

**CAPITOL HILL COMMUNITY SERVICES**

**FINANCIAL STATEMENTS**

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**AUGUST 31, 2019**

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## 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, 2019, 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, 2019 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  
December 17, 2019

**CAPITOL HILL COMMUNITY SERVICES**  
Statement of Financial Position  
August 31, 2019  
(With Comparative Totals for 2018)

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 24,263	\$ 55,563
Investments	123,598	151,000
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>(7,211)</u>	<u>(3,486)</u>
	<u>13,970</u>	<u>17,695</u>
	<u>\$161,831</u>	<u>\$224,258</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accrued payroll liabilities	\$ 3,281	\$ 15,836
Net assets		
Without restrictions – operating	54,240	98,260
Without restrictions – board designated	<u>104,310</u>	<u>110,162</u>
	<u>158,550</u>	<u>208,422</u>
	<u>\$161,831</u>	<u>\$224,258</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, 2019**  
**(With Comparative Totals for 2018)**

	<u>2019</u>	<u>2018</u>
<b>PUBLIC SUPPORT AND REVENUE</b>		
Direct and indirect contributions	\$ 85,891	\$ 99,667
Foundation grants	135,750	135,166
In-kind donations	<u>169,116</u>	<u>183,288</u>
Total public support	390,757	418,121
Realized investment income	6,005	7,077
Unrealized gains (losses)	<u>(8,390)</u>	<u>(3,633)</u>
Total revenue	<u>(2,385)</u>	<u>3,444</u>
Total public support and revenue	388,372	421,565
 <b>FUNCTIONAL EXPENSES</b>		
Program Services		
Meal site program	409,531	412,596
Support Services		
Management and general	19,509	19,173
Financial development	<u>9,204</u>	<u>9,562</u>
	<u>28,713</u>	<u>28,735</u>
Total expenses	<u>438,244</u>	<u>441,331</u>
<b>Change in net assets</b>	(49,872)	(19,766)
<b>Net assets, beginning of year</b>	<u>208,422</u>	<u>228,188</u>
<b>Net assets, end of year</b>	<u>\$158,550</u>	<u>\$208,422</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, 2019  
(With Comparative Totals for 2018)

	Program Services	Management and General	Financial Development	<u>Total expenses</u>	
				<u>2019</u>	<u>2018</u>
Personnel expenses	\$ 166,746	\$ 12,969	\$ 5,558	\$ 185,273	\$ 169,897
Cost of meals	153,280	--	--	153,280	170,398
Occupancy costs	42,785	1,341	576	44,702	51,818
Contract & professional services	35,429	2,753	1,181	39,363	34,932
Insurance expense	4,017	2,009	--	6,026	7,282
Postage & printing	--	160	--	160	1,064
Telecommunications	1,413	112	47	1,572	1,586
Office supplies & expenses	2,136	165	70	2,371	1,785
Development expenses	--	--	<u>1,772</u>	<u>1,772</u>	<u>1,638</u>
Sub-total before depreciation	405,806	19,509	9,204	434,519	440,400
 Depreciation	 <u>3,725</u>	 <u>--</u>	 <u>--</u>	 <u>3,725</u>	 <u>931</u>
 Total	 <u>\$409,531</u>	 <u>\$19,509</u>	 <u>\$9,204</u>	 <u>\$438,244</u>	 <u>\$441,331</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, 2019 & 2018

	<u>2019</u>	<u>2018</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (49,872)	\$ (19,766)
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation	3,725	931
Unrealized (gain) loss on investments	8,390	3,633
Changes in operating assets and liabilities:		
(Decrease) in accrued payroll liabilities	<u>(12,555)</u>	<u>(2,900)</u>
Net cash flow from operating activities	(50,312)	(18,102)
Cash flow from investing activities:		
Additions to property and equipment	—	(18,626)
Investments – reinvestments, net	(5,988)	(5,071)
Investments – transfers out to operations	<u>25,000</u>	<u>36,097</u>
Net cash flow from investing activities	19,012	12,400
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	(31,300)	(5,702)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>55,563</u>	<u>61,265</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$24,263</u>	<u>\$55,563</u>
Supplemental disclosure of cash flow information:		
Interest received – cash basis	<u>\$1,137</u>	<u>\$715</u>

The accompanying notes are an integral part of these statements.

**CAPITOL HILL COMMUNITY SERVICES**  
Notes to Financial Statements  
August 31, 2019

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 45,000 meals during its most recent year-ended August 31, 2019.

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, 2019 or 2018.

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, 2019 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, 2019

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 designated by the donor for future periods or restricted by the donor for specific purposes are reported as support that increases the "with donor restrictions" net asset class. When a temporary restriction expires, 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 restriction is fulfilled 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 \$127,548 and \$29,568, 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. \$12,000 of the services received during the current year met these requirements.

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 \$49,200 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 directly identified with the program or a supporting service area are charged directly to such area. Expenses which benefit more than one area are allocated based upon time expended or other reasonable criteria.

(Continued)

**CAPITOL HILL COMMUNITY SERVICES**  
**Notes to Financial Statements**  
**August 31, 2019**

**Note 1: Summary of Significant Accounting Policies (Continued)**

**i. Subsequent events**

Management has evaluated subsequent events through December 17, 2019, the date that the auditor's opinion on these financial statements 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, 2018, 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 future needs" and can only be spent based upon the Board's prior majority approval. Since its inception in 2003, the fund's value has grown to \$104,310. There was a \$10,000 distribution from the fund during the current year. During the current year the fund reinvested realized income of \$5,510 and had an unrealized loss of \$1,362. In the previous year the fund had no distributions, reinvested realized income of \$4,634, and had an unrealized loss of \$2,533. In accordance with 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 \$121,220 and \$141,702 at August 31, 2019 and 2018, respectively, are recorded herein by CHCS at fair value using Level 1 quoted market prices, which were as follows at August 31:

<u>Category</u>	<u>2019</u>	<u>2018</u>
Corporate & municipal bonds	\$ 66,233	\$ 80,613
Cash equivalents	5,809	34,436
Mutual funds – equity based	<u>51,556</u>	<u>35,951</u>
	<u>\$123,598</u>	<u>\$151,000</u>

(Continued)

**CAPITOL HILL COMMUNITY SERVICES**  
Notes to Financial Statements  
August 31, 2019

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	\$ 24,263
Investment assets	123,598
Less: funds designated by board of directors	<u>(104,310)</u>
	<u>\$43,551</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 \$13,125, representing 15% of qualifying salaries.