59,432</u>
Net cash flow from investing activities	(2,917)	54,037
CHANGE IN CASH AND CASH EQUIVALENTS	27,238	16,055
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>40,318</u>	<u>24,263</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$67,556</u>	<u>\$40,318</u>
Supplemental disclosure of cash flow information:		
Interest & received – cash basis	<u>\$1,494</u>	<u>\$1,254</u>

The accompanying notes are an integral part of these statements.

CAPITOL HILL COMMUNITY SERVICES

Notes to Financial Statements

August 31, 2021

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 20,000 meals during its most recent year-ended August 31, 2021.

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, 2021 or 2020.

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, 2021 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, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

d. Property and equipment (continued)

When items are disposed of the related cost and accumulated depreciation is eliminated from the accounts and a loss (if any) shown as operating.

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".

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 \$61,200 and \$29,500, 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, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

i. Subsequent events

Management has evaluated subsequent events through November 30, 2021, 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, 2020, 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/Impact of Pandemic

The CHCS Board of Directors has established a Designated Endowment Fund, which is designated as a reserve for "unanticipated future needs" and can only be spent based upon the Board's prior majority approval. The fund's value was \$80,259 at August 31, 2020. During the current year the fund had \$2,917 in realized investment income and an unrealized gain of \$11,399. The balance in the fund at August 31, 2021 was \$94,575.

There is no prescribed formula for distributions from the fund. The prior year distributions of \$59,432 were higher than those in recent past history due to the adverse impact the pandemic had on CHCS from mid-March through June of 2020. Since then, CHCS shifted to serving daily meals from one location capable of dealing with the restrictions required by the state of Colorado, which were slowly eased over the course of the current year. Additionally, \$44,110 in emergency government assistance was received in the current year.

In accordance with the Board's investment policy the underlying assets are invested in a prescribed mix of cash equivalents, bonds and mutual funds.

Note 3: Fair Value of Investments

In accordance with USGAAP, investments with an original cost basis of \$80,891 and \$77,183 at August 31, 2021 and 2020, respectively, are recorded herein by CHCS at fair value using Level 1 quoted market prices, which were as follows at August 31:

(Continued)

CAPITOL HILL COMMUNITY SERVICES
Notes to Financial Statements
August 31, 2021

Note 3: Fair Value of Investments (Continued)

<u>Category</u>	<u>2021</u>	<u>2020</u>
Corporate & municipal bonds	\$ --	\$ 10,282
Stocks	22,838	--
Cash equivalents	40,648	33,514
Mutual funds	31,089	36,463
	<u>\$94,575</u>	<u>\$80,259</u>

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	\$ 67,566
Investment assets	94,575
Less: funds designated by board of directors	<u>(94,575)</u>
	<u>\$67,566</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 \$18,248, representing 15% of qualifying salaries.

Note 6: 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 has now been reclassified as "debt forgiveness income" in the financial statements, herein.